

Reference: 20200009

27 February 2020

s9(2)(a)

Dear s9(2)(a)

Thank you for your Official Information Act request, received on 16 January 2020. You requested the following 25 documents:

2 Sep 2019 Treasury Report T2019/2618: KiwiRail - equity injection to fund multiple projects

3 Sep 2019 Aide Memoire T2019/2716: Meeting with Reserve Bank Governor

6 Sep 2019 Treasury Report T2019/2768: Tax measures to support the Government's economic strategy

6 Sep 2019 Joint Report by the Treasury and Inland Revenue IR2019/490; T2019/2768: Tax measures to support the Government's Economic Strategy

9 Sep 2019 Joint Report by the Treasury, Department of the Prime Minister and Cabinet, Ministry of Justice and Inland Revenue T2019/2535: Debt to Government - Proposed Areas of Focus

10 Sep 2019 Reserve Bank of New Zealand Report 5325: Consultation Paper: The Future of the Cash System- Te Punaha Moni Anamata

17 Sep 2019 Treasury Report T2019/2313: Upcoming Defence Funding Requests

18 Sep 2019 Reserve Bank of New Zealand Report 5331: The Future of the Cash System - Te Punaha Moni Anamata - Consultation Paper (+ Media Release)

19 Sep 2019 Treasury Report T2019/2918: Letter to Dame Therese Walsh

19 Sep 2019 Aide Memoire T2019/2957: Briefing for meeting with Australian Parliamentary Budget Officer

23 Sep 2019 Reserve Bank of New Zealand Report 5334: Reserve Bank Report: Capital and Deposit Insurance

8 Aug 2019 Treasury Report T2019/2153: International Monetary Fund- Bilateral loan extension

10 Aug 2019 Aide Memoire T2019/2344: Opportunities for Infrastructure Investment - Transport: Next Steps

12 Aug 2019 Treasury Report T2019/2299: Feedback on three upcoming Cabinet papers for the Immigration System

13 Aug 2019 Joint Report by the Treasury and MBIE T2019/2364: Letter to the Leader of the House on the VCF Bill

14 Aug 2019 Treasury Report T2019/2409: Response to the Guardians letter on the VCF Bill

15 Aug 2019 Treasury Report T2019/2212: SOE Portfolio (delegated): Director Fee Approvals 2019/20

15 Aug 2019 Treasury Report T2019/2474: Final VCF Cabinet Paper and Bill

16 Aug 2019 Treasury Report T2019/2670: Proactive Release of VCF Bill Related Cabinet Papers

16 Aug 2019 Aide Memoire T2019/2430: Reserve Bank 2019 Annual Dividend Recommendation

17 Aug 2019 Aide Memoire T2019/2301: Recent reports on DHB performance and governance

17 Aug 2019 Treasury Report T2019/2599: Letter to RNZ

21 Aug 2019 Treasury Report T2019/2522: Letter to Barbara Chapman

23 Aug 2019 Aide Memoire T2019/2562: Draft Letter of Reply to Minister for Women re Gender Budgeting

29 Aug 2019 Treasury Report T2019/2541: Letter to SOE Chairs on executive remuneration

As you are aware, on 12 February 2019 I extended the timeframe for a response to your request by 40 working days. I also refused part of your request, and informed you that two documents were being withheld in full.

I am now releasing the first tranche of documents to you.

Information being released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	13 August 2019	Aide Memoire T2019/2301: Recent reports on DHB performance and governance	Release in part
2.	14 August 2019	Aide Memoire T2019/2957: Briefing for meeting with Australian Parliamentary Budget Officer	Release in part
3.	14 August 2019	Joint Report by the Treasury and MBIE T2019/2364: Letter to the Leader of the House on the VCF Bill	Release in part
4.	15 August 2019	Treasury Report T2019/2409: Response to the Guardians letter on the VCF Bill	Release in part
5.	17 August 2019	Treasury Report T2019/2474: Final VCF Cabinet Paper and Bill	Release in part
6.	17 August 2019	Treasury Report T2019/2541: Letter to SOE Chairs on executive remuneration	Release in part
7.	17 August 2019	Attachment to Treasury Report T2019/2541	Release in full
8.	29 August 2019	Treasury Report T2019/2599: Letter to RNZ	Release in part
9.	29 August 2019	Treasury Report T2019/2670: Proactive Release of VCF Bill Related Cabinet Papers	Release in part
10.	3 September 219	Aide Memoire T2019/2716 Meeting with Reserve Bank Governor	Release in part
11.	19 September 2019	Treasury Report T2019/2918: Letter to Dame Therese Walsh	Release in part

I have decided to release the documents listed above, subject to information being withheld under the following sections of the Official Information Act, as applicable:

- section 9(2)(a) – to protect the privacy of natural persons, including that of deceased people,
- section 9(2)(b)(ii) – to protect the commercial position of the person who supplied the information, or who is the subject of the information,
- section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers of the Crown and officials
- section 9(2)(g)(ii) – to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment,
- section 9(2)(h) – to maintain legal professional privilege, and
- section 9(2)(k) – to prevent the disclosure of official information for improper gain or improper advantage.

Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury's website.

Publicly available documents

The documents listed in the table below are available online. Accordingly, I am refusing to provide this information under section 18(d) of the Official Information Act:

- the information requested is or will soon be publicly available.

Item	Document Description	Website
1	Attachment 1 - Treasury Report T2019/2474: Final VCF Cabinet Paper and Bill	http://disclosure.legislation.govt.nz/assets/disclosures/bill-government-2019-167.pdf
2	Attachment 2 - Treasury Report T2019/2474: Final VCF Cabinet Paper and Bill	https://treasury.govt.nz/sites/default/files/2019-08/venture-capital-fund-bill-policy-approval-dev-19-sub-0221-4163336.pdf

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses some of the information you requested. The remaining information will be provided to you as soon as practicable. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

David Hammond
Team Leader, Ministerial Advisory

20200009 Table Of Contents

1.	<u>Aide Memoire Recent reports on DHB performance and governance</u>	1
2.	<u>Aide Memoire Briefing for meeting with Australian Parliamentary Budget Officer</u>	4
3.	<u>Joint Report Letter to the Leader of the House on the VCF Bill</u>	7
4.	<u>Treasury Report Response to the Guardians letter on the VCF Bill</u>	10
5.	<u>Treasury Report Final VCF Cabinet Paper and Bill</u>	12
6.	<u>Treasury Report Letter to SOE Chairs on executive remuneration</u>	18
7.	<u>Attachment to Treasury Report T2019 2541 Letter to SOE Chairs on executive remuneration</u>	23
8.	<u>Treasury Report Letter to RNZ</u>	25
9.	<u>Treasury Report Proactive Release of VCF Bill Related Cabinet Papers</u>	28
10.	<u>Treasury Report Letter to Dame Therese Walsh</u>	31
11.	<u>Aide Memoire Meeting with Reserve Bank Governor</u>	34

