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Ministry for Primary Industries
Manatū Ahu Matua



23 January 2013

Document Number: B12-425

Candidates for Appointment to the Crown Irrigation Investment Company Establishment Board – for Consultation with the Minister of Finance

Purpose:

This brief requests that you consult the Minister of Finance on your preferred candidates for appointment to the Establishment Board of the proposed Crown Irrigation Investment Company. The candidates listed in this brief are based on your preference as indicated to Ministry for Primary Industries officials on 22 January 2013.

Minister	Action Required:	Minister's Deadline
Minister for Primary Industries	<p>Note that you met with MPI officials on 22 January 2013 and indicated your preferred candidates for appointment to the Establishment Board of the proposed Crown Irrigation Investment Company;</p> <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, after your consultation with the Minister of Finance; and</p> <p>Agree to direct MPI to draft a Cabinet paper for you to inform your Cabinet colleagues of the candidates you intend to appoint.</p>	For your discussion with the Minister of Finance on 23 January 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	

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 comprises senior officials from the Ministry for Primary Industries (MPI), Treasury, State Services Commission (SSC) and the Department of Prime Minister and Cabinet (DPMC).

Potential Candidates for the Establishment Board

3. The Steering Group identified and submitted a number of candidates to you for consideration (B12-421 refers). At a meeting with Ministry for Primary Industries officials on 22 January 2013 you identified the following candidates for your consultation with the Minister of Finance. These candidates were selected to provide a Board with a range of skills and background as listed in paragraphs 7 and 8 below. Brief background of the candidates is attached.
4. Your preferred six candidates:
 - Alison Paterson (former Chair of Landcorp Farming) – Chair
 - Chris Kelly (CEO of Landcorp Farming Ltd)
 - Dave Faulkner (former Managing Director of Fulton Hogan Ltd)
 - Murray Gribben (Deputy Chair of NZ Post)
 - Michael Webb (commercial barrister)
 - Debbie Birch (financial sector and Maori background)
5. Your backup list of candidates:
 - Murray Jack (Chair of Deloitte New Zealand)
 - Don Huse (former CEO of Auckland Airport)
 - Elena Trout (professional director, civil engineer)
 - Abby Foote (former Senior Solicitor – Finance and Transactions)
 - Murray Horn (former head of Treasury and ANZ-NZ)
 - Jan Dawson (former CEO of KPMG New Zealand)
6. 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).

Skills desired on the Establishment Board

7. 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.

8. 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.

9. 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.

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

Noted

c) **Note** that at a meeting with MPI officials on 22 January 2013 you indicated the following as your preferred candidates:

<u>Preferred candidates:</u>	<u>Backup list:</u>
Alison Paterson (Chair)	Murray Jack
Chris Kelly	Don Huse
Dave Faulkner	Elena Trout
Murray Gribben	Abby Foote
Michael Webb	Murray Horn
Debbie Birch	Jan Dawson

Noted

After consultation with the Minister of Finance:

d) **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

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Manatū Ahu Matua



1 February 2013

Document Number: B12-460

Remuneration rates for the Establishment Board of the Crown Irrigation Investment Company – seeking Ministerial approval

Purpose:

This paper seeks your and the Minister of Finance's agreement on the remuneration rates to be paid to the Chair and members of the Establishment Board that will be charged with establishing the proposed Crown company to manage the Crown's investments in off-farm regional water storage and irrigation infrastructure.

Minister	Action Required:	Minister's Deadline
Minister for Primary Industries	<p>Agree that the Chair of the Establishment Board of the proposed Crown Irrigation Investment Company be remunerated at a rate of \$1,800 per day (GST Exclusive) and members at a rate of \$1,200 per day (GST Exclusive); and</p> <p>Agree to sign the attached letter to the Minister of Finance to seek his agreement to the above remuneration rates.</p>	4 February 2013

Comments:

Urgent approval is required so that the remuneration rates can be incorporated in the Cabinet Appointments and Honours Committee (APH) paper on the appointment of the members to the Establishment Board, to be considered by APH on 12 February 2013.

