MS-4-1-0

THE TREASURY
Kaitohutohu Kaupapa Rawa

Reference: 20140254

16 November 2014

Joshua Grainger
fyi-request-2110-53a1e674@requests.fyi.org.nz

Dear Joshua Grainger

Thank you for your Official Information Act request, received on 20 October 2014. You requested the following:

> *"... the documents that were the subject of the complaints to the Ombudsman. This includes:*
>
> ** Treasury reports T2011/1710, T2011/1884 and T2011/1578*
> ** the Treasury aide memoire Additional advice on potential share allocations*
> ** the two discussion papers on allocation policy prepared by the Crown's financial advisors Deutsche Bank / Craigs Investment Partners.*
> ** the small number of emails between Treasury and MFAT officials regarding the drafting of advice to Ministers (namely, Treasury Report T2011/110: Mixed Ownership Model – Foreign Ownership Restrictions), and a copy of the draft advice with comments and suggested changes tracked."*

On 11 November 2014, I extended the deadline for the request by 20 working days.

Information Being Released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	1 March 2011	Email: Extending the Mixed Ownership Model	Release in part, withhold under s9(2)(g)(i)
2.	18 July 2011	Treasury Report: Mixed Ownership Model – Achieving Widespread and Substantial New Zealand Ownership	Release in part, withhold under s9(2)(a), s9(2)(ba)(i), and s9(2)(i)
3.	4 August 2011	Email: re: Sale of Shares in SOEs (draft Treasury Report: Mixed Ownership Model – Foreign Ownership Restrictions attached)	Release in part, withhold under s9(2)(a) and s9(2)(g)(i)
4.	5 August 2011	Email: Mixed Ownership Model (draft Treasury Report: Mixed Ownership Model – Foreign Ownership Restrictions attached)	Release in part, withhold under s9(2)(a) and s9(2)(g)(i)

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Wellington 6140
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tel. 64-4-472 2733
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5.	5 August 2011	Treasury Report: Mixed Ownership Model – Foreign Ownership Restrictions	Release in part, withhold under s9(2)(a) and s9(2)(g)(i)
6.	24 August 2011	Email: Paper on allocation policy	Release in full
7.	August 2011	Deutsche Bank / Craigs Investment Partners Paper	Release in full
8.	25 August 2011	Treasury Report: Mixed Ownership Model – Foreign Ownership Restrictions – Initial Share Allocations	Release in part, withhold under s9(2)(a)
9.	29 August 2011	Aide Memoire: Additional advice on potential share allocation	Release in part, withhold under s9(2)(a)

The documents listed in the above table have been released subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including deceased people, and
- confidential information, under section 9(2)(ba)(i) – to protect information that is subject to an obligation of confidence, or that was or could be provided under legal compulsion, and where releasing the information would either prejudice the supply of similar information in the future, and
- certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions, and
- commercially sensitive information, under section 9(2)(i) - to enable a Minister of the Crown or any department or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities.

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

This fully covers the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

SWymer

Stacey Wymer
Manager, Commercial Advice

Table of Contents
OIA 20140254

From: Christopher Nees
Sent: Tuesday, 1 March 2011 17:26
To: Toni Moyes; Cushla Thompson ; Carmen Mak
Subject: FW: Extending the Mixed Ownership Model - Promoting NZ Participation

FYI:
-Toni so you know what's going on in the investment area
-Carmen/Cushla so you know in the TPP context.

From: HAIDON, Thomas (TND) [mailto:Thomas.Haidon@mfat.govt.nz]
Sent: Tuesday, 1 March 2011 5:17 p.m.
To: Hamish Grant-Fargie
Cc: Nic Blakeley; Dieter Katz; Alannah MacShane; Christopher Nees; WILSON, Paula (TND); DIXON, Elizabeth (TND); BAILEY, Jan (TND); BURGESS, Brad (TND); TAYLOR, Robbie (LGL/TLU)
Subject: RE: Extending the Mixed Ownership Model - Promoting NZ Participation

[SEEMAIL] [RESTRICTED]

Hi Hamish

Thanks for the opportunity to comment. We thought we'd follow up with an email setting out our broader observations about the consistency of the proposals you identify with our international investment obligations. In summary, I can confirm MFAT's view that our international services and investment commitments generally provide us with adequate space to be able to limit foreign investor participation [Withheld under s9(2)(g)(i)] in sales of state owned assets

[Withheld under s9(2)(g)(i)]

Consistency with international obligations

Under our international trade and investment agreements, New Zealand has undertaken a range of obligations for the benefit of investors and service suppliers. These obligations include obligations not to: impose barriers to "market access" to a particular sector (e.g. quantitative restrictions, juridical form requirements or foreign equity limits), discriminate against foreign investors/service suppliers (national treatment and MFN), impose nationality or residency requirements on senior managers and boards of directors on foreign investors, and impose certain kinds of "performance requirements" on foreign investors and investments (e.g. requiring technology transfer, the export a certain level of production or the purchase a certain level of New Zealand content).

The potential measures you've described to us would have the effect of limiting foreign investor participation in state asset sales and, on their face raise issues of consistency with these core obligations. However we consider that our trade agreements provide New Zealand with flexibility to impose such measures as we have taken specific reservations against the core obligations which allow us to take measures which may result in discriminatory treatment of foreign service suppliers and investors in respect of enterprises currently in state ownership.

[Withheld under s9(2)(g)(i)]

[Withheld under s9(2)(g)(i)]

I hope this is helpful. Please let me know if you'd like to talk through this. If possible, we'd be interested in having a glance the paper before it goes up. Also, as I'm sure you'll do anyway, please keep us in the loop as as proposals develop. We'll need to continue to assess consistency with trade obligations as more details emerge of the options the government is keen to pursue.

Best regards

Thomas Haidon
Trade Negotiations Division
Ministry of Foreign Affairs and Trade - Manatu Aorere
195 Lambton Quay, Private Bag 18 901, Wellington, New Zealand
thomas.haidon@mfat.govt.nz | DDI: +64 4 439 8808

From: Hamish Grant-Fargie [mailto:Hamish.Grant-Fargie@treasury.govt.nz]
Sent: Monday, 28 February 2011 2:41 p.m.
To: DIXON, Elizabeth (TND)
Cc: Nic Blakeley; Dieter Katz; Alannah MacShane; NEES, Chris (Inet); HAIDON, Thomas (TND)
Subject: RE: Extending the Mixed Ownership Model - Promoting NZ Participation

Thanks Elizabeth – our advice will go to Ministers on Friday, so 5pm Wednesday would be great if possible.

Please don't feel obliged to provide a full written response – a quick phone call highlighting any issues will suffice if timing is an issue.

