

Reference: 20190448



13 September 2019

s9(2)(a)

Dear s9(2)(a)

Thank you for your Official Information Act request, received on 21 June 2019. You requested the following:

This is a request under the Official Information Act for copies of the following reports:

- 3 April 2019 Aide Memoire T2019/939: Housing and Urban Development Authority;*
- 4 April 2019 Treasury report T2019/680: NZ Green Investment Finance Ltd: Incorporation and Appropriations;*
- 8 April 2019 Aide Memoire T2019/1006: Project ABBA Cabinet paper and process issues;*
- 11 April 2019 Treasury Report T2019/540: Public Broadcasting Observations;*
- 12 April 2019 Aide Memoire T2019/997: Meeting with RNZ on 15 April 2019;*
- And, 26 April Treasury Report 2019/1229: Embedding wellbeing in the Public Finance Act.*

Information being released

Please find enclosed the following documents:

Item	Date	Document Description
1.	4 April 2019	Treasury Report T2019/680: NZ Green Investment Finance Ltd: Incorporation and Appropriations
2.	5 April 2019	Aide Memoire T2019/1006: Project ABBA Cabinet Paper and Process Issues
3.	11 April 2019	Aide Memoire T2019/997: Meeting with RNZ on 15 April 2019

I have decided to release these documents subject to information being withheld under the sections of the Official Information Act as described in the individual documents.

Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This

1 The Terrace
PO Box 3724
Wellington 6140
New Zealand
tel. +64-4-472-2733

<https://treasury.govt.nz>

is because information released under the OIA may end up in the public domain, for example, on websites including Treasury's website.

Information withheld

I have decided to withhold in full the documents listed in the table below under one or more of the following sections of the Official Information Act, as applicable:

- section 9(2)(f)(iv) – *to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials, and*
- section 9(2)(j) – *to enable a Minister of the Crown or any department or organisation holding the information to carry on, without prejudice or disadvantage, negotiations.*

Date	Document Description	Decision
3 April 2019	Aide Memoire T2019/939: Housing and Urban Development Authority	Withhold in full
11 April 2019	Treasury Report T2019/540: Public Broadcasting Observations	Withhold in full
26 April 2019	Treasury Report 2019/1229: Embedding wellbeing in the Public Finance Act.	Withhold in full

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. Again, I apologise for the delay in providing these documents to you. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

David Hammond
Team Leader Ministerial Advisory

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TE TAI ŌHANGA
THE TREASURY

Treasury Report: NZ Green Investment Finance Ltd: Incorporation and Appropriations

Date:	4 April 2019	Report No:	T2019/680
		File Number:	CM-3-6-4-3-5

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	<p>Agree to draw on the \$30 million tagged operating contingency for NZGIF's operating expenditure.</p> <p>Agree to draw on the \$100.000 million tagged capital contingency for funding NZGIF's investments.</p> <p>Agree to convert the \$30.000 million operating tagged contingency to capital.</p> <p>Agree to establish two new appropriations: one for NZGIF's operating expenditure and one for NZGIF's investments.</p> <p>Approve the proposed changes to the new appropriations to give effect to their drawing.</p> <p>Agree that the proposed changes to the appropriations for 2018/19 be included in the 2018/19 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.</p> <p>Agree that the expenses incurred against each of the appropriations be changes against the relevant contingency.</p> <p>Note that at the 2019 October Baseline Update, a request will be made to transfer the unspent portion of the Treasury's departmental funding for the design and establishment of NZGIF to NZGIF itself.</p>	Friday, 12 April 2019
Minister for Climate Change (Hon James Shaw)	<p>Agree to draw on the \$30.000 million tagged operating contingency for NZGIF's operating expenditure.</p> <p>Agree to draw on the \$100.000 million tagged capital contingency for funding NZGIF's investments.</p> <p>Agree to convert the \$30.000 million operating tagged contingency to capital.</p> <p>Agree to establish two new appropriations: one for NZGIF's operating expenditure and one for NZGIF's investments.</p> <p>Approve the proposed changes to the new appropriations to give effect to their drawing.</p> <p>Agree that the proposed changes to the appropriations for 2018/19 be included in the 2018/19 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.</p>	Friday, 12 April 2019

	<p>Agree that the expenses incurred against each of the appropriations be changes against the relevant contingency.</p> <p>Note that at the 2019 October Baseline Update, a request will be made to transfer the unspent portion of the Treasury's departmental funding for the design and establishment of NZGIF to NZGIF itself.</p>	
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Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Anthony Powell	Senior Analyst, Green Investment Fund	s9(2)(a)	✓
Craig Weise	Establishment Director, Green Investment Fund		

Actions for the Minister's Office Staff (if required)

Return the signed Shareholder consent forms and the signed Redeemable Preference Share Agreement to the Treasury. **Return** the signed report to the Treasury.

