



CROWN INFRASTRUCTURE PARTNERS LIMITED

Statement of Intent

1 July 2018 – 30 June 2022

September 2018

Presented to the House of Representatives

pursuant to the Crown Entities Act 2004

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1. Introduction

This Statement of Intent (**SOI**) is submitted by the Board of Directors of Crown Infrastructure Partners Limited (**CIP**), pursuant to the Crown Entities Act 2004 and sets out CIP's objectives and intentions from 1 July 2018 to 30 June 2022.

Since our last SOI in 2017, Crown Fibre Holdings (**CFH**) has been repurposed to develop and implement commercial models for the deployment of water and roading infrastructure to support a timely increase in housing supply, in addition to our continuing telecommunications infrastructure responsibilities. CFH was renamed Crown Infrastructure Partners Limited on 1 September 2017.

CIP is developing the necessary financial models to implement the funding of the water and roading infrastructure to support the increased availability of land for housing, identifying projects with growth councils and sources of funding with potential financiers, with transactions to be implemented over the period of this SOI.

Over the last year the availability of Ultra-Fast Broadband (**UFB**) has continued to expand in our cities and towns. In late 2017, the programme was expanded even further to now cover 87% of the population (including UFB and private fibre). The end date for the programme (formerly 2024) was also brought forward to 2022.

UFB deployment at 30 June 2018 was 7% ahead of plan, with over 1.4 million end users (such as households and businesses) able to connect to UFB, representing approximately 70% of the population. At this date, 73% of the overall UFB initiative build was complete. In the year ended June 2018, there have been approximately 193,000 new UFB connections, and uptake is continuing to increase having recently reached 44% in June 2018. Taking into account the expansion, New Zealand should be within the top five countries in the OECD, with fibre being available to 87% of the population by December 2022.

CIP also commenced the tender process for the Rural Broadband Initiative phase two and Mobile Black Spot Fund (**RBI2/MBSF**) programme in 2017, entering into 10 contracts to deliver enhanced broadband and mobile coverage to approximately 74,000 rural households and businesses (including some commercial mobile coverage), 1,000 kilometres of state highways and 100 tourism locations across the country. The Government has allocated additional funding for further expansion of the RBI2/MBSF programme, which CIP and Government are in the process of allocating.

CIP has also commenced work on developing and implementing financial models to deliver increased availability of land for housing.

CIP is responsible for the statements contained in this document, including the appropriateness of the underlying assumptions.



