

Performance Information for Appropriations

Vote State-Owned Enterprises

MINISTER(S) RESPONSIBLE FOR APPROPRIATIONS: Minister for State Owned Enterprises (M65)
ADMINISTERING DEPARTMENT: The Treasury
MINISTER RESPONSIBLE FOR THE TREASURY: Minister of Finance

Part 1 - Summary of the Vote

Part 1.1 - Overview of the Vote

The Minister for State-Owned Enterprises (SOEs) is responsible for appropriations in Vote SOEs for the 2009/10 financial year totalling \$2.775 million. These appropriations will be spent on ownership, performance monitoring and governance advice to the Minister for SOEs and other responsible Ministers in respect of a portfolio of SOEs, Crown entity companies (CECs) and Crown entities monitored by the Crown Company Monitoring Advisory Unit (CCMAU).

Details of these appropriations are set out in Parts 2-6 below.

Part 1.2 - High-Level Objectives of the Vote

Contribution of Appropriations to Government Priorities and Outcomes

Appropriations	Government Priorities	Government Outcomes
Crown company monitoring advice to the Minister for SOEs and other responsible Ministers.	Grow the New Zealand economy in order to deliver greater prosperity, security and opportunities for all New Zealanders.	Appoint, or reappoint, directors of the highest calibre; set clear, unambiguous expectations for SOEs; improve the levels of disclosure, analysis and feedback to SOEs; better leveraging of Crown company balance sheets; reduce regulatory business and simplify Government processes; focus on portfolio as well as company performance.

Part 1.3 - Trends in the Vote

Summary of Financial Activity

	2004/05	2005/06	2006/07	2007/08	2008/09		2009/10			2010/11	2011/12	2012/13
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budgeted \$000	Estimated Actual \$000	Departmental Transactions Budget \$000	Non- Departmental Transactions Budget \$000	Total Budget \$000	Estimated \$000	Estimated \$000	Estimated \$000
Appropriations												
Output Expenses	2,260	2,480	2,582	2,639	2,568	2,568	2,775	-	2,775	2,739	2,748	2,782
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	-	-	-	-	-
Borrowing Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Intelligence and Security Department Expenses and Capital Expenditure	-	-	-	-	-	-	-	N/A	-	-	-	-
Total Appropriations	2,260	2,480	2,582	2,639	2,568	2,568	2,775	-	2,775	2,739	2,748	2,782
Crown Revenue and Capital Receipts												
Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Non-Tax Revenue	-	-	-	-	-	-	N/A	-	-	-	-	-
Capital Receipts	-	-	-	-	-	-	N/A	-	-	-	-	-
Total Crown Revenue and Capital Receipts	-	-	-	-	-	-	N/A	-	-	-	-	-

New Policy Initiatives

Agreed by the last Government.

Policy Initiative	Appropriation	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
KiwiRail monitoring.	Crown company monitoring advice to the Minister for SOEs and other responsible Ministers.	148	259	271	280	314

Analysis of Significant Trends

Expenditure on monitoring advisory outputs under Vote SOEs has gradually increased over time, reflecting the increasing cost of maintaining a core capability within the CCMAU to provide ownership monitoring advice to, and manage issues on behalf of, responsible Ministers. Over this time, CCMAU has not only maintained its core monitoring and governance role, but has also undertaken a range of additional work.

In addition, CCMAU has provided, and will continue to provide, issue-specific advice affecting a number of SOEs covering a wide range of issues.

Part 2 - Details and Expected Performance for Output Expenses

Part 2.1 - Departmental Output Expenses

Intended Impacts, Outcomes and Objectives

Intended Impacts, Outcomes or Objectives of Appropriations	Appropriations
<p>Outcome: CCMAU provides valuable ownership, performance monitoring, and governance advice to Ministers.</p> <p>Impact: Government appoints, or reappoints, directors of the highest calibre; sets clear, unambiguous expectations for SOEs; improves the levels of disclosure, analysis and feedback to SOEs; better leveraging of Crown company balance sheets; reduces regulatory business and simplifies Government processes; focuses on portfolio as well as company performance.</p>	Crown company monitoring advice to the Minister for SOEs and other responsible Ministers.

Crown Company Monitoring Advice to the Minister for State-Owned Enterprises and Other Responsible Ministers (M65)

Scope of Appropriation

This appropriation is limited to the provision of ownership, performance monitoring and governance advice to the Minister for State Owned Enterprises and other responsible Ministers in respect of the Ministers' shareholding responsibilities or as responsible Ministers for the New Zealand Lotteries Commission and Public Trust.

