



OIA13-009

20 AUG 2013

Alex Harris
Fyi-request-974-a78ddc4f@requests.fyi.org.nz

Dear Alex Harris

Thank you for your email of 1 July 2013 to the Ministry for Primary Industries in which you have requested under the Official Information Act 1983 (the OIA) the following information:

- *All advice on the establishment of Crown Irrigation Investments Limited.*
- *Whether the company will be covered by the OIA.*

Crown Irrigation Investments Limited, like all other Crown-owned companies listed under the Crown Entities Act 2004, will be subject to the OIA.

The attached table lists all the documents identified and the reasons for withholding or partial release of some documents.

You have a right under section 28(3) of the OIA to seek investigation and review by the Ombudsman of my response. A request must be made in writing to:

The Ombudsman
Office of the Ombudsmen
PO Box 10 152
WELLINGTON

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Michael Jamieson'.

Michael Jamieson
Director, Strategy Systems and Science

Table: Crown Irrigation Investments Limited – papers to be released under OIA to Alex Harris

Document ref Or Date of paper	Document title	Sections withheld	Reasons for withholding
B12-290	Crown Investment in Regional Irrigation Infrastructure – Managing Crown Risk	PWC and Bell Gully advice	Out of scope of this request.
Sub12-059	Crown investment in irrigation infrastructure – Cabinet Paper	All	Section 18: Already on the Ministry for Primary Industries' website.
AM12-132	Aide-memoire: Crown investment in irrigation infrastructure – Cabinet Paper: Notes for Ministers	2 nd sentence of paragraph 4	Section 9(2)(j) - to enable a department or an organisation holding the information to carry on, without prejudice or disadvantage, negotiations.
B12-421	Candidates for Appointment to the Crown Irrigation Company Establishment Board	Appendices 1 and 2	Section 9(2)(a) – to protect the privacy of natural persons.
B12-425	Candidates for Appointment to the Crown Irrigation Investment Company Establishment Board – for Consultation with the Minister of Finance	Appendices 1 and 2	Section 9(2)(a) – to protect the privacy of natural persons.
B12-460	Remuneration rates ...	None	N/A
Sub12-066	Proposed Crown Irrigation Investment Company: Appointment of Establishment Board Chair and Members	Ages of candidates	Section 9(2)(a) - To protect the privacy of natural persons.
B12-493	Approval of Terms of Reference for the Irrigation Investment Company Establishment Board	None	N/A
25/2/2013	Monitoring options for Crown Irrigation Investment Company	None	N/A
B12-574	Institutional Arrangements for Crown Irrigation Investment Company	None	N/A
B12-695	Meeting with the Crown Irrigation Investment Company Establishment	None	N/A

	Board		
B12-847	Crown Irrigation Investments Limited - appropriation 2013/14	None	N/A
B12-833	Crown Investments in Irrigation - Listing the Investment Company under the Ombudsmen Act	None	N/A
B12-904	Crown Irrigation Investments Limited – seeking your approval of the Company's constitution	Constitution withheld	Section 18 - available on Companies Office website.
B12-965	Sign the consent form for incorporating Crown Irrigation Investments Limited	None	N/A
Sub12-099	LEG Paper – Two Orders in Council for Crown Irrigation Investments Limited	None	N/A

Distribution
Minister
Minister's Advisor
Minister's Office

Ministry for Primary Industries
Manatū Ahu Matua



18 January 2013

Document Number: B12-421

Candidates for Appointment to the Crown Irrigation Investment Company Establishment Board

Purpose:

This brief provides you with a list of potential candidates for you to consider for appointment to the Establishment Board of the proposed Crown Irrigation Investment Company. You may consider candidates from outside those provided in this paper. The brief also seeks your approval of a skill list for members of the Establishment Board and subsequent Boards.

Minister	Action Required:	Minister's Deadline
Minister for Primary Industries	<p>Note that this brief provides:</p> <ul style="list-style-type: none"> a. a list of potential candidates for appointment to the Establishment Board of the proposed Crown Irrigation Investment Company; and b. a list of skills desired on the Establishment Board and subsequent Boards; and <p>Note that you are required to consult with the Minister of Finance before finalising the candidates;</p> <p>Agree to provide a list of candidates to officials for appointment to the Establishment Board; and</p> <p>Agree to direct the Ministry for Primary Industries to draft a Cabinet paper for you to inform your Cabinet colleagues of the candidates you intend to appoint.</p>	By Monday 28 January to give officials sufficient time to check on candidates availability and for you to take a paper to Cabinet Appointments and Honours Committee on 12 February 2013.
Minister of Finance	<p>Note the contents of this brief; and</p> <p>Note that you will be consulted by the Minister for Primary Industries on the candidates.</p>	N/A
CC Associate Minister for Primary Industries		