IN-CONFIDENCE



Reference: T2019/2301 SH-1-8 (Health)

Date: 16 August 2019

To: Minister of Finance (Hon Grant Robertson)

Deadline: 18 August

Aide Memoire: Recent reports on DHB performance and governance

This aide memoire is to update you about two recently published reports on District Health Boards (DHBs): a resource use review (Waikato DHB) and an analysis for governance approaches (Canterbury DHB). These reports may provide you with some useful context ahead of your meeting with the Treasury on 19 August on DHB performance

Waikato District Health Board Resource Review¹

Waikato DHB commissioned a review of its resource use. This was organised by its acting Chief Executive and its Crown Monitor, and was published in June 2019. It mainly focussed on its hospital work, with a high-level review of the DHB's Strategy and Funding department.

The review highlights opportunities for efficiency improvement. It makes around 80 recommendations for how Waikato DHB could improve its performance, including recommended organisation and decision making structures, a budget taskforce team, changed approaches to risk, and better structures for managing patient need. The review notes that the DHB considers its financial deficit is caused by underfunding, but raises concerns about this perspective given the opportunities for efficiency improvement.

Key findings of the review were:

Governance and strategic direction

- An absence of overarching strategic direction which has resulted in siloed investments that have unforeseen flow on effects within the organisation. It recommended improvements to the organisational and clinical governance structures with a focus on organisational recovery with clear targets that are embedded into the organisation.

¹ (Partly redacted) report available at https://www.waikatodhb.health.nz/assets/Docs/About-Us/Key-Publications/Reports/5a3f97dddb/WaikatoDHB-Resource-review_final-redacted.pdf

IN-CONFIDENCE

- Insufficient understanding of future demand to inform strategic investments, and a low level of identification, mitigation, and acceptance of risks. This was highlighted as leading to either an inability to innovate or facing unexpected shocks. To address these issues it recommended a risk appetite framework, and updated risk register, and holding risk training throughout the organisation.
- There was no clear direction for reducing Māori health inequity, despite it being the DHB's number one priority. It recommended ring-fencing funds to address inequity, and specific roles within the proposed organisational structure.
- A need for greater consideration of what services should be provided locally and at a national level to gain system efficiency.
- There were some positive aspects around governance, with efforts of particular staff have leading to "pockets of good governance and practice". It recommended ways to expand and preserve these, to avoid losing them when those particular staff move on.

Financial management and efficiency

- According to the review, "financial and operational performance is not managed throughout the organisation and there is little drive for accountability and clarity." The review considered there was a lack of financial literacy and little awareness of the seriousness of the DHB's deficit. It made extensive recommendations to ensure the organisation as a whole was focused on good financial management. This included more rigorous budget planning and process, and financial literacy training to make financial management reach all parts of the organisation.
- Service activity and financial information is handled by different teams making it more difficult to form a comprehensive understanding of performance.
- There was a lack of corporate discipline observed, leading to incomplete rollout of improvements, duplication of work, and confusion over responsibilities. The proposed new structure is intended to address this.
- Each part of the hospital makes its own decision on whether to use external agency staff, leading to inefficiencies. It was recommended to consolidate outsourcing.
- The review found that the DHB rents some equipment despite it being significantly cheaper to purchase, and in one example hired staff to maintain old equipment instead of paying less to replace it.

²Sheard, D., Clydesdale, G. and Maclean, G. (2019), "Governance structure and public health provision", Journal of Health Organization and Management, Vol. 33 No. 4, pp. 426-442. Available at:
<https://www.emerald.com/insight/content/doi/10.1108/JHOM-11-2018-0336/full/html?skipTracking=true>

IN-CONFIDENCE

Paper on Canterbury DHB's governance²

A recently published academic paper examined the governance of Christchurch Hospital and Canterbury DHB (CDHB).

- It raised concerns about the effectiveness of public elections of DHB Board members in providing public participation and community involvement in DHB governance. It noted low voter turnout and a cumbersome election process. It also considered that some elected CDHB Board members attended few meetings, with one member attending only one of the eleven meetings that year.
- It also raised concerns that some DHB Boards (which are made of up both elected and appointed members)³ may have insufficient skillsets to manage a DHB. It considered that elected DHB members do not always have a background of medical knowledge, financial management skills, experience with healthcare planning, or experience with decision making. Analysis of the CDHB Board's decision making found that in 99% of cases, the Board were only presented with a single option, and that 99% of motions were approved.⁴

Implications for work to improve DHBs' financial sustainability

We consider that some of the issues and potential areas for improvement discussed above may be relevant across the DHB sector as a whole. This information is particularly relevant now because:

- As DHB deficits increase, achieving ongoing improvements in DHBs' financial management (including productivity) and governance approaches will be important to help gain the best health outcomes from within the funding available; and
- It can help to inform the Ministry of Health's work program to develop its updated DHB performance approach.

Alex Rodgers, Senior Analyst, Health, s9(2)(k)
Jess Hewat, Acting Manager, Health, s9(2)(k)

³ DHB Boards may have up to 11 members. Boards contain elected members and up to four members may be appointed by the Minister of Health including the Chair and Deputy Chair.

³ The analysis covered two time periods: September 2009 to August 2010, and February 2012 to October 2013. This was chosen to be before and after the Canterbury Earthquake. On this measure, the report found almost identical results in both time periods.

IN-CONFIDENCE



Reference: T2019/2957 MC-1-5-8-4 (NZ IFI Policy process)

Date: 19 September 2019

To: Minister of Finance (Hon Grant Robertson)
Associate Minister of Finance (Hon James Shaw)

Deadline: 23 September 2019

Briefing for meeting with Australian Parliamentary Budget Officer

This Aide Memoire provides a briefing for your meeting with Jenny Wilkinson, the Australian Parliament Budget Officer, on Monday 23 September 2019.

Meeting time and location

- 10:00-10:45am
- Room 7.6 EW Beehive

Attendees

- Jenny Wilkinson, Australian Parliamentary Budget Officer
- Neil Kidd, Principal Advisor, The Treasury

Purpose

The meeting is an opportunity for you to ask Ms Wilkinson about her experience as head of the Australian Parliamentary Budget Office (PBO), and what advice she would give in considering the design of the New Zealand PBO.

Suggested talking points

Institutional form:

- How has the institutional form of the PBO affected perceptions of its independence and legitimacy?
- What factors, such as funding arrangements and appointment processes, have contributed to improve perceptions of the PBO's independence and legitimacy?