Contact for telephone discussion (if required)

	Name	Position	Work	After Hours
Responsible Manager	Damian Diack	Project Manager, Establishing Crown Irrigation Investment Company	04 894 0123	021 832 228
Principal Author	Prakash Narayan	Senior Policy Analyst	04 894 0690	

Key Messages

1. This paper proposes that you agree to the following remuneration rates for the Establishment Board of the proposed Crown Irrigation Investment Company, and seek the Minister of Finance's agreement on these rates:
 - Establishment Board Chair: \$1,800 per day (GST Exclusive)
 - Establishment Board Member: \$1,200 per day (GST Exclusive)
2. The relevant fees framework for the proposed Crown Irrigation Investment Company is the Crown Ownership Monitoring Unit's (COMU's) director fee methodology.
3. Six to seven candidates will be appointed to the Establishment Board for a period of four months from 1 March to 30 June 2013.
4. The candidates will be advised that if they continue on to the proposed company's board (beyond the establishment phase) their remuneration as a director will be determined in accordance with COMU's director fee methodology. The preliminary view is that the proposed company's fees will fall within Band E of the fee methodology (\$23,000 per annum for members and no more than double that for the Chair).
5. The proposed rates in paragraph 1 above are based on COMU's Band E rates with a small premium for members to take into consideration the intense demands on the Board members during the establishment phase.
6. If you agree with the rates proposed above, attached is a letter to the Minister of Finance to seek his agreement. The Minister of Finance and the Minister for Primary Industries will be joint shareholding Ministers of the proposed company.

Recommendations

7. MPI recommends that you:

- a) **Agree** that the Chair of the Establishment Board of the proposed Crown Irrigation Investment Company be remunerated at a rate of \$1,800 per day (GST Exclusive);

Agreed / Not Agreed

- b) **Agree** that the members of the Establishment Board of the proposed Crown Irrigation Investment Company be remunerated at a rate of \$1,200 per day (GST Exclusive); and

Agreed / Not Agreed

- c) **Agree** to sign the attached letter to the Minister of Finance to seek his agreement to the above remuneration rates.

Agreed / Not Agreed

Damian Diack
Project Manager
Establishing Crown Irrigation Investment Company

Hon Nathan Guy
Minister for Primary Industries

/ / 2013

Background and analysis

8. Cabinet Office has advised that if the Board members are appointed through Cabinet (Appointment and Honours Committee — APH) process then the Minister must seek APH's approval of the rate or seek authorisation from APH for the Shareholding Ministers to determine the remuneration rate. If it is the latter, then it is Cabinet Office's preference that the APH paper provides an indicative fee range.
9. The COMU director fee methodology provides for six fee bands. The main factors generally used for determining the band for a Crown company are:
 - a. the assets of the company;
 - b. the likely turnover;
 - c. the number of staff; and
 - d. the complexity of the business.

Group	Remuneration	Companies
A	\$49,000	Genesis Power, Meridian Energy, Mighty River Power, NZ Post, Transpower.
B	\$40,000	KiwiRail Group, Solid Energy, TVNZ.
C	\$36,000	AgResearch, AsureQuality, Kordia, Landcorp Farming, NIWA, Plant & Food Research Institute, Southern Response Earthquake Services Ltd, Crown Asset Management Ltd.
D	\$29,000	Airways Corp, Crown Fibre Holdings Ltd, Industrial Research Ltd, Scion.
E	\$23,000	Institute of Environmental Science & Research, Institute of Geological & Nuclear Sciences, Landcare Research, Learning Media Ltd, Met Service, Quotable Value, Radio New Zealand, The Network for Learning.
F	\$18,000	Animal Control Products Ltd, Electricity Corporation (Residual), NZ Venture Investment Fund (VIF), Research & Education Advanced Network NZ Ltd (REANNZ) ² .

1. Under COMU's fee setting methodology, the premium for the Chair is 200 percent over the member's rate.
2. VIF and REANNZ have fees slightly higher than \$18,000 a year. These two companies were previously not under COMU's monitoring regime and their fees were not determined using the COMU director fee methodology. Both VIF and REANNZ Boards are currently being grandparented into the COMU director fee methodology.