Hamish

Hamish Grant-Fargie | Senior Analyst | Economic Performance, Overview and Coordination | **The Treasury**
Tel: +64 4 917 7034 | hamish.grant-fargie@treasury.govt.nz

From: DIXON, Elizabeth (TND) [mailto:Elizabeth.Dixon@mfat.govt.nz]
Sent: Monday, 28 February 2011 2:36 p.m.
To: Hamish Grant-Fargie
Cc: Nic Blakeley; Dieter Katz; Alannah MacShane; Christopher Nees; HAIDON, Thomas (TND)
Subject: RE: Extending the Mixed Ownership Model - Promoting NZ Participation

[SEEMAIL] [SENSITIVE]

Hamish -

Thanks for providing some more information. My colleague Thomas will look into your questions and coordinate a response. Can you let us know when you need this by?

Thanks
Elizabeth

From: Hamish Grant-Fargie [mailto:Hamish.Grant-Fargie@treasury.govt.nz]
Sent: Monday, 28 February 2011 1:22 p.m.
To: DIXON, Elizabeth (TND)

Cc: Nic Blakeley; Dieter Katz; Alannah MacShane; NEES, Chris (Inet)
Subject: Extending the Mixed Ownership Model - Promoting NZ Participation

Hi Elizabeth,

Thanks for your time on the phone this morning. As discussed, we are getting close to finalising our initial advice to Ministers on the merits and viability of extending the mixed ownership model and would like to test some of the options with MFAT before it goes to Ministers.

In particular, one of the Government's tests is that '*New Zealanders would have to be at the front of the queue for shareholdings, and we would have to be confident of widespread and substantial New Zealand share ownership*'. This has led us to identify three broad ways that Ministers could promote participation by NZ investors. Our general advice will be that participation by foreign investors is likely to assist the achievement of the Government's objectives, but we still need to cover off the broad range of options for promoting NZ participation:

- **Incentives for NZ investors**, including:
  - price discounts
  - instalment receipts
  - priority allocation for New Zealanders
  - loyalty shares
  - free shares for New Zealanders
- **Soft restrictions on foreign ownership**, including:
  - Residency requirements for directors
  - Primary listing in NZ
  - NZ head office
- **Harder restrictions on foreign ownership:**
  - Ownership cap – i.e. something similar to Air NZ where not more than 10% of shares can be held by an individual or company without Crown approval.
  - Separate domestic shares – i.e. something similar to the old Air NZ A & B shares.

[Withheld under s9(2)(g)(i)] [redacted]

Virtually all of these techniques are used to varying degrees in overseas jurisdictions, and based on your previous exchanges with Nic, we don't see too many issues with their use here (but happy to be corrected on this). [redacted]
[Withheld under s9(2)(g)(i)] [redacted]

Many thanks, Hamish

Hamish Grant-Fargie | Senior Analyst | COMU | **The Treasury**
Tel: +64 4 917 7034 | hamish.grant-fargie@treasury.govt.nz

COMMERCIAL-IN-CONFIDENCE

THE TREASURY
Kaitohutohu Kaupapa Rawa

Treasury Report: Mixed Ownership Model - Achieving Widespread and Substantial New Zealand Ownership

Date:	18 July 2011	**Report No:**	T2011/1578

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	For your information	None
Minister for State Owned Enterprises (Hon Tony Ryall)	For your information	None

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Dominic Milicich	Senior Analyst, Commercial Transactions Group, COMU	9176 087 (wk)	[Withheld under s9(2)(a)]	✓
Andrew Blazey	Manager, Commercial Transactions Group, COMU	9176 985 (wk)		

Minister of Finance's Office Actions (if required)

None.

Enclosure: **No**

18 July 2011 SE-1-3

Treasury Report: Mixed Ownership Model - Achieving Widespread and Substantial New Zealand Ownership

Executive Summary

Hon Tony Ryall asked for a report on cross-country examples of the types of incentives or deal structures that governments have used to target retail or domestic investors when undertaking Initial Public Offerings (IPOs). This paper complies with that request.

Included in this report is data on the use of incentives such as priority allocations, retail price discounts, loyalty shares, and instalment receipts, across a wide range of overseas jurisdictions. This data demonstrates that the use of these incentives has been quite common.

We note, however, that there is a not insignificant cost associated with features such as discounts, loyalty shares, and instalment receipts. Typically incentives, when used, account for three to five percent of IPO proceeds. In the case of the Mixed Ownership Model (MOM) programme, based on potential proceeds of $6 billion, this would be as much as $300 million.

Deutsche Bank and Craigs Investment Partners have provided survey results and other financial information that indicate that there is likely to be significant New Zealand retail demand for the potential MOM programme IPOs meaning that it may be possible to achieve widespread retail participation without financial incentives. The use of non-financial measures such as marketing, roadshows, education campaigns, and priority allocations could be sufficient to achieve the Government's retail participation goals. Additional retail incentives should be assessed at the time that each individual IPO is being structured such that only incentives deemed necessary to achieve the Government's participation goals are incorporated in the relevant offer.

Recommended Action

We recommend that you:

a. **note** that the use of retail incentives in government privatisations around the world has been common, and

b. **note** that survey results and information on current retail investments indicate that there is likely to be significant New Zealand retail demand for the MOM programme IPOs meaning that financial incentives for retail investors may not be necessary to achieve the Government's goals.

Andrew Blazey
Manager, Commercial Transactions Group
for Secretary to the Treasury

Hon Bill English
Minister of Finance

Hon Tony Ryall
Minister for State Owned Enterprises

Treasury Report: Mixed Ownership Model - Achieving Widespread and Substantial New Zealand Ownership

Purpose of Report

1. At a meeting on June 23rd the Hon Tony Ryall indicated that he would like a paper on cross-country examples of the types of incentives or deal structures that governments have used to target retail or domestic investors when undertaking IPOs. This paper complies with that request.

Planned Reporting

2. The Crown Advisor will be moving its project team into the Treasury building on Monday 18 July. By the end of that week, it is our intention to provide you with an outline of the reporting that we envisage providing you over the next five months. The reporting schedule will likely include regular catch up meetings, written progress reports, and a smaller number of more substantive papers on some of the major sale programme design issues. Examples of these substantive issues would include potential legislative requirements, design of governance arrangements, and iwi consultation arrangements. This paper on encouraging New Zealand participation represents the first of these substantive reports.

3. Also included in next week's report will be an outline of the sales programme report to be completed by the Crown Advisor before the election in order to provide you with an overview of the range of issues being canvassed in this preparatory phase.

Widespread and Substantial New Zealand Ownership

4. When announcing the intention to investigate further the option of extending the Mixed Ownership Model (MOM), the Prime Minister listed five tests that would need to be satisfied before the Government would implement the proposal. One of those tests was that . . .

   New Zealand investors would have to be at the front of the queue for shareholdings, and [the government] would have to be confident of widespread and substantial New Zealand share ownership.