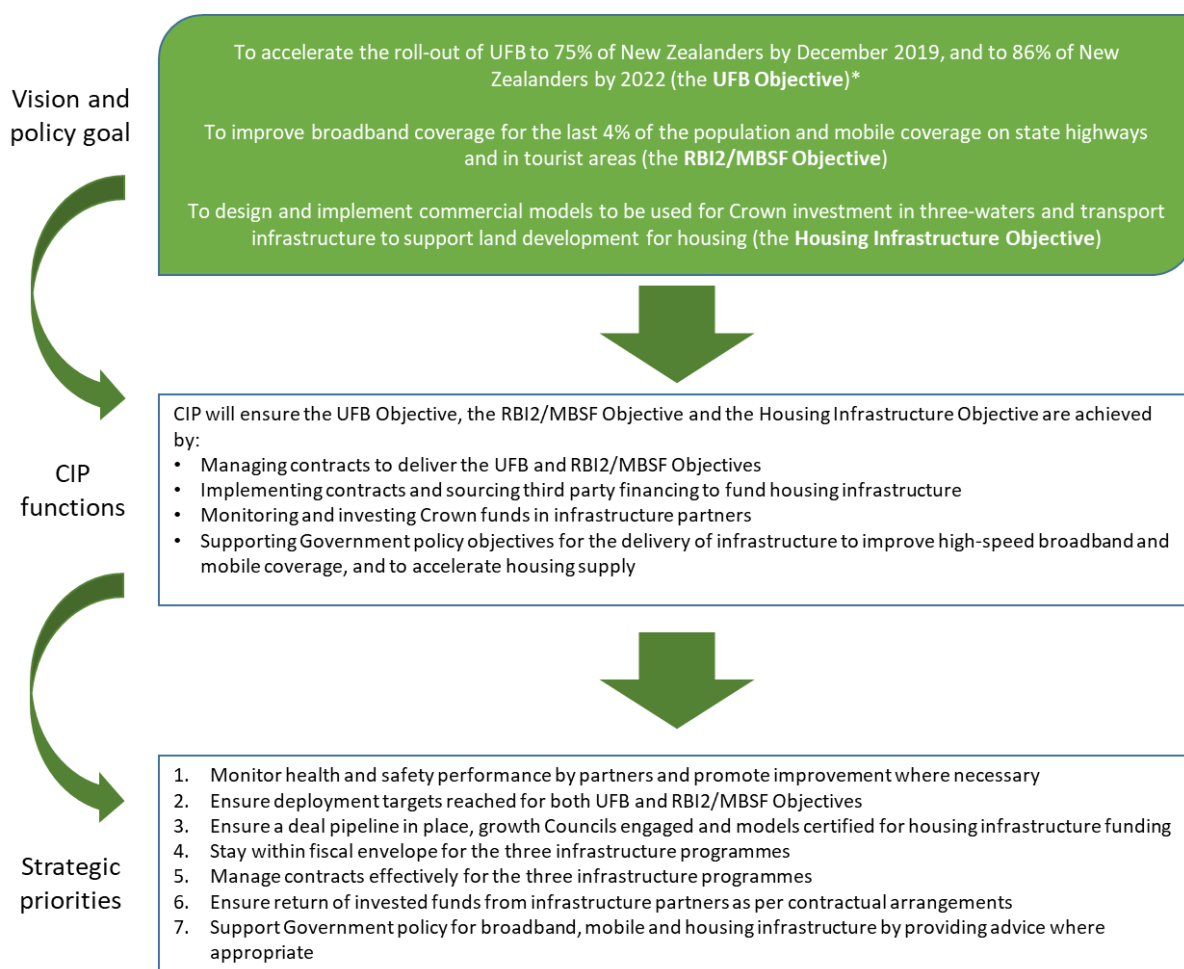
Simon Allen
Chair
13 September 2018



Keith Tempest
Director
13 September 2018

2. CIP vision, function, strategic priorities and scope

2.1 CIP vision, function and strategic priorities



* NB: CIP is responsible for the roll-out of UFB to 86% of the population by 2022, with the remaining 1% being private fibre that CIP is not responsible for.

2.2 The scope of CIP

The Government determines the scope of CIP activities through the issue of policy mandates associated with the funding of infrastructure initiatives. The Government can expand the scope by issuing further policy mandates and advising the Company in writing.

3. How CIP will deliver on key outcomes

Key strategies and actions to achieve the outcomes for which CIP is accountable, that is, delivering the UFB Objective, the RBI2/MBSF Objective and the Housing Infrastructure Objective, within its fiscal envelope, are:

For UFB:

- monitoring the performance of contracts with UFB Partners as they relate to investment, quality and timeliness of UFB deployment, and delivery of the agreed UFB products;
- monitoring the financial and operational performance of UFB Partners for potential impacts on the roll-out and/or the value of investments held by CIP;
- agreeing annual deployment plans with UFB Partners to ensure the UFB Objective is achieved, monitoring the implementation of these plans to meet agreed targets, and taking appropriate action if these targets are not met;
- working with Partners to bring forward deployment schedules where possible;
- matching investment to the progress of the UFB deployment and at the end of the concession periods¹ ensuring the return of invested funds; and
- proactively monitoring end users' experiences with UFB and Partners' installation performance and raising issues in a timely manner.

