



To: Chief Executive

Date: 3 December 2018

Subject: Extraordinary Council Meeting

Pursuant to the provisions of clause 22 sub clauses (1) and (3) of Schedule 7 of the Local Government Act 2002, I hereby call an Extraordinary Meeting of the Timaru District Council to be held in the Council Chamber, District Council Building, King George Place, Timaru on **Tuesday 18 December 2018 at 9am**, to consider to hear submissions on the Alpine Energy Ltd Shares Issue.

A handwritten signature in blue ink that reads 'Damon Odey'. The signature is written in a cursive style.

Damon Odey
Mayor



Extraordinary Council Meeting

on

Tuesday 18 December 2018

9am

**Council Chamber
District Council Building
King George Place
Timaru**

Timaru District Council

Notice is hereby given that an Extraordinary meeting of the Timaru District Council will be held in the Council Chamber, District Council Building, King George Place, Timaru on Tuesday 18 December 2018 at 9am.

Council Members

Mayor Damon Odey, Cllrs Nigel Bowen, Peter Burt, Dave Jack, Andrea Leslie, Richard Lyon, Paddy O'Reilly, Sally Parker, Kerry Stevens and Steve Wills

Local Authorities (Members' Interests) Act 1968

Councillors are reminded that if you have a pecuniary interest in any item on the agenda, then you must declare this interest and refrain from discussing or voting on this item, and are advised to withdraw from the meeting table.

Bede Carran
Chief Executive

Timaru District Council
Extraordinary Council Meeting
18 December 2018

Agenda

**Item
No**

- | | | |
|----------|----------|--|
| 1 | | Apologies |
| 2 | | Declaration of Conflicts of Interest |
| 3 | 1 | Stafford Street Parking Trial |
| 4 | 4 | Timaru District Holdings Limited (TDHL) Proposal to Sell Alpine Energy Ltd Shareholding – Consultation, Submissions Summary and Hearing Timetable |

Council Meeting

for the Meeting of 18 December 2018

Report for Agenda Item No 3

Prepared by Ashley Harper
Group Manager Infrastructure

Parking Trial: Stafford Street from George Street to Strathallan Street

Purpose of Report

1. To seek Council approval to change the parking time limit in Stafford Street from George Street to Strathallan Street from the current 30 minutes to 60 minutes for a trial period of 6 months.

Background

2. At its meeting held on 27 November 2018 the Infrastructure Committee considered a petition from the Timaru CBD Group requesting the current P30 parking time limit in Stafford Street from North St to Sefton St be changed to P60 for a trial period of 6 months.
3. The Infrastructure Committee resolved that The Mayor and Councillors Jack, Bowen and Parker meet with the Timaru CBD Group before Christmas and report back to the next meeting of the Infrastructure Committee.
4. The meeting with the Timaru CBD Group was held on Wednesday 12 December 2018 and the discussion covered all aspects of the request including CBD vision, Stafford Street as a 'place', changing retail patterns, location of the proposed P60 time extension, implementation timeframe and how 'success' can be determined.
5. It was acknowledged that the Timaru District Council was considering long term options for the Timaru CBD and that any changes to parking time limits would not pre-determine or govern any CBD strategy development.
6. The Land Transport Manager and the Group Manager Environmental advised the meeting that Chapter 13 of Council Bylaws permits Council to change the parking time limit by an 'ordinary resolution'.
7. By consensus it was agreed that this matter would be presented to Council at its meeting on the 18 December 2018 for a parking time limit change trial as follows:
 - The current P30 to be changed to P60
 - Location to be Stafford Street from George Street to Strathallan Street

- Implementation to be as soon as practicable
 - Success is to be measured by sampling retailers, shoppers and non-shoppers.
8. By identifying only the George Street to Strathallan section of Stafford Street for the P60 trial a number of issues associated with national chain stores is avoided and therefore it is understood that the trial can commence immediately.
 9. Land Transport Unit staff have arranged for the printing of new overlay decals for the 16 parking signs that need to be changed and should Council agree with the recommendations then these signs can be amended with a day or so.

Options

10. To agree with the consensus reached at the meeting and resolve accordingly, or
11. To resolve some other actions, or
12. To refer this matter to the next meeting of the Infrastructure Committee.

