

The Treasury

Official information regarding the Crown's support for Air New Zealand as a result of the COVID-19 pandemic

December 2022

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

- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [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
- [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
- [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

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Treasury Report: Project 20: Update for the week of 21 March 2022

Date:	25 March 2022	Report No:	T2022/516
		File Number:	SE-1-3-21

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	Agree to the recommendations and sign (but do not date) the attached Crown Commitment Letter and CSF-2 Agreement	Monday 28 March 2022
Associate Minister of Finance (Hon David Parker)	Agree to the recommendations indicated for the Associate Minister of Finance	Monday 28 March 2022

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Juston Anderson	Principal Advisor, Commercial Performance [39]		✓
Maarena van der Lem	Manager, Commercial Performance		

Minister's Office actions

Return the signed report and signed (but not dated) attachments to the Treasury. Please do not send the attachments to Air NZ.

Please ensure the Ministers date their signature blocks on the recommendations of the report, but not the attachments, for Controller purposes.

Note any feedback on the quality of the report

Enclosure: [Annex One - Crown Commitment Letter \(Treasury:4632438v1\)](#)
[Annex Two - CSF-2 execution documents \(Treasury:4632552v1\)](#)
[Annex Three - Cashflows between the Crown and Air NZ \(Treasury:4632605v1\)](#)

Treasury Report: Project 20: Update for the week of 21 March 2022

Executive summary

1. This report recommends that the Crown (acting through your delegated authority) agrees to participate in Air New Zealand Limited's (Air NZ's) equity raise, and that the Minister of Finance signs the Crown Commitment Letter, provided as **Annex One**.
2. The intended parameters of the equity raise, and subsequent capital raise, are as set out in the body of this report. If you agree, the Crown will pay up to [38] to purchase new shares in Air NZ in the equity raise, in order to achieve a 51% shareholding after the raise is completed.
3. [25] and [37]
4. This report also recommends that the Minister of Finance signs the attached Crown Facility Agreement – Standby Facility (CSF-2 Agreement), **Annex Two**, if he agrees that the legal tests for the Crown to lend money are met. The body of this report presents our analysis of these matters.
5. Our advice is that participating in the equity raise and providing Air NZ the CSF-2 loan facility are the best and most cost-effective ways of achieving the Government's objectives for Air NZ, which include maintaining a majority shareholding.
6. Please return these signed (but not dated) documents to the Treasury, and authorise the Treasury to release the Crown Commitment Letter and CSF-2 Agreement to Air NZ once you are satisfied with all outstanding matters regarding the equity raise.
7. Air NZ will take final decisions on these matters next week, likely on Wednesday 30 March 2022. We will advise you of Air NZ's decisions on Wednesday and seek your final approval to send these two documents to Air NZ.
8. We also attach draft talking points for an oral item at Cabinet on Monday 28 March 2022 regarding the Crown's participation in the capital raise, including a report-back on your (planned) decisions under the delegated authority granted to you by Cabinet on 13 December 2021 [DEV-21-MIN-0253 refers].
9. Finally, **Annex Three** sets out the historical and future planned cashflows between the Crown and Air NZ related to the capital raise.

Share subscription and voting commitment

Details of the capital raise

10. Air NZ is close to making a final decision to proceed with its equity raise, including the launch date – which is currently Wednesday 30 March 2022.
11. The proposed capital raise will consist of:

Capital components	Amount (\$m)
Equity	[25] and [37]
Private debt	600
Crown Standby Facility 2	400
Total	[25] and [37]

Increase in the size of the equity component

12. The equity offer will be based on existing shareholders being given the right to purchase a certain number of new shares for each share they currently own - the offer ratio. Typically, an offer ratio would be rounded to 2 decimal places – for example, 2.05 to 1, or 1.95 to 1. Because Air NZ currently has 1,122,810,044 shares on issue, this means the amount of equity to be raised will not be exactly \$1,200m.
13. [25] and [37]
- 14.

Crown participation in the capital raise

Equity

15. In line with Cabinet’s decision in December 2021, we recommend that you agree that the Crown will participate in the equity raise, by purchasing sufficient new shares to leave the Crown with exactly 51% ownership of Air NZ after the raise is completed.
16. The precise cost of this will only be determined once the final offer price and offer ratio is set – scheduled to occur on Wednesday 30 March 2022. Based on the current offer price range and offer ratios being considered by Air NZ, the cost to the Crown would be in the range of [25] and [37]
17. Cabinet agreed an appropriation of [25], [37] for the Crown to purchase ordinary shares in Air NZ, with delegated authority to increase this by a maximum of [25], [37]. As the Crown’s share of Air NZ’s equity raise could be up to [25], [37] we recommend you agree, consistent with your delegated authority from Cabinet, to increase the appropriation by [25] and [37]. This increase will impact against the Multi-year Capital Allowance.