10. Band E is likely to be the appropriate band for the proposed company based on the complexity of the business.

11. Once the Company is fully operational it is possible the Board may undertake negotiations with several scheme proponents or have investments in several schemes¹ at any one time. Should this occur, a member's annual commitment to the Company could reasonably be expected to be around 20 days a year (time for meetings, preparation, etc). The 20 days annual commitment is an estimated average for all Board members, taking into consideration that the Board may form sub-committees for different projects. The annual amount paid by the company is expected to cover all attendances by directors during the course of the year.
12. Although not directly comparable, the \$23,000 annual fee converts to a daily fee of \$1,150. Given the more intense work required in the establishment phase, a fee of \$1,200 per day for a member is reasonable.
13. Under the COMU director fee methodology the Minister may approve on a case-by-case basis special fees for a finite period of time when directors are required to devote considerably more time to board business than would normally be expected. Examples could include the 'establishment phase' of a new company. In this instance the work on the 'establishment phase' will mostly be undertaken by the Establishment Board and remuneration will be covered by the daily rate paid to the Board members, rather than by increased fees for directors once the company is incorporated.
14. The Establishment Board will be in operation for a very short duration and will require intensive commitment from the Board in that period. Officials therefore propose that the Chair and the members be remunerated at a higher rate than those paid to chairs and directors of Crown companies of similar complexity under COMU's director fee methodology. This will also enable high calibre people with specialist expertise to be appointed to the Establishment Board.
15. The Chair and members of the Establishment Board will be funded in the 2012/13 financial year from the operational savings in Vote Primary Industries (EGI Min (12) 29/5 refers). Officials are expecting that the Establishment Board will complete its tasks and be wound up by the end of the 2012/13 financial year.

¹ Actual engagement with potential irrigation scheme proponents will depend on demand and may vary from year to year.

B12-460

Hon Bill English
Minister of Finance
Parliament Buildings

Dear

I am writing to seek your agreement to the following remuneration rates for the Establishment Board of the proposed Crown Irrigation Investment Company.

- Establishment Board Chair: \$1,800 per day (GST Exclusive)
- Establishment Board Member: \$1,200 per day (GST Exclusive)

The relevant fees framework for the proposed Crown Irrigation Investment Company is the Crown Ownership Monitoring Unit's (COMU's) director fee methodology. The above rates are based on a preliminary view that the proposed company's fees will fall within Band E of COMU's fee methodology (\$23,000 per annum for members and no more than double that for the Chair). A small premium has been added to members' fees to take into consideration the intense demands on the Board during the 'establishment phase'.

The candidates will be appointed to the Establishment Board for a period of four months from 1 March to 30 June 2013.

If you agree with the remuneration rates proposed above, I will advise Cabinet Appointments and Honours Committee (APH) of the rates in the appointments paper that I intend to take to APH on 12 February 2013.

I would appreciate a quick response from you to enable me to meet the above timeline.

Yours sincerely

Hon Nathan Guy
Minister for Primary Industries

Chair
Cabinet Appointments and Honours Committee

Proposed Crown Irrigation Investment Company: Appointment of Establishment Board Chair and Members

Proposal

1. This paper outlines my intention to appoint the following as the Chair and members of the proposed Crown Irrigation Investment Company Establishment Board (the Establishment Board):
 - Alison Mae Paterson (Chair)
 - Christopher Morton Kelly
 - Debra Ruth Birch
 - Michael Richard Holden Webb
 - Donald William Huse
 - Lindsay Cecil Crossen
 - Graeme John Sutton
2. The terms of appointment for the above will be from 1 March 2013 to 30 June 2013 or until the commencement of the proposed Crown company. It is anticipated that most of the above candidates will make themselves available for appointment to the Board of the proposed Crown company.