Identification of Relevant Legislation, Council Policy and Plans

13. Chapter 13 of the Timaru District Council Bylaw, specifically Clause 1303.1 (b)

Assessment of Significance

14. This matter is not deemed significant under the Council's Significance and Engagement Policy.

Consultation

15. Discussions have been held with the Timaru CBD Group.

Other Considerations

16. Further consideration and discussion of options to measure the success of the trial need to be held early in 2019.

Funding Implications

17. There are no budget implications with implementing of the proposed trial.

Conclusion

18. The changing face of retail in the Timaru CBD has resulted in a request to extend the current P30 time limit to P60 in part of Stafford St. The proposed location of the trial has been reduced to the George St to Strathallan St section of Stafford St and there is consensus that the trial should proceed with urgency.

Recommendations

- 1. That the current P30 parking time limit in Stafford Street from George Street to Strathallan Street be extended to P60 for a trial period of 6 months.**
- 2. That the trial be implemented as soon as practicable.**
- 3. That the results of the trial be reported back to the Infrastructure Committee.**

Timaru District Council

for the Meeting of 18 December 2018

Report for Agenda Item No 4

Prepared by **Bede Carran**
Chief Executive

Mark Low
Strategy & Corporate Planning Manager

Timaru District Holdings Limited (TDHL) Proposal to Sell Alpine Energy Ltd Shareholding – Consultation, Submissions Summary and Hearing Timetable

Purpose of Report

1. This report presents an overview of the submissions received on the proposed TDHL Alpine Energy Ltd (AEL) shareholding sale consultation, officer comment on the topics raised, Hearing timetable, and information for Council's consideration at the Hearing starting on Tuesday 18 December 2018.

Background

2. On 6 November 2018 Council agreed to consult with the community, using the Special Consultative Procedure, on a proposal for TDHL to divest its shares in AEL.
3. Divesting TDHL's investment in AEL is a significant decision under the Council's Significance and Engagement Policy. As such, a proposal for TDHL to divest itself of its AEL shares requires consultation with the community. Given that TDHL's shareholding in AEL is, as a percentage of both TDHL and TDC's total assets, a large and significant asset any proposal to divest requires an amendment to the Long Term Plan (LTP).
4. During the consultation period 8 November – 10 December 2018, 574 submissions were received. The consultation period included:
 - a. Full Consultation Document prepared and available online and via Council offices and services centres
 - b. Summary of Consultation Document in Courier community to every household on 8 November 2018 and ongoing programme through the Courier newspaper every week until the consultation close
 - c. Website pages on the proposal with all relevant info and online submission opportunity

- d. Radio advertising on both key radio networks throughout the consultation period
 - e. Mailout/Emailout to several hundred groups and contacts
 - f. Prominent promotional signage at key locations in the District
 - g. Giggle TV Advertisement across the district
 - h. Regular Facebook posts and promotion
 - i. Various meeting opportunities as requested from groups (e.g. South Canterbury Chamber of Commerce).
5. 42 of the submitters wish to speak to their submission at the date of this report. These are outlined separately in the attached Hearing timetable (Appendix 1).
 6. Overall, the submissions are opposed to the proposal, with approximately 90% expressing opposition.
 7. A summary of the main sentiments expressed in the submissions are included in Appendix Two. Officer comments on these main topics are included as part of this agenda. Where possible submitters have been notified of these comments via email, public notice or Facebook. However due to the short timeframes, it is possible that some submitters will not be aware of the officer comments prior to the hearing.
 8. Submissions have been made available to Councillors electronically and are available publicly on the Council's website.

Options

9. The Consultation Document set out the options being considered by the Council, including the advantages and disadvantages of each option. It also included a preferred option identified by the Council at this point in the process.
10. Having considered the submissions, the Council can make its final decision, either:
 - a. That the Council approve the proposal by TDHL to sell its shareholding in AEL, and that the next steps are the subject of a separate report to Council; or
 - b. That the Council reject the proposal by TDHL to sell its shareholding in AEL, and that the shareholding is retained by TDHL.

Identification of Relevant Legislation, Council Policy and Plans

Local Government Act 2002

Assessment of Significance

11. The matter has high significance as assessed against the Council's Significance and Engagement Policy. TDHL's shareholding in AEL is a large and significant asset.