Debt and Redeemable Shares

18. As previously advised (T2021/401 refers), Air NZ will use the existing redeemable shares (RS) facility as a “bridge” to the capital raise. It will do this in two ways:
 - a. by drawing \$150m of the RS to fund its operations until the capital raise is completed and Air NZ receives new ordinary equity from investors, and
 - b. by drawing another \$450m of the RS, taking the total drawn to \$600m, matching the amount it intends to borrow from private sector lenders after the equity raise.
19. Air NZ intends to repay \$400m of the RS once its private debt issue is completed (scheduled for shortly after the equity raise settles), and the remaining \$200m once it has sufficient certainty around its future financial position. For planning purposes Air NZ has assumed this \$200m will be repaid in December 2023 [38]
20. We have attached, as **Annex Three**, a table showing the timing and amounts of the historical and planned future cashflows between the Crown and Air NZ.
21. You do not need to take any decisions regarding Air NZ’s drawdowns or planned repayments of the RS; under the terms of the RS agreement that you signed in December 2021, these are matters for Air NZ to determine.

22. An appropriation of \$400m for CSF-2 was agreed by Cabinet, and so this does not need to change.

Crown Commitment Letter

23. The Crown Commitment Letter is unchanged from the draft provided to you last week (T2022/594 refers). This letter, once signed and delivered to Air NZ, irrevocably commits the Crown to participating in the equity raise (unless it does not go ahead).
24. The Crown's pre-commitment to the equity raise, via this letter, is required before the commercial underwriters will sign the underwriting agreement with Air NZ for the non-Crown portion of the equity offer.
25. However, the letter should not be released to Air NZ until closer to the launch date for the equity raise, once Air NZ has taken decisions on a number of matters, including the final price for the offer. Air NZ would be required to disclose the letter to the market upon receipt, in line with its continuous disclosure obligations, and it is important that the timing of the letter's delivery to Air NZ aligns with the wider timeframe to announce the launch of the equity raise.
26. We recommend the Minister of Finance signs the letter and provides it to officials, and we will hold it on your behalf and deliver it to Air NZ at the appropriate time.
27. We will report to your offices via email, likely on Wednesday 30 March 2022, advising the final decisions taken by Air NZ on the equity raise. At that point we will provide a recommendation to you, with input and advice from the Crown's commercial advisors, as to whether the letter should be released to Air NZ. Barring any unexpected material negative developments, we expect to advise that the letter be released.

Risks to the underwriting of the offer

28. The commercial underwriting agreement contains a limited number of standard clauses allowing for the underwriting to be terminated in exceptional circumstances.

29. [1], [25] and [37]

30.

31.

32.

33. Without an underwriting agreement Air NZ's equity raise would either need to be deferred, or if it had already launched, it would need to be paused or withdrawn.

34. There is no expectation by Air NZ that the Crown would step in and fully underwrite the offer in these circumstances. Air NZ could continue operating in the short term, with its cashflow needs met by drawing on the \$1,000m RS facility. The equity raise could be rescheduled for a later date.

Voting commitment

35. NZX has granted Air NZ two waivers from the Listing Rules, as the Crown subscribing for the RS in Air NZ would be considered a Major Transaction, and a Material Transaction with a Related Party, respectively. Normally both of these actions would require the prior approval of Air NZ's shareholders.
36. The waiver regarding the Major Transaction requirement has been granted on the condition that if CSF-1 or the RS are still in place by 31 December 2022, approval by Air NZ's shareholders would be required. The NZX has stated that the Crown would be able to vote in favour of this resolution.
37. You have already given Air NZ a commitment that, if required, the Crown would vote in favour of this resolution. Since Air NZ plans to have some RS on issue at the end of the year, a vote is likely to be required.
38. The NZX has granted further waivers to allow Air NZ to enter into CSF-2 with the Crown, with the same condition – a vote of shareholders will be required if CSF-2 is still in existence by the end of the calendar year. Since Air NZ is unable to fully cancel CSF-2, this will be the case.
39. CSF-1, CSF-2 and the RS are all part of a package of transactions designed to support and recapitalise Air NZ. Therefore, we recommend you agree to extend your existing voting commitment to also cover the Crown voting in favour of the approval of CSF-2.