5. In our initial advice to the Government [T2011/336], we indicated that it was likely to be feasible to meet this test but noted that it would be preferable for the Government to keep its options open on how to achieve it until the company scoping studies and detailed programme design had been completed. We noted that:

   - informal discussions with market participants indicated likely domestic demand of around $2 billion per annum, which would be sufficient to purchase substantial portions of the shareholdings to be offered under the MOM programme
   - previous New Zealand experience of government IPOs has involved significant domestic and retail participation with little or no additional incentives, and
   - there are a range of options for encouraging participation ranging from priority allocations through to targeted financial incentives.

6. It is envisaged that New Zealand investors should receive a preferential allocation in all the Sale Programme IPOs, satisfying the first leg of the above test.

7. In addition to any incentives tied to one or more particular IPOs, consideration will need to be given to initiatives designed at maximising participation by new and experienced New Zealand investors across the entire MOM programme.

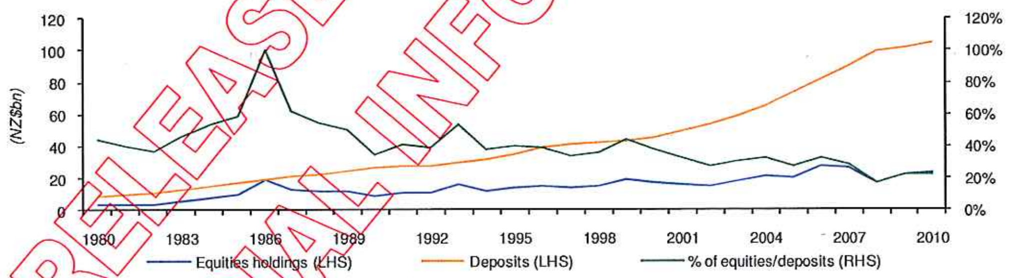
Potential Demand by New Zealand Investors for the MOM Programme

8. Deutsche Bank and Craigs Investment Partners ("CIP"), the Crown Advisor, have estimated that there is likely to be significant demand for the IPOs which will arise from the MOM Programme.

9. At present retail investors have a very significant amount invested in cash deposits both in absolute terms and relative to the amount invested in equities. According to the RBNZ, New Zealand investors currently have approximately $105 billion in cash deposits with banks and other financial institutions – approximately three times the free float market capitalisation of the stocks in the NZX50 Index.

10. The following chart shows that this balance is also extremely high relative to New Zealand households' holdings in equities – as at 2010, equities were on average 22% of a household's holdings in cash balances, compared to the average since 1990 of 34%. The average since 1980 is 44%, although this includes the peak activity in the share market in 1986 before the stock market crash of 1987.

New Zealand households – holdings in cash and equities (1980 – 2010)

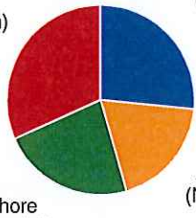


11. A rebalancing of investment of some of households' cash balances would make a meaningful impact on equities investment. Each 1% shift back towards equities would result in approximately an additional $920 million invested in equities. Efforts directed towards encouraging participation from this currently inactive group of retail investors could significantly enhance retail investor participation in the programme, driving widespread ownership.

12. NZ-based institutions manage around $7.5 billion invested in NZ listed equities, excluding NZ Super, which has a NZ equities portfolio valued at around $1 billion, and KiwiSaver funds, which have around $800 million in NZ equities (although this is growing quickly).

13. New Zealand retail and institutional investors hold sizeable portions of the largest companies currently listed in New Zealand and there is no reason to believe that this would not be the case for any SOEs floated. The following graph shows the ownership proportions for the top nine companies in the NZX50 index excluding cornerstone stakes.

New Zealand register composition



Note: Constituents: FBU, TEL, CEN, AIA, SKT, SKC, FPH, IFT, RYM
Source: Company data, Deutsche Bank and CIP

Options for Encouraging New Zealand Participation

14. In the remainder of this note we describe the retail incentives available and provide information on the use of these options in precedent government offerings, with most emphasis placed on privatisation IPOs. We also provide information on a sample of responses of New Zealand retail and institutional investors that are clients of Deutsche Bank and CIP, to the MOM programme.

15. We assume that, in any IPO, the Joint Lead Managers will work with the Crown and the particular company to design a tailored marketing programme for the IPO aimed at maximising interest and participation including education campaigns for retail investors, investor roadshows, engagement with media commentators, and the ability to pre-register interest in the IPOs.

16. Four methods for encouraging domestic or retail participation are identified below.

    Priority Allocations: it is common practice to allocate shares in an IPO to particular targeted groups on a priority basis. A preferential allocation policy to domestic investors and/or retail investors assists in achieving a targeted level of ownership by a particular interest group or groups. Importantly for the MOM programme, this form of allocation policy allows differentiation by geography of investor. It is also common for investors that pre-register their interest in a particular IPO to be provided with a priority allocation.

    Retail Price Discount: a bookbuild[1] or similar process is used to establish a price at which institutional investors purchase shares in the IPO, with the retail price then set by applying a predetermined discount to that price (usually a fixed dollar value per share). Not surprisingly, lowering the price for retail investors relative to institutional investors increases the attractiveness of the investment opportunity for them and encourages their participation. However, it can encourage short term profit taking, i.e. purchase of shares for immediate sale in order to make a modest profit in a short time frame.

[1] A bookbuild is a process by which an IPO issue price is determined by requesting institutional investors to indicate the number of shares they would be prepared to buy at given prices across an indicative range.

Instalment Receipts: the purchase price of the shares is paid via multiple instalments over typically a one to two year period. This is economically equivalent to providing a price discount equal to the financing cost for the unpaid portion of the purchase price. As for the direct retail price discount, this should increase the attractiveness of the investment for retail investors. There also may be some marketing benefits as the instalment receipts offer the appearance of a higher yield than the underlying fully paid shares as instalment receipt holders are eligible to receive full dividends and have full voting rights, as if they held the fully paid share. The main disadvantage with instalment receipts (aside from the fiscal cost) is that they can lead to shareholder default if the share price falls, however the probability of default is mitigated by the relative sizing of the first instalment versus the second instalment.

Loyalty Shares: if a domestic retail investor holds their shares for a specified period, often one or two years, they receive additional bonus shares. Typically the bonus shares would be applied at a ratio such as, for example, one for every ten shares held, and can include a hard cap (e.g. up to 300 shares). Like the other options this creates a favourable differential for domestic retail investors between their expected return and that of investors ineligible for the loyalty shares. Unlike the other options, loyalty shares also provide an enduring incentive for the targeted shareholders to maintain their initial holding, at least until the bonus shares vest. The main disadvantages of loyalty shares are the fiscal cost and that they reduce liquidity in the immediate aftermarket.