Note any feedback on the quality of the report

Enclosure:

Yes

[Minister of Finance - shareholder consent form \(Treasury:4093495v1\)](#)

[Minister for Climate Change - shareholder consent form \(Treasury:4093493v1\)](#)

[RPS Agreement \(Treasury:4094494v1\)](#)

IN-CONFIDENCE**Treasury Report: NZ Green Investment Finance Ltd: Incorporation and Appropriations**

Purpose of Report

1. This report seeks agreement from Shareholding Ministers to:
 - incorporate NZ Green Investment Finance Ltd (NZGIF) as a company pursuant to the Companies Act 1993
 - establish the \$30 million appropriation for NZGIF's operating costs and execute the redeemable preference share agreement to enable them to be drawn down, and
 - establish the \$100 million appropriation for NZGIF's investment capital.

Background

2. On 7 November 2018 the Cabinet Economic Development Committee agreed that NZGIF be established as an independent 100% Crown-owned company listed in Schedule 4A of the Public Finance Act 1989 ("a Schedule 4A company").
3. The Cabinet Economic Development Committee also (DEV-18-MIN-0257):
 - noted that tagged contingencies for NZGIF consist of \$100 million of capital and \$30 million for operational costs
 - delegated authority to Shareholding Ministers to jointly agree to authorise drawdown of the tagged contingencies for NZGIF, and to make the necessary changes to appropriations, once appropriate funding arrangements are in place.
4. Various decisions and actions by Shareholding Ministers in recent months mean that the incorporation of NZGIF can now proceed, specifically these include:
 - noting that following consultation with Inland Revenue, it is intended that NZGIF be made tax exempt
 - agreeing that the features outlined in paragraph 5 to 7 below, be included in NZGIF's constitution
 - agreeing that NZGIF issue \$30 million of redeemable preference shares to the Crown to fund its operating costs with the repayment obligations outlined in paragraph 8 and 9 below.

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5. The table below outlines how NZGIF’s mission and objectives as they appear in its constitution.

Mission	To facilitate and accelerate domestic, low emissions investment.
Objectives	To make low emissions investments.
	To make investments that facilitate and accelerate, third party low emissions investments, including by co-financing low emissions investments.
	To optimise the Company’s investment to the extent that alternative investment is available from third parties.
	To apply commercial principles and best practice investment management approaches.
	To undertake a market leadership and demonstration role with regard to low emissions investment.

6. To allow for any future transition of NZGIF to become a tax paying entity, the following are also to be included in NZGIF’s constitution:

- the anticipation that NZGIF will not generate profits which may result in distributions being made to shareholders in the short-medium term
- the intention of NZGIF to seek profitability in the long term, and
- clauses that allow Shareholding Ministers, by passing a special resolution after a notice period, to specify that the principal objective of NZGIF is to operate as a successful business and, to this end, to be profitable and efficient.

7. The effect of the ability of Shareholding Ministers to specify that the principal objective of NZGIF is to operate as a successful business allows them the flexibility to transition NZGIF to become a tax paying entity. If this were deemed appropriate at some point in the future.

8. s9(2)(i)

9.

Incorporating NZGIF and establishing appropriations for its funding

10. NZGIF is now ready to be incorporated as a company and subsequently added by Order in Council to Schedule 4A of the Public Finance Act 1989 and Schedule 35 of the Income Tax Act 2007.

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11. The \$100 million appropriation for NZGIF's ordinary share capital needs to be established now. NZGIF will be incorporated with \$100 of ordinary share capital with each Shareholding Minister holding 50 shares issued at \$1 each. Consent forms for each Shareholding Minister are attached to give effect to this. Once NZGIF is in position to begin investing its capital a share subscription agreement will be prepared to allow NZGIF to progressively draw on the \$100 million.
12. The \$30 million appropriation for NZGIF's operating costs also needs to be established now. The redeemable preference share agreement to provide for the funding and repayment of NZGIF operating costs is attached for Shareholding Ministers to execute.
13. The redeemable preference share agreement includes shareholder approval for the issuance of \$30 million of redeemable preference share as major transaction for the purposes of the Companies Act 1993.
14. As the funding provided to NZGIF for its operating expenses will be done so by purchasing redeemable preference shares in the company the transaction represents a capital investment by the Crown. The relevant tagged contingency was established as operating expenditure and, as such, needs to be converted to capital expenditure.
15. The conversion of the \$30 million tagged contingency from operating to capital expenditure has no impact on the capital or operating allowance, net debt, or the operating balance because when the expenditure is incurred by NZGIF it will flow through to the Crown accounts as operating expenditure, in line with the intention when the tagged contingencies were set up in Budget 2018.
16. As previously agreed, a request will be made at the 2019 October Baseline Update to transfer the unspent portion of the Treasury's departmental funding for the design and establishment of NZGIF to NZGIF itself.