Background

3. 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], agreed:
 - a. to the Crown investing in regional water storage and off-farm irrigation infrastructure as an equity partner;
 - b. to set aside an allocation of \$80 million in the Budget 2013 capital allowance to facilitate the Crown's investments in regional water storage and off-farm irrigation infrastructure, and this will be charged against the Future Investment Fund;
 - c. to authorise the Minister of Finance and the Minister for Primary Industries jointly to approve changes to appropriations required to give effect to the decision in the recommendation above to up to \$80 million;
 - d. to establish a Crown-owned company to manage the Crown's investments in regional water storage and off-farm irrigation infrastructure;

- e. that the Minister of Finance and the Minister for Primary Industries be the Shareholding Ministers of the proposed Crown-owned investment company; and
 - f. 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.
4. EGI also noted that the Minister for Primary Industries would submit a list of candidates to this Committee for appointment to the Establishment Board of the proposed Crown company.

Skill Requirements of the Establishment Board

5. The Minister of Finance and the former Minister for Primary Industries, Hon David Carter, had agreed that the Board as a whole should cover the following skills and experience:
- a. commercial 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. legal;
 - g. transaction due diligence;
 - h. leadership and credibility with the rural/primary sector;
 - i. agricultural commercial expertise; and
 - j. practical knowledge of how water storage and irrigation infrastructure work.
6. The individuals need to have sufficient time to be able to commit personally to this project (it is expected that the Establishment Board will meet on a fortnightly basis from early March 2013 through to the end of June 2013).
7. The individuals need to have the confidence of the Government, potential scheme proponents, and investors. Individuals must be committed to the intentions of the proposed Crown investment.
8. The individuals together must give the Crown confidence that the complex interactions and alignment of the initiative with other Government policies are fully taken into account, and that public accountability requirements for government investments are satisfied.
9. In addition, the following basic skill set is expected of candidates to be considered as outlined by the Crown Ownership Monitoring Unit (COMU). Whilst not critical to an Establishment Board, these may be useful when considering any candidates for longer-term appointment to the inaugural 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.

Candidates to be Appointed to the Establishment Board

10. Alison Mae Paterson (Chair) has had a long career in corporate governance in large organisations (latterly more often as Chairman). She received recognition as Deloitte/Management Chairman of the Year in 2010. She has board experience in a range of sectors including infrastructure and agriculture, and has often chaired start up organisations like FarmIQ, and Electricity and Gas Commission. Alison was a farm accountant early in her career.
11. Christopher (Chris) Morton Kelly has been the Chief Executive of Landcorp Farming Limited since 2001, and has announced that he will be retiring from this position around the middle of 2013. Chris has strong leadership and primary sector background and proven commercial experience. He has held a number of significant agribusiness board positions over the last decade, including as a member of Massey University Council and director of FarmIQ (a joint Crown/industry initiative to reform the red-meat sector).
12. Debra (Debbie) Ruth Birch is a Deputy Maori Trustee at the Maori Trustee Office in Wellington. She has 30 years of financial sector experience including managing investment portfolios. She is a current director on Kordia and Crown Assets Management Ltd charged with managing the assets of South Canterbury Finance and five other finance companies in receivership.
13. Michael Richard Holden Webb is a commercial barrister and a member of the Financial Markets Authority. He has strong legal and financial sector background and experience, and Board leadership experience including chairing an Establishment Board of a Crown company (Learning Media Ltd). He chaired the Ministerial Taskforce on the Regulation of Financial Intermediaries in 2004-05, is a member of the New Zealand Stock Exchange Discipline Committee, and a former member of New Zealand Securities Commission.
14. Donald (Don) William Huse is a professional director and a former chief executive of Auckland and Wellington International Airports. He is also a former Chief Financial Officer of Sydney Airport Corporation. Don is a qualified accountant.

15. Lindsay Cecil Crossen is a civil engineer and a former Chief Executive of Fulton Hogan Contracting. He has extensive experience with managing and contracting large infrastructure projects. In addition, he has project management and a corporate governance background.
16. Graeme John Sutton is a farmer, a former Chair of Irrigation New Zealand, and a former director of Waimakariri Irrigation Ltd. He is a semi-retired dairy farmer, with dairy farming interests in the South Island. Graeme has held director positions in a number of agribusiness companies.