17. There are other activities to encourage participation that could feature as part of the sales programme. Other options that can be considered include guaranteed allocations for retail investors and company employees, as well as customer priorities, and priority in subsequent IPOs following participation in the initial IPO.

Overseas Experience

18. We have located data on the historical use of the four main options above from the economic literature and relevant offer documentation. It is clear that the use of retail incentives is widespread.

19. Megginson et al[2] investigate the characteristics of government privatisations using a 59 country sample of 630 share issue privatisations during the period 1977-1997. They find that in government IPOs there are "usually additional preferential allocations to individual versus institutional investors and to domestic rather than foreign investors" and that "domestic investors and employees are effectively always guaranteed their allocation if the offer is oversubscribed."[3]

20. With respect to discounts, Megginson also concludes that these are relatively common although far less so than preferential allocations. They note that "In 9% of the initial offerings, domestic retail investors are allowed to purchase shares at a discount", while "In 16.2% of the seasoned [i.e. secondary] offerings there is an explicit mean (median) discount for domestic retail investors of 5.1% (4.3%)".[4]

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2 Jones, Megginson, Nash, Netter, "Share issue privatizations as a financial means to political and economic ends", Journal of Financial Economics 1999.

3 Page 238.

4 Page 234.

21. The table below is taken from Keloharju et al[5]. They have compiled a database of 360 privatisations from 24 countries during the period 1981 – 2003. Their data demonstrates that the use of retail incentives of the type described above has been common with almost 50% of the privatisations incorporating at least one of either loyalty shares, discounts, or instalments.

USE OF RETAIL INCENTIVES ACROSS SAMPLE COUNTRIES

This table reports the distribution of retail incentives in SIPs from 1981 through 2003 by country and by type of offering.

Panel A. Distribution of retail incentives by country

	Number of offerings				
Country	Bonus	Discount	Install-ments	Offerings with at least one incentive	Number of offerings, total
Australia	0	4	3	5	10
Austria	2	5	1	6	22
Belgium	0	0	0	0	1
Canada	0	0	6	6	16
Denmark	0	0	0	0	4
Finland	9	0	0	9	14
France	23	16	0	25	43
Germany	4	2	0	5	15
Greece	9	5	0	11	17
Hong Kong	2	2	0	2	2
Indonesia	1	1	0	1	1
Ireland	1	0	0	1	2
Italy	20	6	0	21	34
Japan	0	0	0	0	14
Netherlands	1	3	0	3	8
New Zealand	0	0	0	0	4
Norway	2	2	0	2	5
Portugal	10	23	0	23	43
Singapore	2	2	0	3	15
South Africa	1	1	0	1	2
Spain	3	12	0	12	23
Sweden	0	2	0	2	9
Switzerland	0	1	0	1	1
UK	39	3	39	42	55
Total	129	90	49	181	360

Panel B. Distribution of retail incentives by offering type

	Number of offerings				
Offering type	Bonus	Discount	Install-ments	Offerings with at least one incentive	Number of offerings, total
IPO	84	45	40	110	219
SEO	45	45	9	71	141

5 Keloharju, Knupfer, Torstila, "Do Retail Incentives Work in Privatizations?", The Review of Financial Studies, September 2008.

22. One of the main points that can be drawn from the table is that the use of instalments is not widespread. Instalments have been utilised in the UK and Australia, but are not common elsewhere. Discounts featured in one quarter of the issues in the database. Bonus shares are more prevalent (36% of the issues) but this is skewed upwards by the very high use of this option in the UK and, to a lesser extent, France and Italy.

23. Countries such as New Zealand, Japan, Singapore, Canada, and Germany have made relatively little use of these options for encouraging retail participation. We consider information around New Zealand retail investors below.

24. An additional feature of the Keloharju paper is that they estimate the impact that the use of loyalty shares has on the trading behaviour of the retail investors. As noted above, the purpose of loyalty shares is generally stated to be to encourage investors not to "flip" their shares by immediately selling after the float but to hold their shares as a long-term investment.

25. The loyalty shares do have the effect of reducing flipping behaviour but the majority of flipping is simply delayed until the date the bonus shares vest. Keloharju found that "At bonus expiration . . . 53% of investors with no incentives had flipped compared to 16% of investors in the bonus tranche". However, this differential reduces over time, as "One thousand trading days after the offering, 73% of investors with no incentives have flipped, compared to only 62% of investors in the bonus tranche".

26. Deutsche Bank and CIP have provided additional information on precedent retail incentives used in relevant international privatisations (Australian precedents are set out separately below). The tables below indicate the incentives used by a range of Government vendors in several jurisdictions.

27. The information provided on precedent transactions indicates that in both UK and European privatisations, various retail incentives were commonly used including retail price discounts, bonus shares and partly paid structures.

UK public offer privatisations

Date	Company	Size (£m)	Sector	% company sold	Retail allocation (%)	Retail incentives
Jul 1996	British Energy	1,225	Utility	98.0%	43.0%	– Price discount – Loyalty shares – Instalment receipts
May 1996	Railtrack	1,929	Transport	100.0%	48.3%	– Price discount – Loyalty shares – Instalment receipts
Feb 1991	National Power & PowerGen	2,159	Utility	60.0%	49.3%	– Price discount – Loyalty shares – Instalment receipts
Nov 1990	Regional Electricity Companies	5,182	Utility	100.0%	46.9%	– Vouchers – Loyalty shares
Nov 1989	Water Holding Companies	5,244	Utility	100.0%	54.6%	– Price discount – Loyalty shares – Instalment receipts
Nov 1988	British Steel	2,500	Metal & Steel	33.2%	42.0%	– Instalment receipts
Jan 1987	British Airways	900	Transport	100.0%	33.3%	– Loyalty shares
Nov 1986	British Gas	5,434	Utility	69.8%	64.0%	– Vouchers – Loyalty shares
Nov 1984	BT	3,916	Telecom	43.7%	38.8%	– Vouchers – Loyalty shares

Note: UK privatisation IPOs greater than US$200m
Source: Dealogic, IPO prospectuses, annual reports, press

Select European public offer privatisations

Date	Company	Size (£m)	Country	Sector	% company sold	Retail allocation (%)	Retail incentives
Nov 2010	Enel Green Power	2,264	Italy	Utility	28.3%	78.0%	- Loyalty shares
Nov 2005	EDF	7,517	France	Utility	12.8%	68.4%	- Price discount
Jul 2005	GDF	4,567	France	Utility	20.6%	50.1%	- Price discount - Loyalty shares
Dec 2001	Snam Rete Gas	2,202	Italy	Utility	40.2%	25.1%	- Loyalty shares
Jun 2001	Statoil	3,408	Norway	Oil & Gas	18.2%	6.0%	- Price discount - Loyalty shares
Feb 2001	Orange	6,255	France	Telecom	13.2%	24.4%	- Price discount
Nov 2000	Deutsche Post	6,719	Germany	Transport	28.8%	50.0%	- Price discount - Loyalty shares
Jul 2000	Vivendi	2,500	France	Utility	23.8%	45.2%	- Price discount
Jul 2000	EADS	2,439	Netherlands	Defense	18.3%	55.0%	- Price discount
Mar 2000	Infineon	6,072	Germany	Electronics	28.1%	35.0%	- Price discount

Note: EMEA privatisation IPOs greater than US$2bn with retail tranche
Source: Dealogic, IPO prospectuses, press

Recent Australian Experience

28. Deutsche Bank and CIP have provided information on the treatment of retail investors in Australian privatisations. Below is a snapshot of retail incentives and the size of retail allocations for a range of Australian (Federal and State) Government IPOs.

