



Crown  
Infrastructure  
Partners

*Hanga Ngātahi • Building Together*

CROWN INFRASTRUCTURE PARTNERS LIMITED

# STATEMENT OF PERFORMANCE EXPECTATIONS

1 JULY 2021 - 30 JUNE 2022

June 2021

Presented to the House of Representatives  
pursuant to the Crown Entities Act 2004



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# 1: INTRODUCTION

This Statement of Performance Expectations (**SPE**) is submitted by the Board of Directors of Crown Infrastructure Partners Limited (**CIP**), pursuant to the Crown Entities Act 2004. It sets out the performance expected of CIP for the period 1 July 2021 to 30 June 2022.

## STATEMENT OF RESPONSIBILITY

CIP is responsible for the statements contained in this document, including the appropriateness of the business assumptions underlying them. CIP is also responsible for internal control systems that provide reasonable assurance as to the integrity of its financial reporting.

Mark Binns, Chair  
30 June 2021

Bella Takiari-Brame, Director  
30 June 2021



## 2: CIP'S PURPOSE, OBJECTIVES, SCOPE AND OUTPUTS

This SPE sets out the targets and forward budgets for CIP for FY22, which are consistent with the direction from shareholding Ministers in their Letter of Expectations to CIP of 18 December 2020.

COVID-19 had a number of impacts on telecommunications network delivery and timing of urban development projects, some of which are likely to continue during FY22. The following measures assume there is no further change in COVID-19 alert levels.

### 2.1 CIP'S PURPOSE AND STRATEGIC OBJECTIVES

The following diagrams sets out CIP's vision, purpose, strategic objectives, functions and strategic priorities.

CIP's Statement of Intent outlines CIP's purpose, strategic objectives and functions for July 2021 to June 2025 to achieve these strategic objectives.



Primo Wireless, German Hill, RBI2 Programme

## CIP'S VISION

**“To partner with the private sector and local government to deliver infrastructure to improve the lives of New Zealanders”**

**Hanga Ngātahi - Building Together**

## STRATEGIC OBJECTIVES

- To accelerate the roll-out of UFB to 86% of New Zealanders by 2022 (the **UFB Strategic Objective**)<sup>1</sup>
- To improve broadband coverage for the last 3.4% of the population (the **RBI2 Strategic Objective**) and mobile coverage on state highways and in tourist areas (the **MBS Strategic Objective**)
- To deliver West Coast and Southland fibre links, upgraded rural broadband capacity and digital connectivity for eligible marae and regional digital hubs (the **Regional Digital Connectivity Strategic Objective**)
- To act as delivery partner for the Public Safety Network (**PSN**) by supporting procurement and delivery of radio and cellular network infrastructure and services (the **PSN Strategic Objective**)
- To implement and co-ordinate the Infrastructure Reference Group work programme (the **IRG Strategic Objective**)
- To implement and/or facilitate funding and financing of infrastructure for housing and urban development and other eligible infrastructure in accordance with the Infrastructure Funding and Financing Act 2020 (the **IFF Strategic Objective**)
- To assist with the monitoring of the infrastructure delivery stimulus funding for the Government's 3 Waters Reform programme (the **3 Waters Strategic Objective**)

## CIP FUNCTIONS

**CIP will ensure its policy goals are achieved by:**

- implementing and co-ordinating the IRG work programme to deliver the IRG Objective
- implementing contracts and sourcing third party financing to fund infrastructure
- monitoring infrastructure delivery plans for 3 waters reform, to achieve the 3 Waters Objective
- managing contracts to deliver the UFB, RBI2, MBS, Regional Digital Connectivity Objectives
- a structured procurement and delivery approach for the PSN network capability
- monitoring and investing Crown funds in infrastructure partners
- supporting Government digital connectivity policy objectives through procuring network infrastructure solutions for the delivery of high-speed broadband and mobile coverage, and eligible infrastructure identified in conjunction with the Government