Lending money under section 65L of the Public Finance Act 1989

Power under section 65L of the Public Finance Act 1989 to lend money on behalf of the Crown

40. CSF-2 would be a new loan facility for Air NZ, replacing the existing CSF-1, which will be repaid and cancelled. Section 65L of the Act empowers the Minister of Finance, as the Minister responsible for the administration of the Act, to lend money to a person or organisation in New Zealand or elsewhere if it appears to you to be 'necessary or expedient in the public interest' to do so, and to make such a loan on any terms and conditions that you think fit.
41. Section 65P of the Act provides that any lending under section 65L must be made from a capital expenditure or other authority approved by Parliament for the purpose.
42. The Minister of Finance will need to be satisfied that it is necessary or expedient in the public interest for the Crown to enter into the CSF-2 Agreement.
43. The key terms of CSF-2 are summarised in our previous report (T2022/594 refers).

Officials' assessment that CSF-2 is 'necessary or expedient in the public interest'

44. At the time the original CSF-1 was approved, officials considered that the Crown loan to Air NZ could fairly be described as securing public policy outcomes in the public interest (T2020/1185 refers). Officials similarly considered that the May 2021 and December 2021 amendments to CSF-1 could fairly be described as securing public policy outcomes in the public interest (T2021/644 and T2021/3059 refer).

45. It is now a matter for the Minister of Finance to decide whether you are satisfied that it is necessary or expedient in the public interest to loan money to Air NZ via CSF-2, on the terms outlined in the CSF-2 Agreement, as part of the broader recapitalisation of Air NZ via an equity raise and subsequent private debt issue.
46. The following paragraphs set out factors that officials consider are relevant to that assessment. You may decide to ignore these factors, or take into account other factors you consider relevant, and you may give such weight to the factors referred to below as you deem fit. You should make an independent decision and are not bound to accept the assessment below as to the appropriateness of the CSF-2 Agreement.

Public interest

47. The Act does not define 'the public interest'. However, it is generally accepted that the public interest is broadly equivalent to the concept of the public good and can cover a wide range of values and principles relating to the public good, or what is in the best interests of society. In the context of the Act, the public interest should be viewed in a New Zealand context, that is, in the interest of the New Zealand public.
48. The COVID-19 pandemic has had a significant impact on people and the economy, domestically and internationally. The extensive travel restrictions imposed to slow down the spread of the virus have had a material adverse impact on the business of airlines.
49. Officials consider it is in the public interest that there be continued availability of air freight capacity (particularly for pharmaceuticals and other critical, time sensitive cargo). In addition, continuing support for Air NZ will ensure maintenance of a domestic aviation network covering all the major centres so that business activity is maintained, and the local tourism industry is supported, and (as the border re-opens) will also allow access to and from overseas markets, to, among other matters, promote and build people-to-people links, tourism, regional growth, trade and export growth. The Crown's broader objectives for its majority shareholding in Air NZ are set out in the decisions taken by Cabinet in December [DEV-21-MIN-0254 refers]. There are no alternative businesses that could achieve the same Crown objectives to the extent sought to be achieved through Air NZ.
50. CSF-2 in the terms set out in the attached CSF-2 Agreement can fairly be described as securing public policy outcomes in the public interest.

Necessary or expedient

51. As noted above, the Minister of Finance may lend money under the Act if it appears to him to be 'necessary or expedient' in the public interest to do so. In the circumstances the Treasury considers the proposed loan to be necessary and expedient in the public interest.
52. Over the last two years Air NZ has had a limited ability to operate due to COVID-19 restrictions, which has had a material negative impact on its financial performance. As a result, Air NZ has needed to draw down \$850m of CSF-1 and will shortly issue \$600m worth of the RS to the Crown.
53. While COVID-19 restrictions are now progressively being lifted, Air NZ's financial position is still materially weakened. A capital raise is the best option to recapitalise Air NZ on an enduring basis. The successful completion of a capital raise will be subject to several factors, including the ability of capital and debt markets to meet the size and composition of the capital raise once these details have been finalised.
54. CSF-2 is a critical component of the capital raise, as it provides an additional source of liquidity to Air NZ, should its financial forecasts turn out to be worse than it expects, e.g. due to further unexpected negative developments regarding COVID-19.