29. The information in the graphic demonstrates that it has been common practice to provide priority or guaranteed allocations for retail investors with 16 of the 18 offers having some form of priority allocation. Price discounts have become more common over time with eight of the floats involving retail price discounts. Loyalty shares were used as an incentive in four offers and instalment receipts were utilised in four offerings.

30. The blue and orange portions of the bar chart depict the retail allocation in each of the offerings. The majority of the offerings have involved significant allocations to retail investors. More recent offers have generally included retail price incentives in addition to priority allocation.

31. One distinction to draw between the Australian examples and the New Zealand case is the significant difference in size between some of the Australian offerings and the likely New Zealand floats to be undertaken as part of the Sale Programme. The use of instalments receipts and other incentives in the Australian precedents were not only utilised to achieve widespread share ownership, but also to maximise demand (and sell-down) given the size/value of the Governments' interests (e.g. Telstra). The proposed New Zealand floats are of a more modest size, even accounting for the smaller size of the New Zealand domestic investor market, and this must be considered when assessing retail incentives.

Precedent Australasian public offer privatisations

	Issue date	Offer size	Allocation	Retail incentives	Retail price discount
Commonwealth Bank CBA 1	Sep 1991	$1.3 billion	25% 32% 43%	– Priority allocation	n/a
GIO GIO	Jul 1992	$1.2 billion	65% 35%	– Priority allocation	n/a
Commonwealth Bank CBA 2	Nov 1993	$1.7 billion	19% 46% 12% 23%	– Guaranteed allocation – Price discount	2.6%
SGIO SGIO	Apr 1994	$165 million	64% 36%	– Priority allocation	n/a
CSL CSL	Jul 1994	$299 billion	25% 37% 17% 20%	– Priority allocation	n/a
TABCORP TABCorp	Aug 1994	$675 million	26% 34% 40%	– Priority allocation	n/a
QANTAS Qantas	Jul 1995	$1.9 billion [a]	1% 27% 27% 45%[a]	– Price discount – Loyalty share	8.5%
Commonwealth Bank CBA 3	Jul 1996	$4.2 billion [b]	23% 42% 35%[b]	– Instalment receipts – Priority allocation	n/a
Suncorp 1	Oct 1997	$610m	40% 40% 20%	– Instalment receipts – Priority allocation	n/a
Telstra Telstra 1	Nov 1997	$14.6 billion	15% 45% 22% 18%	– Instalment receipts – Price discount – Guaranteed allocation	2.9%
TAB TAB	Jun 1998	$945 million	24% 41% 35%	– Guaranteed allocation – Price discount	2.4%
Suncorp 2	Nov 1998	$1.0 billion	75% 25%	– Instalment receipts – Priority allocation	n/a
contact Contact Energy	May 1999	NZ$1.1 billion	5% 41% 24% 30%	– Guaranteed allocation	n/a
Telstra Telstra 2	Oct 1999	$16.6 billion	21% 46% 20% 13%	– Loyalty shares – Price discount – Guaranteed allocation	5.1%
UNiTAB UNiTAB	Nov 1999	$261 million	75% 25%	– Price discount	4.8%
AlintaGas AlintaGas	Oct 2000	$392 million	14% 28% 14%[c]	– Guaranteed allocation – Priority allocation	8.2%
Telstra Telstra 3	Nov 2006	$15.5 billion	26% 31% 28% 12%	– Loyalty shares – Price discount – Guaranteed allocation	6.3%
QR NATIONAL QR National	Nov 2010	$4.5 billion	27% 7% 9% 57%	– Price discount – Loyalty share – Priority allocation	3.9%

▪ Broker firm ▪ Retail public offer ▪ Institutional ▪ Foreign

(a) Includes 25% British Airways stake
(b) Institutional allocation includes foreign allocations
(c) Excludes 45% Utilicorp stake (in black)

Initial Sample of New Zealand Retail and Institutional Responses

32. While the information above demonstrates that the use of incentives is common the question remains as to whether they will be necessary in New Zealand to achieve the Government's goals. There is a direct fiscal cost for the Government in providing incentives and this has the effect of transferring wealth from the Crown to retail IPO participants. It will be necessary to weigh this cost against the marginal increase in participation generated over and above the level of participation that would occur anyway. We discuss information on the likely New Zealand retail and institutional investor response below.

33. Deutsche Bank and CIP have recently undertaken surveying to gauge the likely level of demand from New Zealand retail investors with respect to the MOM programme. The survey indicated that experienced retail investors are very positive about the investment opportunity presented by the MOM programme.

[Withheld under s9(2)(ba)(i) and s9(2)(i)]

[Withheld under s9(2)(ba)(i) and s9(2)(i)]

[redacted]

Case study: Attracting New Investors – the Contact Energy IPO (May 1999)

37. Contact Energy Limited was listed in May 1999 and was the biggest IPO in New Zealand since Telecom New Zealand in 1991. The IPO finalised the sale process for 100% of the company, as it followed the trade sale of 40% of the company to Edison Mission. A key feature of the IPO was that, through a strong advertising campaign, public investors (especially those who had never bought shares before) were engaged in a way which had not been achieved previously in New Zealand, despite no discounts being provided.

38. A marketing campaign for pre registration led to 270,000 New Zealanders pre registering to receive a prospectus. Pre registration guaranteed the applicant a priority application in the event of scaling – 25% more shares than the number allocated to non pre registrants. The 270,000 pre registrants turned into 229,000 applications for an average of just over $4,000 per allocation – approximately $1 billion of demand. Many of the 229,000 investors were "new" investors and a large number remained investors for a long period. Over time this number of investors has declined as the large number of investors with very small parcels of shares has declined. Despite this we do not consider that the fear that small investors selling (possibly to offshore investors) is strongly borne out by the Contact experience. We estimate that of the approximately 80,000 shareholders that Contact has today, at least 60% of them have held their shares for the 11 years since the IPO.

Conclusion

39. Retail incentives do feature commonly in government share offerings globally and they are successful in encouraging participation. This is unsurprising – individuals do generally respond to financial incentives. The benefits of financial incentives such as increased retail participation must be balanced against the financial costs involved as significant retail participation may occur in any case.