IN-CONFIDENCE

Access to information:

- How does the PBO ensure confidentiality in providing its costing services?
- Does the PBO always get the information it needs from government departments in order to produce costings?
- What information do departments withhold from the PBO, and how does the PBO manage this when producing its costings?

Prioritisation:

- How does the PBO manage demand for its services?

Background to meeting

Ms Wilkinson had a video call with the Officers of Parliament Committee (OPC) on 12 September, as part of OPC's consideration of whether the New Zealand PBO should be an Officer of Parliament. The main points from the meeting were:

- ***There is high demand for the Australian PBO's services*** – they costed c. 3000 policy options for parliamentarians in the past 12 months; very few party announcements are made without having been costed by the PBO.
- ***Access to government information is critical*** – the PBO have memoranda of understanding with government departments to obtain information; they send c. 500 requests for information to departments every year.
- ***Factors that helped the PBO establish its legitimacy included:***
 - ***Confidentiality provisions***, which require Ministers not to ask about, and departments not to disclose, details of PBO requests for information.
 - ***Government support for access to information***, given that this is a critical input into the PBO's work.
 - ***Sparingly using media releases*** to correct parties in their presentation of costings.

In addition to Ms Wilkinson's meeting with you, she will also be doing the following during her 2-day visit to New Zealand:


- ***Treasury Guest Lecture*** on the establishment of the Australian PBO.
- ***Q&A with the Women in Economics*** Network New Zealand.
- ***Meeting the Treasury*** teams working on the PBO and interim policy costing unit.

IN-CONFIDENCE

Background on the Australian PBO

- **The Australian PBO was established in 2012**, with the mandate to “inform the Parliament by providing independent and non-partisan analysis of the budget cycle, fiscal policy and the financial implications of proposals”.
- **The PBO is a parliamentary department.** It works directly for, and is accountable to, the Australian Parliament. The Parliamentary Budget Officer is a statutory officer appointed by and reporting to the Parliament’s Presiding Officers (the Speaker of the House of Representatives and the President of the Senate).
- **The PBO’s funding is considered by a Select Committee** (the Joint Committee of Public Accounts and Audit), who then make recommendations to both Houses of Parliament and the Presiding Officers. The Government is not required to accept these recommendations.
- **The PBO’s main functions are to:**
 - **Respond to requests made by parliamentarians and parliamentary parties** for costings of policy proposals or for analysis of matters relating to the budget.
 - **Publish a report after every election on the fiscal impact of the election commitments of major parties.**
 - **Conduct and publish research** that enhances the public understanding of the budget and fiscal policy settings.
- Unlike proposals for the New Zealand PBO, the Australian PBO does not provide an assessment of the government’s compliance with its fiscal strategy.

Jenny Wilkinson biography

	<p>Jenny Wilkinson is the head of the Australian PBO. Over her career, Jenny has worked across a wide range of economic policy areas. She has been responsible for providing advice on issues including fiscal and monetary policy settings, macroeconomic forecasts, retirement income and superannuation policy, consumer and competition policy, and climate change policy. She has worked in the Commonwealth Treasury, the Department of Climate Change, the Department of the Prime Minister and Cabinet and the Reserve Bank of Australia. Jenny holds a Bachelor of Economics (Honours) from ANU and a Masters of Public Policy from Princeton University.</p>
---	--

Matt Cowan, Senior Analyst, Macroeconomic and Fiscal Policy, s9(2)(k)
Neil Kidd, Principal Advisor, Macroeconomic and Fiscal Policy, + s9(2)(k)

IN-CONFIDENCE



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI



TE TAI ŌHANGA
THE TREASURY

Joint Report: Letter to the Leader of the House on the VCF Bill

Date:	2 August 2019	Report No:	T2019/2364
		File Number:	KI-3-2-3

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	Sign attached letter	5 August 2019
Minister for Economic Development (Hon Phil Twyford)	None	N/A
Associate Minister of Finance (Hon David Parker)	None	N/A

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Michael Eyre	Senior Analyst, Financial Institutions, Treasury	s9(2)(k)	✓
Joseph Sant	Manager, Financial Institutions, Treasury		
Iain Southall	Policy Director, Economic Development and Transitions Branch, MBIE		

Minister's Office actions (if required)

Return the signed report to Treasury.
Send the letter to the Leader of the House.

Enclosure: Yes (attached)

IN-CONFIDENCE

Joint Report: Letter to the Leader of the House on the VCF Bill

Executive Summary

You have requested a letter to send to the Leader of House asking approval to seek a shortened select committee period for the Venture Capital Fund Bill.

Attached to this report is such a letter. The letter is required to explain:

- Why a period of under four months is necessary.
- Why the Bill has not been introduced earlier so as to facilitate a fuller select committee process.

Recommended Action

We recommend that you **sign** the attached letter to the Leader of the House.

Agree/disagree.
Minister of Finance

Joseph Sant
Manager, Financial Institutions
The Treasury

Ian Southall
Director
Economic Development and Transitions, MBIE

Hon Grant Robertson
Minister of Finance

Hon Phil Twyford
Minister for Economic Development

Hon David Parker
Associate Minister of Finance

Hon Chris Hipkins
Leader of the House
Parliament Buildings
WELLINGTON

Dear Chris

As you will be aware, Minister Parker and I, have been preparing the Venture Capital Fund Bill and plan to seek Cabinet agreement on 26 August (following DEV on 21 August) to introduce the Bill at soon as practical.

I would like to seek your approval to propose a motion to instruct the select committee to report on the bill no later than 3 December under standing order 287(1)(b). This would enable the legislation to be enacted by the end of the year.

There is currently a venture capital gap in New Zealand, and this is leading to many high-growth companies struggling to access the capital they need to develop to their potential. This leads them to being either constrained in their growth or having to seek foreign investment to overcome this funding gap, and may require start-ups to sell down prematurely or move abroad. This may also result in the shareholder value of any success accruing to offshore investors, rather than being recycled back to domestic investors and the domestic venture capital eco-system. This limits the economic benefits to New Zealand from its Research & Development and science investments.

Given this, I see it as vital that we address this gap with some urgency. We announced in Budget 2019 that a new \$300 million fund would be established to help fill this gap and that this would be administered by the Guardians of New Zealand Superannuation.

The Venture Capital Fund Bill is required to enable the Guardians to administer this fund, and hence we need to pass the Bill as quickly as possible, preferably before the House goes into the Christmas recess, to enable this gap to be closed as soon as possible.

It has not been possible to introduce this Bill earlier as cabinet only agreed the high level policy in April of this year and although officials have prioritised this work, we have been conscious of the need to ensure we took enough time to develop fit for purpose and enduring legislation.