Expenses and Revenue

	2008/09		2009/10
	Budgeted \$000	Estimated Actual \$000	Budget \$000
Total Appropriation	2,568	2,568	2,775
Revenue from Crown	2,500	2,500	2,707
Revenue from Other	68	68	68

Reasons for Change in Appropriation

During 2008/09, Cabinet approved an appropriation increase for 2008/09 and outyears for the monitoring of New Zealand Railways Corporation following the purchase of KiwiRail. As detailed in "Current and Past Policy Initiatives" the increase was phased reflecting that the purchase occurred part way through 2008/09.

Output Performance Measures and Standards

	2008/09		2009/10
	Budgeted Standard	Estimated Actual Standard	Budget Standard
Performance Measures			
Quality standards for analysis and advice.	Achieved	Achieved	Achieved
Ministerial Satisfaction	Materially met	Materially met	Materially met

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). The estimated net worth (total assets less total liabilities) of SOEs, CECs and Crown entities that 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 2009 budget.

KiwiRail was acquired by the New Zealand Railways Corporation on 1 October 2008, and a business plan for the new enlarged entity is being prepared. The below figures are the best available at present, and are taken from the half-year (unaudited) report for the period ended 31 December 2008.

Timberlands is expected to be wound-up as an SOE by 30 June 2009.

State Owned Enterprises:	Balance Date	2009 Estimated Net Worth \$000	2010 Estimated Net Worth \$000
Airways Corporation of New Zealand Ltd	30 June	55,365	59,308
Animal Control Products Ltd	30 June	5,540	5,540
AsureQuality Ltd	30 September	32,500	34,500
Electricity Corporation of New Zealand Ltd	30 June	1,500	1,500
Genesis Power Ltd	30 June	1,406,000	1,415,000
Kordia Group Ltd	30 June	103,400	106,000
Landcorp Power Ltd	30 June	1,469,000	1,562,000
Learning Media Ltd	30 June	3,419	3,572
Meridian Energy Ltd	30 June	4,349,700	4,375,900
Meteorological Service of New Zealand Ltd	30 June	18,439	20,577
Mighty River Power Ltd	30 June	2,381,000	2,468,000
New Zealand Post Ltd	30 June	735,600	824,900
New Zealand Railways Corporation Ltd (KiwiRail Group)	30 June	11,717,696	11,717,696
Quotable Value New Zealand Ltd	30 June	22,277	24,058
Solid Energy New Zealand Ltd	30 June	473,490	553,609
Timberlands West Coast Ltd	30 June	-	-
Transpower New Zealand Ltd	30 June	1,502,000	1,691,000
Crown Entity Companies:			
Radio New Zealand Ltd	30 June	39,948	39,987
Television New Zealand Ltd	30 June	182,600	188,200
Crown Entities:			
New Zealand Lotteries Commission	30 June	41,713	41,713
Public Trust	30 June	33,990	41,191
Crown's share of the Crown Companies reported at value calculated by the equity method:			

State Owned Enterprises:	Balance Date	2009 Estimated Net Worth \$000	2010 Estimated Net Worth \$000
Christchurch International Airport Ltd (25% share)	30 June	143,139	145,534
Invercargill Airport Ltd (45% share)	30 June	2,954	3,030
Dunedin International Airport Ltd (50% share)	30 June	16,505	16,410

Conditions on Use of Appropriation

Treasury quality standards for policy

This Quality Standard for Policy Advice sets out the characteristics or dimensions of policy advice that will best enable it to promote well-informed, high-quality decision-making by Ministers. However, the quality dimensions below are not a checklist and not all dimensions will be equally important in every case - judgements are required at the outset about how to apply and balance the quality dimensions to ensure a particular piece of advice is fit for purpose in achieving the result sought.

When undertaking a piece of work, explicit consideration needs to be given to the following:

- What point are Ministers at in their decision-making process? Can Treasury add value? What are our opportunities to have an impact?
- What result are we seeking by providing a piece of advice?
- How should the quality dimensions below be applied and balanced to achieve this result?
- What is the relative priority of this piece of work?
- What level of investment is warranted?

