

## Appendix 1

1	<u>215756</u>	28/02/2011	Email between NZSF staff - "RE: IN CONFIDENCE Draft e-mail"	Released in full except for names and contact details, withheld under section 9(2)(a)	
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**From:** Tim Mitchell

**Sent:** Monday, 28 February 2011 12:04 p.m.

**To:** [REDACTED]

**Subject:** RE: IN CONFIDENCE Draft e-mail

The Government will clearly have a role in rebuilding Christchurch's infrastructure. I can see the proceeds of a Canterbury bond being directed towards that.

It's not so obvious what role they will have a in rebuilding the commercial centre of Christchurch. That will depend on the willingness of private capital to go there. That's an area that the Fund and our long term investor peers might be able to take a lead on. We could use our contacts and influence when the time is right. The Government might be able to sweeten investor interest through development grants and easing up on foreign ownership bureaucracy.

Perhaps not appropriate to mix in with this suggestion but hopefully the Government will direct any replenished Natural Disaster Fund (EQC) to foreign assets rather than being predominantly in NZ Govt bonds.

Cabinet is meeting today and will have first estimates of the costs. The PM is due to release a statement on interim financial measures after that.

**From:** [REDACTED]

**Sent:** Monday, 28 February 2011 11:38 a.m.

**To:** Adrian Orr; Investment Committee; Tim Mitchell; [REDACTED]

**Subject:** RE: IN CONFIDENCE Draft e-mail

I think it should also be sent to Brownlee as the Minister with special responsibility for the quake.

I think the RI aspect should be made a little more specific and have marked it up in red below.

**From:** Adrian Orr

**Sent:** Monday, 28 February 2011 11:29 a.m.

**To:** Investment Committee; Tim Mitchell; [REDACTED]

**Subject:** IN CONFIDENCE Draft e-mail

Folks, below is a draft e-mail I am considering sending to the MoF's office with regard to ideas related to ChCh.

Can you please provide comments related to:  
Content – any other ideas  
Form (e-mail)

## C1 - Public

Recipients

Dear [.....]

I write this brief note with the best intentions of assisting New Zealand's response to the Christchurch earthquake.

At present it is unclear what the final economic cost of the quake will be, who bears the costs, and what an optimal solution is for the rebuilding of the Christchurch community is.

Given these uncertainties, we provide some general thoughts from the people here at the Guardians, including how we might be able to assist beyond our personal capacities.

We assume that the costs of the quake will be met through:

- Private insurance arrangements;
- Earthquake Commission Funds (EQC);
- Additional funds from either/both central and local government.

Beyond these immediate financial outlays, new insurance contracts will be needed (most likely at higher premiums), the EQC will need replenishing, and additional debt servicing costs will need to be met.

One possibility to assist in the financing of the Christchurch rebuild is to issue a targeted, Government-guaranteed, bond e.g., a "Canterbury Bond" that has a strong Responsible Investment aspect. This form of debt financing can have several benefits:

In terms of NZ's capital market, a Government long-dated bond will:

- Be issued at the lowest cost;
- Assist the savings drive of New Zealanders at present by providing a quality instrument;
- Deepen the NZ capital market for benchmarking and global interest (see below);
- Could be inflation-linked, and/or indexed to some form of future equity upside to the Canterbury re-build (e.g., future local rates growth above some level – there are various examples internationally of urban regeneration using such instruments)

In terms of global interest:

- A long-dated bond with NZ yields, potentially inflation linked, would be of interest;
- Of additional interest would be the targeted use to which the capital would be put to use, in particular if it was related to global best-practice responsible investment standards concerning 'green' building and urban regeneration in the rebuilding of Christchurch. We note that many funds that we have association with globally are committed to these 'positive investment' drivers;
- Additional lift in yield if a future equity return was included in the design of the bond.

