

The Treasury

2024/25 Letters of Expectation Information Release

June 2024

These documents have been proactively released by the Minister of Finance (Hon Nicola Willis), Minister for Infrastructure (Hon Chris Bishop), Minister of Education (Hon Erica Stanford), Minister for State Owned Enterprises (Hon Paul Goldsmith), Minister of Agriculture (Hon Todd McClay), Associate Minister of Finance (Hon David Seymour), Associate Minister of Justice (Firearms) (Hon Nicole McKee), Associate Minister of Finance (Hon Shane Jones) and the Minister for Biosecurity (Andrew Hoggard) on the Treasury website at

<https://www.treasury.govt.nz/publications/information-release/shareholder-expectations-letters-2024-25-information-release>.

Information Withheld

This information has previously been released under the Official Information Act.

Where this is the case, the relevant sections of the Act that 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:

- section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons,
- 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)(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,
- section 9(2)(ba)(ii) – 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 otherwise to damage the public interest,
- section 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials, and
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Hon Paul Goldsmith

Minister for Arts, Culture and Heritage
Minister of Justice
Minister for State Owned Enterprises
Minister for Treaty of Waitangi Negotiations



12 APR 2024

Chris Hopkins
Chair
Dunedin International Airport Limited

s9(2)(a)

Dear Chris

SHAREHOLDING MINISTERS' EXPECTATIONS FOR DUNEDIN INTERNATIONAL AIRPORT LIMITED

We are writing to outline how your board can support the delivery of the Coalition Government's priorities, and our specific and general governance expectations for Dunedin International Airport Limited (DIAL) during 2024/25. We ask that you identify opportunities to support DIAL to address these expectations for our consideration in your Strategic Issues Letter and include actions in DIAL's 2024/25 business planning documents.

Government priorities

We expect boards to be conscious of the Government's priorities and the expectations in any future Enduring Letter of Expectations issued to statutory Crown entities. In an ongoing challenging fiscal environment, the Government's priorities include:

- lifting New Zealand's productivity and economic growth to increase opportunities and prosperity for all New Zealanders; and
- improving the efficiency and effectiveness of the public service and of government-funded services.

The Government is committed to delivering results, and all public organisations, including DIAL, have a part to play. Boards should run a profitable business and work alongside stakeholders and build connections to focus resources, minimise costs and deliver improved performance. We expect you to set ambitious targets and develop robust performance measures.

During 2024, I intend to develop statements of the Crown's purpose for owning each of the State-owned enterprises and other relevant companies that I am responsible for. These will be statements of what the Crown wants to achieve from its shareholding in each company, as distinct from the company's own purpose. These statements are intended to provide focus and contribute to improved performance. The Treasury will be in contact with you to discuss this work.

There will be enhanced scrutiny of any Crown funding, including a focus on the return of surplus capital to the Crown for reprioritisation and cost management. Your board should be prepared to demonstrate how DIAL's spending is as efficient, effective, and responsive as possible to increase the prosperity of all New Zealanders.

Specific expectations for DIAL

As DIAL undertakes its operations and plans for the future, we expect it to:

- maintain a clear focus on core business objectives and all aspects of performance improvement following the challenges arising during and post-pandemic;
- recognise capital as a scarce resource and maintain an efficient balance sheet;
- adapt and innovate so as to ensure the resources DIAL utilises remain fit-for-purpose;
- take note of the Government's emphasis on operating efficiency and effectiveness, with a focus on driving down costs and seeking improvements wherever it can;
- link executive remuneration to outcomes and disclose the chief executive's remuneration in line with the NZX Corporate Governance Code, specifically disclosure of the base salary, short- and long-term incentives and the performance criteria used to determine performance-based payments. If disclosure to this standard is not possible, we expect the annual report to explain why this is the case; and
- remain aware of the Government's wider priorities.