Dimensions of quality policy advice

Analytically rigorous (Analysis)	Set in a wider strategic context (Applied analysis)	Customer focused and persuasive (Advice)
<p><i>Relevant frameworks</i></p> <ul style="list-style-type: none"> • Appropriate analytical frameworks are used, and: knowledge is up-to-date and informed by recent thinking and literature in the field • assumptions behind the frameworks used are explicit and consideration has been given to how they will be expected to play out in the real world (a world which includes information and transaction costs, market failure, government failure, etc) <p>consideration has been given to less traditional frameworks and whether they would add innovative or useful perspectives.</p>	<p><i>Strategic</i></p> <ul style="list-style-type: none"> • Advice is set in the context of the Treasury's results and informed by a strategic view about what is important. • We are explicit about the relative importance and materiality of the issue, in fiscal, economic and strategic terms. • Connections across policy issues are made, ensuring that Ministers receive a whole-of-government perspective. • Advice considers the long-term implications of decisions and provides a perspective that goes beyond immediate impacts. <p>We frame issues and help set the agenda.</p>	<p><i>Clear</i></p> <ul style="list-style-type: none"> • Advice is compellingly presented. It is: brief and concise - key messages should be readily apparent to the reader • easy to read - has a clear and logical structure, avoids technical jargon and uses visual devices such as charts and tables where possible • pitched to suit the target audience - uses appropriate language, style and level of detail • framed in terms of how it fits with previous advice and communications with the Minister.
<p><i>Robust reasoning and logic</i></p> <p>Advice has a clear purpose, problem definition, evaluation of options against criteria, and assessment of risks and opportunities. We come to a conclusion and give action-oriented recommendations.</p>	<p><i>Practical</i></p> <p>Issues of implementation, technical feasibility, practicality and timing are considered and advice accurately identifies compliance, transitional, legislative, revenue and administrative implications and costs.</p>	<p><i>Timely</i></p> <p>Reports should meet Ministers' need for advice that helps in the decision-making process (even if it means, at times, that advice is not fully developed) and indicate when a decision is required.</p>

Dimensions of quality policy advice		
Analytically rigorous (Analysis)	Set in a wider strategic context (Applied analysis)	Customer focused and persuasive (Advice)
<p><i>Evidence-based</i></p> <ul style="list-style-type: none"> Analysis is supported by relevant evidence: Empirical methods are sound, data gaps are identified and the level of confidence/certainty in our empirical base is explicit. We draw on New Zealand experience of current and past policy interventions and, where relevant, the experience of other countries. <p>We give our best judgement despite data imperfections; we acknowledge information limitations and advise within them.</p>	<p><i>Public sector consultation</i></p> <ul style="list-style-type: none"> Ministers receive advice that enables them to engage with their colleagues on a fully informed basis because: thorough and timely consultation with other government departments has occurred and points of difference, and the reasons for these, are set out. <p>Where possible, advice is developed in conjunction with relevant government agencies.</p>	<p><i>Politically aware</i></p> <ul style="list-style-type: none"> Advice: demonstrates awareness of the wider environment and political situation is based on a clear understanding of the desired outcomes of the Minister/Government relates to the perspectives of Ministers, even if suggesting something that tests those perspectives. <p>Recognises choices and constraints Ministers face, and includes a range of options to address these.</p>
<p><i>Free and frank</i></p> <p>Our advice is honest, impartial and politically neutral - we have a duty to alert Ministers to the possible consequences of following particular policies, whether or not such advice accords with Ministers' views. Good free and frank advice is offered with an understanding of its political context and the constraints within which the Minister is operating.</p>	<p><i>Perspectives of wider stakeholders</i></p> <p>We understand and advise Ministers on the perspective of groups outside the public sector, consult with key stakeholders, and provide advice on communications where appropriate.</p>	<p><i>Solution focused</i></p> <p>We are proactive, anticipating, as well as responding to, Ministers' needs. Advice suggests a clear way forward ("Here is what you can do" as well as "Here is a problem") and includes a range of practical options (first best advice, but also second and third).</p>

Quality involves continuous improvement

At the end:

- Did we achieve the result we were seeking?
- Were our judgements about what would be fit for purpose correct?
- What would we do differently next time?
- How can we capture and share this learning?

Current and Past Policy Initiatives

Policy Initiative	Year of First Impact	2008/09 Budgeted \$000	2009/10 Budget \$000	2010/11 Estimated \$000	2011/12 Estimated \$000	2012/13 Estimated \$000
KiwiRail monitoring	2008/09	148	259	271	280	314