Yours sincerely

Hon Grant Robertson
Minister of Finance

cc: Hon Phil Twyford, Minister for Economic Development
Hon David Parker, Associate Minister of Finance

IN-CONFIDENCE



Treasury Report: Response to the Guardians' Letter on the VCF Bill

Date:	8 August 2019	Report No:	T2019/2409
		File Number:	CM-1-3-100

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	Sign the attached letter	15 August 2019
Minister for Economic Development (Hon Phil Twyford)	For information	N/A
Associate Minister of Finance (Hon David Parker)	For information	N/A

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Michael Eyre	Senior Analyst, Financial Institutions	s9(2)(k)	s9(2)(g)(ii)	✓
Joseph Sant	Manager, Financial Institutions			

Minister's Office actions (if required)

Return the signed report to Treasury.

Send signed letter to the CEO of the NZ Super Fund

Note any feedback on the quality of the report

Enclosure: Yes (attached)

Treasury Report: Response to the Guardians' Letter on the VCF Bill

You recently received a letter from Matt Whineray, Chief Executive Officer of the Guardians of New Zealand Superannuation (the Guardians), outlining some of his concerns over the Venture Capital Fund Bill (T2019/1961 refers).

These issues were discussed with Officials at a meeting on 24 July 2019. Mr Whineray was comfortable with the process being executed by Officials but raised some points on the impact of time pressures and the policy fit with the entity form of the Guardians. He also raised a rationale not previously raised by Officials for your consideration.

Attached is a draft letter that responds to these concerns.

Recommended Action

We recommend that the Minister of Finance:

- a **Sign** the attached letter.

Agree/disagree

We recommend that the Minister for Economic Development and Associate Minister of Finance:

- b **note** that a letter response to the Guardians of New Zealand Superannuation has been provided, per the discussion with Officials on 24 July

Joseph Sant
Manager, Financial Institutions

Hon Grant Robertson
Minister of Finance

Hon Phil Twyford
Minister for Economic Development

Hon David Parker
Associate Minister of Finance

IN-CONFIDENCE

**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKITE TAI ŌHANGA
THE TREASURY**Joint Report: Final VCF Cabinet Paper and Bill**

Date:	14 August 2019	Report No:	T2019/2474
		File Number:	CM-1-3-100-2 (Projects)

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Approve lodging the Venture Capital Fund Bill Cabinet Paper	10am Thursday 15 August
Hon Phil Twyford Minister for Economic Development	Approve lodging the Venture Capital Fund Bill Cabinet Paper	10am Thursday 15 August
Hon David Parker Associate Minister of Finance	Note contents	n/a

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Joseph Sant	Manager, Financial Institutions, Treasury	s9(2)(k)	s9(2)(g)(ii)	✓
Iain Southall	Policy Director, Economic Development and Transitions Branch, MBIE			

Minister's Office actions (if required)**Return** the signed report to Treasury.**Lodge** the Cabinet Paper via CabNet before 10:00am Thursday 15 AugustNote any
feedback on
the quality of
the report

Enclosure:

[CAB Paper - Venture Capital Fund Bill \(Treasury:4130126\)](#)

[VCF Bill Disclosure Statement \(Treasury:4135428v1\)](#)

s9(2)(h)



RELEASED UNDER THE
OFFICIAL INFORMATION ACT

IN-CONFIDENCE

Joint Report: Final VCF Cabinet Paper and Bill

Purpose of Report

1. We will be submitting a final copy of the Venture Capital Fund Bill Cabinet paper to CabNet by 10 am on Thursday 15 August (also attached to this report). PCO will also be submitting a final copy of the Bill at the same time. This report recommends you lodge these papers for consideration by Cabinet Economic Development Committee (DEV) on 21 August.
2. The Cabinet Paper and Bill have not significantly changed since you last saw them [T2019/1961 refers]. However, this report discusses any issues we think you need to be aware of at this stage.
3. Also attached to this report is a near final departmental disclosure statement. This departmental disclosure statement is required to be attached to the Cabinet Paper when it is lodged. You have not previously seen a copy of this statement.

Points to Highlight at this stage

Departmental Disclosure Statement

4. We are required to prepare a Departmental Disclosure Statement in relation to the Bill that will be published when the Bill is introduced. The Departmental Disclosure Statement seeks to bring together in one place a range of information to support and enhance the Parliamentary and public scrutiny of that Bill.
5. A near final version of the Departmental Disclosure Statement is required to be attached to the Cabinet Paper seeking approval to introduce a Bill.
6. In particular the Disclosure Statement for the VCF Bill:
 - identifies Schedule One of the Bill, which requires the Guardians to reach an agreement with NZVIF, as an unusual provision
 - calls out the Policy Statement as an instrument that although not delegated legislation, will influence how the guardians operate under the Act
 - indicates no regulatory impact assessment or formal cost benefit analysis was carried out but that Ministers are releasing the background cabinet papers and supporting analysis; and
 - indicates that the Bill was prepared with detailed consultation with the Guardians of NZ Super and NZVIF and that the fundamental policy problem (venture capital gap) was identified through consultation with stakeholders in 2018.

IN-CONFIDENCE

Schedule one

7. Schedule one of the Bill contains the provision that require the Guardians to initially use NZVIF to run the Venture Capital Fund (VCF) using a fund of funds model.

s9(2)(h)

8.

9. In the original April Cabinet Paper (DEV-19-MIN-0063 refers) where the option was chosen to have Guardians providing stewardship over a second fund that invested via NZVIF, it was envisaged that this would 'deliver partnership, capability, and an uplift in reputation as a signal to the market'. The paragraphs in the Cabinet paper stated:

a [Paragraph 34] *My preferred option is the most viable option, in my view, because it [...]*

- i *leverages off the resources available to NZSF (making use of its large team of analysts and managers to do due diligence and establish high performing funds)*
- ii *provides a strong market impact by leveraging off the Guardians market position as a trusted investor, a potential market maker, and a provider of signals to other smaller New Zealand or large overseas funds*
- iii *provides a desirable tension in the system with oversight of NZVIF operation by the Guardians*

s9(2)(b)(ii)

10.

11. We want to ensure that Schedule One is drafted in such a way that will guarantee these outcomes as far as is possible. Officials will continue to consider whether minor drafting changes can address this.

s9(2)(b)(ii)

IN-CONFIDENCE

Should VCF investment vehicles be subject to the OIA and OA

14. At our meeting on 24 July we discussed that the Ombudsman had expressed initial concerns that VCF Investment Vehicles would not be covered by the Official information Act (OIA). You indicated that given the Ombudsman concerns, the default position should be that these vehicles should be covered by the OIA, but that we should have further discussion with the Ombudsman's office.