Consultation

12. The Special Consultative Procedure has been used to consult on the proposal to sell TDHL's shareholding in AEL, as required by section 93(5) of the Local Government Act 2002.

Other Considerations

13. There are no other considerations relevant to this matter.

Funding Implications

14. Council has incurred some costs associated with the consultation process.
15. If the sale proceeds TDHL will incur costs associated with the sale process.

Conclusion

16. The consultation process on the proposal to sell TDHL's shareholding in AEL has been carried out as required by legislation. Council consideration of the submissions received and final decision is the next stage of the process.

Recommendations

- a **That the submissions on the proposal by TDHL to sell its shareholding in AEL are received and noted.**
- b **That the submissions on the proposal by TDHL to sell its shareholding in AEL are considered.**
- c **That the Council makes a final decision on the proposal by TDHL to sell its shareholding in Alpine Energy Ltd, following consideration of submissions.**

Appendix One: Hearing Timetable

Timaru District Holdings Limited (TDHL) Proposal to sell Alpine Energy Ltd shareholding Hearing Timetable

Time	Name	Submitter ID
9.00am	Introduction	
9.10am	Bernard Sommerfeld – Grey Power NZ Federation Inc	261077
9:20am	Brian Bolt	259598
9:30am	Mark Hervey	260291
9:40am	Jason Grant - South Canterbury Federated Farmers	261344
9:50am	Bruce Pipe	261588
10:00am	Christopher Templeton	261201
10:10am	Colin Hurst	261040
10:20am	David Diamond	257558
10.30am	BREAK	
10:50am	Denise Fitzgerald - Grey Power Timaru Inc	258034
11:00am	Don Murray	261561
11:10am	Don Binney	261090
11:20am	Ernest Peter McAuley	258322
11:30am	Gerrie Ligtenberg (plus 36 submitters)	261688
11:40am	Gordon Handy - Gordon Handy Enterprises	261223
11:50am	Grant Eames - LineTrust South Canterbury	261208
12:00pm	Graeme Gardner	259821
12:10pm	Greg Murphy	260985
12:20pm	Ian Bowan	259864
12.30pm	BREAK	
13:00pm	Ian Cumberland	255728
13:10pm	Janya Lobb	261556
13:20pm	Jim Scott	257330

13:30pm	Jock Anderson	261307
13:40pm	John Cannell - South Canterbury Chamber of Commerce	261563
13:50pm	John Coles	261372
14:00pm	John Gardner - Etu	261569
14:10pm	John Doran	261082
14:20pm	John Kearns	261671
14:30pm	John Overton	258913
14:40pm	Julian Maze	261084
14:50pm	Les Rawlings	261704
15:00pm	BREAK	
15:20pm	Lee Burdon	261289
15:30pm	Leigh Crowe	261622
15:40pm	Margaret Dockrill	259972
15:50pm	McGregor Simpson	261811
16:00pm	Murray Bartlett	255779
16:10pm	Neville Gould	260943
16:20pm	Paul Wolffenbuttel - HC Partners LP	261193
16:30pm	Ray Hawkins	261676
16:40pm	Raymond Ward-Smith	260812
16:50pm	Russell and Zella Leech	261662
17:00pm	Simon Connolly	259852
17:10pm	Stanley Whitley	261102
17:20pm	Terence Broughton	261699
17:30pm	Terence Kennedy	258032
17.40pm	Troy Titheridge	256467

Appendix Two: Officer Comments on Main Topics Raised in submissions

Topics

These are officer comments only and reflect what was set out in the consultation document, or a brief comment on other matters regarding the operation of Council and TDHL. The comments are not recommendations and do not reflect the views of Council or the Mayor and Councillors who are considering the matter.

No

Loss of control over Alpine direction

Sale = loss of control over power supply and prices locally

Should retain power to have a say in company direction

Officer Comment

Council notes your views and will consider it when making its decision.

As noted in the consultation document (CD) Timaru District Holdings Limited (TDHL) does not have control over Alpine Energy Limited (Alpine Energy). TDHL appoints 2 of the five directors. Directors to the subsidiary companies like Netcon and Infratec are appointed by the directors of Alpine Energy itself.