40. The studies we have looked at have indicated that retail incentives when provided typically cost around three to five percent of total proceeds. Using indicative receipts from the MOM programme of $6 billion this would total up to $300 million. Initial investor surveying tends to indicate that it may be possible to achieve widespread retail participation without providing financial incentives. The use of non-financial marketing, roadshows, education campaigns, and priority allocations could be sufficient to achieve the Government's retail participation goals. To be confident of achieving widespread and substantial New Zealand participation, additional retail incentives should be assessed at the time that each individual IPO is being structured such that incentives deemed necessary are incorporated in the relevant offer.

From: HAIDON, Thomas (TND) [Thomas.Haidon@mfat.govt.nz]
Sent: Thursday, 4 August 2011 16:20
To: Dieter Katz
Cc: DIXON, Elizabeth (TND)
Subject: RE: Sale of shares in SOEs
Attachments: 2609806-v1-State_Asset_Sales__TND_Comment_on_TSY_Paper_(August_2011).doc

[SEEMAIL] [SENSITIVE]

Hi Dieter

Along with our legal division, I've now had an opportunity to look this draft over (which you're obviously still developing further). Overall, we're comfortable with the overall approach taken particularly with respect to the discussion on international obligations. We have provided a number of revisions and a few comments for your consideration - which I think are self explanatory in the attachment.

We'd be interested in having a quick glance at any final version which goes up. We'd also suggest that you may wish to also provide the sub, for informational purposes to our Minister Tim Groser (given the focus on trade obligations).

I'd be happy to discuss further for any further clarification.

Best regards

Thomas Haidon
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From: Dieter Katz [mailto:Dieter.Katz@treasury.govt.nz]
Sent: Wednesday, 3 August 2011 3:41 p.m.
To: HAIDON, Thomas (TND)
Cc: DIXON, Elizabeth (TND)
Subject: RE: Sale of shares in SOEs

That's right. The recommendations I am currently thinking of are:

a **note** the options for restricting foreign ownership;

b **note** that it is possible that the Government's test of widespread and substantial NZ ownership could be achieved without any foreign ownership restrictions that would reduce the revenue from the transactions;

c **note** our view that the Government should not make any commitments regarding restrictions on foreign participation until we are able to tender further advice in early 2012.

I look forward to your comments.

Dieter

From: HAIDON, Thomas (TND) [mailto:Thomas.Haidon@mfat.govt.nz]
Sent: Wednesday, 3 August 2011 2:08 p.m.
To: Dieter Katz
Cc: DIXON, Elizabeth (TND)
Subject: RE: Sale of shares in SOEs

[SEEMAIL] [UNCLASSIFIED]

Thanks Dieter - good to discuss briefly with you earlier. As you've indicated we were involved in the Cabinet process earlier in the year on this issue and have provided views on trade/investment angles arising from our international trade commitments. We will have a look and endeavour to get back to you before the close of business Thursday. Just to put in context, I understand this paper is effectively a general background report for your Minister on the options for foreign ownership restrcitions of SOE shares - no decisions are being made this time round. These options would be considered in detail in a future Cabinet report back.

Best regards

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From: Dieter Katz [mailto:Dieter.Katz@treasury.govt.nz]
Sent: Wednesday, 3 August 2011 12:10 p.m.
To: HAIDON, Thomas (TND)
Subject: Sale of shares in SOEs

[SEEMAIL]
Hi Thomas,

As discussed, here is the draft report I mentioned. It is still subject to revision and review by others. You will see that I plagiarised your email of 1 March in paragraphs 10 – 12. I would be grateful if you could confirm the appropriateness of including these in the report, and that I have adequately summarised them in paragraph 13.

We need to get this report to ministers before the end of the week, so I would appreciate your comments in good time before then.

Kind regards,

Dieter Katz | Principal Advisor | **The Treasury**
Tel: +64 4 917 6264 | dieter.katz@treasury.govt.nz

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THE TREASURY
Kaitohutohu Kaupapa Rawa

Treasury Report: Mixed Ownership Model - Foreign Ownership restrictions

Date:		Report No:	

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	For your information	None
Minister for State Owned Enterprises (Hon Tony Ryall)	For your information	None

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
Dieter Katz	Principal Advisor, Commercial Transactions Team, COMU	4715264 (wk)	[Withheld under s9(2)(a)]	✓
Andrew Blazey	Manager, Commercial Transactions Team, COMU	9176985 (wk)		

Minister of Finance's Office Actions (if required)

None.

Enclosure: **No**

SE-1-3

Treasury Report: Mixed Ownership Model - Foreign Ownership restrictions

Executive Summary

Communications

Recommended Action

We recommend that you:

a **agree** to...

Agree/disagree.

b **refer** to the Minister of...

Agree/disagree.

Andrew Blazey
Manager, Commercial Transactions Group
for Secretary to the Treasury

Hon Bill English
Minister of Finance

Hon Tony Ryall
Minister for State Owned Enterprises

Treasury Report: Mixed Ownership Model - Foreign Ownership restrictions

Purpose of Report

1. An issue of significant public interest is the extent of any restrictions on foreign ownership of shares in mixed ownership companies, noting that the Government decided that it "would have to be confident of widespread and substantial NZ ownership". Treasury report T2011/1578 of 18 July 2011 advised you of retail incentives that might be used to achieve this objective; this report advises you of restrictions on foreign ownership that could be used to guarantee the achievement of this objective.

Widespread and Substantial NZ Ownership

2. Treasury report T2011/1578 suggested that there were indications of significant NZ demand for shares in mixed ownership model companies, and that incentives may not be necessary to achieve the Government's objective of widespread and substantial NZ ownership, given that incentives have a direct fiscal cost for the Government.

3. The extent of NZ demand will be tested further, including possibly through investor surveys.

4. If the NZ demand turns out to be insufficient, or there is concern that New Zealand shareholders will subsequently sell their shares to foreigners, then consideration could be given to soft or hard ownership restrictions.

Options for Ownership Restrictions

1. The question of foreign ownership of MOM company shares needs to be considered in the context of the IPO and over the longer term.

2. At the time of the IPO, the extent of foreign ownership can be easily controlled through the share allocation process. The Crown has complete freedom to allocate shares to whomever it wishes. It is only constrained by considerations of price the desire to ensure an orderly aftermarket. The three main classes to which shares need to be allocated are the following:
   - Foreign institutional investors
   - Domestic institutional investors
   - Domestic retail investors

3. The first two participate in the "book build" price setting process, while domestic retail investors are allocated shares at the price determined in the book build, or at a discount to that price. A reasonable proportion of shares therefore needs to be reserved for the book build process, otherwise there is a risk that a price is determined that is not reflective of true market conditions, resulting in a disorderly aftermarket.