We expect DIAL to be delivering an appropriate level of commercial return to, and to represent a value-for-money investment for, the Crown as owner. In addition, we expect there to be an emphasis on distributions to the Crown, especially whenever there is excess capital on the balance sheet, or where this is a greater shareholder value maximisation alternative to investment.

We understand that DIAL intends to consider investment in major asset replacement and growth opportunities. Investments should be made to enhance shareholder value while maintaining short to mid-term financial stability, improving financial performance, and distributing an appropriate dividend.

In line with the Treasury's Owner's Expectation document (see below), we look forward to receiving 'no surprises' updates and consultation on investment projects.

We encourage DIAL to consider how it can further enhance resilience to ensure it can function to the fullest possible extent during and after emergencies or other disruptions.

General governance expectations

The Treasury's Owner's Expectations document

Strong board governance is critical to the performance and success of the Crown's companies and entities. We refer you to the Treasury's [Owner's Expectations document](#), which discusses the role of boards and directors, the board appointment process, and expectations relating to governance. The document also outlines expectations for financial and other dimensions of performance, and matters such as reporting, disclosure, public accountability, and business cases. The Treasury is updating its Owner's Expectations document and is consulting you on its contents.

Board charter/code of practice

Each board is expected to have a charter/code of practice to provide guidance and to assist directors to carry out their duties and responsibilities effectively and in accordance with the highest professional and ethical standards. Each board's charter/code of practice should cover board procedures and reflect, among other duties and responsibilities:

- the requirement for directors to act in a politically impartial manner and conduct themselves in a way that enables them to act effectively under current and future governments. This includes not making political statements, engaging in political activity in relation to the functions of DIAL, and acting in ways that places Ministers or entities they are responsible for in a position of embarrassment; and
- the process in place for disclosing and dealing with conflicts of interest appropriately and promptly, including the maintenance of an interests register and the disclosure of interests at meetings or when certain issues are discussed. We expect your board to share this register with the Treasury as it is updated.

We expect you to disclose these documents in the interests of transparency and public accountability.

Board evaluations

Board evaluations are a tool for boards to improve their performance and allow Ministers to assess the performance of a board. Independent board evaluations should ideally take place biennially unless there have been significant changes to board composition or when commercial imperatives demand full board attention. Self-assessments of board performance are encouraged in between biennial independent board evaluations to assess performance to date and ensure the board is well positioned for future challenges. We expect you to share independent board evaluation and self-assessment results with the Treasury to contribute to its advice on board composition.

Further information

A timetable for the 2024/25 business planning process is attached for your reference.

Your relationship managers at the Treasury will contact you to discuss these expectations.

If you have any questions, please contact Ben Xu, Senior Analyst, Commercial and Institutional Performance (s9(2)(k)). Alternatively, you can contact Ann Webster, Manager, Commercial and Institutional Performance (s9(2)(k)).

We wish you every success with your endeavours in the coming year.

Yours sincerely
Hon Paul Goldsmith
Minister for State Owned Enterprises
on behalf of shareholding Ministers

cc Daniel De Bono, Chief Executive Officer, Dunedin International Airport Limited,
s9(2)(a)

Timetable for the 2024/25 business planning process

<i>Due</i>	<i>Key action</i>
1 March 2024	The board sends its draft Statement of Intent (SOI) and Business Plan to shareholding Ministers
March 2024	The chair and the Treasury discuss the LOE
19 April 2024	The board sends its Strategic Issues Letter to shareholding Ministers
31 May 2024	The board provides advice on: <ul style="list-style-type: none">• whether special fees are sought for 2024/25;• the professional development spend in 2023/24 and the proposed professional development budget for 2024/25; and• whether an evaluation of its performance in the past 12 months has taken place, what process was used and the outcomes of the evaluation
30 June 2024	The board sends its final SOI to shareholding Ministers
As soon as practicable after sending the final SOI	DIAL publishes the final SOI on its website

Please alert shareholding Ministers and the Treasury as soon as possible if you are unable to meet these deadlines or if clarification is required. Further information is available in the Treasury's [Owner's Expectations document](#).