As set out in the CD, Alpine Energy's lines charges will not be affected by who owns it and prices will not change as a result of any change in ownership of the shares. The line charges set by Alpine Energy are regulated by the Commerce Commission (an independent statutory body) and TDHL does not have any say over the prices.

As set out in the CD, TDHL has limited influence in the direction of Alpine Energy, as it can only appoint 2 of the 5 directors and TDHL has a less than 50% vote on shareholder matters.

No private ownership/Alpine Energy shares to remain in local community ownership

Maintain local ownership of assets

Do not support overseas ownership

Officer Comment

Submissions requesting that the ownership of shares remain in 'local' ownership and the attributes of potential new owners are noted and will be considered by Council if it decides the proposal should go ahead.

Don't sell public asset/family silver

Officer Comment

Comments are noted and will be considered by Council when making its decision.

It is noted that TDHL's ownership are shares in Alpine Energy itself, which is a financial investment only, and not an investment in property, plant and equipment of Alpine Energy itself. If TDHL divested itself of the shares in Alpine Energy it would swap one financial investment for other financial investments.

Lack of guarantees over investment return if invested elsewhere

Lack of detail over use of proceeds/ re investment options

Lack of transparency/information/detail

Officer Comment

Comments are noted and will be considered by Council when making its decision.

All future investment fund returns are projections only, but as shown on the JB Were managed fund analysis over 20 years investment returns which show 7+%.

Audit New Zealand audited the CD and provided an opinion that the information presented provided an effective basis for public participation. Proceeds would be invested in diversified investments which balances risk and return. Council has not yet made a decision on whether to divest, and a more detailed investment profile for TDHL would follow on depending on the decision regarding divestment.

Alpine has provided strong investment returns

Officer Comment

Comments noted and will be considered by Council in making its decision. While the dividend can be measured with accuracy as Alpine Energy is an unlisted entity measuring market movement is difficult. TDHL obtained an independent valuation and professional advice to ascertain value for the purposes of consultation.

TDHL's shareholding in Alpine Energy assists in enabling economic growth Timaru and South Canterbury

Officer Comment

TDHL's investment in Alpine Energy is a financial investment, and TDHL appoints only 2 of the 5 directors. Alpine Energy is a regulated entity that must meet regulated performance measures, and TDHL is unable to control Alpine Energy's investment decisions.

Governance and skills of directors appointed by TDHL to Alpine Energy

Officer comment

Comments are noted and will be considered by Council when making its decision.

TDHL has consistently appointed directors with demonstrable governance expertise and skills, and has made two relatively recent appointments of directors with recognised energy sector expertise. TDHL has a policy and practice of rotating at appropriate intervals its directors to ensure there is a balance of board continuity, expertise and new and different perspectives.

Conflict of interest by TDHL directors who have predetermined position

Officer comment

Comments are noted and Council has taken legal advice on this matter. The Local Government Act 2002 requires the Council to state a preferred option when consulting and TDHL requires shareholder approval to divest itself of shares Alpine Energy.

TDHL directors have no pecuniary interest in the outcome of the proposal to divest the shares in Alpine Energy.

Effect of sale on electricity prices

Corporate ownership will lead to price increases which will not be able to be controlled by Commerce Commission

Officer Comment

As noted in the CD, TDHL's ownership of Alpine Energy shares has no effect on electricity prices. The prices that Alpine Energy sets for its lines charges are governed by the Commerce Commission.

The Commerce Commission sets the price path for lines companies. There are a number of regulations which ensures lines companies do not exceed the price path determinations set by the Commerce Commission.

Investment activity is not Council's role

Council role not to be an investment company or to have a commercial focus

Officer Comment

Comments are noted and will be considered by Council when making its decision.

TDHL manages Council's commercial assets, which includes investment properties, shares in PrimePort Limited and the shares in Alpine Energy. Each year Council and TDHL enter into a Statement of Intent where it is agreed that TDHL should earn an economic return on its investments. At present the return is set at 7% per annum. Council expects TDHL to manage its investments prudently to ensure they both protect the investment and ensure an appropriate economic return is generated.