For RBI2/MBSF:

- implementing the RBI2/MBSF programme with Partners, and managing contracting for the expansion of the programme, to deliver the RBI2/MBSF Objective;
- working with local councils to facilitate the roll-out of infrastructure, and where assistance in funding is offered by local authorities, agreeing contracts for the provision of this assistance where necessary (to support achievement of the RBI2/MBSF Objective);
- monitoring the performance of contracts with RBI2/MBSF Partners as they relate to investment, quality and timeliness of RBI2/MBSF deployment, and performance of the agreed RBI2/MBSF products; and
- agreeing annual deployment plans with RBI2/MBSF Partners to ensure the RBI2/MBSF Objective is achieved, monitoring implementation of these plans to meet agreed targets, and taking appropriate action if these targets are not met.

¹ The "concession period" is the period in which Crown funds are invested for which no commercial return is sought.

For housing infrastructure:

- contracting with developers, financiers and local councils to establish funding for the construction of bulk housing infrastructure to achieve the Housing Infrastructure Objective;
- contributing Crown capital and raising private capital to fund bulk housing infrastructure contracted over time;
- where necessary, developing commercial models to establish revenue streams to service and repay contributed Crown and private capital which are not considered debt on local council balance sheets;
- subject to Government policy mandates, identifying infrastructure in conjunction with local councils and Government that requires financing to improve land supply for housing; and
- monitoring contracts, ensuring counterparties meet their obligations and capital is returned.

For CIP generally:

- monitoring health and safety performance by all UFB and RBI2/MBSF Partners across all programmes, and ensuring CIP's own staff/contractors have a safe working environment and do not suffer any harm;
- engaging with Ministers, The Treasury and the Ministry of Business, Innovation and Employment if CIP receives requests to make, or initiates, changes to the contracts with Partners which involve policy issues or which may impact fiscal parameters, before agreeing to any such changes;
- monitoring CIP's cash flow and providing up-to-date forecasts to the Treasury and shareholding Ministers, as well as maintaining a suitable investment policy that appropriately addresses counterparty risk;
- managing CIP so as to avoid waste, increase efficiency and reduce future costs;
- identifying any opportunities to exit investments earlier and notifying Ministers of these opportunities; and
- updating forecasts of any surplus capital throughout the SOI period.

In addition to implementing the UFB Objective and RBI2/MBSF Objective, CIP will have a clear, but limited, role in supporting uptake by:

- working with Partners around deployment, with a focus on quality and timeliness of connections;
- encouraging discussions among Partners and other utility providers to achieve efficiencies in relation to UFB and RBI2/MBSF deployment; and
- generally promoting the UFB and RBI2/MBSF programmes by talking to business/industry groups, Retail Service Providers (**RSPs**) and other stakeholders.

4. CIP performance targets

CIP performance targets and measures through to 2022 include specific goals for deployment of the UFB, RBI2/MBSF and housing infrastructure, as well as financial and operational efficiency, as set out below.

Achieving the UFB, RBI2/MBSF and Housing Infrastructure Objectives within the fiscal envelope is CIP's key accountability – in particular, ensuring that infrastructure for each programme is deployed on time and in line with the Government's policy requirements.

4.1 UFB deployment

Progress towards the UFB Objective is set annually by CIP's Statement of Performance Expectations (SPE), and reported on in CIP's Annual Report, including the:

- number of premises handed over by Partners to CIP or the applicable Local Fibre Company (LFC) for user acceptance testing;
- number of end users (such as households) able to connect to UFB; and
- percentage of the UFB Objective that has been completed.

Greenfield areas within or adjacent to UFB coverage areas are sometimes deployed in conjunction with developers.

A more detailed view of UFB deployment forecasts over the SOI period is shown in **Appendix 2**.

Maps showing the cities and towns where UFB is being deployed are provided in **Appendix 4**.

4.2 RBI2/MBSF programme

CIP's performance targets for the RBI2/MBSF programme are set annually in CIP's SPE, and reported on in its Annual Report, including:

- contracted Rural End Users to receive improved broadband;
- contracted Mobile Black Spot tourist sites covered; and
- contracted Mobile Black Spot highway kilometres covered.

A view of the planned and latest forecast deployment timing of improved broadband coverage for the current contracted end users and mobile coverage of highway kilometres and tourism areas is shown in **Appendix 3**.

Maps showing the areas where RBI2/MBSF is being deployed are provided in **Appendix 4**.

