

# The Treasury

## Letters of Expectation Information Release

August 2021

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<https://www.treasury.govt.nz/publications/information-release/shareholder-expectations-letters-2021-22-information-release>

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[23] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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## Hon Dr David Clark

MP for Dunedin

Minister of Commerce and Consumer Affairs  
Minister for the Digital Economy and Communications  
Minister for State Owned Enterprises  
Minister of Statistics  
Minister Responsible for the Earthquake Commission



31 MAR 2021

Mr Brian Corban  
Chair  
New Zealand Railways Corporation  
[23]

Dear Mr Corban

### **2021/22 OWNER EXPECTATIONS FOR NEW ZEALAND RAILWAYS CORPORATION**

I am writing to outline the matters that we expect your board to address in the 2021/22 business planning round.

#### **Government priorities and the response to COVID-19**

The COVID-19 pandemic brought unexpected challenges for all New Zealanders. The response to COVID-19 will be of central importance in the coming year. The Government has three overarching objectives: continuing our health response to keep New Zealanders safe from the virus, accelerating the economic recovery from COVID-19 and laying the foundations for a more sustainable and equitable future.

Investing in critical infrastructure and public services will be important to our economic recovery, along with a focus on renewable energy, waste reduction, sustainability and pursuing carbon neutrality in light of the challenges caused by climate change. The Government will also be focused on supporting small businesses, training and job creation opportunities for workers and businesses, and delivering programmes to bolster New Zealand's exports.

Companies and entities that are owned by the Crown will play a role in supporting the response to COVID-19 and social and economic recovery. During 2020 Crown entity and company boards outlined the challenges that they have faced and the strategies that boards have adopted to respond. We expect that you will continue to advise Ministers this year, well in advance of any emerging issues.

The responsible management of Crown assets and finances, including sound investment and careful control of debt, can also make an important contribution to the COVID-19 recovery ambitions of New Zealanders.

Through the evolving and uncertain COVID-19 environment, we expect that you will continue to focus on your ongoing viability and provision of goods and services. In doing so, we ask that you consider the impact of your decisions on your staff and suppliers.

This letter contains the following information:

- Ministers' specific expectations for New Zealand Railways Corporation (NZRC);

- general expectations for companies and entities owned by the Crown; and
- timeline for the 2022/22 business planning process and governance information (Annex 1).

### **Entity specific expectations**

Ministers' expectations of NZRC are framed by the significant investments that the Government is making to ensure a reliable and resilient rail system. As a result of the Government's investments in rail, NZRC will be a net purchaser of railway land with significant land acquisitions forecast.

#### *Provide effective oversight of railway land purchases*

We expect the Board of NZRC to support the Crown's long-term stewardship objectives by providing effective oversight of land purchases transacted by KiwiRail Holdings Ltd (KiwiRail) on its behalf. The Board should meet at least quarterly, and more often as necessary, to ensure land purchases are properly transacted and recorded in accordance with the relevant statutory requirements and with the provisions of the Lease between NZRC and KiwiRail.

#### *Maintain relationships for KiwiRail's ability to make commercial benefit from railway land*

Ministers expect NZRC to maintain its cooperative relationship with KiwiRail to ensure KiwiRail continues to enjoy the commercial benefit of the railway land owned by NZRC, and that duplication between the two organisations continues to be avoided through the cooperative management agreement with KiwiRail. NZRC should also cooperate with the Ministry of Transport and the Treasury to ensure appropriations and associated budget information is in place to provide for land purchased with funding from the Crown.

#### *Extension of the Core Lease*

KiwiRail has proposed to extend the Core Lease for a further 100 years beyond the existing period to 2070, in order to maximise benefits it believes it can accrue through commercial arrangements with other parties. We expect that NZRC will work collaboratively with KiwiRail on this proposal and ensure that full information is provided, including to the Treasury as our monitoring agents, to ensure thorough discussions are able to be undertaken.

### **General expectations**

The Treasury released an updated Owner's Expectations document in April 2020 ([www.treasury.govt.nz/publications/guide/owners-expectations](http://www.treasury.govt.nz/publications/guide/owners-expectations)). The document sets out Ministers' expectations on matters such as information-sharing and engagement with the Treasury, board evaluations, thresholds for consultation or approvals for significant investments, and timeframes for reporting and business planning documents. Some key expectations are reiterated in this letter below.

We ask that you circulate this document to all directors on your board so that they are aware of and understand the frameworks and expectations unique to Crown companies and entities.

### *Well-being focus*

Ministers expect all boards to be cognisant of the Government's focus on well-being. The Government's wellbeing approach is based on a balance of the four capitals in the Treasury Living Standards Framework – Financial, Human, Natural and Social Capital. Boards should consider and reflect the broader impact of their decisions and initiatives in planning and performance reporting. In this respect, some important aspects include corporate social responsibility and acting as a good employer, particularly if boards need to make decisions to respond to commercial or financial challenges such as the impact of COVID-19.

### *Board performance evaluations*

Performance evaluations help boards to improve performance and contribute to the Treasury's advice to Ministers on board composition. We expect that evaluations will now take place annually and should ideally be conducted by an independent evaluator.

### *No surprises*


Ministers expect to be informed well in advance of any material or significant events relating to your entity, whether positive or negative. The Owner's Expectations document provides some examples of matters that could fall within the 'no surprises' policy.

In particular, boards should inform Ministers' offices before the announcement of all financial results, and before appearances in front of select committees.

### **Further information**

Your Treasury relationship managers will be in contact shortly after you receive this letter to discuss Ministers' expectations in more detail. If you have any questions please contact Michael Moore (on [39]) Alternatively you can contact Juston Anderson, Acting Manager, Commercial Performance (on [39])

Yours sincerely



Hon. Dr David Clark  
**Minister for State Owned Enterprises**  
*on behalf of shareholding Ministers*

cc: Jonathan Earl, General Manager, New Zealand Railways Corporation,  
[23]

## Annex 1

### *Timetable for the Business Planning Process for 2021/22*

Table 1: Summary timetable for the Business Planning Process

<i>Due by</i>	<i>Key Action</i>
March	The Treasury to discuss the Letter of Expectations with the Chair
26 March	Board sends Strategic Issues letter to Ministers
26 March	Board provides Post Investment Reviews to the Treasury
30 April	Board submits draft Statement of Corporate Intent (SCI) and business plan
28 May	Board provides advice on: <ul style="list-style-type: none"><li>• whether special fees are sought for 2021/22;</li><li>• the professional development spend in 2020/21 and the proposed professional development budget for 2021/22; and</li><li>• whether an evaluation of its performance in the past 12 months has taken place, what process was used and the outcomes of the evaluation.</li></ul>
30 June	Board delivers final SCI to shareholding Ministers
As soon as practicable after delivery of the final SCI to Ministers	Company to publish SCI on its website

All entities are expected to provide shareholding Ministers with a **Strategic Issues letter**, by **26 March 2021** in response to the Letter of Expectations. Should your company wish to engage with shareholding Ministers to seek clarification around their expectations, we would ask that you advise the Treasury as early as possible of such intentions.

Entities are expected to provide shareholding Ministers with a draft SCI and Business Plan, consistent with the expectations as detailed in this letter, by no later than **30 April 2021**.

The final SCI should be delivered to shareholding Ministers on or before **30 June 2021**.

Shareholding Ministers should be alerted as soon as possible if any of these deadlines cannot be met.

Further information is available in the Owner's Expectations document ([www.treasury.govt.nz/publications/guide/owners-expectations](http://www.treasury.govt.nz/publications/guide/owners-expectations)).