In terms of assisting Christchurch leap forward:

- Globally people would be provided the option to invest and be committed to the future of Christchurch as an economically viable arena;
- The specific "Canterbury bond" issue could be targeted towards, for example, a 30+-year Greenfields Christchurch re-development **vision**;
- Such a development would have central Government committed capital to specific standards of utilities, access etc;

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- Firms that wish to operate within, and develop according to, the global best practice RI standards of 'green' building and development would be invited to assist in the vision and development ideas;
- International firms that wanted their headquarters or operations in such an environment would be invited to participate in its development;
- Current Christchurch CBD based businesses could be offered vouchers/options to move to the new green fields development.

Finally, in terms of near-term economic rebalancing, higher than otherwise gross government debt at present would promote a lower than otherwise NZ dollar exchange rate, and higher than otherwise NZ long-term interest rates. A lower currency and steeper yield curve is consistent with promoting the saving-investment rebalancing that is preferable for the NZ economy at present. Of course, the eventuality and materiality of these factors on rebalancing are difficult to determine.

In terms of assistance by the staff at the Guardians, we would be able to direct relevant Treasury officials to funds that are most likely interested in long-term bond issues that have a strong Responsible Investment aspect to them. In addition, we could provide ideas around international experiences to review, and relevant experts.

Please do feel free to contact us to discuss any of these issues. We send this brief note without prejudice and in confidence.

[thanks....]

## C1 - Public

2	<u>218410</u>	01/03/2011	Email between NZSF - "Christchurch advice and some lateral thinking"	Released in full except for contact details, withheld under section 9(2)(a)
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**From:** Adrian Orr

**Sent:** Tuesday, 1 March 2011 4:26 p.m.

**To:** Team [REDACTED]

**Subject:** Christchurch advice and some lateral thinking

Dear Team

In confidence and not for forwarding

Below is a summation of collective thoughts from the 'debt issuance' experts here at the Fund that was sent to senior advisory staff at the Ministers' of Finance (English) and Economic Development (Brownlee) offices. I apologise to those who have received this already. Thanks to those who provided thoughts.

Please note that these points were sent from us here as personal views, in confidence, and without prejudice to any future Guardians investments activities. We are not a 'policy unit' of the Government, we are a 'doing unit'.

At our next Investment Forum we will also be looking to solicit thoughts on:

- Direct investment needs that the Fund could look to fill;
- Indirect opportunities that may arise for the Fund with capital and resource being diverted to Christchurch; and
- Any other investment implications the Fund should be considering around tilts, and general strategies.

Our embedded (imbedded?) macroeconomist Aaron Drew will lead the discussion on size/scale of impact – and then we will look to the investment folk to contribute from their domain expertise. A list of thought provokers will be sent out in advance of the Forum for collection.

Ciao

Note sent -----

We send this note in our personal capacities, with the only intention of assisting your response to the Christchurch earthquake. It is sent in confidence and without prejudice to any future Guardians' investment decisions.

The ideas outlined below reflect the informal conversations that have been had here amongst our team at the Super Fund. We have all been looking for ways to assist with both our professional skills and in our personal capacity.

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At present it is unclear what the final economic cost of the quake will be, who bears the costs, and what an optimal solution is for the rebuilding of the Christchurch community is. We assume that the costs of the quake will be met through:

- Private insurance arrangements;
- Earthquake Commission Funds (EQC);
- Additional funds from either/both central and local government.

Beyond these immediate financial outlays, new insurance contracts will be needed (most likely at higher premiums), the EQC will need replenishing, and additional debt servicing costs will need to be met.

There is a range of possible financing methods, and we assume the end outcome will be an amalgam. However, one possibility to assist in the financing of the Christchurch rebuild would be to issue a central government long-dated bond ("Canterbury Bond") that is tagged for the specific rebuild purpose with a strong Responsible Investment aspect. It could also be inflation linked.

This form of debt financing could have several benefits:

In terms of NZ's capital market, a Government long-dated bond:

- Could potentially be issued at a lower cost than international markets;
- Will assist the savings drive of New Zealanders at present by providing a quality instrument; and
- Would deepen the NZ capital market for benchmarking and global interest (see below).