4.3 Housing infrastructure programme

Measures have not yet been developed for the housing infrastructure programme; these will be established once contracts have been executed. Measures are likely to include the timeliness of the

deployment of bulk housing infrastructure, and the number of associated residential and commercial lots being released to market for sale that the infrastructure would support.

4.4 Financial and operational efficiency

Each year the CIP Board, in conjunction with its shareholding Ministers and the relevant policy Ministers, will plan the future resourcing levels of CIP, depending on:

- progress made towards achieving the UFB Objective, RBI2/MBSF Objective and Housing Infrastructure Objective;
- the performance of UFB, RBI2/MBSF and housing infrastructure Partners in meeting their obligations under CIP contracts;
- any new initiatives or expansion of existing initiatives; and
- the degree to which Crown investment is actively monitored, based on the current level of risk and the level of support the Government requires.

Over the next four years, CIP will continue to ensure operational expenditure is appropriate for the scale and scope of activities as set by Government. CIP may also determine that some functions are no longer required or can be performed more effectively by other Government agencies, including taking into consideration the regulatory framework which will be established under the updated Telecommunications Act 2001.

Details of CIP's forecasts and financial statements are provided in its SPE for the current and upcoming fiscal years. CIP also expects to see steady improvements in its operational efficiency. The ratio of operational costs to its annual investment in infrastructure is expected to decline from 6% to 2% over this SOI period.

5. Monitoring performance targets of Partners

To ensure contractually agreed service levels are met, CIP monitors the operational and service performance of Partners as described below. Progress against these targets by Partners is included in the CIP Annual Report to advise on UFB, RBI2/MBSF (and, when applicable, housing infrastructure) operational performance, but are not part of CIP's key performance indicators.

5.1 UFB service performance

Partners are responsible for meeting service performance targets agreed with CIP and RSPs, including metrics tracking Partners' ability to provision new UFB services, metrics on restoration of network and customer outages, and performance of the networks within agreed service levels. As well as high-quality minimum performance, each Partner also offers enhanced service levels with improved performance guarantees.

5.2 RBI2/MBSF service performance

Service parameters tracking Partners' performance in achieving product minimum service performance and operational availability will be reported on and included in CIP's Annual Report once the networks become operational.

5.3 Housing infrastructure programme performance

Measures for Housing Infrastructure Partners have not yet been developed for the housing infrastructure programme; these will be established once contracts have been executed and will likely include the release of housing lots for sale to the market.

5.4 Occupational Health and Safety (OSH)

CIP will ensure its compliance with obligations under the Health and Safety at Work Act 2015. CIP encourages its Partners to focus on OSH matters and benchmarks the Partners' performance against key safety measures, such as the Total Recorded Injury Frequency Rate (**TRIFR**).

6. Organisational health and capability

6.1 Capability development

CIP will:

- maintain and increase the capability of its people and the quality of its systems;
- ensure that services delivered are as cost-effective as possible;
- ensure its capital spending supports essential capability development;
- aim to achieve high levels of staff engagement;
- maintain and increase the diversity of its people;
- aim to operate with reliable and cost-effective technology;
- provide a safe environment for staff; and
- maintain sound financial and governance systems.

6.2 Risk management

CIP operates with a rigorous approach to risk management, which includes maintaining a regularly updated register of risks to the delivery of its goals, managing these through an agreed management process, and receiving oversight from the Board's Audit and Risk Committee as described in Section 7.3.

6.3 Ensuring CIP is a good employer

The successful achievement of the UFB, RBI2/MBSF and Housing Infrastructure Objectives depends on adequate capability in a number of areas, including those relating to technical, commercial, financial and investment expertise. It is important that CIP retains skilled staff, is a good employer and offers an attractive place to work. Consistent with the State Services Commission's *Government Expectations on Employment Relations in the State Sector*, CIP employer policies also aim to ensure that the Company respects its equal-opportunity responsibilities.