TDHL has a board, with 3 elected members as directors and 2 independent directors, who have expertise to ensure proper governance to manage its assets prudently and appropriately. Over the last 5 years TDHL has increased its assets by \$32.7 million (from \$106 million to 139 million), repaid approximately \$2 million in debt and paid dividends of nearly \$12 million dollars to Council.

Investment Return from shares is steady/stable/sufficient

Maintain stable monopoly with stable returns

Officer Comment

Comments are noted and will be considered by Council when making its decision.

Alpine Energy has returned a steady dividend. The CD notes that Alpine Energy is subject to a variety of risks which may affect its returns in the future, such as disruption from technological change, and because it is a monopoly the prices it can charge are regulated and this makes it subject to regulatory risk on those prices from either changes in government policy or the Commerce Commission.

Use for subsidisation of sustainable electricity options

Officer Comment

Alpine Energy is primarily a lines company providing a distribution network for electricity, and this a regulated activity. As TDHL can only appoint 2 of the 5 directors to the board of Alpine Energy it has limited ability to influence future investment decisions of Alpine Energy particularly in regard to exploring and developing alternative energy business opportunities and how best to optimise those opportunities.

Rushed process

Poor consultation timing (i.e. pre-Christmas)

Officer Comment

Council has received over 500 submissions on the proposal which has generated a lot of community discussion, and the consultation process has met the requirements for open consultation with the community.

Consultation material biased in favour of Council's expressed preference

No confidence in figures provided in consultation document

Officer Comment

The views are noted and will be considered by Council when it makes its decision.

When setting out a proposal for consultation with the community Council is required to state what is its preferred option and why, this is so the community knows what Council's proposal is and that it can then engage in the consultation and submit on the issue.

Audit New Zealand have had access to all figures and reports and their opinion provides confidence and assurance to the community and interested parties that the figures and statements in the CD can be relied on for the purposes of effective public participation on the proposal.

Decision should be made via referendum

Referendum/ public vote required on sale

Officer Comment

The views are noted and will be considered by Council when it makes its decision. The Council's Significance and Engagement Policy is that the community should be consulted so that the Council is well informed on community views before making a decision.

Don't support use of funds for Heritage Hub project

Proposal only to address Council's propensity to get into debt for large projects

Officer Comment

If Council proceeds with a sale, then funds received will not be used for projects already approved in the Long Term Plan. It is important to note that reference to the

Heritage Hub was for illustrative purposes only to demonstrate the extent of the interest savings over 10 years and therefore the sort of funding uses that savings could be applied to.

Council's debt levels are well within prudential limits set by government regulation. Part of the proposal is that better use can be made of the investment tied up in Alpine which includes reducing debt and this provides greater cash flows for other projects, at no additional cost to Council.

Potential impacts due to sale of Alpine Energy's investment contributions into the local community (e.g. support for local projects, events and facilities, sponsorship)

Officer Comment

Alpine Energy have advised that they will continue their community investment programme, so the sale does not affect this.

Shares gifted. Cannot sell a gift to the community

Shares placed in 'trust' with Council and cannot be sold

Council lacks mandate to support sale of shares

Officer Comment

Council notes the comments and this will be considered by Council when making its decision.

There are two issues here. First, does Council have a legal right to divest itself of the Alpine Energy shares or are they held on trust which prevents a sale, and secondly, does Council have a mandate to support the sale.

On the first issue Council has taken legal advice and this has confirmed it has a legal entitlement to divest itself of the Alpine Energy shares. The second issue is whether it has a mandate from the Community to do so, which is the purpose of the consultation on the proposal. This will be assessed once Council has consulted with the Community and considered the Community's view on the matter.

More value in retaining shares due to increasing reliance on electricity

Strategic holding that should remain in Council ownership

Officer Comment

Comments are noted and will be considered by Council when making its decision.

The CD sets out potential risks around energy distribution, and there are both technological and regulatory risks to Alpine Energy's business. Council is seeking the Community's feedback on these issues.

As TDHL does not have a controlling interest in Alpine Energy and has limited influence on its decisions and direction it presents a number of challenges for it to manage the shares as a strategic holding.

Valuation of shares is unclear and confusing

Officer Comment

Comments are noted and will be considered by Council when making its decision.