In terms of global interest, a favourable demand and price could be achieved if:

- The capital raised is for a specific targeted use (re-building), especially if it was related to Responsible Investment standards concerning 'green' building and urban regeneration in the rebuilding of Christchurch. We note that many funds that we have association with globally are committed to these 'positive investment' drivers;
- Additional lift in demand is also likely if a future equity return was included in the design of the bond e.g., some share of future rates over and above a threshold.

In terms of assisting Christchurch move forward:

- The specific "Canterbury bond" issue could be targeted towards, for example, a 30+-year Greenfields Christchurch re-development **vision**;
- Such a vision and development would have central Government committed capital to specific standards of utilities, access etc;
- Firms that wish to operate within, and develop according to, the global best practice RI standards of 'green' building and development would be invited to assist in the vision and development ideas;
- International firms that wanted their headquarters or operations in such an environment would be invited to participate in its development (e.g., international hospitals, legal firms, and so on that appreciate environment, property rights, law and order);
- Current Christchurch CBD based businesses could be offered vouchers/options to move to the new green fields development over a specific period.

In terms of making the Responsible Investment aspects work best, it may prove best to focus the purpose of the Canterbury Bond and CBD rebuild on a Greenfields location. However, this is not our expertise. Some of the benefits could be:

- Reduced rebuild costs (to meet earthquake proofing);
- Faster permit and build time to get the city up and running; and

## C1 - Public

- Opportunity to create a modern 'green' workspace that would be attractive for businesses and investors.

Finally, in terms of direct assistance by the staff at the Guardians, we would be able to direct relevant Treasury or other officials to funds that are most likely interested in long-term bond issues that have a strong Responsible Investment aspect to them. In addition, we have property and infrastructure investment contacts internationally. Please feel free to contact us to discuss any of these issues.

All the very best and good luck with your efforts.

The Guardians' team

## C1 - Public

3	<u>221979</u>	09/03/2011	Emails between NZSF - "Christchurch Earthquake"	Released in full except for names and contact details, withheld under section 9(2)(a)
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**From:** [REDACTED]  
**Sent:** Wednesday, 9 March 2011 8:33 a.m.  
**To:** Adrian Orr [REDACTED]; Matt Whineray [REDACTED]; Neil Williams [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** Christchurch Earthquake

All,

[REDACTED] has accurately summarised the various work streams arising from yesterday's Investment Forum in the email below (other than perhaps the little known and understood SHARK ratio).

The immediate task, however, is to re-engage with policy advisors and decision makers on rebuild process, priorities, funding and timelines.

Over the past 12 months we communicated our investment mantra to various Ministers and Ministry's including, amongst others, Treasury and MED – although I suspect they continue to think of us simply as a pool of capital rather than an active investor.

The recent Christchurch earthquake provides us with an, albeit unwanted, catalyst to re-engage on specific opportunities i.e., doing rather than talking, likely to include:

- Christchurch rebuild opportunities: direct and indirect
- National (Wellington) disaster prevention opportunities e.g. building strengthening, disaster recovery
- Deferred regional and national infrastructure projects

Investment scoping and prioritization is probably already exercising policy advisors and decision makers minds; minds that we need to convince that NZSF can be part of the solution.

We need to replay our original messaging around clear purpose, investment independence and long term horizon.

But, in the context of time sensitive opportunities expected to emerge from the Christchurch earthquake, it is more important that our messaging emphasise:

- Enhanced organisational capabilities to assess, structure, price and manage scale opportunities on timely basis; and,
- Our aspiration to become investment partner of choice in NZ; this extends to national and local government.

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Our priority should therefore be to contact and meet with, amongst others, as many of the parties below as we can.