15. After discussions between the Ombudsman's office, the Treasury and the Guardians, the Ombudsman became largely comfortable with the Bill. Namely, the Ombudsman concluded:

"With the benefit of further clarification received from GNZS, I would not oppose wording in the VCF Bill that would, for the avoidance of doubt, clarify that VCF investment funds at the lower tier are not subject to the OA or OIA. However, I think consideration should be given to application of the OA and OIA at the top tier 'fund of funds' level. At this level, it should not have the deterrent effect that GNZS is worried about. However, the Government may consider that this is unnecessary, given that GNZS and NZVIF are subject to the OA and OIA. I hope these further comments are of assistance."

16. s9(2)(h)

17. Given this change in the Ombudsman's view, we have reverted back to previous clause that, for the "avoidance of doubt VCF investment vehicles are not subject to the OA or OIA".

Minor or Technical changes to the Bill before it is introduced

18. The Cabinet Paper includes a recommendation authorising the Minister of Finance and the Minister for Economic Development to make decisions on any minor or technical changes required to the submitted Bill prior to its introduction. This gives us some room to make minor changes before the Bill is introduced, otherwise we would look to use the select committee process to make any improvements to the Bill. We have highlighted in the Cabinet Paper that Schedule One is a specific area where there is potential room for tighter drafting.

IN-CONFIDENCE

Recommended Action

19. We recommend that you:

- a **note** that officials are comfortable that the Bill reflects the policy intention to a high degree, but that officials continue to test the drafting in the Bill to ensure there are no unintended consequences and that if any changes are needed some may be made before introduction otherwise they can be addressed at select committee
- b **note** given a change in the Ombudsman position, we have reverted back to previous clause that, for the “avoidance of doubt VCF investment vehicles are not subject to the OA or OIA”
- c **agree** to lodge the Cabinet Paper by 10am Thursday 15 August

Agree / Disagree Agree/disagree
Minister of Finance Minister for Economic Development
- d **indicate** if you want any further information on any of the issues raised in this briefing.

Joseph Sant
**Manager, Financial Institutions
The Treasury**

Ian Southall
**Director
Economic Development and Transitions, MBIE**

Hon Grant Robertson
Minister of Finance

Hon Phil Twyford
Minister for Economic Development

Hon David Parker
Associate Minister of Finance

IN-CONFIDENCE

**Treasury Report: Letter to SOE Chairs on executive remuneration**

Date:	29 August 2019	Report No:	T2019/2541
		File Number:	SE-1-2-0

Action sought

	Action sought	Deadline
Minister for State Owned Enterprises (Rt Hon Winston Peters)	Agree the letter should also be sent to CIP, Dunedin Airport and Hawkes Bay Airport, after consultation with the other shareholders	Friday 6 September 2019
Minister of Finance (Hon Grant Robertson)	Sign the attached letter to SOEs Refer this report to the other Ministers Agree the letter should also be sent to CIP, Dunedin Airport and Hawkes Bay Airport, after consultation with the other shareholders	Friday 6 September 2019
Associate Minister of Finance (Hon David Parker)	Note contents	Friday 6 September 2019
Associate Minister for State Owned Enterprises (Hon Shane Jones)	Note contents	Friday 6 September 2019

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Juston Anderson	Principal Advisor, Commercial Performance	s9(2)(k)	s9(2)(g)(ii) ✓
Maureena van der Lem	Manager, Commercial Performance		N/A (mob)

Minister's Office actions (if required)

Return the signed report and letter to Treasury; we will email it to the Chairs of SOEs

Note any feedback on the quality of the report

Enclosure: Yes - [MOF letter to Chairs \(Treasury:4160196v1\)](#)

IN-CONFIDENCE

Treasury Report: Letter to SOE Chairs on executive remuneration

1. As requested, please find attached a draft letter to the Chairs of State-Owned Enterprises (SOEs). The letter sets out shareholding Ministers' expectations regarding transparency of executive remuneration.
2. There is an existing, long-standing expectation on disclosure of executive remuneration, but it is high level, with little detail or guidance, and has received little focus. With a few exceptions such as Transpower, current disclosures by SOEs are poor.
3. The proposed new expectations are based on the NZX Listing Rules and Corporate Governance Code, which apply to and are complied with by all listed companies, including companies with listed debt securities (i.e. Transpower, NZ Post, Christchurch Airport). SOEs, therefore, should have no objection to the expectations.
4. Since the earlier draft of the letter, Mercury NZ has released its 2018/19 annual report. We have updated the letter to refer to this. We have also added a reference to the New Zealand Shareholders Association, which we understand provided guidance to Mercury NZ on its disclosure, and which would be a useful source of guidance for SOEs.
5. We recommend the Minister of Finance signs the letter to the Chairs of all SOEs, except ECNZ (a shell entity with no staff) and Solid Energy (which is still included in the SOE Act, but no longer exists). We propose that the Treasury emails the letter to the Chairs, once the Minister of Finance has signed it.

Extending the expectation to other Crown-owned companies

6. Departments, statutory Crown Entities, district health boards and tertiary education institutes are subject to disclosure of senior executive remuneration via the "Senior Pay Report" from the State Services Commission (SSC). Statutory Crown Entities also require the State Services Commissioner's written consent to the terms and conditions of employment for their Chief Executives.
7. The organisations listed below are all Crown Entity companies and Public Finance Act (PFA) Schedule 4A companies, and so are excluded from SSC's disclosure. Given this, we recommend extending the expectation to these companies:
 - City Rail Link
 - Crown Infrastructure Partners
 - Crown Irrigation
 - Crown Research Institutes and Research and Education Advanced Network (REANNZ)
 - Dunedin and Hawkes' Bay airports
 - Education Payroll and Network for Learning (N4L)
 - Green Investment Finance
 - Otakaro and Southern Response
 - Predator Free 2050
 - NZ Venture Investment Fund (NZVIF)
 - Radio New Zealand (RNZ) and Television New Zealand (TVNZ)
 - Tamaki Redevelopment

IN-CONFIDENCE

8. Crown Irrigation is in wind-down mode, but is still operating, so we have included it as a matter of principle and for consistency. Crown Asset Management is a shell entity with no employees, so we recommend it is excluded.
9. Christchurch Airport has listed debt, so is already covered by the NZX Listing Rules and Corporate Governance Code and is disclosing information about senior executive remuneration, so does not need a letter. The Crown also only owns 25% of the airport.