Contact for telephone discussion (if required)

	Name	Position	Work	After Hours
Responsible Manager	Iain Cossar	Director, Sector Policy	04 894 0470	029 894 0470
Principal Author	Prakash Narayan	Senior Analyst	04 894 0690	
Supporting Author	Damian Diack	Advisor	04 894 0123	

Key Messages

1. On 12 December 2012, the Cabinet Economic Growth and Infrastructure Committee (EGI), having been authorised by Cabinet to have Power to Act [EGI Min (12) 29/5 refers]:
 - a. agreed to establish a Crown-owned company to manage the Crown's investments in regional water storage and off-farm irrigation infrastructure;
 - b. agreed to authorise the Shareholding Ministers to approve the terms of reference for the appointment of the Establishment Board of the company, and to determine the skill set required of the Board; and
 - c. noted that the Minister for Primary Industries will submit a list of candidates to Cabinet for appointment to the Establishment Board of the proposed Crown-owned company.
2. A Steering Group of senior officials has been established to oversee the work of the proposed Establishment Board. The Steering Group comprise senior officials from the Ministry for Primary Industries (MPI), Treasury, State Services Commission (SSC) and the Department of Prime Minister and Cabinet (DPMC).

Skills desired on the Establishment Board

3. The Steering Group has identified the following as skills required by the Establishment Board as a whole:
 - a. commercial and legal expertise;
 - b. banking/finance/investment;
 - c. ability and a track record of negotiating and concluding complex transactions;
 - d. establishing a new investment company;
 - e. understanding political systems and processes and ability to engage with Ministers and senior Government officials;
 - f. transaction due diligence;
 - g. leadership and credibility with the rural/primary sector; and
 - h. practical knowledge of how water storage and irrigation infrastructure work.
4. In addition, the following skill set, as outlined by Crown Ownership Monitoring Unit, whilst not critical to an Establishment Board, may be useful when considering candidates for longer-term appointment to the company Board:
 - a. Governance, senior executive or similar experience.
 - b. An ability to communicate clearly, both orally and in writing.
 - c. The ability to take a broad perspective on issues.
 - d. Common sense, integrity and a strong sense of ethics.
 - e. Organisational and strategic awareness.
 - f. An appreciation of the role of the Crown as a shareholder.
 - g. Knowledge of the responsibilities of a director and an ability to distinguish corporate governance from management.
 - h. Strong financial literacy.
 - i. A well-developed critical faculty.
 - j. The confidence to ask questions.

- k. An ability to work in a team.
 - l. Sector knowledge.
5. Candidates need to have sufficient time to be able to commit personally to this project, and they need to have the confidence of the Government, potential scheme proponents and investors. Candidates must be committed to the intentions of the proposed Crown investment.
 6. It is important that the Establishment Board is led by a chair with strong leadership skills and knowledge of the primary sector and/or irrigation infrastructure and/or financial investments, and demonstrated ability to liaise with Ministers. This is mainly due to the technical nature of the Establishment Board's work, very short timeframe, and the Government's commitment to a significant investment that will drive economic growth.

Potential Candidates for the Establishment Board

7. The Steering Group considers that a six member Board would be a suitable size for establishment purposes. This will keep the Board size manageable and bring a range of desirable skills to the Board. The Steering Group has identified the following candidates suitable for appointment to the Establishment Board. Their brief background is attached in the appendices.
8. Candidates:
 - a. Leadership and credibility with the farming/rural sector:
 - Jeff Grant (Southland farmer) - preferred
 - Chris Kelly (CEO of Landcorp Farming Ltd) - backup
 - b. Commercial/banking/finance/legal background:
 - Michael Webb (commercial barrister) - preferred
 - Alison Paterson (former board member of Landcorp) - preferred
 - Carmel Fisher (of Fisher Funds Management Ltd) – preferred
 - Murray Gribben (Deputy Chair of NZ Post) – preferred
 - Don Huse (former CEO of Auckland Airport) - backup
 - Jan Dawson (former CEO of KPMG New Zealand) – backup
 - Murray Horn (former head of Treasury and ANZ-NZ) – backup
 - Abby Foote (former Senior Solicitor – Finance and Transactions at Telecom) – backup
 - c. Irrigation/Engineering/Construction background:
 - Terry Heiler (irrigation consultant) – preferred but already committed to Irrigation Acceleration Fund
 - Dave Faulkner (former Managing Director of Fulton Hogan Ltd) – backup
9. You may consider candidates from outside the above list. The above candidates have not yet been contacted to check on their availability. This will be done prior to you taking a paper to Cabinet Appointments and Honours Committee (APH). For this reason, officials recommend that you select a preferred list of six candidates and a backup list of six.

