

The Treasury

Material Provided to the Public Inquiry into EQC Information Release

August 2021

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Information Withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [26] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied
- [31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 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;
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

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TREASURY REPORT COVER SHEET

Report No: T98C/1707

Date: 2 June 1998

Subject: Earthquake Commission Investment Directive

	Action Sought	Deadline
Treasurer	note contents	none
Minister of Finance	confirm investment directive; sign letter to Earthquake Commission; table directive in the House; and forward notice for publication in the Gazette.	issue directive on Tuesday 2 July 1998
Associate Treasurer	note contents	none

Contact for Telephone Discussion (if required):

Name	Position	Telephone		Suggested First Contact
		Direct Line	After Hours	
Brian McCulloch	Manager, Asset and Liability Management Branch	[39]		✓
Andrew Rae	Senior Analyst, Asset and Liability Management Branch	[39]		

CA 6/2/2
T98C/1707

2 June 1998

Minister of Finance

cc: Treasurer
Associate Treasurer

EARTHQUAKE COMMISSION INVESTMENT DIRECTIVE

Executive Summary

1. Attached to this report is a letter to Mr Bruce Christmas, Earthquake Commission (EQC) Chairman, with an investment directive that requires, inter alia, the EQC to wind up its investment in Foreign Bond Linked Notes (FBLNs).
2. Copies of the directive are attached for you to table in the House and publish in the Gazette as required by the Earthquake Commission Act 1993.

Consultation with EQC

3. On 11 May 1998 you wrote to the Earthquake Commission (EQC) advising of your intention to issue an investment policy directive at the beginning of June.
4. You sought final comment from the EQC by the end of this month on the proposed directive and advised that you intended to issue an investment directive on 1 June 1998.
5. Mr Christmas, EQC Chairman, has written to you (copy attached) advising that unwinding of the FBLNs can and will proceed immediately upon receipt of the final directive.

6. We recommend no alterations to the draft directive included in your May 11 letter; the same draft directive you presented to the EQC Board in July 1997.

Formal Directive

7. The formal investment directive is as follows.

“Pursuant to section 12 of the Earthquake Commission Act 1993, I make the following direction as to the policy to be followed by the Commission in the exercise of its investment powers:

The Earthquake Commission shall invest in its preferred mix of:

- i non-tradeable NZ Government securities comprising Treasury bills and/or Government stock and/or Inflation-Indexed Bonds; and*
- ii up to a maximum of \$250 million of NZ Bank bills.*

The securities that form part of the Natural Disaster Fund shall be registered in the Earthquake Commission’s name.

This direction replaces previous Ministerial directions relating to investment policy (in particular the directions of 30 September 1988, 16 August 1993, 17 January 1994 and 12 December 1995).”

Dividends and Tax in Lieu Payments

8. In his letter Mr Christmas also states the Board understands that “Government policy regarding dividends and sums in lieu of taxation will continue, and that there will be no tax and dividend implications in the unwinding of the FBLNs.”

9. Treasury considers that the issues of foreign currency exposure is entirely separate from whether the Government should require tax in lieu or dividend payments from EQC. We have included a statement to that effect in the attached letter to Mr Christmas.

Public Communications

10. The Earthquake Commission Act requires that a directive must be published in the Gazette as soon as practicable after it has been issued. Attached to this report is a notice to be forwarded to the Department of Internal Affairs for inclusion in the Gazette. The weekly deadline for notices to the Gazette is midday Tuesday. This means that a copy of the directive should, if possible, be with the Department of Internal Affairs by midday Tuesday 2 June.

11. The Earthquake Commission Act also requires that a directive shall be tabled in the House as soon as practicable after it has been issued. Attached to this report is a copy of the directive for this purpose.

12. We anticipate that there may be media comment critical of the directive. Our comments in Treasury report T98C/1397 may be useful to your media staff anticipating of responding to inquiries and we will liaise with your office as and when required.

13. We would also anticipate that as with past practice the EQC will publish the directive in its next annual report i.e., the 1997/98 Annual Report which will most likely be released in November 1998.

Recommendation

14. We recommend that you:

- a **note** the contents of this report;
- b **sign** the attached letter to Mr Christmas, Earthquake Commission Chairman;
- c **agree** to table the attached direction in the House of Representatives; and
agreed/declined
- d **forward** the attached Gazette notice to the Gazette office in the Department of Internal Affairs.

Brian McCulloch
for Secretary to the Treasury

Rt Hon WF Birch
Minister of Finance

Mr Bruce Christmas
Chairman
Earthquake Commission
PO Box 311
WELLINGTON

Dear Bruce

Thank you for your letter of 28 May 1998. I am grateful for your advice that the Earthquake Commission Board will proceed immediately with the unwinding of the Foreign Bond Linked Notes (FBLNs) upon receipt of the directive foreshadowed in my letter of 11 May 1998.

Accordingly, I hereby issue the following directive to the Commission with respect to the Commission's investment policy.

"Pursuant to section 12 of the Earthquake Commission Act 1993, I make the following direction as to the policy to be followed by the Commission in the exercise of its investment powers:

The Earthquake Commission shall invest in its preferred mix of:

- i non-tradeable NZ Government securities comprising Treasury bills and/or Government stock and/or Inflation-Indexed Bonds; and*
- ii up to a maximum of \$250 million of NZ Bank bills.*

The securities that form part of the Natural Disaster Fund shall be registered in the Earthquake Commission's name.

This direction replaces previous Ministerial directions relating to investment policy (in particular the directions of 30 September 1988, 16 August 1993, 17 January 1994 and 12 December 1995)."

You mentioned in your letter existing policy concerning dividends and tax in lieu payments. I consider that tax and dividend policy issues are separate issues from removing the foreign currency exposure from the Natural Disaster Fund. Accordingly, my decision to issue the investment directive does not affect the existing policy regarding tax in lieu payments or dividends.

Yours sincerely

Rt Hon WF Birch
Minister of Finance

NOTICE OF DIRECTION FOR THE GAZETTE

I hereby give notice that the following direction has been given to the Board of the Earthquake Commission regarding the Commission's investment policy.

"Pursuant to section 12 of the Earthquake Commission Act 1993, I make the following direction as to the policy to be followed by the Commission in the exercise of its investment powers:

The Earthquake Commission shall invest in its preferred mix of:

- i non-tradeable NZ Government securities comprising Treasury bills and/or Government stock and/or Inflation-Indexed Bonds; and*
- ii up to a maximum of \$250 million of NZ Bank bills.*

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