TDC acknowledges there are different valuation opinions on the value of its shares in Alpine Energy. TDHL has taken professional advice, including obtaining an independent valuation of its shares, to determine an estimate of the market value of its shares. This has been tested and examined by Audit New Zealand as part of its audit of the Consultation Document and it is satisfied that TDHL's projection of \$110 million is fair and reasonable basis on which to consult.

Sale will impact on maintenance/quality of electricity network and reduce service

Officer Comment

Comments are noted and will be considered by Council when making its decision.

Alpine Energy is subject to a number of regulatory requirements around the quality of the service it delivers. To meet these mandatory quality measures it requires a full network asset management and maintenance plan. None of this is influenced or affected by whether TDHL owns shares in Alpine Energy, these are statutory requirements Alpine Energy must meet irrespective of who are its shareholders.

Council should maintain interest in Alpine as local infrastructure (i.e. meet purpose of Local Government)

Ownership of key assets (i.e. electricity) duty of the Council

Holding Company role to hold key assets

Officer Comment

Comments are noted and will be considered by Council when making its decision.

Having a strong performing lines company is important for the economic prosperity of the district and region. As noted in the CD this presents an opportunity for a specialist

operator to come in and this will further support Alpine Energy in optimising the management of the network.

Council only owns the shares in Alpine Energy, not the 'poles and wire' assets of Alpine Energy, so the proposal is considering changing one financial asset for different financial asset, and this does not affect the lines charges and operations of Alpine Energy.

TDHL does hold some key assets, but it is also the commercial arm of Council and it is important to ensure it obtains appropriate economic returns from its investments and as noted in the CD Council sees some risk in placing too much money in one investment.

Sale would create greater risk rather than spread risk

Officer Comment

Comments are noted and will be considered by Council when making its decision.

The Consultation Document sets out the potential risks, which includes the level of investment TDHL has in Alpine Energy. A diversified investment portfolio is designed to manage risk and return.

Partnering with other Councils

Officer comment

Comments are noted and will be considered by Council when making its decision.

Other Council shareholders were advised and invited to participate in the consultation.

Separate oversight required for TDHL

TDHL should be personally liable for losses in dividend income and other costs/Lack of confidence in TDHL entity

Officer Comment

As TDHL is a council controlled organisation it is always subject to Council oversight. Both Council and TDHL are audited by Audit New Zealand and this also provides an additional level of independent assurance and oversight.

TDHL put forward the proposal that Council consult, and for the reasons set out in the CD it believes that recalibrating the balance sheet provides a better return than maintaining its investment in Alpine Energy. The purpose of consultation is to seek the community's views on the proposal.

Returns – why are they less than Waimate DC with their smaller shareholding?

Officer Comment

The returns on the Alpine Energy shares are proportionately exactly the same for all shareholders, ie, the dividend paid per share is the same, and all shareholders receive an equal dividend per share so proportionately it is the same.

Amount of debt repayment, Council debt situation and favourable interest rates does not justify sale of shares and repayment of det

Concern that Council cannot handle debt without sale of this asset

Officer Comment

Comments are noted and will be considered by Council at its meeting.

The amount of \$22 million was proposed as this is the amount that TDHL owes to Council. Council is well within its prudential debt limits. The proposal is that debt reduction enables a better utilisation of funds and for Council to build its reserve funds by over \$1 million per year without increasing rates. The proposal is also that divestment will give a better return on Council's commercial assets so that non rates sources of revenue are optimised. Council is consulting on this proposal and seeking community feedback.

Impact of a potential financial crisis on proposed investment approach

Officer Comment

Comments are noted and will be considered by Council when making its decision.

All investments are subject to market movement, and balanced and diversified portfolios are structured on a basis to mitigate the risk of adverse market movement. Further, the investments are held with a long term view which also mitigates the risk of short term adverse market movement in investments. The returns based on the JB Were typical portfolio covered a financial crisis and it showed over a period of 20 years the effect was relatively minor on overall portfolio performance.

Potential Loss of annual rebate

Officer Comment

The annual rebate is paid by Line Trust South Canterbury which owns 40% of the shares, and not from TDHL shares.

Sale will lead to increase in rates

Officer Comment

Comments are noted and will be considered by Council when making its decision.