55. Without CSF-2, Air NZ would need to either raise more equity or more private debt.
[25] and [37]
56. Air NZ believes it could not in the current environment obtain a private sector loan facility similar to CSF-2 before the equity raise. The Treasury and the Crown's commercial advisors agree with this conclusion. While the proposed interest rate and other commercial terms of CSF-2 are based on market precedents, private sector lenders would be unlikely to agree a facility similar to CSF-2 until after the equity raise had been completed.
57. This means that without CSF-2, Air NZ's proposed equity raise could not proceed.
58. The proposed terms for CSF-2 also reflect the public policy outcomes that the Crown is attempting to secure – including reporting requirements, a dividend stop if Air NZ draws on the facility, minimum services that Air NZ must deliver, and the inability for Air NZ to cancel the facility ahead of its expiry date (to preserve the reporting requirements, given the Crown's interests as majority shareholder, and the minimum services clause).
59. As majority shareholder, it is in the Crown's interest for Air NZ to be recapitalised, not only to achieve the Government's objectives, but also given that a counter-factual is significantly increased levels of Crown support with no contribution by minority shareholders.
60. Further and continuing financial support for Air NZ as a company, its shareholders, or its creditors is not an objective of the proposed loan per se – the overriding purpose being instead to support the Crown's public policy outcomes in the public interest.

Risks and mitigations

61. Providing the CSF-2 loan facility to Air NZ increases financial risk for the Crown relative to a hypothetical situation where it was not provided. However, this risk is significantly reduced by Air NZ's planned capital raising, which allows for the repayment of the existing CSF-1 loan facility and the \$600m of RS. If the capital raising did not go ahead the Crown would face ongoing financial exposure to Air NZ through CSF-1 and the RS, with no viable prospects of repayment in the near-term.
62. CSF-1 is secured against certain of Air NZ's assets. CSF-2 will be unsecured, because a secured loan would significantly restrict Air NZ's options for taking on private sector debt – which is a necessary component of its overall capital raise.

Benefits

63. The principal benefit of providing the CSF-2 loan is that it contributes to Air NZ being able to undertake a successful capital raise, thereby better enabling the Crown's objectives to be achieved.

No viable alternatives to the loan

64. Other alternatives to a loan (and the associated capital raise) such as the Crown offering to take over Air NZ by purchasing shares from other shareholders, would not improve Air NZ's solvency or support achievement of the Crown's objectives. Instead, Crown funding would go to minority shareholders, and the Crown would then be left with the requirement to fund 100% of Air NZ's capital needs.
65. As noted above, there are no alternative businesses that could achieve the same Crown objectives to the extent sought to be achieved through Air NZ.

66. Air NZ has explored the possibility of alternative debt financing support but has concluded a loan similar to CSF-2 would not be made available by the private sector ahead of the equity raise. There is, therefore, clear evidence for a conclusion that support for Air NZ through the proposed CSF-2 is necessary to achieve the public interest benefit identified above.

Assessment of risks and benefits against the public interest threshold

67. In light of the above factors, officials consider there is a clear public interest in achieving the Crown's objectives as outlined in the Cabinet paper of December 2021; the benefits of the proposed loan, as part of the broader capital raise, outweigh the risks when mitigations are taken into account; and there are no viable alternatives. Accordingly, officials are of the view that the legal test that the CSF-2 loan is necessary or expedient in the public interest is met.

Recommended action

We recommend that you:

Crown's participation in Air NZ's equity raise

- a **agree** to participate in Air NZ's equity raise by subscribing for sufficient ordinary shares to leave the Crown with exactly 51% ownership of Air NZ following completion of the raise, consistent with Cabinet's decision on the Crown's objectives for its majority shareholding in Air NZ [DEV-21-MIN-0253 refers], at an estimated capital cost of up to [25] and [37]

Agree/disagree.
Minister of Finance

Agree/disagree.
Associate Minister of Finance

- b **sign, but not date**, the Crown Commitment Letter attached as Annex One, to implement recommendation (a) (Minister of Finance)

- c **approve** the following increase to appropriations, under delegated authority from Cabinet [DEV-21-MIN-0253 paragraph 27 refers] to reflect the Crown's participation in Air New Zealand's planned equity raise, with a corresponding impact on net core Crown debt:

Vote Finance Minister of Finance	\$m – increase/(decrease)				2025/26 & Outyears
	2021/22	2022/23	2023/24	2024/25	
Non-Departmental Capital Expenditure: Subscription for Ordinary Shares in Air New Zealand	[25] and [37]	-	-	-	-
Total Capital					

Agree/disagree.
Minister of Finance

Agree/disagree.
Associate Minister of Finance

- d **agree** that the increase in capital expenditure in recommendation (c) above for the Crown's subscription for new ordinary shares in Air NZ be a charge against the Multi-year Capital Allowance

Agree/disagree.
Minister of Finance

Agree/disagree.
Associate Minister of Finance

- e **agree** that the proposed change to appropriations in recommendation (c) above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply

Agree/disagree.
Minister of Finance

Agree/disagree.
Associate Minister of Finance

CSF-2 Agreement

- f **agree** that it appears to you, as Minister of Finance, to be necessary or expedient in the public interest to loan money to Air NZ on the terms outlined in the CSF-2 Agreement, attached as Annex Two, for the purposes of section 65L of the Public Finance Act 1989

Agree/disagree.

Minister of Finance

- g **agree** to loan money to Air NZ on the terms outlined in the attached CSF-2 Agreement, by **signing but not dating**, the CSF-2 Agreement, attached as Annex Two

Agree/disagree.

Minister of Finance

- h **agree** to extend the Crown's voting commitment to Air NZ to also cover the Crown voting in favour of CSF-2

Agree/disagree.

Minister of Finance

Release of documents to Air NZ

- i **authorise** the Treasury to date the signed Crown Commitment Letter and the signed CSF-2 Agreement and release them to Air NZ once you are satisfied with Air NZ's decisions on all outstanding matters regarding the equity raise, which are likely to be taken on Wednesday 30 March 2022, immediately before the equity raise launches.

Agree/disagree.

Minister of Finance

Agree/disagree.

Associate Minister of Finance

Maureena van der Lem
Manager, Commercial Performance

Hon Grant Robertson
Minister of Finance

Date: / / 2022

Hon David Parker
Associate Minister of Finance

Date: / / 2022

Suggested talking points for Cabinet on Monday 28 March 2022

- Air NZ plans to launch an equity raise later this week; while final decisions haven't been taken yet, the current intention is for the company to launch on Wednesday 30 March 2022.
- In support of this, the Associate Minister of Finance and I have taken decisions under delegated authority regarding the Crown's participation in Air NZ's equity raise.
- Should it decide to proceed, Air NZ intends to seek to raise around [25] and [37] of equity from existing shareholders, including the Crown.
- This is around [25], [37] more equity than signalled to Cabinet in December 2021; the larger amount of equity is necessary for Air NZ's balance sheet to be in a sustainable position, and reflects (amongst other changes since December 2021) the impact of the Omicron outbreak on domestic air travel within New Zealand.
- In December 2021 Cabinet agreed that it is the government's policy to maintain an ordinary shareholding in Air NZ of exactly 51 percent for the foreseeable future in order to achieve the Government's objectives for maintaining a majority shareholding in the company [DEV-21-MIN-0253 refers].
- In line with Cabinet's decision, the Crown will participate in Air NZ's equity raise by purchasing a sufficient number of new shares to ensure it owns exactly 51% of Air NZ's ordinary shares on completion of the equity raise.
- This will cost the Crown up to [25], [37], with the exact figure depending on the offer price set by Air NZ for new shares, which will not be decided until immediately prior to the equity raise launching.
- Cabinet provided an appropriation of [25], [37] for this purpose, based on an estimated equity raise by Air NZ of [25] and [37] with delegated authority for the Associate Minister of Finance and I to increase this appropriation by up to [25], [37].
- Under the delegated authority from Cabinet, the Associate Minister of Finance and I have agreed to increase this appropriation by [25], to [25], [37] to accommodate Air NZ's planned capital raise of [25] and [37]
- The non-Crown portion of the equity raise will be underwritten by the private sector, providing Air NZ with certainty that it will receive the equity that it is seeking.
- The Crown will also provide a standby loan facility, known as CSF-2, of \$400m. This will be available to Air NZ but is not expected to be drawn on, unless Air NZ's financial position turns out to be significantly worse than it expects.
- Air NZ will use the proceeds of the equity raise to strengthen its balance sheet, including by repaying the \$850m it has borrowed from the Crown (via CSF-1) over the last 2 years, and the \$600m of redeemable shares that it will issue to the Crown ahead of the equity raise launching (Cabinet agreed the Crown would subscribe for up to \$1,000m of redeemable shares in Air NZ in December 2021).
- The \$850m of CSF-1 borrowings will be repaid to the Crown on completion of the equity raise.
- Of the redeemable shares issued to the Crown, \$400m will be repaid once Air NZ raises around \$600m of private sector debt, which is expected to happen after the equity raise.
- The remaining \$200m of redeemable shares will be repaid once Air NZ is confident that its financial position is robust.
- The NZX has granted waivers from the NZX Listing Rules to allow Air NZ to issue the redeemable shares to the Crown, with a condition that if the redeemable shares are still in place as at 31 December 2022, shareholders will need to approve them. The waiver