Representativeness of the Proposed Appointments

17. I am satisfied that the above candidates will provide, as far as possible, for a well-balanced Board in terms of the skills required of a Board set up to establish an investment company. Consideration has also been given to gender, age, ethnicity and geographic representation.

Remuneration

18. The Establishment Board will be in operation for a very short duration (no more than 4 months) and will require intensive commitment from the Board in that short period. I am therefore proposing that the Chair and the members be remunerated at a rate slightly higher than that paid to chairs and directors of Crown companies of similar complexity under the Crown Ownership Monitoring Unit's (COMU's) director fee methodology. This will also enable high calibre people with specialist expertise to be appointed to the Establishment Board.
19. I am seeking Cabinet's approval for me to remunerate the Establishment Board Chair at a rate of \$1,800 per day (GST exclusive) and members at \$1,200 per day (GST exclusive). I have consulted with the Minister of Finance and we consider these rates are appropriate for the 'establishment phase'. Appropriate remuneration rates will be determined in consultation with COMU when appointing candidates to the company's Board later.
20. The Chair and members of the Establishment Board will be funded in the 2012/13 financial year from the operational savings in Vote Primary Industries and from the \$80 million capital allocation for this project in the 2013/14 financial year (EG Min (12) 29/5 refers). I am expecting that the Establishment Board will complete its tasks and be wound up by the end of the 2012/13 financial year.

Appointment Process and Consultation

21. I can confirm that an appropriate process has been followed in selecting the proposed appointees in terms of the State Services Commission (SSC) appointment guidelines and consultation with the Ministry of Women's Affairs and Te Puni Kōkiri.
22. I have also consulted with the Minister of Finance who has expressed support for the appointment of the above candidates and the remuneration rates to be negotiated with the candidates.

Conflicts of Interest

23. I can confirm that appropriate enquiries concerning conflicts of interest have been carried out, in accordance with the SSC appointment guidelines, to identify any conflict of interest that could reasonably be identified.
24. It is expected that the Establishment Board members will not be associated with any irrigation schemes under development. It is anticipated that the Establishment Board Chair and most of the members will be appointed to the company's Board once established.
25. As the number of schemes seeking Crown investment will be low (up to 10 schemes over a 5–10 year period and only 1–2 schemes under active consideration in any year) it will not be appropriate for the company Board to have a member that may have a direct conflict of interest.
26. The Board will be made aware of the SSC's guidelines for managing conflicts of interest by Board members.

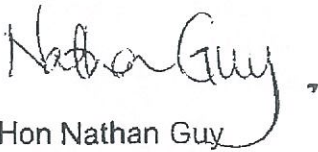
Publicity

27. I will write to the candidates once the appointments have been signed. Following that I will release a media statement to announce the Chair and members of the Establishment Board.

Recommendation

28. The Minister for Primary Industries recommends that the Committee:
 1. note my intention to appoint Alison Mae Paterson as the Chair of the Establishment Board that will be charged with establishing a Crown company to manage the Crown's investments in regional water storage and off-farm irrigation infrastructure;
 2. note my intention to appoint the following as members of the above Establishment Board:
 - a. Christopher (Chris) Morton Kelly
 - b. Debra (Debbie) Ruth Birch
 - c. Michael Richard Holden Webb
 - d. Donald (Don) William Huse
 - e. Lindsay Cecil Crossen
 - f. Graeme John Sutton
 3. note that the terms of appointment for the above Candidates, including the Chair, will be from 1 March 2013 to 30 June 2013 or until the commencement of the proposed Crown company;
 4. agree that the Chair of the Establishment Board be remunerated at a rate of \$1,800 per day (GST exclusive), and members at rate of \$1,200 per day (GST exclusive); and

5. note that the remuneration rates for the Board of the proposed Crown company and the appropriate band under the Crown Ownership Monitoring Unit's director fee methodology will be determined prior to appointing the candidates to the proposed company's Board.



Hon Nathan Guy
Minister for Primary Industries

4/12/2013

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