As set out in the CD, Council proposes it can make better use of the funds by redeploying in other ways, including paying down debt which reduces interest costs by over \$1 million per year and undertaking a diversified investment portfolio and the proposal is that this is forecast to provide a greater source of non-rates sources of revenue, which has the effect of less reliance on rates.

Shares are worth more than has been proposed (\$110M)

Officer Comment

Comments are noted and will be considered by Council when making its decision.

TDHL took professional advice to gauge what is likely to be the best market evidence of a fair price between a willing buyer and a willing seller for the TDHL parcel of shares.

Seeking Higher returns lead to higher risks

Officer Comment

Comments are noted and will be considered by Council when making its decision.

Many companies, including council controlled companies, manage a range of investments and do so in a way to manage the balances between risk and return. As set out in the CD, there is risk to TDHL with a large amount of its assets tied up in one company.

Alpine Energy is performing well and a proactive supplier, investing in new technology to support demand and changes to the grid

Officer Comment

Comments are noted and will be considered by Council when making its decision.

Most of Alpine Energy's business and income comes from its regulated business, and while it is looking at developing alternative energy investments this is a competitive business and carries risk. As set out in the CD, Alpine Energy is potentially exposed to a range of risks and TDHL has limited ability to manage and mitigate those risks.

Proposal should have been considered in the Long Term Plan process

Officer Comment

As noted in the CD, TDHL has different drivers in terms of making its investment decisions and so it was unable to align this with the LTP process and consultation.

Sale will impact unfavourably on vulnerable populations (e.g. elderly, fixed incomes)

Officer Comment

Comments are noted and will be considered by Council when making its decision.

As set out in the CD, the proposal is that it would have a beneficial effect for vulnerable people, for example those on fixed incomes as:

- Alpine Energy's lines' business and the charges it can set are regulated by the Commerce Commission which means prices are controlled and cannot be influenced by TDHL or other shareholders
- Council's proposal is that if it can increase its non-rates funded sources of revenue this reduces its reliance on rates.

Yes

Support repaying debt

Support repaying down more debt than the \$22m proposed

Support debt reduction and diversified investment portfolio or other investment options

Officer Comment

Comments are noted and will be considered by Council when making its decision.

Opportunity to reinvest in more productive assets

Officer Comment

Comments are noted and will be considered by Council when making its decision.

Alpine not performing adequately, therefore sale justified

Officer Comment

Comments are noted and will be considered by Council when making its decision.

Risk to future profitability of Alpine

Officer Comment

Comments are noted and will be considered by Council when making its decision.

Other

Support share sale only if it was to SC Lines Trust

Support partial sale of shares

Officer Comment

Comments are noted and will be considered by Council when making its decision.

Council's proposal was on the basis that, if divestment occurs, maximum value will be obtained by divestment of all shares and not a partial divestment.

Ratepayers should be given first option to buy shares

Officer Comment

Comments are noted and will be considered by Council when making its decision.

An offer of shares to the ratepayers involves a quite different divestment process and consideration of different factors to those set out in the proposal.

Support retaining local community ownership while looking at other ways of raising funding to pay down Council debt

Officer Comment

Comments noted and will be considered by Council at its meeting.

Link ownership to ICP number of customers?

Officer Comment

Comments noted and will be considered by Council at its meeting.

Question who decision maker is – should it be TDHL as shareholder

Officer Comment

The shares in Alpine Energy Limited are owned by TDHL. This is TDC's holding company. TDHL directors have proposed to sell these shares but are seeking TDC approval, and are required to do so under the Companies Act 1993 as it constitutes a major transaction which requires shareholder approval. TDC needs to decide in light of the public consultation whether or not to approve TDHL divesting itself of the shares.

Lack of control/expertise in Alpine Energy will still exist in a managed fund

Officer Comment

Comments are noted and will be considered by Council when making its decision. TDHL can exercise greater prudential control and discretion over the entities invested in and spread the risk through use of diversified and managed investment funds.

There are other options to diversify TDHL holdings – via raising debt for investment

Officer comments

Comments are noted. The directors of TDHL regularly assess the merits of debt for funding potential and future investments including the risk and return profile of individual investment opportunities.