4. Some allocation to foreign institutional investors is considered desirable to maintain reasonable price tension. [Withheld under s9(2)(g)(i)] [redacted] These are some of the considerations that need to be taken into account in determining the allocations between the three

classes of investors, but there is usually still considerable freedom to allocate in a way that reflects Crown preferences.

5. The initial allocation of shares does not guarantee that the proportion of shares allocated to New Zealand residents continues into the future. If there is a concern about who owns the shares in the longer-term, then some specific restrictions will need to be put in place, either in the company constitution which is enforced through a "Kiwi share", or in legislation. The following options are available, roughly in order of severity:
   - **NZ Listing:** the company constitution could provide that the primary listing must be in New Zealand.
   - **NZ Head Office:** the company constitution could provide that the company's head office must be in New Zealand.
   - **Directors to be New Zealand citizens:** The constitution could provide for some or all directors to be New Zealand residents or citizens (the Telecom constitution requires half of the Board to be NZ citizens).
   - **Ownership cap:** The company constitution or legislation could provide that no foreign shareholder can own more than a certain percentage of shares without Crown approval (foreign ownership in Telecom is restricted to 49% by any one foreign investor).
   - **Voting restrictions:** The company constitution could provide that shares owned beneficially by foreigners have no voting rights.
   - **Separate domestic shares:** The company constitution could provide for A and B shares, with A shares reserved for NZ domiciled investors. This was the case with Air New Zealand prior to 2001.

   [Withheld under s9(2)(g)(i)]

Consistency with New Zealand's International Obligations

1. Under New Zealand's international trade and investment agreements, there are a range of obligations to investors and service suppliers of the relevant foreign trading partner. These obligations include obligations not to: impose barriers to "market access" to a particular sector (e.g. quantitative restrictions, juridical form requirements or foreign equity limits), discriminate against foreign investors/service suppliers (national treatment and most favoured nation treatment), impose nationality or residency requirements on senior managers and boards of directors on foreign investors, and impose certain kinds of "performance requirements" on investors and investments (e.g. requiring technology transfer, the export a certain level of production or the purchase a certain level of New Zealand content).

2. The potential measures described above which seek to impose ownership restrictions would have the effect of limiting foreign investor participation in state asset sales and, on their face, raise issues of consistency with these obligations. However we have taken specific reservations against these obligations in our current trade agreements. This provides the New Zealand Government with policy flexibility to take measures which may result in discriminatory treatment of foreign investors in respect of enterprises currently in state ownership. [Withheld under s9(2)(g)(i)]

3. It is an important consideration that such measures which restrict foreign ownership (albeit to varying degrees) may have the effect of impacting negatively on New Zealand's reputation as an investment destination. New Zealand's general approach to investment is to treat foreign and domestic investors equally (subject to important exceptions including the Overseas Investment Act), and provide investor with

certainty and transparency where possible. It is on this basis that New Zealand has established a solid international reputation as a welcoming investment environment. We note that foreign ownership requirements, in addition to this reputational element, would also be likely become significant pressure points in future trade and investment negotiations.

[Withheld under s9(2)(g)(i)] [redacted]

Purpose of Ownership Restrictions

5. The choice of ownership restrictions, if any, depends on the exact nature of the concern with foreign ownership. Possible types of concerns include the following:
    - **Foreign influence over the running of the company:** This could arise if a single foreign shareholder owns a significant (albeit minority) stake in the company and is able to influence its management. This could happen if Government appointed directors were passive in their control of the company. Ownership caps and voting restrictions on foreigners would deal to this concern.
    - **Flow of dividends off-shore:** If New Zealanders sell shares to foreigners, the flow of dividends off-shore will increase. However, given the constraints of the balance of payments, the payment for the shares (a capital inflow) will necessarily be matched by a reduction in off-shore debt (a capital outflow), and the increased flow of dividends off-shore will be matched by a reduction in interest payments off-shore. The total flow of dividends and interest off-shore is therefore not affected by who owns the shares. The transfer of share ownership to foreigners could even be beneficial to the extent that the reduction in off-shore debt improves the country's credit rating. Nevertheless, it is possible that public concern is based on a perception that increased dividends flowing off-shore is bad for the economy. The option of separate domestic shares (A and B shares) would ensure that the flow of MOM dividends off-shore would be constrained to the desired level.
    - **Hollowing out of the economy:** There could be a concern about the head office of companies, and therefore the residence of managers, moving off-shore. This seems unlikely while the Government remains the majority owner and while the companies' main operations are based in New Zealand. However, the option of requiring the head office to remain in New Zealand would deal to this concern.
    - **Impact on the share market:** Increased foreign ownership could result in the company seeking to list the shares in other stock exchanges, rather than on the NZX. This seems unlikely while the Government remains the majority owner. However, if it did happen then this would mean that the hoped-for development of the NZ capital markets would not eventuate. The option to require the company to list on the NZ stock exchange would deal to this concern.

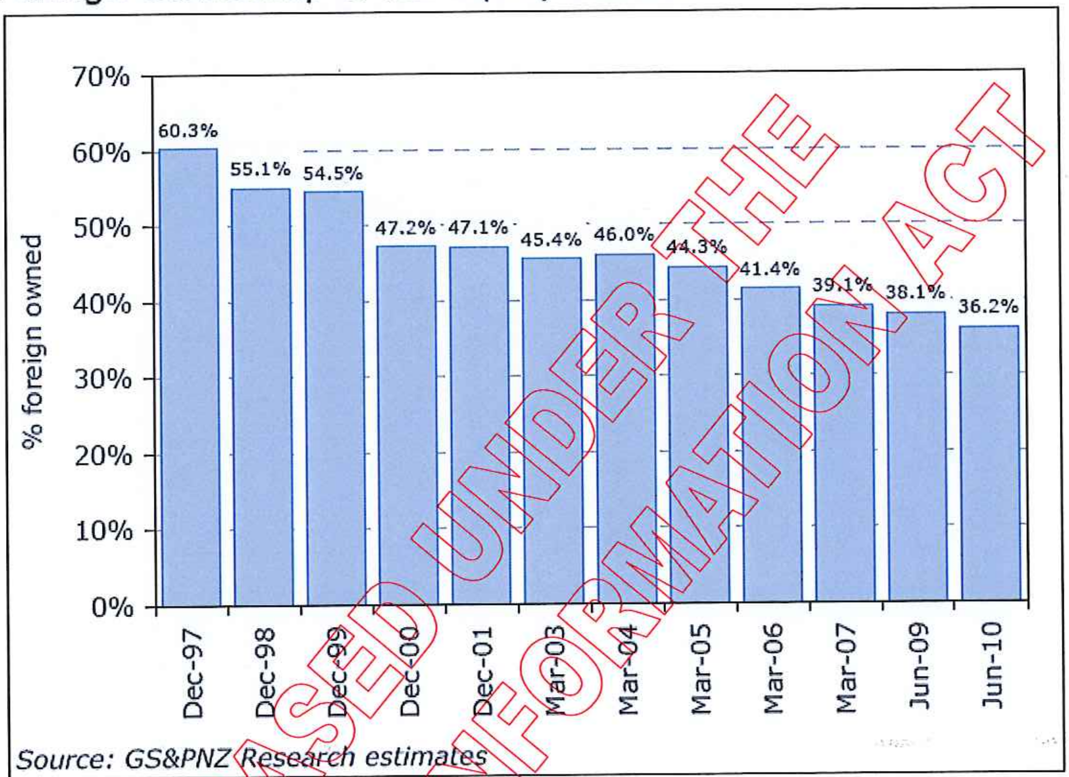
Foreign Ownership beyond the IPO

1. A common concern appears to be that shares allocated in the IPO to New Zealanders will subsequently be sold to foreigners. Without ownership restrictions, this is clearly