6.4 Measuring progress

CIP will measure its progress in developing its capability by:

- aiming to achieve as a minimum "Good" ratings (in accordance with the Audit NZ ESCO (environment, systems and controls) assessments) from audits of its management controls;
- regularly reviewing its progress and priorities with its shareholding Ministers and its policy Ministers; and
- ensuring flexible allocation of resources to address changing requirements.

7. Governance

7.1 Organisation form

Incorporated in 2009 under the Companies Act 1993, CIP is a Crown-owned company, listed under Schedule 4A of the Public Finance Act 1989 and subject to the Crown Entities Act 2004, the Official Information Act 1982 and the Ombudsmen Act 1975.

Its shareholders are the Minister of Finance and the Minister for State Owned Enterprises, who each hold 50% of the issued share capital. As it aims to provide services to the public rather than make a financial return, CIP has designated itself a public benefit entity.

7.2 Board of Directors

Following its established policy of strategic planning, sound procedures and regulatory compliance, the Board is committed to a high standard of corporate governance in guiding and monitoring the business.

Responsibility for CIP's operation and administration lies with the Chief Executive, who is accountable to the Board, which is currently made up of five non-executive Directors appointed by shareholding Ministers, following Cabinet approval.

7.3 Board committees

To help Directors carry out their duties and fulfil their responsibilities, the Board has two standing committees. These are the:

- Audit and Risk Committee, which provides recommendations, counsel and information on accounting, reporting, risk management and responsibilities under legislation. Its Terms of Reference also cover the role of internal audit; and
- Remuneration Committee, which provides advice and recommendations on remuneration and human resources policies for CIP.

7.4 Consultation with Ministers

CIP expects to continue regular liaison with key officials and to engage with shareholding Ministers and the policy Ministers as required. In particular, CIP will consult with its shareholding Ministers and the policy Ministers on any matters involving Government policy and any substantial matter not contemplated in this SOI or the annual SPE.

7.5 Crown Entities Act requirements

CIP is subject to various sections of the Crown Entities Act, including the following:

- section 100 requires CIP to provide shareholding Ministers with advance notice of its intended investments during each financial year;
- section 133 requires the Board to supply to its responsible Ministers any information relating to its operations or performance as requested by Ministers;
- section 134 details good reasons for refusing to supply such information;
- sections 139 and 150 require preparation of an SOI and Annual Report;
- sections 149C and 149E require CIP to table an SPE outlining its reportable outputs and the intended achievement of each output;
- sections 154–156 relate to the preparation of the annual financial statements;
- section 158 relates to bank accounts; and
- sections 162 and 163 prohibit borrowing and restrict guarantees and indemnities.

7.6 Other statutory requirements

Under the Public Audit Act 2001, the Controller and Auditor-General is the auditor of CIP.

8. CIP policies

8.1 Dividend policies

As set out in its Constitution, CIP is not expected to return any profit, distribution or dividend to the Government until the UFB Objective has been achieved.

CIP will advise Government when surplus capital is available which could be used to invest in further infrastructure, reduce appropriation drawings, or return to shareholders.

8.2 Acquisition policies

The role of CIP necessitates regular investments in Chorus and LFCs for the completed UFB network, as described in **Appendix 1**. Transactions under the RBI2/MBSF and housing infrastructure programmes are not in the form of investments².

8.3 Financing

To the extent required, CIP (through subsidiaries) will raise debt and equity from capital markets to fund bulk housing infrastructure, which will be securitised against the revenue streams from such infrastructure.

² CIP will make payments to housing infrastructure Partners (and other entities) under the commercial models, and RBI2/MBSF payments are in the form of grants.

Appendix 1: Infrastructure Partners

UFB Partners

CIP has contracts with three Partners, as listed below, to operate an LFC to invest in UFB infrastructure in order to achieve the UFB Objective. CIP has a contract with, and debt and equity securities in, Chorus Limited (**Chorus**) to invest in UFB infrastructure in order to achieve the UFB Objective. Both the LFCs and Chorus own and operate the UFB network in their areas, selling wholesale UFB services to Retail Service Providers. The arrangements are summarised in Table 1 below.