Incorrect statements about rate of return compared with bank

Officer Comment

Comments noted, there are a number of factors and assumptions that are considered when comparing risk adjusted returns and not just the interest rate.

Processes to protect the governance expertise of TDHL

Officer Comment

Comments are noted and Council has an open process to ensure appointments are transparent and robust. External appointments are made to ensure the board of TDHL has an appropriate mix of skills and expertise to ensure governance which provides trust and confidence to the community. All appointments to the board of TDHL are made by Council.

TDHL/TDC funds from sale of shares could enable them to progressively increase business in competition against private enterprise. This is not nor should be a TDHL or Council role.

Officer comment

Comments are noted, the role of TDHL is to support Council and govern and manage Council's commercial assets, and this is to support the community and businesses within the district.

Conditions of sale if divestment proceeds the proceeds of sale must provide an evident, immediate and ongoing reduction in rates

Council must ensure that no immediate or future increase in Alpine Energy lines charges comes about as a result of any future owner of the shares requiring an increased dividend from the lines company

Officer comment

Comments are noted regarding conditions that should be attached if divestment occurs and can be considered by Council at its meeting.

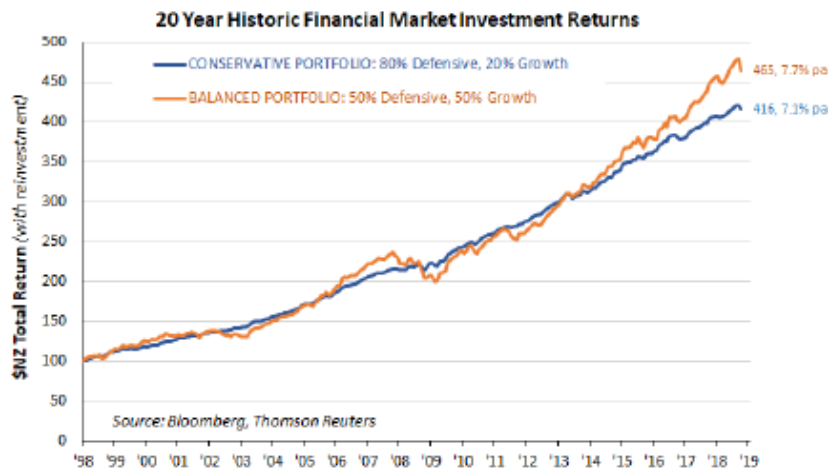
Indicative Historic Performance

The following charts show the representative historic 20-year performance of an index based investment portfolio invested in financial markets (i.e. cash, bonds and equities in New Zealand and offshore). The portfolio performance is calculated from market returns represented by commonly used benchmarks for the underlying investment categories.

Two portfolio compositions are used:

1. A *Conservative Portfolio* that has the majority (i.e. 80%) of investments in stable defensive assets of cash and bonds and the remaining investments in growth assets (i.e. equities).
2. A *Balanced Portfolio* that is equally invested in defensive and growth assets.

The return over the historic period for the Conservative Portfolio was 7.1% pa compounded and 7.7% pa for the Balanced Portfolio. The 20-year historic period used (1-Jan-98 to 31-Oct-18) covers a wide range of market conditions, including the major bear markets in equities that occurred in 2000 (Dot.com bust) and 2008 (Global Financial Crisis).



Notes:

- Historical performance is no guarantee of future returns.
- Returns are gross and therefore before any taxes & fees which may apply.
- Performance is based on index returns and excludes any performance generated from portfolio asset management.
- Global returns assume a hedge back to the New Zealand dollar of 100% for bonds & 50% for equities outside Australasia.
- The characteristics of financial assets associated with a diversified investment portfolio also worth noting are:
 1. *Liquidity* – investments in cash, bonds and equities can generally be sold, and their value monetised within a relatively short period of time.
 2. *Diversification* – financial assets offer the ability to spread risk away from concentrated exposures to particular businesses, industries or regions to support resilience in funding capabilities longer term.
 3. *Cash Flow* – a calculated level of regular drawdown from financial assets can provide a reliable source of income to support longer term budgetary and strategic planning.
 4. *Growth* – investment in financial assets, particularly growth assets with a longer investment horizon, can help protect capital from inflation erosion and increase purchasing power over time.

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