Recommendations

10. MPI recommends that you:

- a) **Note** that on 12 December 2012, the Cabinet Economic Growth and Infrastructure Committee noted that you will submit a list of candidates to Cabinet for appointment to the Establishment Board of the proposed Crown Irrigation Investment Company;

Noted

- b) **Agree** on the skill set required by the Establishment Board and subsequent Boards as outlined in paragraphs 3 and 4 above;

Agreed / Not Agreed

- c) **Agree** that the Establishment Board comprise five members plus a chair;

Agreed / Not Agreed

- c) **Note** that you are required to consult with the Minister of Finance before finalising your preferred candidates;

Noted

- d) **Agree** to provide six names for you to take to Cabinet Appointments and Honours Committee (APH) for appointment to the Establishment Board, and you may consider the candidates from the following list (the first six are preferred by officials and the remaining are backup candidates), or consider candidates from outside this list:

Preferred by officials	Backup list from officials
Jeff Grant	Chris Kelly
Michael Webb	Abby Foote
Alison Paterson	Jan Dawson
Carmel Fisher	Don Huse
Murray Gribben	Murray Horn
Terry Heiler	Dave Faulkner

Agreed / Not Agreed

- e) **Agree** to direct officials to contact the candidates and draft a paper for you to take to APH on 12 February 2013 to inform Cabinet the candidates you intend to appoint to the Establishment Board.

Agreed / Not Agreed

Iain Cossar
Director
Sector Policy

Hon David Carter
Minister for Primary Industries

/ / 2013

AM12-132

Ministry for Primary Industries
Manatū Ahu Matua



Aide-memoire:

From: Damian Diack

Contact: 04 894 0123

To: Hon Steven Joyce
Associate Minister of Finance

CC: **Minister for Primary Industries**
Associate Minister for Primary Industries

Date: 6 December 2012

**Crown investment in irrigation infrastructure- Cabinet Paper:
Notes for Ministers.**

1. The purpose of the Cabinet paper Sub12-059 is to seek the Government's commitment to invest in regional water storage and off-farm irrigation infrastructure. The Cabinet paper sets out:
 - a. the **purpose** for the Crown to invest in off-farm irrigation infrastructure;
 - b. the **principles** for Crown investments in off-farm irrigation infrastructure;
 - c. a proposal to establish a **Crown-owned company** to manage the Crown's investment in specific off-farm irrigation infrastructure; and
 - d. **funding** for the Crown's investments in off-farm irrigation infrastructure.
2. At a meeting on 6 November 2012 [Brief B12-290 refers] the Ministers (yourself, the Minister of Finance, and the Associate Minister for Primary Industries) broadly agreed with the general direction of the investment proposal that officials outlined to the Ministers. You suggested to officials to prepare a paper for Cabinet's consideration in accordance with what was outlined by officials. This Cabinet paper provides a pathway to proceed with that general direction, with commencement from 1 July 2013.
3. The Cabinet paper recommends that Cabinet agree to set aside \$80 million as a precommitment against the 2013 Budget Capital Allowance to facilitate the Crown's investments in 2013-14 at the 12 December 2012 meeting of the Cabinet Economic Growth and Infrastructure Committee.
4. Officials estimate that \$80 million will be sufficient to meet the capital needs of the schemes that are likely to reach the 'investment-ready' stage in 2013-14.

14. [89(2)(j)]

Security Level – In Confidence

[39(2)(j)] Commercial advisors strongly recommend that the Crown needs to enter discussions with scheme proponents as early as possible, and well before formal negotiations begin.

