

# CENTRAL HAWKE'S BAY CONSUMERS POWER TRUST



## OWNERSHIP REVIEW

DECEMBER 2018

As you probably know, all of the shares in Centralines Limited are held by a Consumer Trust. Centralines is your local electricity network company. It has been a consumer owned company since 1993.

In 1992, the directors of the former Central Hawke's Bay Power Board consulted with the community about the shareholding options. The local response was in favour of Trust ownership, and in 1993 a Trust was formed to hold the shares.

According to the Trust Deed, the Central Hawke's Bay Consumers Power Trust Trustees must review the ownership options every five years, and present the review to consumers. This review will assess the performance of the Trust over the last five years and will make a recommendation as to how the shares should continue to be held.

As part of the review, we are seeking your views about the future of Centralines' ownership. We would like your

opinion on the present form of ownership compared to other possible forms of ownership.

We will begin by explaining some of the basic differences between various ownership options. If you want more information about the options, please contact the Trust (details at the bottom of the page) before you complete the form below. This is a very important issue, and your answers need to be based on good information and an understanding of the options.

### THE POSSIBLE OWNERSHIP OPTIONS ARE:

#### 1. Trust Ownership (100% Trust ownership of shares, status quo)

This is the model we have now. All of the shares in Centralines are held in Trust for the benefit of consumers. A majority of Trustees are elected directly by consumers and three are appointed by the Mayor, District Council and the largest consumer. Trustees look after the interests of all consumers. Decisions about the company remain in local control. Ownership of the network of lines, poles, undergrounding, etc., stay with consumers.

Under this system, consumers can expect to benefit from the most efficient network costs. Centralines consumers have received direct benefits by way of discounts on power accounts and more recently through dividends. The current ownership model is looking after the interests of present and future consumers.

#### 2. Mixed Ownership (Distribution or sale of 24.9% or 49.9% of shares)

Under this model, the shares would be divided between individual consumers and the Trust. The proportion of shares distributed (to existing consumers) or sold (to existing consumers, the public or external investors) by the Trust could range from 24.9% to 49.9%. With this option, a second review would be carried out and would recommend the ratio for dividing the shares.

Depending on the distribution of shares, the Trust would have a greater or lesser influence on the direction of the company, and the relationship between consumers and the network company might or might not have a local focus. Consumers would experience a taste of both forms of ownership, but probably not the greatest benefit of either. Administration would be more complex.

#### 3. Individual Ownership (Distribution of 100% of shares to existing consumers)

Under this model, all the shares in Centralines would be issued to individual consumers, who would then become individual shareholders. After-tax benefit from profitable business activity would be received as a dividend, and would extend to anyone who owned shares, even if they ceased to be consumers. Individual shareholders, no matter where they lived, would have the usual rights of shareholders in other companies to elect directors, attend general meetings, receive dividends, sell shares, etc.

Consumers would no longer have any voice in company policy or benefit from receiving dividends if they sold their shares. Experience in other geographical regions has shown that many consumers are likely to sell their shares. Eventual ownership and decision making could easily come from outside of Central Hawke's Bay.

#### 4. Private Ownership (Sale of 100% of shares)

Under this model the Trust would sell the company (Centralines) and distribute the proceeds among existing consumers or hold the proceeds in Trust. This could involve the sale of the whole or part of the company to anyone who was interested, possibly another network company, or possibly not. Such a sale would provide an immediate cash benefit but could likely result in a reduction of local services and in eventual job losses.

In the event of an outright sale, it would be almost impossible for consumers to have any say in company decisions or to regain control of the company at a future date. There would be no foreseeable benefit to consumers from any profitable business activity unless they were shareholders in the company that purchased Centralines. The overall relationship between the network company and its consumers, would be similar to that of direct customer ownership after several years of trading shares publicly.

In the event of a partial sale, administration would be more complex.

The Central Hawke's Bay Consumers Power Trust Ownership Review Report is available on Centralines website [www.centralines.co.nz](http://www.centralines.co.nz).

### YOUR VIEWS

The Central Hawke's Bay Consumers Power Trust has no immediate plans to change the present ownership model; however we do want to consider your views. But, in order to do so, we need your completed survey form. At the bottom of the page is a questionnaire. Could you please tick your preference and return the form to us.

The envelope must reach us by 4:00pm on Thursday, 20 December, 2018. We cannot consider forms received after this time.

A decision on the future ownership of Centralines will be communicated in late February 2019.



### CENTRAL HAWKE'S BAY CONSUMERS POWER TRUST

#### OWNERSHIP MODEL FOR CENTRALINES, YOUR PREFERRED OPTION:

1.  Trust Ownership - 100% Trust ownership of shares (Status quo, a continuation of the present form of ownership)
2.  Mixed Ownership (Distribution or sale of 24.9% or 49.9% of shares - shares held by both Trust and consumers):
3.  Individual Ownership (Distribution of 100% of shares to existing consumers)
4.  Private Ownership – Sale of 100% of shares (Outright sale of the company held wholly or partly by an unrelated party):
5.  Other:.....

Before you return this form, please print your full name, sign and include your ICP number (this can be found on your power account).

Post (PO Box 59, WAIPUKURAU) or deliver this form to Centralines, 2 Peel Street, Waipukurau by 4:00pm, Thursday 20 December, 2018.

Print Full Name: .....

Signature: ..... Date:.....

ICP Number: .....

For more information you can also contact the CHBCPT at: [info@centralines.co.nz](mailto:info@centralines.co.nz) or 0800 667 693