Next Steps

17. Once the Shareholder consent forms and the signed redeemable preference share agreement are returned to the Treasury, the NZGIF will be incorporated with the Companies office. The first \$6.000 million call under the redeemable preference share agreement will be made, and then paid by the Treasury, once NZGIF has established a bank account.
18. We will provide a Shareholding Ministers with a Cabinet Paper to enable NZGIF to be added to Schedule 4A of the Public Finance Act 1989 and Schedule 35 of the Income Tax Act 2007 in coming weeks.

IN-CONFIDENCERecommendations

We recommend that you

1. **note** that in Budget 2018, Cabinet:
 - 1.1. **agreed** to provide the Treasury with \$5.000 million in 2018/19 for the design and establishment of New Zealand Green Investment Finance Ltd (NZGIF)
 - 1.2. **agreed** to set aside \$30.000 million in a tagged operating contingency for the NZGIF's operating costs starting in 2018/19, and
 - 1.3. **agreed** to set aside \$100.000 million in a tagged capital contingency to fund NZGIF's investments starting in 2018/19.
2. **note** that on 7 November 2018, the Cabinet Economic Development Committee (DEV-18-MIN-0257 refers):
 - 2.1. **authorised** shareholding Ministers to transfer any unspent portion of the \$5.000 million funding agreed in Budget 2018 for Vote Finance for Treasury-led design and establishment of NZGIF, to NZGIF to complete the establishment process, and
 - 2.2. **agreed** to authorise shareholding Ministers to jointly agree to authorise drawdown of the tagged contingencies for the NZGIF, and to make the necessary changes to appropriations, once appropriate funding arrangements are in place.
3. **agree** that, as the threshold for drawing down the tagged contingencies described in recommendation 2.2 above has been satisfactorily completed (subject to Ministers agreeing the other recommendations in this paper), the tagged contingencies can now be drawn down.

<i>Agree/disagree</i>	<i>Agree/disagree</i>
Minister of Finance	Minister for Climate Change
4. **note** that the funding provided to NZGIF for its operating expenses will be done so by purchasing redeemable preference shares in the company and the transaction therefore represents a capital investment by the Crown.
5. **agree** to convert \$30.000 million from the operating tagged contingency established as part of Budget 2018, to capital.

<i>Agree/disagree</i>	<i>Agree/disagree</i>
Minister of Finance	Minister for Climate Change
6. **note** that recommendation 5 above will have no impact on the capital or operating allowance, net debt, or the operating balance.

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7. **agree** to establish the following new multi-year appropriation to run from 12 April 2019 to 30 June 2023:

Vote	Appropriation Minister	Title	Type	Scope
Finance	Minister for Climate Change	NZGIF – Equity Injections for Operating Expenditure	Non-Departmental Capital Expenditure	This appropriation is limited to the provision of equity injections into NZGIF for its operating expenditure.

Agree/disagree
Minister of Finance

Agree/disagree
Minister for Climate Change

8. **agree** to establish the following new multi-year appropriation, to run from 12 April 2019 to 30 June 2023:

Vote	Appropriation Minister	Title	Type	Scope
Finance	Minister for Climate Change	NZGIF – Equity Injections for Capital Investments	Non-Departmental Capital Expenditure	This appropriation is limited to the provision of equity injections into NFGIF for its capital investments.

Agree/disagree
Minister of Finance

Agree/disagree
Minister for Climate Change

9. **approve** the following changes to appropriations to give effect to the policy decision in recommendation 3 above, with a corresponding impact on net core Crown debt:

	\$ million increase/(decrease)				
Vote Finance Minister for Climate Change	2018/19	2019/20	2020/21	2021/22	2022/23
Non Departmental Capital Expenditure: NZGIF – Operating Expenditure				30.000	
NZGIF – Investments				100.000	

Approved/Not approved
Minister of Finance

Approved/Not approved
Minister for Climate Change

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- 10. **agree** that the proposed changes to appropriations for 2018/19 above be included in the 2018/19 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.