5. Uncertainty and delays in approving the above funding commitment can:
 - a. impact on the Government's ability to attract a high calibre Board to establish the proposed Crown-owned investment company and contract specialist advisors (the pool of suitable skilled advisors is relatively small and the Crown company will be 'competing' with schemes' proponents to secure this advice);
 - b. impact on MPI's ability to deliver the programme as outlined in the Cabinet paper as the timeline for setting up a Crown-owned company by 1 July 2013 is already tight;
 - c. lead to loss of momentum within schemes that are nearly 'investment-ready' and may impact on the confidence of scheme proponents that the Crown is willing to invest in schemes, and impact on their ability to attract non-Crown investors; and
 - d. impact on the Crown's ability to have influence over the early procurement and financing arrangements for construction and operation of the schemes.
6. The primary rationale for the Crown to invest in irrigation schemes is to expedite the development of 'optimum build' proposals that maximise the long term economic growth benefits from irrigation. This development will be in the context of a reformed water management system which is based on setting and managing within limits for water quality and quantity.
7. Crown investment will provide for the development transition through to the scheme reaching financial viability on commercial terms such that private sector investment can be attracted to replace the Crown. The intention is to make the schemes financially viable to the extent that the market will invest in schemes it otherwise would not.

Minister / Minister's Office

Seen / Referred

/ /2012

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1 November 2012

Document Number: B12-290

Crown Investment in Regional Irrigation Infrastructure — Managing Crown Risk

Purpose:

This briefing seeks Ministers feedback and direction on the proposed high-level design and investment principles for Crown investment in irrigation infrastructure.

Feedback on the proposed design and principles will allow officials to progress the more detailed work required in preparation of a budget bid for Budget 2013.

Minister	Action Required:	Minister's Deadline
Minister for Primary Industries	For decision	For circulation and discussion ahead of the November 6 meeting
Minister of Finance	For decision	
Associate Minister of Finance	For decision	
Prime Minister	For information	
Cc: Associate Minister for Primary Industries		

Comments

This paper has been developed in consultation with the Treasury and the Department of Prime Minister and Cabinet.

Contact for telephone discussion (if required)

	Name	Position	Work	After Hours
Responsible Manager	James Palmer	Director, Strategy, Systems & Science	(04) 894 0667	029 894 0667
	Iain Cossar	Director Sector Policy	(04) 894 0470	029 894 0470
Principal Author	Damian Diack		(04) 894 0123	021 832 228

Executive Summary

1. On 10 August 2011, the Cabinet Economic Growth and Infrastructure Committee (EGI) sought a report back from officials on possible options for the functions, investment principles and advice on structures to carry out the Crown's proposed role in irrigation investment.
2. The advice paper prepared by PwC/Bell Gully attached to this briefing provides high-level guidance on some of the measures that can be put in place to manage risk to the Crown should it choose to invest in irrigation scheme development. These measures include: procurement structure, timing of Crown involvement, a vehicle for managing Crown investment, and contractual structure.
3. The PwC/Bell Gully paper builds-on advice provided earlier by officials which outlined potential key investment principles and approaches to investing in irrigation infrastructure. This expert input draws on the private sector advisors extensive experience in working on PPP projects and other infrastructure investments. This advice is incorporated into the recommendations of this briefing.
4. Officials have been asked to think about options for governance and decision-making. There are two broad options proposed for Ministers to consider
 - **Governance option 1:** All investment decisions are made at Ministerial level. Specifically the Minister for Primary Industries and the Minister of Finance.
 - **Governance option 2:** Investment decisions are delegated to an independent Board.
5. Given the complexity of the decisions likely to be required (due to the size and nature of investment, impacts on regional and national development) and to keep decisions at arm's-length from Ministers officials recommend **Governance option 2** be developed further. Note that this advice differs from that previously put to Ministers which favoured option 1.
6. Officials have considered the structural requirements for the entity that provides advice and recommendations to Ministers on Crown investment. Two options have been put forward for Ministers to consider
 - **Structure option 1:** The investment function is led by the Ministry for Primary Industries with input from other departments and advice from a specialist Advisory Board.
 - **Structure option 2:** The investment function is led by a Crown-owned commercially-focused entity.

7. After considering the options and noting the key role IAF will play in irrigation investment officials recommend **Structure option 2** be developed further. This option is more likely to enable the right balance between Ministerial separation and control whilst maintaining a commercial focus. Furthermore, the Crown-owned company model gives weight to the Crown's desire to invest on commercial terms.
8. Subject to Ministers' decisions further work will be required to develop a detailed framework around these options, including a detailed budget initiative for Budget 2013.

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Recommendations

9. MPI recommends that you:

Establish a clear purpose for Crown investment in irrigation infrastructure:

- a) **Agree** that the primary rationale for Crown investment in irrigation schemes is to expedite the development of "optimum build" proposals that maximise the long term economic growth benefits from irrigation.