TVNZ

10. TVNZ's legislation requires it to produce a half-year report, reflecting the fact that it used to be an SOE. Therefore, the attached letter could be sent to the Chair of TVNZ, with the addition of the words "including TVNZ" in the first sentence. We have made this change to the letter, in anticipation of Ministers agreeing to send the letter to TVNZ.

The other companies

11. Other than TVNZ and the Airport Companies, Crown Entity and PFA Schedule 4A companies are not required by the Crown Entities Act to produce half-year reports, so the attached letter to SOEs would need to be amended to reflect this, as well as noting they are not SOEs, and explaining why the disclosure expectation has been extended to them.
12. The disclosure expectation for these companies could apply from their 2019/20 annual reports, which are due to shareholding Ministers in around a year's time.
13. A six month delay in the improved disclosure (relative to SOEs) should not be a major concern. We think the costs of asking these companies to make a stand-alone disclosure of executive remuneration would outweigh the benefits, as well as potentially bringing undue and unfair attention to these companies, when all other companies will disclose in their annual or half-year reports, and Crown Entity disclosure happens in SSC's reporting.

Consultation with other Ministers

14. The Minister of Finance is always a shareholder for a Crown-owned company. The other shareholding Ministers for the companies are:

City Rail Link	Minister of Transport; Auckland Council is also a shareholder
Crown Infrastructure and Hawkes' Bay Airport	Minister for State Owned Enterprises
Crown Irrigation	Minister of Agriculture
CRIs and REANNZ	Minister of Research, Science and Innovation
Education Payroll and N4L	Minister of Education
Green Investment Finance	Minister for Climate Change
NZVIF	Minister for Economic Development
Otakaro and Southern Response	Minister for Greater Christchurch Regeneration
Predator Free 2050	Minister of Conservation
RNZ and TVNZ	Minister of Broadcasting, Communications and Digital Media
Tamaki Redevelopment	Associate Minister of Housing; Auckland Council is also a shareholder

IN-CONFIDENCE

15. We recommend that you refer this report to these Ministers, and seek their agreement:
- for the Minister of Finance to send a letter to these companies on behalf of shareholding Ministers, or
 - for the responsible Minister to sign a letter.
16. If you refer this report, we will consult with the departments that report to these Ministers. We also intend to inform SSC, which will have an interest in these matters.
17. For City Rail Link, Tamaki Redevelopment, and the two airports, we recommend consultation with the non-Crown shareholders before the letters are sent, but after consultation with the other shareholding Ministers.
18. Once Ministers have indicated their preferences, we will provide consultation letters to the other shareholders, and then an amended expectations letter for any of the above entities that Ministers wish to extend the expectation to.

Recommended Action

We recommend that:

- a the Minister of Finance **signs** the attached letter
- b the Minister for State Owned Enterprises and Minister of Finance, as shareholding Ministers, **agree** that an amended version of this letter should be sent to:
1. Crown Infrastructure Partners
Agree/disagree.
 2. Dunedin and Hawkes' Bay Airports
Agree/disagree.
- c the Minister of Finance **refers** this report to the other shareholding Ministers:
1. the Minister of Transport and Minister for Economic Development, Hon Twyford
 2. the Minister for Greater Christchurch Regeneration and Minister of Research, Science and Innovation, Hon Dr Woods
 3. the Minister of Education, Hon Hipkins
 4. the Minister of Agriculture, Hon O'Connor
 5. the Minister of Broadcasting, Communications and Digital Media and Associate Minister of Housing, Hon Fafoi
 6. the Minister for Climate Change, Hon Shaw
 7. the Minister of Conservation, Hon Sage

Referred/not referred.

IN-CONFIDENCE

- d Ministers, including Ministers that this report is referred to, **indicate** whether they agree the letter should be sent to these entities, and if so whether the letter should be signed by the responsible Minister or by the Minister of Finance:

Company	Responsible Minister	Letter to be sent?	MoF to sign?	Responsible Minister to sign?
City Rail Link	Hon Twyford			
NZVIF	Hon Twyford			
All CRIs and REANNZ	Hon Dr Woods			
Otakaro and Southern Response	Hon Dr Woods			
Tamaki Redevelopment	Hon Faafoi			
Education Payroll and N4L	Hon Hipkins			
Crown Irrigation	Hon O'Connor			
RNZ and TVNZ	Hon Faafoi			
Green Investment Finance	Hon Shaw			
Predator Free 2050	Hon Sage			

- e **agree** that, if Ministers agree letters should be sent to the following companies, the other shareholders should also be consulted:

Company	Other shareholder	To be consulted?
City Rail Link	Auckland Council	
Tamaki Redevelopment	Auckland Council	
Dunedin Airport	Dunedin City Council	
Hawkes' Bay Airport	Napier City Council and Hastings District Council	

Agree/disagree.

- f **note** based on the decisions on recommendations d and e, Treasury will prepare letters for Ministers to sign.

Maureena van der Lem
Manager, Commercial Performance

Rt Hon Winston Peters
Minister for State Owned Enterprises

Hon Grant Robertson
Minister of Finance

Hon David Parker
Associate Minister of Finance

Hon Shane Jones
Associate Minister for State Owned Enterprises

Dear Chairs

We are writing to outline our expectations for transparency of executive remuneration for all State Owned Enterprises and Television New Zealand. We have instructed the Treasury to update the Owners' Expectations Manual to align its disclosure expectations with the guidance for listed companies under the NZX Listing Rules and Corporate Governance Code. We expect this work to be completed this year, in time for companies to meet this standard for your half-year reports.

Our expectation is that the disclosure of Chief Executive and senior management remuneration should at least match the disclosures of listed companies. We refer you to principle 5 of the NZX Corporate Governance Code, and in particular recommendation 5.3. The Corporate Governance Code can be found here:

<https://www.nzx.com/regulation/nzx-rules-guidance/corporate-governance-code>

Mercury NZ is an example of what good disclosure of the Chief Executive's and the senior management's remuneration looks like. We refer you to pages 110 to 114 of Mercury NZ's 2018/19 annual report, which was released recently and can be found here:

<https://mercuryannualreport.co.nz/>

Over these pages, in relation to the Chief Executive, Mercury NZ sets out:

- its approach and strategy to remuneration
- the Chief Executive's fixed remuneration
- how the Chief Executive's short-term and long-term incentives are set and measured
- the Chief Executive's actual payments under his short-term and long-term incentives, including the percentage achieved against the objectives for these incentives
- the amounts of other benefits paid to the Chief Executive, such as KiwiSaver, insurance or fringe benefits such as carparking
- and finally, the Chief Executive's total remuneration, as an exact dollar amount, not a range, dating back to when the Chief Executive was appointed, and showing the remuneration of his predecessor for comparison.

Details of the Chief Financial Officer's remuneration are also provided.

