

CONSULTATION ON ESTABLISHING AN ADDITIONAL COUNCIL CONTROLLED TRADING ORGANISATION (CCTO)

AUGUST 2016



INTRODUCTION

Hawke's Bay Regional Council seeks public input on a proposal from its investment company - Hawke's Bay Regional Investment Company Ltd (HBRIC Ltd) - to set up a Council Controlled Trading Organisation. This CCTO would carry out operational work on the Ruataniwha Water Storage Scheme (Ruataniwha Scheme) under a services agreement with the Ruataniwha Water Limited Partnership.

For the purposes of this document, the CCTO will be named 'ServiceCo'. It is likely that, upon its formation, an alternative name will be given to the entity.

This document describes the proposal and seeks public feedback. Submitters will have an opportunity to be heard by Council.

WHAT IS A CCTO?

CCTOs are council-controlled organisations that trade for the purpose of making a profit.

Hawke's Bay Regional Council has previously established HBRIC Ltd as a Council-Controlled Trading Organisation to:

- Achieve the commercial and non-commercial objectives of its shareholder (HBRC), as in the statement of intent;
- Be a good employer;
- Exhibit a sense of social and environmental responsibility considering the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so.

HBRC holds 100% of the shares in HBRIC Ltd and appoints the Board of Directors.

HBRIC Ltd holds Council's shares in its other CCTOs, monitors their performance and recommends new director appointments for these organisations for Council's approval.

Council is now consulting on the establishment of a CCTO that will be required to carry out the operational activities of the Ruataniwha scheme.

WHAT SERVICECO WILL DO

The principal responsibilities of ServiceCo will be:

- Provide an operational site for the Ruataniwha Scheme, securing all required land
- Responsibility to ensure all resource consent requirements and obligations for the scheme are implemented, including various liaison groups, management plans and mitigation works
- Market and execute new water user agreements
- Establish billing and invoice processes
- Deliver technical operating and maintenance services.

DOES SETTING UP SERVICECO CREATE ANY LIABILITY FOR HBRC?

ServiceCo will be established as a limited liability company with no financial recourse to Hawke's Bay Regional Council.

HOW SERVICECO WILL BE FUNDED

The administration and operational activities of ServiceCo will be fully funded by Ruataniwha Water Limited Partnership (RWLP).

ServiceCo will create an Operations and Maintenance Contract with RWLP to deliver agreed services and will be fully funded by RWLP for these services.

The operating structure of ServiceCo will comprise about four full-time-equivalent employees responsible for project management, sales, service, and maintenance and reporting.



WHY SERVICECO IS NEEDED AS A LEGAL ENTITY

ServiceCo will be a subsidiary of HBRIC Ltd and will carry out the operational work for the Limited Partnership/ General Partner (RWM Ltd). This will be conducted via a service agreement with Ruataniwha Water Limited Partnership.

It is important that this agreement is entered into separately from HBRIC Ltd as limited partners of a Limited Partnership must not take part in the management or control of the business affairs of that Limited Partnership.

The relationship between the various entities is shown in the following diagram:

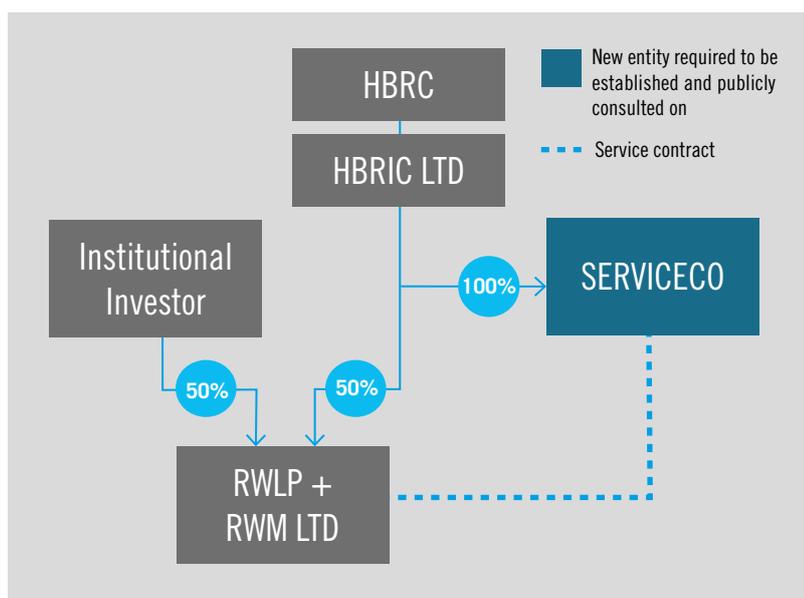
WHEN SERVICECO WILL BE SET UP

ServiceCo will be established at financial close, at which point an agreement with RWM Ltd will be entered into.

SUBMISSIONS

Written submissions will be received by HBRIC up until 5pm on Friday 9 September 2016. Any person wishing to be heard should indicate this in their submission. Council will hear submissions on Monday 19 September 2016.

Submissions can be made online at www.hbrc.govt.nz, search #consultation or please send to info@hbrc.govt.nz (CCTO in subject line) or to Private Bag 6006, Napier 4142.



HAWKE'S BAY
REGIONAL COUNCIL

WWW.HBRC.GOVT.NZ

PLEASE SEND YOUR SUBMISSION TO INFO@HBRC.GOVT.NZ OR TO PRIVATE BAG 6006, NAPIER 4142