Agree/disagree
Minister of Finance

Agree/disagree
Minister for Climate Change

- 11. **agree** that the expenses incurred under recommendation 9 above be charged against the NZGIF – Tagged Operating Contingency described in recommendation 1.2 above, and that the capital expenditure incurred under recommendation 9 above be charged against the NZGIF – Tagged Capital Contingency described in recommendation 1.3 above.

Agree/disagree
Minister of Finance

Agree/disagree
Minister for Climate Change

- 12. **note** that at the 2019 October Baseline Update, a request will be made to transfer the unspent portion of the Treasury’s departmental funding for the design and establishment of NZGIF to NZGIF itself, consistent with recommendation 2.1 above.

Craig Weise
Establishment Director, Green Investment Fund

Hon Grant Robertson
Minister of Finance

Hon James Shaw
Minister for Climate Change

COMMERCIAL-SENSITIVE



Reference: T2019/1006

SE-1-3-6-3

Date: 5 April 2019

To: Associate Minister of Finance (Hon Shane Jones)

cc: Minister of Finance (Hon Grant Robertson)

Deadline: Before 10 April 2019

Aide Memoire: Project ABBA Cabinet Paper and Process Issues

You have agreed to present a paper at DEV Cabinet Committee on 10 April 2019 on behalf of the Minister of Finance, who will be travelling overseas. The paper asking the committee to note the support of the Minister of Finance, as shareholding Minister for Air New Zealand's (Air NZ's), for the proposed replacement of eight Boeing 777-200ER aircraft with new aircraft (what we have been calling Project ABBA).

This aide memoire provides:

- further information which is not included in the Cabinet paper but had previously been provided to the Minister of Finance, and
- details of the approval process i.e. what will happen after the Crown's support is communicated to Air NZ.

For your information, Project ABBA refers to the ultimate decision that Air NZ will need to make, being "Airbus or Boeing, Boeing or Airbus".

Further information supporting the transaction

Air NZ has convinced us that buying new planes now (for delivery in a few years) makes sense from a financial and operational perspective, as it is superior to keeping the existing planes for longer. However, there are two caveats to this:

- a. Treasury has only seen the very high level results of Air NZ's analysis, which we have not examined in detail, and
- b. Air NZ has not decided yet exactly which planes to buy, so the Minister of Finance is not considering or being asked to approve a specific transaction (e.g. "buy nine A350-900s from Airbus") rather a general transaction ("buy 8-10 new planes, from a list of six options from two different manufacturers"). We have also not been told the specific financial details of the transaction, e.g. the exact price, as this is commercially confidential and cannot be made public, and hasn't actually been agreed yet.

COMMERCIAL-SENSITIVE

Regarding point (a) we have not examined the analysis in detail because:

- it would require Air NZ to give us commercially sensitive information which will not and cannot be made public
- Air NZ said it had undertaken a peer review of its analysis with several airlines
- we have confidence in Air NZ's management
- buying new planes is something the company has done successfully many times before, and
- the high level analysis we have seen is the same as what will be given to all shareholders and is all that they would have when they are asked to approve the transaction.

Point (b) is slightly unusual, but we understand Air NZ's desire to have the Crown's support for the widebody replacement without first committing to a particular manufacturer or aircraft type, as this retains a certain amount of commercial tension in the transaction. Nor do we think the Crown, or other shareholders, should be particularly concerned about this, and can trust Air NZ's judgement about exactly which planes to buy.

Regarding the specifics like price, we are not concerned because Air NZ has said the transaction can be funded from its existing balance sheet with no expected impact on dividends. Moreover we consider that the incentives of the Board and management are well aligned with its shareholders.

Approval process

The transaction will be valued at between \$1.7 billion and \$3.9 billion i.e. more than 50% of Air NZ's average market capitalisation, the NZX listing rules "major transaction" threshold, but less than the 50% of the company's assets, the Companies Act "major transaction" threshold. This means the transaction requires approval by Air NZ's shareholders, via an ordinary resolution which needs 50% or more support to pass.

As the Crown owns 51.9% of Air NZ's shares, the purchase cannot go ahead unless the Crown approves the transaction.

