

The Treasury

Project Korimako - Release of advice

December 2022

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- [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
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- [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

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Reference: T2022/506

SE-2-12-4-2-3

Date: 10 March 2022

To: Minister of Finance (Hon Grant Robertson)

Deadline: None
(if any)

Update on Kiwi Group Holdings – Cabinet Paper Speaking Points

You are taking an item to Cabinet Committee on 30 March updating Cabinet on your intended approach to establishing the long-term ownership arrangements for Kiwi Group Holdings (KGH). Below are speaking points for you to use when discussing the paper with your colleagues.

The current ownership arrangements are unsustainable and unsupportive of Kiwibank's performance

- KGH is a holding company which wholly owns Kiwibank Limited (Kiwibank) and is currently owned by New Zealand Post (NZ Post, 53%), New Zealand Superannuation Fund (NZSF, 25%) and the Accident Compensation Corporation (ACC, 22%).
- The Government's goals for Kiwibank are significant. We intend for Kiwibank to achieve an increase in its scale, efficiency, and cost competitiveness so that it can be a more effective disruptor bank which should drive better outcomes for New Zealand consumers.
- As I reported to Cabinet in December 2021, the current shareholding arrangements are a restraint on the performance of KGH and Kiwibank and make it unlikely that the Government's goals for Kiwibank will be met. The shareholders are not aligned regarding the future strategy and capital needs for KGH and Kiwibank.
- NZSF indicated a desire to take a controlling interest, subject to price, in order to drive improved performance while NZ Post and ACC have indicated a preference to sell.
- Cabinet agreed to negotiations with NZSF regarding its proposal to take majority control as long as New Zealand ownership of KGH was assured and the Crown maintained a majority interest (direct or indirect) in the future. Cabinet noted that if negotiations with NZSF failed, the Government would move to pursuing direct majority Crown ownership of KGH.

- Following a few weeks of negotiations, NZSF has now informed me that it no longer wishes to purchase a majority ownership in KGH. It has formally withdrawn from that process.

The Government intends to pursue direct majority ownership to control the long-term ownership arrangements for KGH

- In 2016 the Government entered into a contractual arrangement with KGH shareholders, known as the Crown Deed, that controls how shares in KGH may be transacted. The Government has no ability to direct the shareholders in any action with respect to their KGH shares but may negotiate to purchase the shares.
- Under the Crown Deed, shares intended for divestment must be offered to the other KGH shareholders first, and then to the Crown if other existing KGH shareholders decline to purchase them. Shares offered but not taken up by other existing KGH shareholders or the Crown may be offered to external parties. Alternatively, transactions can occur outside of the Crown Deed if all parties explicitly agree.
- To ensure that the Government can proactively determine KGH's long term ownership arrangements, we will seek to acquire sufficient shares to stabilise KGH's ownership [33], [37], [38]

- [38]

- The Government will seek to reach agreements [33], [37] by 30 June 2022.
- I am proposing that Cabinet agrees to the Minister of Finance and Associate Minister of Finance (Hon David Parker) negotiating to purchase KGH shares as required to meet the Government's policy objectives, subject to Cabinet agreement to the relevant capital appropriations following the Budget 2022 moratorium.
- Negotiations will initially focus on purchasing KGH shares from ACC and NZ Post, as ACC has indicated its interest in selling and I do not view NZ Post as the preferred entity through which the Crown holds its KGH ownership interest. These negotiations will initially be conducted outside of the Crown Deed. NZSF has not yet indicated its intentions relating to its minority shareholding in KGH.

Increased operating funding is needed for specialist advisors on KGH share transactions but capital for purchasing shares will be sought later

- As signalled in December 2021, for the Crown to move to directly purchase shares in KGH, additional funding will be required for the contracting of specialist commercial and legal advisors to advise the Crown on share transactions. An appropriation increase of \$4 million is sought for this purpose.

- Capital appropriations to fund share purchases will be sought from Cabinet once negotiations have advanced and following the Budget 2022 moratorium.
- Based on the most recent independent valuation of KGH, the total potential size of KGH share purchases could be as much as [33], [37], [38] This amount represents the most capital-intensive interim position where the Crown contracts to purchase 100% of KGH's shares. Purchasing less than 100% would be proportionately cheaper.
- While share transactions with the existing KGH shareholders occur within the broader Crown, purchasing shares from NZSF and ACC will add to core Crown debt. Impacts on core Crown debt from purchasing shares from NZ Post would likely be reduced by the receipt of a special dividend from NZ Post of most of the sales proceeds that company receives.

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