Could your Board please review your company's disclosures against the standard set by Mercury NZ and that of other listed companies. We appreciate that it may be too late to make significant changes to the disclosure in your company's annual report for 2018/19, if any improved disclosures to meet this standard are required. Therefore our expectation is that improved disclosures, if necessary, would be ready for inclusion in your company's half-year report for 2019/20, which is due for delivery to shareholding Ministers by February 2020.

We understand Mercury NZ's disclosure is based on a template provided by the New Zealand Shareholders' Association (NZSA). You may wish to engage directly with the NZSA for further guidance on these matters.

The Treasury will be in touch with you and your management to discuss this expectation and the review of the Owner's Expectations Manual.

Yours sincerely

Hon Grant Robertson
Minister of Finance
on behalf of shareholding Ministers

COMMERCIAL-IN-CONFIDENCE



Treasury Report: Letter to RNZ

Date:	29 August 2019	Report No:	T2019/2599
		File Number:	CM-1-3-66-1

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	Note contents	None
Minister of Broadcasting, Communications and Digital Media (Hon Kris Faafoi)	Sign the attached letter	Friday 6 September 2019

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Eva Parker	Graduate Analyst, Commercial Performance	s9(2)(k)	N/A (mob) ✓
Maureena van der Lem	Manager, Commercial Performance	s9(2)(g)(ii)	

Minister's Office actions (if required)

Email the signed letter to Dr Jim Mather and Paul Thompson.
--

Note any
feedback on
the quality of
the report

Enclosure: Yes (attached)

COMMERCIAL-IN-CONFIDENCE

Treasury Report: Letter to RNZ

On Sunday 13 November 2016 Radio New Zealand (RNZ) published an article on its website under the headline "*Donghua Liu returns to China to face charges*". This article made a number of assertions regarding Mr Liu.

On Sunday 18 August 2019 RNZ published an article on its website under the headline "*Retraction and apology to Donghua Liu for untrue statements*", in which RNZ unconditionally retracted and apologised for publishing the claims in its 13 November 2016 article, stated that it "accepts that none of these statements were true" and "accepts that those statements were deeply upsetting to Mr Liu and his family". RNZ also stated it had entered into a confidential settlement with Mr Liu and that both parties were satisfied with the terms of the settlement, which included the apology article.

s9(2)(b)(ii)

RNZ should have advised shareholding Ministers before the publication of the apology under the "no surprises" policy. A letter reinforcing this expectation is attached for your signature.

The Ministry of Culture and Heritage was consulted and agrees with the contents of this report.

Recommended Action

We recommend that you **sign** the attached letter to Dr Jim Mather, Chair of RNZ.

Maureena van der Lem
Manager, Commercial Performance

Hon Grant Robertson
Minister of Finance

Hon Kris Faafoi
Minister of Broadcasting, Communications and Digital Media

Dr Jim Mather
Chair
Radio New Zealand

s9(2)(a)

Dear Dr Mather

I was surprised to see that Radio New Zealand (RNZ) published a public apology to, and disclosed it has entered a confidential settlement with Mr Donghua Liu on its website, in a story dated Sunday 18 August 2019.

I am disappointed that this apology needed to be made. The original story, in which RNZ made statements about Mr Liu it now accepts were untrue and were deeply upsetting to Mr Liu and his family, obviously fell well short of acceptable standards.

As detailed in Section 5.7.1 of the Owners Expectations Manual, I would like to reinforce that under the “no surprises” policy, shareholding Ministers expect to be informed well in advance of any material or significant events, transactions and other issues that may be contentious or attract public interest. While I expect there will be no repeat of this particular situation, please ensure that I or my office are kept informed of any matters that fall under the “no surprises” policy in the future.

Yours sincerely

Hon Kris Faafoi
Minister of Broadcasting, Communications and Digital Media
on behalf of shareholding Ministers

cc Paul Thompson, Chief Executive and Editor in Chief

s9(2)(a)

IN-CONFIDENCE



Treasury Report: Proactive Release of the Venture Capital Fund Bill Related Cabinet Papers

Date:	29 August 2019	Report No:	T2019/2670
		File Number:	CM-1-3-100-2 (Projects)

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Agree to support the release of the Cabinet papers and slide pack.	30 August 2019
Hon Phil Twyford Minister for Economic Development	Agree to support the release of the Cabinet papers and slide pack.	30 August 2019
Hon David Parker Associate Minister of Finance	Agree to support the release of the Cabinet papers and slide pack.	30 August 2019

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Michael Eyre	Senior Analyst, Financial Institutions	s9(2)(k)	s9(2)(g)(ii)	✓
Joseph Sant	Manager, Financial Institutions			

Minister's Office actions (if required)

Return the signed report to Treasury.

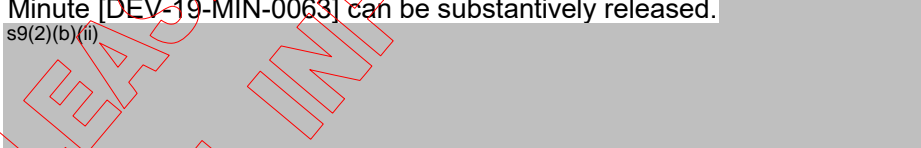

Note any feedback on the quality of the report

Enclosure: No

IN-CONFIDENCE

Treasury Report: Proactive Release of the Venture Capital Fund Bill Related Cabinet Papers

Analysis

1. You previously agreed to pro-actively release the Cabinet papers and supporting material relevant to the Venture Capital Fund Bill [rec k T2019/1961 refers].
2. You also informed your Cabinet colleagues of this in your recent Cabinet paper seeking their support to introduce the Bill. You stated, *"we are planning to proactively release the two background policy Cabinet papers, this paper, and a range of advice that officials presented to me in the preparation of these papers."*
3. The material for release was provided to your office via email on Monday 26 August as part of the "VCF Pack for First Reading". It included:
 - i. The Cabinet paper "Deepening New Zealand's Early Stage Capital Markets" [DEV-18-SUB-0316 refers] and the related Cabinet Minute [DEV-18-MIN-0316 refers] can be released in full.
 - ii. The Cabinet paper "Preferred Option to Deepen New Zealand's Early Stage Capital Markets" [DEV-19-SUB-0063 refers] and the related Cabinet Minute [DEV-19-MIN-0063] can be substantively released.
s9(2)(b)(ii)

 - iii. The Cabinet paper "Venture Capital Fund Bill: Policy Approval and Approval for Introduction" [DEV-19-SUB-0221 refers] and related Cabinet minutes [DEV-19-MIN-0221 refers] can predominately be released in full
s9(2)(f)(iv)

 - iv. The slide pack that you considered in February 2019 to support drafting the Cabinet paper "Preferred Option to Deepen New Zealand's Early Stage Capital Markets" can be released with some material removed as it is commercially sensitive.
4. The Guardians of New Zealand Superannuation and New Zealand Venture Investments Limited were consulted on the release of these documents and have no issues with them being released.

