

Commercial: Sensitive

CAB Min (01) 28/18

Recapitalisation of Air New Zealand

On 10 September 2001 Cabinet:

- 1 noted the contents of the submission tabled by the Acting Minister of Finance (Hon Trevor Mallard) "Capitalisation of Air New Zealand", and the oral briefing from him, the Prime Minister, the Minister of Finance (speaking by phone from Shanghai), and the Secretary of the Treasury;
- 2 noted that the situation relating to Air New Zealand and Ansett Australia remains very fluid;
- 3 noted that on 30 July 2001 Cabinet had established an Ad Hoc Ministerial Committee to approve a negotiations strategy on Air New Zealand's recapitalisation (Prime Minister, Deputy Prime Minister, Minister of Finance (lead), Minister of Tourism, Minister of Commerce, Minister of Transport) [CAB Min (01) 23/20], and that the Committee had been authorised with Power to Act by Cabinet on 3 September and POL on 5 September [CAB Min (01) 27/22 and POL Min (01) 23/7];
- 4
 - 4.1 noted that Ministers on the Ad Hoc Committee had been briefed by government negotiators on 9 September 2001 on the Air New Zealand proposal outlined in the paper tabled by the Associate Minister of Finance;
 - 4.2 noted that Ministers on the Ad Hoc Committee had agreed that the government negotiating team should signal to the Air New Zealand Board that the Crown was prepared to work to progress the Board's proposal;
- 5 agreed that the Crown continue to negotiate on the Air New Zealand Board's proposal, including any necessary changes to Air New Zealand's foreign ownership limits, and possible Crown financial support as a lender of last resort on certain conditions;
- 6 noted that the Crown may need to make further decisions regarding finance and ownership of Air New Zealand, possibly within the next 48 hours;
- 7 noted that these decisions could involve raising the foreign carrier ownership up to 49 percent, and collapsing the Class A and B share structure;
- 8 authorised the Ad Hoc Ministerial Committee to have Power to Act to take the decisions on the finance and ownership issues referred to in this minute if required;
- 9 invited the Minister of Finance or the Associate Minister of Finance to report to the Cabinet Policy Committee on 12 September 2001 on any decisions taken by the Committee under Power to Act, and on the latest developments;
- 10
 - 10.1 noted the advice of the Prime Minister, the Minister of Finance and the Associate Minister of Finance on the views of the Australian government;

10.2 noted that the Minister of Foreign Affairs and Trade, in consultation with the Associate Minister of Finance, would brief the Singapore government on developments.

Secretary

Reference: Paper tabled by Acting Minister of Finance, Hon Trevor Mallard, "Recapitalisation of Air New Zealand"