Table 1: UFB Partners and Local Fibre Companies

UFB Partner	LFC	Coverage area
<ul style="list-style-type: none">Northpower Limited for original UFB programmeNorthpower Solutions Limited for UFB expansion (both Northpower)	Northpower Fibre Limited (Northpower Fibre) for Whangarei and a new LFC for the UFB expansion	Whangarei and 11 towns in the Whangarei and Kaipara Districts
<ul style="list-style-type: none">UFF, which is owned by Waikato Networks Limited (WNL)	Ultrafast Fibre Limited (UFF)	Hamilton, Tauranga, New Plymouth, Whanganui and 19 central North Island towns
<ul style="list-style-type: none">Christchurch City Holdings Limited (CCHL) and Enable Services Limited (ESL)	Enable Networks Limited (ENL)	Christchurch, Rangiora and 7 surrounding areas
<ul style="list-style-type: none">Chorus Limited (Chorus)	n/a	The rest of the UFB initiative – Auckland, Wellington, Dunedin, Nelson and a further 345 towns and cities

RBI2/MBSF Partners

CIP has contracts with 10 Partners, as listed below, to deploy rural broadband and mobile infrastructure in order to achieve the RBI2/MBSF Objective.

RBI2/MBSF Partner	Deploying	Regional coverage area
<ul style="list-style-type: none">Rural Connectivity Group³ (RCG)	Rural broadband Mobile cellular coverage	All regions for RBI2 coverage Certain state highways and tourist areas for mobile coverage
<ul style="list-style-type: none">Gisborne.net	Rural broadband	Gisborne and North Hawke's Bay
<ul style="list-style-type: none">Inspire.net	Rural broadband	Manawatu and Whanganui
<ul style="list-style-type: none">AoNet	Rural broadband	King Country, Manawatu and Whanganui
<ul style="list-style-type: none">Primo Wireless	Rural broadband	Taranaki
<ul style="list-style-type: none">NZ Tech	Rural broadband	Central Hawke's Bay
<ul style="list-style-type: none">Wiz Wireless	Rural broadband	Wairarapa, Wellington
<ul style="list-style-type: none">AmuriNet	Rural broadband	North Canterbury
<ul style="list-style-type: none">Ultimate Broadband	Rural broadband	Central/South Canterbury
<ul style="list-style-type: none">Unifone	Rural broadband	Otago

Housing infrastructure Partners

There are currently no contracts executed with housing infrastructure Partners.

³ RCG is a joint venture established between Spark New Zealand, Vodafone and 2degrees.

Appendix 2: Planned progress of UFB deployment

Table 2: UFB coverage (including both the original UFB to 75% population coverage and the expansion to a total of 86% population coverage)

UFB Planned progress	Actual to 30 June	Fiscal Years to 30 June				Fiscal 2023
	FY18	FY19	FY20	FY21	FY22	to Dec 2022
Premises passed cumulative '000's	1,051	1,205	1,303	1,369	1,407	1,434
% Complete	73%	84%	91%	95%	98%	100%
Towns passed cumulative	50	74	176	262	337	393

Each premises is a single building or structure located on a defined geographical site (as evidenced by a certificate of title), which has a unique physical address recognised by New Zealand Post and is occupied by, or could readily be occupied by, a potential end user or users. For example, a multi-tenanted building, such as an apartment block or office building, constitutes a single premises for the purposes of the CIP funding of its Partners.

Appendix 3: Expected progress for RBI2 programme

Expected progress for the RBI2 programme is summarised below. The programme was planned to be completed by 2022 however deployment plans from RBI2 Partners are targeting an earlier completion, being substantially complete by the end of 2021 for the current contracted coverage.

This is based on the current deployment plans of the RBI2 Partners but is subject to change.