a possibility. The risk is possibly increased if a discount is offered to retail investors, as that will encourage them to cash out their discount by selling their shares.

2. However, foreign ownership of New Zealand listed companies is currently around 36%, on a declining trend:

Foreign Ownership of NZ Equity Market



Source: Goldman Sachs & Partners New Zealand Equity Strategy Update of 2 September 2010.

3. This suggests that over time and on average, foreign ownership of the shares of the mixed ownership companies may stabilise at a similar level. It may even stabilise at a lower level given that foreign investors do not have the ability to obtain a controlling stake, and may therefore be relatively less attracted to own these shares.

Cost of Ownership Restrictions

4. Restrictions on foreign ownership would inevitably come with a fiscal cost. This would depend on the type of ownership restriction and the severity of that restriction. For example, if separate shares were sold to foreigners and New Zealanders, it would be expected that the latter would sell and continue to trade at a discount to the shares owned by foreigners. The extent of the discount would in part depend on the proportions of A and B shares.

Overseas and Previous NZ Experience

Australia

5. Restrictions on the ownership of shares by foreign investors were put in place in the case of some sales of state owned enterprises but not others. For example, at the time of the sale of the first tranche of the Commonwealth Bank of Australia in 1991, no foreign ownership was allowed, but this was relaxed to allow some foreign

participation in the second and third tranches. No restrictions were placed in the case of the sale of UNITAB in 1999 and AlintaGas in 2000, but aggregate foreign ownership was restricted to 35% when the second and third tranches of Telstra were sold in 1999 and 2006 (each individual foreign investor was limited to 5%), and 40% when QR National was sold in 2010 (each individual foreign investor was limited to 15%).

Other

6.

New Zealand

7. No restrictions were placed on the ownership of shares in most of the sales of State Owned Enterprises, including the three most recent ones Contact Energy Ltd, Capital Properties Ltd and Auckland International Airport Ltd.
8. As mentioned above, significant restrictions were put in place for Air New Zealand by restricting A shares to residents of New Zealand. The reason for this restriction was to preserve the bilateral landing rights.
9. Foreign ownership in Telecom is limited to 49% by any one foreign investor, and half of the directors must be New Zealand citizens.

Next Steps

1. Further work is required to determine the likely extent of domestic interest in the MOM company shares, and therefore the potential need for ownership incentives or restrictions. We propose to report to you on this issue at the time that we consider the content of any legislation, and again nearer the time of the first IPO when adjustments to the company constitution are considered [check]. In the meantime, we recommend that the Government maintain maximum flexibility, noting that it is possible that the Government's test of widespread and substantial NZ ownership could be achieved without any measures that reduce the revenue from the transactions.

Risks

2.

Other Relevant Information

1.

Data Sources and References

2.

From: James Dolton [james.dolton@db.com]
Sent: Friday, 5 August 2011 8:59
To: Andrew Blazey
Cc: ^EXT: Brett Shepherd; Dieter Katz; Peter Molesworth
Subject: Fw: Mixed Ownership Model - Foreign Ownership restrictions [I]
Attachments: Mixed Ownership Model - Foreign Ownership restrictions_ECM commentsv3.DOC

Categories: Get printed off

Classification: For internal use only

Andrew - as discussed, please find attached some additional comments from our ECM team. Regards, James

James Dolton
Vice President
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[Withheld under s9(2)(a)]
james.dolton@db.com

----- Forwarded by James Dolton/db/dbcom on 05/08/2011 08:57 AM -----

James Dolton/db/dbcom

04/08/2011 08:23 PM

To dieter.katz@treasury.govt.nz
cc peter.molesworth@db.com, Elaine-M Chuah/db/dbcom@DBAPAC@DEUBAINT
Subject Re: Mixed Ownership Model - Foreign Ownership restrictions [I]Link

Classification: For internal use only

Dieter - please find attached some additional comments on the foreign ownership paper from my ECM colleagues. These comments are in addition to the ones sent earlier. I have spoken through these with Peter so can discuss them with you first thing tomorrow. Best regards, James

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[Withheld under s9(2)(a)]
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"Andrew Blazey" <Andrew.Blazey@treasury.govt.nz>

04/08/2011 10:47 AM

To Brett Shepherd/db/dbcom@DBAPAC, David Gibson/db/dbcom@DBAPAC, James Dolton/db/dbcom@DBAPAC, Stewart Reynolds/db/dbcom@DBAPAC
cc "Dieter Katz" <Dieter.Katz@treasury.govt.nz>, "Brian McCulloch" <Brian.McCulloch@treasury.govt.nz>, "John Crawford" <John.Crawford@treasury.govt.nz>, "Angela Graham" <Angela.Graham@treasury.govt.nz>, "Craig Murphy" <Craig.Murphy@treasury.govt.nz>, "Paul O'Connell" <Paul.O'Connell@treasury.govt.nz>, "Peter Ryan" <Peter.Ryan@treasury.govt.nz>
Subject Mixed Ownership Model - Foreign Ownership restrictions

Gentlemen,

Attached is a first draft of a report on foreign ownership. Dieter is responsible for this work. Brian, John and others members of the team will be passing feedback to Dieter over the course of today in order to refine the messages and bring out the key points.

In terms of messages for Ministers to use, we propose keeping those back until our discussion with the PM. This means that the report should put forward the information and set-up the basis for our discussion.

Our timing on this is for the report to go out the door by midday tomorrow so it is in the Ministers' weekend bags. We do not have a time for meeting the PM yet, but John and I are working on the basis it may be Tuesday evening.

Please pass your feedback to Dieter so he can build it to the document.

Thanks,

A

Andrew Blazey | The Treasury
Manager | Commercial Transactions Group
Contacts: +64 4 917 6985[Withheld under s9(2)(a)]andrew.blazey@treasury.govt.nz

[attachment "Mixed Ownership Model - Foreign Ownership restrictions.DOC" deleted by James Dolton/db/dbcom]