- Ministers and/or advisors: John Key, Bill English ([REDACTED]), Gerry Brownlee ([REDACTED]), John Carter
- Treasury and/or National Infrastructure Unit: Matt & Neil meeting Treasury officials this week to discuss section 59 and partial privatisations, provides potential forum for engaging on Christchurch
- MED – Aaron understands MED ([REDACTED]) is the Ministry responsible for shaping Christchurch's redevelopment plan
- Council CEO's: Tony Marryatt (Christchurch), Garry Poole (Wellington), Doug McKay (Auckland)
- Potential Commercial Partners: Fulton Hogan, Opus, Infinity (owners of Pegasus Bay residential land subdivision), etc

By getting in the room early with a clear, solution-focused message, and an active follow up programme we give ourselves a best opportunity to participate on a sensible (and sensitive) basis.

To implement this it is recommended that we establish a small internal team tasked with:

- Agreeing messaging: per above
- Allocating responsibilities: who should deliver message
- Arranging meetings: leverage NZSF contacts
- Ensure follow on responsibilities agreed and resourced: NZ Direct plus other internal/external resource as required

[REDACTED]

**From:** [REDACTED]  
**Sent:** Tuesday, 8 March 2011 2:23 p.m.  
**To:** [REDACTED]  
**Cc:** [REDACTED]  
**Subject:** RE: assistance if you want it

Here is my take from the meeting for the Action items, with a bit of embellishment from previous discussions (have steered clear from specific investment suggestions).

Feel free to use as you see fit and assign responsibilities [REDACTED];-)

Short-term: establish set of contacts and strategy of engagement + stock take of council's long-term infrastructure development "wish lists (up to 3 months)

- we need to get a sense of the scope of the potential opportunity set given quake and Govt's fiscal position increases likelihood that private financing sources will be looked for (talk to council CEO's flick through long-term strategy reports, etc)
- we need to be pro-active in dealing with Govt: important to get in-the-loop with regards re-development of Chch and for us to establish the context. We are not "stuftees" but can bring to the table financing expertise and contacts (e.g. international peer funds).
- we need to talk to firms who will most likely be engaged in re-build (Fulton Hogan, Fletcher Building, Opus, etc)



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Medium-term: develop asset allocation view on NZ assets + increased clarity on opportunity set (3-6 months)

- we need to develop view of our absolute appetite for NZ direct investments (extension of SOE work) and the sort of “premium” we would require as concentration increases.
- as Govt. led planning of re-development of Chch proceeds we will have better clarity on the scope of the Chch specific opportunity set
- in this time-frame we should also have better clarity on appetite for moving away from traditional forms of local and central govt. financing (expect announcements leading up to November election)
- develop initial set of investment opportunities and trade-offs
- probably the right time-frame to start engagement with offshore peers on potential opportunity set: both in ChCh and elsewhere

Longer-term: narrow down identification of specific investment opportunities to those most likely to fit our commercial criteria (+1 year) and improve portfolio’s shark ratio + potentially conduit for financing

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4	<u>221138</u>	16/03/2011	Email between NZSF - "MED and quake assistance – arm snatched off"	Released in full except for names and contact details, withheld under section 9(2)(a)
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**From:** [REDACTED]  
**Sent:** Wednesday, 16 March 2011 8:51 a.m.  
**To:** [REDACTED] Matt Whineray [REDACTED]  
**Cc:** Adrian Orr [REDACTED]  
**Subject:** MED and quake assistance - arm snatched off

A keen response. Will revert with dates.

**From:** [REDACTED] (MIN) [REDACTED]@parliament.govt.nz]  
**Sent:** Wednesday, 16 March 2011 8:49 a.m.  
**To:** [REDACTED]  
**Cc:** [REDACTED] (MIN); [REDACTED] (MIN); [REDACTED] (MIN)  
**Subject:** Re: NZ Superfund and earthquake

Hi [REDACTED]

That sounds like a great idea. Happy to assist with this and we would certainly look to line up a discussion with Mr Brownlee as part of this.

Cheers

[REDACTED]

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**From:** [REDACTED]  
**To:** [REDACTED] (MIN)  
**Sent:** Wed Mar 16 08:44:38 2011  
**Subject:** NZ Superfund and earthquake

Morning [REDACTED], appreciate you're in Christchurch today so will keep this brief. We'd like to send some senior investment people to see you about how we might be able to assist in the relief effort. Obviously we have commercial goals; but I imagine that the impact of the earthquake on the fiscal landscape offers a number of opportunities within Christchurch and more broadly. We are similarly reaching out to local government, but it would be good to get a centralised overview from you. Our guys would come to see you when it was convenient.