Table 3: Expected progress for RBI2 deployment

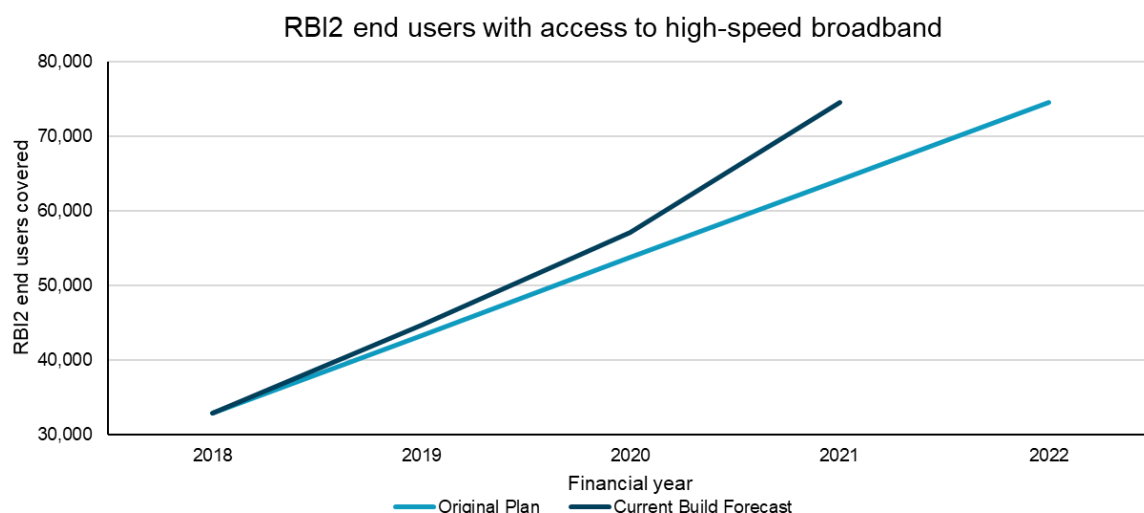
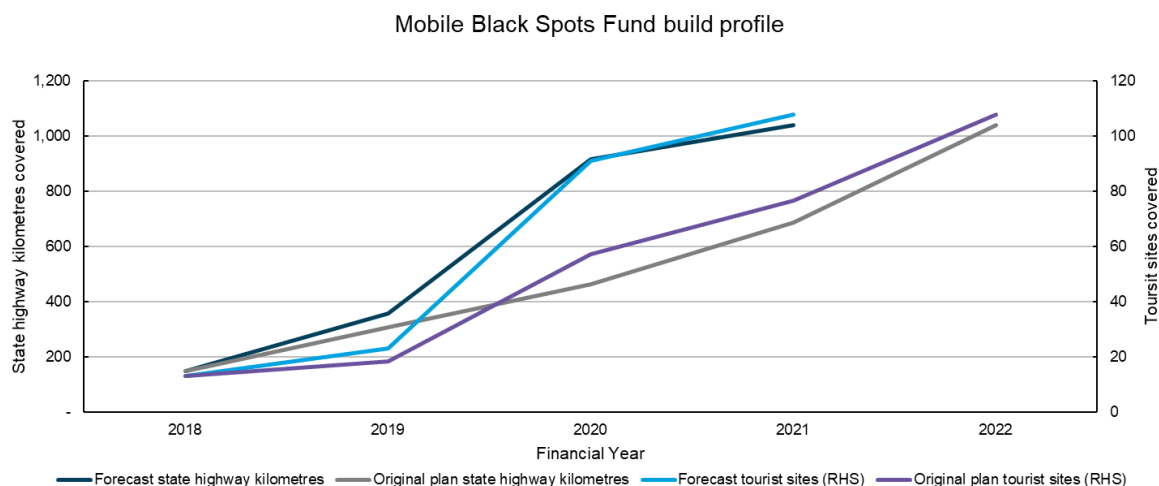