After the paper goes to Cabinet on 15 April 2019, the Minister of Finance will send a letter to Air NZ advising that the Crown supports the proposed transaction.

s9(2)(ba)(i) and s9(2)(j)

Aaron Gill, Senior Analyst, Commercial Performance, +64 s9(2)(a)

Maareena van der Lem, Manager, Commercial Performance, +64 s9(2)(a)

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Reference: T2019/997

CM-1-3-66-1

Date: 11 April 2019

To: Minister of Broadcasting, Communications and Digital Media (Hon Kris Faafoi)

cc: Minister of Finance (Hon Grant Robertson)

Deadline: Before the meeting on 15 April 2019
(if any)**Aide Memoire: Meeting with RNZ on 15 April 2019**

You are meeting with Jim Mather (Chair) and Paul Thompson (Chief Executive) of Radio New Zealand (RNZ) at 3:15pm on Monday 15 April 2019. We understand the meeting is a general catch-up. However, you may wish to discuss:

1. RNZ's performance, new strategy and Budget initiative.
2. RNZ director appointments.
3. Media sector trends.
4. General business.

RNZ's performance, new strategy and Budget initiative

RNZ continues to perform well, with its latest quarterly report revealing a record high RNZ National audience share, and a relatively high level of trust in RNZ from the public, based on a Colmar Brunton survey – apparently, RNZ has the highest level of trust of all New Zealand media organisations.

s9(2)(b)(ii)

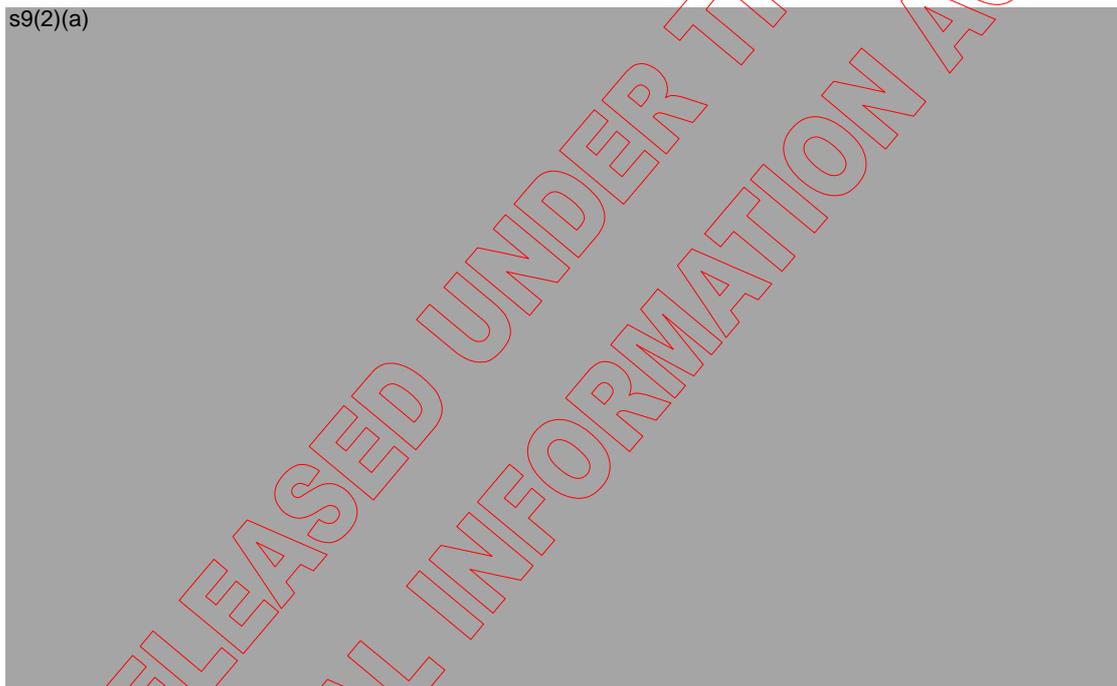
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In Budget 2018, RNZ and NZ On Air received a combined \$14.5 million of new operating funding, for the current year only. We understand the current status is that this funding will be extended for another two years, along with a small amount of new capital for RNZ.

You may wish to update the Chair and CEO, in confidence, that the likely outcome is \$7.25 million a year for two years.

Board appointments

s9(2)(a)



Treasury contacts:

Eva Parker, Graduate Analyst, Commercial Performance, s9(2)(k)
Maarena van der Lem, Manager, Commercial Performance, s9(2)(k)

Ministry for Culture and Heritage contact:

Louise Lennard, Manager, Sector Performance, s9(2)(a)