IN-CONFIDENCE

Recommended Action

We recommend that you **agree** to support the release of the three Cabinet papers and minutes and the supporting slide pack related to the Venture Capital Fund Bill.

Agree/disagree.

Minister of Finance

Agree/disagree.

Minister for Economic Development

Agree/disagree.

Associate Minister of Finance

Joseph Sant

Manager, Financial Institutions

Hon Grant Robertson

Minister of Finance

Hon Phil Twyford

Minister for Economic Development

Hon David Parker

Associate Minister of Finance

APPOINTMENT-IN-CONFIDENCE



Treasury Report: Letter to Dame Therese Walsh

Date:	19 September 2019	Report No:	T2019/2918
		File Number:	SE-1-3-6

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	Sign the letter before Cabinet on 30 September and send it after Cabinet	As soon as practical after 30 September.

Contact for telephone discussion (if required)

Name	Position	Telephone		1st Contact
Juston Anderson	Acting Manager, Commercial Performance	s9(2)(k)	s9(2)(g)(ii)	✓
Maureena van der Lem	Manager, Commercial Performance			

Minister's Office actions (if required)

Email the signed letter to Dame Therese after Cabinet on 30 September, cc to the company secretary, and **return** the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Yes (attached)

APPOINTMENT-IN-CONFIDENCE

Treasury Report: Letter to Dame Therese Walsh

On 25 September 2019 the Cabinet Appointments and Honours (APH) Committee will be asked to note your intention to support the Air New Zealand board's decision to appoint Laurissa Cooney as a director.

Assuming APH and then Cabinet on 30 September 2019 note your intention, a letter to Dame Therese Walsh, the Chair of Air New Zealand, is attached for your signature. Dame Therese will become the Chair of Air New Zealand at the company's annual shareholder meeting (ASM) which coincidentally is on the same day as APH, 25 September 2019.

Ms Cooney will be appointed to the Air NZ board after the ASM. We understand the intention is for the appointment to take effect from 1 November 2019.

Recommended Action

We recommend that you **sign** the attached letter.

Juston Anderson
Acting Manager, Commercial Performance

Hon Grant Robertson
Minister of Finance

Dame Therese Walsh
Chair
Air New Zealand

s9(2)(a)

Dear Dame Therese

Thank you for consulting me on the board's intention to appoint Laurissa Cooney as a director of Air New Zealand.

I am pleased to advise that the Crown intends to vote in favour of the election of Ms Cooney, when her appointment is put to shareholders for approval.

Could you please keep my office informed as to when Air New Zealand intends to appoint Ms Cooney and make a public announcement.

Yours sincerely

Hon Grant Robertson
Minister of Finance

cc: Jennifer Page, General Counsel and Company Secretary, s9(2)(a)

SENSITIVE



Reference: T2019/2716 MC-1-1-1 (Monetary)

Date: 3 September 2019

To: Minister of Finance (Hon Grant Robertson)

Deadline: 4:30pm Wednesday 4 September
(if any)

Aide Memoire: Meeting with Reserve Bank Governor

1. Background

The Governor of the Reserve Bank, Adrian Orr, has requested a meeting with you following meetings he attended with overseas central bank governors at Jackson Hole and EMEAP (the Executives' Meeting of East Asia and Pacific Central Banks).

The Governor may make the case for looser fiscal policy, supporting the primary message emerging from recent meetings of central bankers and consistent with his recent public commentary.

The meeting is at **4:30pm on Wednesday 4 September**. Struan Little or Bryan Chapple from Treasury will also attend.

2. Possible questions to discuss with the Governor

- Have the Governor's views on the economic outlook changed since the Monetary Policy Statement? If so, what has driven the change?
- Is the Governor more concerned about inflation remaining persistently low, or employment moving away from the maximum sustainable level? Or both?
- What change to the fiscal strategy would most support monetary policy? Should it focus on:
 - short-term demand support (such as tax cuts and welfare increases), or
 - longer term investments that support business confidence, and address long term issues?
- Does the Bank consider that more fiscal stimulus is needed, beyond what the Government already has planned through the Budget? If so, what magnitude of stimulus does the Bank consider to be necessary?

SENSITIVE

- What is the Bank's current thinking on unconventional monetary policy? Does the Governor see these tools as good alternatives to fiscal policy?
- If the Governor views a recession or sharper slowdown as likely – how does he see it happening? How does he expect the shock to affect New Zealand?

3. The Treasury's view on the economic outlook

- The Treasury is broadly supportive of fiscal policy doing more to support monetary policy, particularly if the economy were to slow further. This is subject to any increase in spending being well targeted to meet its macroeconomic and secondary objectives.
- You will be receiving detailed advice on this on Wednesday 4 September, describing the trade-offs and initiatives we recommend for further development.
- It is important that departments are able to spend funding that has already been allocated, to enable fiscal policy to support the economy.
- The economic outlook has weakened since the Budget forecasts, but we do not believe we are on the verge of a recession. We expect a softening in real GDP growth to around 2 percent to be the most likely outcome. This would represent a similar outlook to the August Monetary Policy Statement.
- A sharper fall in growth is another possible outcome if the outlook weakens further, and a recession is unlikely but possible. However, given the uncertainty in the outlook, it is prudent to prepare a stimulus package if needed.
- Globally, central banks have limited room to move if the outlook were to weaken significantly. New Zealand is in a better position, but we do not expect the Bank to be able to address a major slowing in growth using conventional policy tools.
- The Reserve Bank's current focus will be on returning inflation to the 2% midpoint of its target range given that it considers employment to be near to its maximum sustainable level. The Bank is likely to continue easing monetary policy until they expect to achieve their mandate.
- Loosening of fiscal policy has the potential to provide space for monetary policy, given currently low interest rates. However, we estimate that a large fiscal expansion, equivalent to doubling Budget allowance, would be required to meaningfully support monetary policy. As a rule of thumb, analysis suggests that increasing government spending by 1% of GDP (~\$3 billion) would lead to an increase in the OCR by 30 basis points (all else being equal). However, this analysis is uncertain, with estimates ranging between 10 and 45 basis points.

Matthew Galt, Analyst, Macroeconomic and Fiscal Policy, s9(2)(g)(ii)

Renee Philip, Manager, Macroeconomic and Fiscal Policy, s9(2)(g)(ii)