Agreed / Not Agreed

Establish the core requirements and objectives for Crown investment in regional irrigation infrastructure:

- b) **Agree** that all proposals for Crown investment will need to demonstrate they are ready to be considered for investment by meeting IAF required business case standards.

Agreed / Not Agreed

- c) **Agree** that the Crown will not invest in schemes that are demonstrably viable without Crown investment.

Agreed / Not Agreed

- d) **Agree** that the Crown will not invest in schemes that will never be financially viable on commercial terms.

Agreed / Not Agreed

- e) **Agree** that the Crown will be a risk averse and reluctant investor.

Agreed / Not Agreed

- f) **Agree** that the Crown should aim to be the first investor to exit when financial viability on commercial terms has been or can be achieved.

Agreed / Not Agreed

- g) **Agree** that the Crown will take a minority stake in any scheme, i.e. no more than 49% of equity in any scheme.

Agreed / Not Agreed

- h) **Agree** that the Crown is willing to accept a return below the rate of return commensurate with the investment risk it is bearing. However it will not forgo all returns.

Agreed / Not Agreed

- i) **Agree** that the Crown will not tolerate other investors achieving returns above commercial rates of returns while it remains an investor. Any such returns should be used to accelerate the Crown's exit.

Agreed / Not Agreed

- j) **Agree** that the Crown is prepared to accept relatively low rates of return but it will not bear excessive risk.

Agreed / Not Agreed

- k) **Agree** the Crown will expect and demand high quality governance in all respects.

Agreed / Not Agreed

- l) **Agree** that the Crown will require a high level of disclosure, transparency and reporting.

Agreed / Not Agreed

- m) **Agree** that the Crown will only invest where operational risks are allocated appropriately and comprehensively through sound commercial contracts with customers and suppliers.

Agreed / Not Agreed

- n) **Agree** that the Crown will only invest where financial risks are allocated appropriately and comprehensively through sound commercial agreements between financiers and the scheme company.

Agreed / Not Agreed

- o) **Agree** that the Crown does not intend to contribute additional capital over and above its initial offer.

Agreed / Not Agreed

Establish the governance structure to support Crown investment in irrigation infrastructure:

- p) **Agree** to investigate the establishment of a separate legal entity with a commercial structure, focus and discipline to be responsible for managing the Crown's investment in irrigation infrastructure.

Agreed / Not Agreed

- q) **Agree** that, based on decisions set out above, MPI proceeds to further refine the operational design for the entity to manage the Crown investment in consultation with other agencies. The operational design will need to further consider the specific level of control/approval rights and oversight Ministers are seeking over the investment process.

Agreed / Not Agreed

- r) **Note** that equity funding of up to \$400m has not yet been appropriated — MPI will prepare a budget initiative for Budget 2013.

Noted

James Palmer
Director
Strategy, Systems and Science

Hon David Carter
Minister for Primary Industries

/ / 2012

Hon Bill English
Minister of Finance

/ / 2012

Hon Steven Joyce
Associate Minister of Finance

/ / 2012

Background

10. On 10 August 2011, the Cabinet Economic Growth and Infrastructure Committee (EGI) sought a report back from officials on possible options for the functions, investment principles and advice on structures to carry out the Crown's role in irrigation investment [EGI Min (11) 17/7].
11. This paper provides high-level guidance on some of the measures that can be put in place to manage risk to the Crown should it choose to invest in irrigation scheme development. This follows advice recently put forward outlining potential key investment principles and approaches to investing in irrigation infrastructure.
12. Water Storage and Distribution is included in the Business Growth Agenda's 120 Points of Action, under the Building Resources theme. This initiative is also noted in the National/Act Confidence and Supply agreement, as follows: "Act will ... seek reassurance that the \$400 million investment by the Crown Water Investment is in the national interest and does not embody significant non-transparent wealth transfers."
13. This briefing seeks Ministers' feedback on the three areas necessary for establishing the approach to the Crown's investment in irrigation infrastructure work:
 - i. **a clear purpose** for Crown investment in regional irrigation infrastructure;
 - ii. **the core principles** for Crown investment in regional irrigation infrastructure;
 - iii. **the institutional form** to support analysis and advice to Ministers on Crown investment in regional irrigation infrastructure.
14. Once the high level approach has been confirmed, the detail will be developed for consideration as a Budget 2013 initiative.

Analysis

15. The attached paper, prepared by advisors from PriceWaterhouseCoopers and Bell Gully, contains detailed analysis and information supporting the recommendations.

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