

**MINUTE OF A MEETING OF THE AD-HOC MINISTERIAL COMMITTEE
ON AIR NEW ZEALAND, TUESDAY 25 SEPTEMBER 2001 AT 10.00 AM.**

PRESENT: Rt Hon Helen Clark
Hon Jim Anderton
Hon Dr Michael Cullen (Chair)
Hon Trevor Mallard
Hon Mark Burton
Hon Paul Swain
Hon Mark Gosche

IN ATTENDANCE: Officials from Department of Prime Minister and Cabinet &
Treasury

The Committee:

1. **noted** that on 17 September 2001 Cabinet had [CAB Min (01) 29/27 refers]:
 - 1.1 considered a submission on the recapitalisation of Air New Zealand, and had confirmed the decisions taken on 13 September 2001 under Power to Act by the Ad Hoc Ministerial Committee established to approve a negotiations strategy on Air New Zealand's recapitalisation;
 - 1.2 noted that it may be necessary for further important decisions related to the recapitalisation of Air New Zealand to be taken before the next Cabinet meeting on 1 October 2001, and had agreed that the Power to Act (PTA) to take such decisions be given to the Ad Hoc Ministerial Committee;
2. **agreed** the following negotiation parameters for the Crown Negotiating Team:
 - 2.1 agree to provide convertible debt (denominated in \$NZ) to Air New Zealand of Australian \$150 million, to enable Air NZ to settle certain Ansett liabilities with the Voluntary Administrator;
 - 2.2 agree that the Crown takes a share placement in Air New Zealand of up to NZ\$700 million (that would be ordinary or convertible preferred equity) subject to due diligence being completed and the Board signing up to a viable business plan and the Australian \$150 million agreement being finalised with the Voluntary Administrator;
 - 2.3 agree that the following important matters be resolved prior to any announcement being made:
 - pricing at which the Crown debt of Australian \$150 million equivalent is convertible to equity;

- agreement of the Air New Zealand Board to the package;
 - agreement of the major shareholders Singapore Airlines (SIA) and Brierley Investments (BIL) to vote in favour of the package;
 - changing of governance structures reflecting the Crown's ownership levels in Air New Zealand;
3. **noted** that the Australian \$150 million agreement with the Voluntary Administrator will be contingent on legal due diligence to ensure it will work, and on the approval of the Australian Federal Court;
 4. **noted** that on 13 September 2001 the Ministerial Ad Hoc Committee agreed that the Board of Air New Zealand be reduced to nine members comprising three each from SIA and BIL and the Chairperson is appointed following consultation between major shareholders and the Crown, plus the Crown gets consulted on one each from BIL and SIA [Annex to CAB Min (01) 29/27, paragraph 3 refers];
 5. **rescinded** the decision regarding Air New Zealand Board governance outlined in paragraph 4 above;
 6. **noted** that the Crown may seek to minimise its ownership stake in Air New Zealand by seeking other partners to take up as many rights as possible (and possibly the entire Crown entitlement) while retaining control for the immediate future;
 7. **noted** the Crown will consider at a future date divesting its shares based on market conditions;
 8. **noted** that if a full recapitalisation package is not agreed following settlement of the Australian \$150 million agreement with the Voluntary Administrator it may not be possible to recoup the full Australian \$150 million;
 9. **agreed** that there is no public announcement until the matters for negotiation in paragraph 2 above are settled;
 10. **invited** the Minister of Finance to report to Cabinet on 1 October 2001 on these decisions and latest developments on the recapitalisation of Air New Zealand.