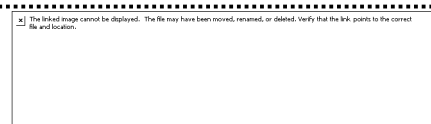
Regards,


[REDACTED]

DDI: [REDACTED]  
Mobile: [REDACTED]  
Email: [REDACTED]

**A Great Team Building the Best Portfolio**

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5	<u>221137</u>	16/03/2011	Email between NZSF and Minister Brownlee's office - "RE: NZ Superfund and earthquake"	Released in full except for names and contact details, withheld under section 9(2)(a)
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**From:** [REDACTED]  
**Sent:** Wednesday, 16 March 2011 8:50 a.m.  
**To:** [REDACTED] (MIN) [REDACTED]@parliament.govt.nz>  
**Cc:** [REDACTED] (MIN) [REDACTED]@parliament.govt.nz>; [REDACTED] (MIN) [REDACTED]@parliament.govt.nz>; [REDACTED] (MIN) [REDACTED]@parliament.govt.nz>  
**Subject:** RE: NZ Superfund and earthquake

Hi [REDACTED] – great. Let me know what works for you and we'll line up.

**From:** [REDACTED] (MIN) [REDACTED]@parliament.govt.nz]  
**Sent:** Wednesday, 16 March 2011 8:49 a.m.  
**To:** [REDACTED]  
**Cc:** [REDACTED] (MIN); [REDACTED] (MIN); [REDACTED] (MIN)  
**Subject:** Re: NZ Superfund and earthquake

Hi [REDACTED]

That sounds like a great idea. Happy to assist with this and we would certainly look to line up a discussion with Mr Brownlee as part of this.

Cheers

[REDACTED]

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**From:** [REDACTED]  
**To:** [REDACTED] (MIN)  
**Sent:** Wed Mar 16 08:44:38 2011  
**Subject:** NZ Superfund and earthquake

Morning [REDACTED] appreciate you're in Christchurch today so will keep this brief. We'd like to send some senior investment people to see you about how we might be able to assist in the relief effort. Obviously we have commercial goals; but I imagine that the impact of the earthquake on the fiscal landscape offers a number of opportunities within Christchurch and more broadly. We are similarly reaching out to local government, but it would be good to get a centralised overview from you. Our guys would come to see you when it was convenient.

Regards,

[REDACTED]

DDI: [REDACTED]  
Mobile: [REDACTED]  
Email: [REDACTED]

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6	<u>244359</u>	07/06/2011	File Note: Meeting with Gerry Brownlee, 2 June 2011	Released in full except for names withheld under section 9(2)(a)
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## File Note

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To: Matt Whineray, [REDACTED]

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From: Adrian Orr

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Date: 7 June 2011

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Subject: Meeting with Gerry Brownlee, 2 June 2011

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At his request, Gerry Brownlee met with Matt Whineray and Adrian Orr 2 June 2011. He was accompanied by his assistant [REDACTED].

Mr Brownlee provided a brief overview of the situation in Christchurch with regard to scale of rebuild needed and the role of CERA.

He then enquired as to our availability to assist CERA consider investment cases on an 'as requested' basis, as well as to our interest in potential investments. The latter was in part related to the difficult cash position the Christchurch City Council is currently in, and whether we may be interested in purchase/lease back of some core assets (e.g., port, airport).

### We agreed:

- We are happy to assist with in reason as a sanity check on investment ideas;
- We would be interested in investment opportunities subject to them meeting our criteria (hurdle rate) and other portfolio constraints.

Mr Brownlee suggested we meet with [REDACTED] who is overseeing then investment activities that CERA are considering.

### Actions:

MW [REDACTED] to follow up with CERA

[end]