

# The Treasury

## Project Korimako - Release of advice

December 2022

This document has been proactively released by the Treasury/Minister of Finance (Hon Grant Robertson) on the Treasury website at

<https://treasury.govt.nz/publications/information-release/project-korimako>

### 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
- [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).

## **Copyright and Licensing**

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

## **Accessibility**

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to [information@treasury.govt.nz](mailto:information@treasury.govt.nz).

Reference: T2022/1445 SE-1-3-22-2

Date: 28 June 2022

To: Minister of Finance (Hon Grant Robertson)

Deadline: Economic Development Committee – 29 June 2022

## **Project Korimako – Speaking Points for DEV**

Below are speaking points for you to use at the Economic Development Committee meeting on 29 June 2022 for your paper, *Kiwi Group Holdings Limited (Kiwibank) – Update on Negotiations*.

### ***Negotiations are underway for the Crown to purchase shares in Kiwi Group Holdings (KGH), the parent of Kiwibank***

- KGH is currently owned by New Zealand Post Limited, New Zealand Superannuation Fund, and Accident Compensation Corporation. Kiwibank is unlikely to achieve its potential under the current shareholding arrangements. Kiwibank requires new capital to grow (at the same time as meeting the Reserve Bank’s new regulatory capital requirements) and this will not be available from the current shareholders.
- Cabinet agreed that the Crown should negotiate to purchase KGH shares to meet the Government’s policy objectives for Kiwibank. I consider it important that Kiwibank increases its scale, efficiency, and cost competitiveness so that it can compete strongly to achieve better results for New Zealand consumers.

### ***Appropriations are sought to fund KGH share purchases***

- I consider it appropriate to now seek an appropriation to fund the possible purchase of KGH shares as we are approaching the point in the negotiations where the Crown may make an offer to purchase shares.
- An appropriation for share purchases [25], [37], [38] is recommended. This amount is sufficient to fund the purchase of 100% of KGH. If a lower level of ownership is achieved the cost would be lower.
- 53% KGH shareholder NZ Post will return the sales proceeds it receives, less [25], [26], [38] it will retain to fund investments in its core business, as a special dividend. The special dividend reduces the potential capital impact [25], [37], [38]
- My intention is to reach agreement on share purchases with KGH shareholders as soon as practicable. Final documentation and settlement of the transaction are intended to occur by the end of September 2022.

## **A Public Finance Act 1989 Schedule 4A company is to be established to hold the Crown's KGH shares**

*[Note: Kiwibank has raised an emergent issue with the use of a Public Finance Act 1989 (PFA) Schedule 4A structure. In accordance with your instructions we have been working with Kiwibank to gain a comprehensive understanding of the manner in which the bank thinks being owned by a PFA Schedule 4A holding company might affect their operations. Kiwibank raised several matters, one which it sees as more substantive than the others. It provided Treasury some details on its thinking on Monday 27 June. Based on our legal advice, we do not currently consider any matter raised represents a significant concern, but we are working through them with Kiwibank and propose to report back to you on this matter after completing our analysis.]*

*It may be that no change to the corporate form is required, but we wanted to ensure you are aware of this emergent issue in the context of the first bullet point below.*

*An option you might choose to raise at DEV is the possibility of a delegation to Negotiating Ministers (you and Hon Parker) to select an alternative corporate form if considered appropriate. This would ensure that, to the extent you decide to implement a change from a PFA Schedule 4A structure to an alternative, you can do so without needing further Cabinet approval. If this was agreed, you could commission Treasury to amend the Cabinet paper in advance of Cabinet on 4 July.]*

- I have considered the available structuring options for holding the Crown's investment in KGH and at this stage consider that the best structure is through a new Public Finance Act 1989 (PFA) Schedule 4A company to be established for this purpose (the Company).  
[You may wish to add] Treasury officials continue to engage with Kiwibank to ensure that the holding company form is the most appropriate for the bank's operations.
- The proposed name for the Company is Kiwi Group Capital Limited. Kiwi Group Capital Limited will oversee the investment in KGH and its subsidiaries. [33], [37]
- I propose that the shareholding Ministers of the Company be the Minister of Finance (as required by the CEA) and the Minister for State Owned Enterprises. This paper seeks authority for the shareholding Ministers to take the decisions and actions necessary to incorporate the Company and facilitate its establishment, including determining an initial level of working capital to provide the Company. My current thinking is that initial working capital of [33] would be sufficient.
- The process of identifying suitable inaugural directors for the Company is underway, with an initial focus on an establishment chair and one director.
- I propose that the Treasury be the monitoring department in relation to the Company. An increase in appropriation for the Treasury of \$600,000 in 2022/23 and \$350,000 for 2023/24 and beyond is sought to fund the increased and specialised monitoring activity required. The amount sought for the first year of monitoring is higher because specialist external advice will be required in the first year to establish the monitoring and policy frameworks underpinning the new role.

- It is likely Ministers will enter into the sale and purchase agreement and the Company will purchase the shares on settlement. This arrangement is reflected in the funding appropriation where the Crown subscribes for shares in the new Company as the means of funding the purchase of KGH shares.
- If, however, the new company cannot be incorporated within a reasonable timeframe, perhaps due to the time required to identify suitable directors, Ministers would purchase the shares directly and transfer the shares to the new company following its incorporation. For this unlikely scenario, delegated authority to amend appropriations to reflect these potential alternative arrangements is sought.

David Stanley, Principal Advisor, Commercial and Institutional Performance, [39]

Shelley Hollingsworth, Manager, Commercial and Institutional Performance, [39]