was required because Air NZ is entering into a significant transaction with its majority shareholder; normally this would require the prior approval of shareholders.

- As I advised Cabinet last year, I have given Air NZ a commitment that the Crown will vote in favour of this resolution.
- The NZX has granted further waivers to allow Air NZ to enter into CSF-2 with the Crown, with the same condition – a vote of shareholders will be required if CSF-2 is still in existence by the end of the calendar year (which it will be).
- As the redeemable shares and CSF-2 are part of a package of transactions designed to support and recapitalise Air NZ, I intend to extend the Crown’s voting commitment to also cover the Crown voting in favour of the approval of CSF-2.
- Air NZ’s offer price for new shares could be around ^{[25], [37]} per share. This compares to Air NZ’s share price of around \$1.39 per share, as at Thursday 24 March 2022 .
- The proposed offer price has not been decided by Air NZ yet, and is highly commercially sensitive until Air NZ makes a decision and announces it.
- A significant difference between the share price and the offer price is likely to attract comment. This is a matter for Air NZ to respond to, as it will determine the offer price. However, if I am required to comment, I would make the following points:
 - Air NZ has decided the price it is offering new shares at – not the Crown.
 - The Crown is buying up to ^{[25], [37]} worth of shares from Air NZ at the offer price.
 - The offer price was developed by Air NZ in co-ordination with and based on expert advice from professional investment advisors.
 - I am advised that it is common for the offer price in a rights offer to be at a discount to the pre-offer share price. This also acknowledges that the company’s overall number of shares on issue will materially increase.
 - The process for raising equity has been specifically chosen by Air NZ to be as fair as possible for its existing shareholders. I fully supported Air NZ in this objective.
 - Existing shareholders are being given the right to purchase new shares at the offer price, in proportion to the number of shares they hold.
 - New shareholders are only able to access the new shares issued by Air NZ if existing shareholders do not want to fully take up their rights (existing shareholders are “at the front of the queue”).
 - Existing shareholders have no obligation to purchase new shares, and if they decide not to, their rights are tradeable, and they will receive value for these rights, should other investors wish to purchase them.
- I will not express an opinion, and other Ministers should not either, on whether Air NZ’s offer price is “fair”, or express any opinion on Air NZ’s share price, either before, during or after the offer.
- Nor will I express any opinion on whether other investors should participate in Air NZ’s equity raise.

Annex 3: Cashflows between the Crown and Air NZ

Date	Event	Cash from the Crown to Air NZ (\$m)	Cash from Air NZ to the Crown (\$m)
<i>Historical:</i>			
Various dates	Air NZ draws on CSF-1	850	
<i>Planned:</i>			
7 April 2022	Air NZ issues RS to the Crown	150	
6 May 2022	Air NZ issues RS to the Crown	450	
9 May 2022	Equity raise settles	[25], [37]	
9 May 2022	CSF-1 is repaid by Air NZ		850
30 June 2022	Some RS are redeemed by Air NZ		400
December 2023	All remaining RS are redeemed by Air NZ		200
Total		[25], [37]	1,450

For simplicity, this table does not include interest payments on CSF-1, the commitment fee on CSF-2, the pre-commitment fee on the Crown's equity contribution, or dividends on the RS. It also does not include broader Crown support programmes that Air NZ has benefitted from, which have been substantial, such as the wage subsidy, MIAC and IRD PAYE deferral.

As the table shows, the planned future cashflows result in an expected net cashflow of around [25], [37] from Air NZ to the Crown. This represents Air NZ's repayment of the loan support provided over the last 2 years through CSF-1, less the Crown's equity investment in Air NZ.

The total net cashflows since Crown support for Air NZ began in March 2020 are expected to be up to [25], [37] from the Crown to Air NZ – representing the Crown's equity investment.