Table 4: Expected progress for MBSF deployment

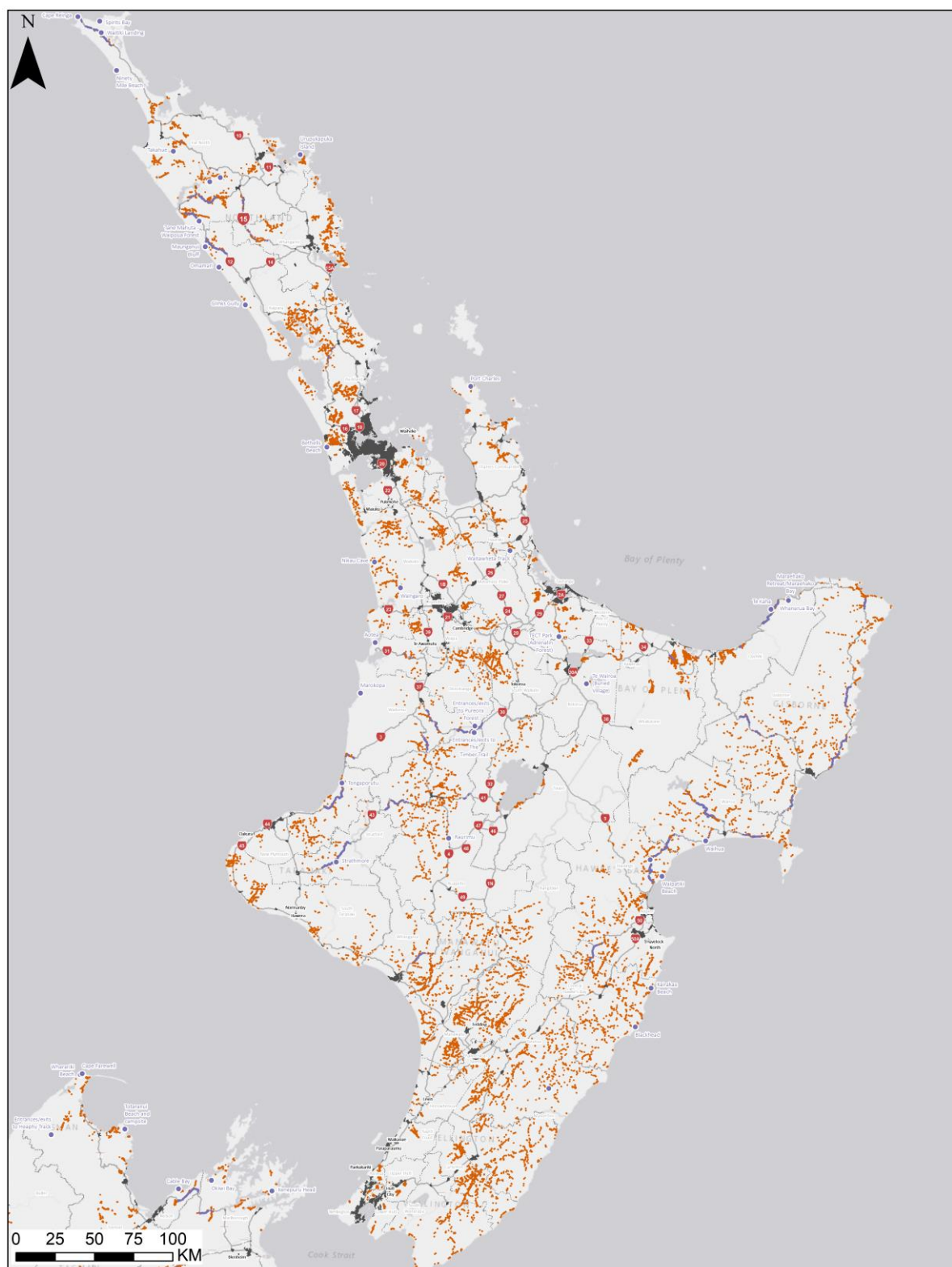


Appendix 4: UFB and RBI2/MBSF coverage

Below are maps indicating existing and proposed coverage of the UFB (including UFB and its extension) and the RBI2/MBSF programmes in the North and South Islands.

More information on coverage can be found at www.crowninfrastructure.govt.nz.

Diagram 1: UFB and RBI2/MBSF coverage in the North Island



Legend

- UFB
- RBI2
- Tourism MBS
- State Highway MBS

Ultra-Fast Broadband and
Rural Broadband Initiative phase two/
Mobile Black Spots Fund coverage
North Island

Diagram 2: UFB and RBI2/MBSF coverage in the South Island