## STRATEGIC PRIORITIES

**Strategic priorities are to:**

- establish funding agreements with infrastructure partners who will receive shovel ready IRG funding, monitor and report on the implementation of these projects and provide IRG programme co-ordination and reporting for Government across the whole programme
- review, recommend and monitor the establishment of 3 water delivery plans by Local Territorial Authorities, the implementation of these plans and improvement of rural drinking water
- monitor health and safety performance by partners and promote improvement where necessary
- ensure deployment targets are achieved for UFB, RBI2, MBS and Regional Digital Connectivity Objectives
- implement arrangements with Councils, developers, private sector infrastructure providers, financiers and other parties as relevant to enable the delivery of financed infrastructure
- establish procurement for the infrastructure element of PSN project and complete the procurement stage
- stay within fiscal envelope for the infrastructure programmes
- manage contracts effectively for the infrastructure programmes
- ensure return of invested funds from infrastructure partners as per contractual arrangements
- take into account the Government's wellbeing, sustainability and climate change reduction policies when implementing programmes
- retain and develop engaged personnel

1. 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.

## 3: CIP'S REPORTABLE OUTPUTS

Section 3 describes CIP's outputs for the period from 1 July 2021 to 30 June 2022, which are reportable under section 149E(1)(a) of the Crown Entities Act 2004. CIP's performance targets for fiscal year 2022 relate to UFB deployment, progress of RBI2 and MBS programmes, Regional Digital Connectivity programme, supporting the PSN programme, infrastructure financing, progressing with the IRG and 3 waters programmes' implementation, and on financial and operational efficiency. Performance on these measures will be reported in CIP's Annual Report.

In addition, CIP monitors the operational and service performance of its UFB, RBI2 and MBS (collectively **Infrastructure Partners**), as described in Section 4. These matters are the responsibility of each Partner; CIP's role is to monitor performance to ensure that contractually agreed service levels are met (until such time as the UFB measures come under the purview of the Commerce Commission under the Telecommunications Act 2001). CIP also monitors health and safety performance across the various infrastructure programmes. Accordingly, these matters are regarded by CIP as non-reportable outputs for fiscal year 2022 under section 149E(1)(c) of the Crown Entities Act.

### 3.1 CIP'S PERFORMANCE MEASURES

#### 3.1.1 UFB programme

PERFORMANCE TARGETS FOR THE UFB PROGRAMME						
REPORTABLE MEASURE	FISCAL 2021			FISCAL 2022		FISCAL 2023
	Plan	Forecast	% Completed	Plan	% Completed	Completion
Number of UFB premises handed over by Partners to CIP or the applicable LFC under UFB (000's)	1,369	1,384	95%	1,426	99%	1,434
The number of broadband end users (such as households and businesses) able to connect to UFB (000's)	1,740	1,755	96%	1,800	99%	1,818
Percentage of population with access to UFB	84%	84%		85%		86%

This class of outputs tracks CIP's progress towards the achievement of the UFB Strategic Objective.

CIP's performance in terms of the UFB deployment is based on the number of premises handed over by the Partners, a verifiable and audited measure. CIP's performance in terms of the number of end users (such as households and businesses) able to connect to UFB is measured by CIP and its UFB Partners using a geospatial dataset.

#### 3.1.2 RBI2 and MBS programme

PERFORMANCE TARGETS FOR THE RBI2/MBSF PROGRAMME						
REPORTABLE MEASURE	FISCAL 2021			FISCAL 2022		FISCAL 2024
	Plan	Forecast	% Completed	Plan	% Completed	Completion
Rural End Users to receive improved broadband	63,566	64,162	75%	73,004	87%	84,327
Mobile Black Spot Tourist sites covered	69	68	41%	91	54%	168
Mobile Black Spot Highway kilometres covered	745	865	53%	1,056	75%	1,406
Population percentage receiving improved broadband	2.6%	2.6%	76%	2.9%	87%	3.4%

This class of outputs tracks CIP's progress towards the achievement of the RBI2/MBS Strategic Objective.

CIP's performance in terms of the number of RBI2 end users able to receive improved broadband is based on the number of 'Eligible End Users' (such as households, marae and businesses), population and marae handed over by the Partners and the resulting population that has coverage. CIP's performance in terms of these measures is measured by CIP and its RBI2 Partners using a geospatial dataset.

For MBS, there are two classes of output that track CIP's progress towards achievement of the RBI2/MBS Strategic Objectives – contracted MBS tourist sites covered, and contracted MBS state highway kilometres covered.

CIP's performance in terms of the number of MBS tourist sites and state highway kilometres covered with mobile coverage is based on the number of sites and kilometres of coverage handed over by the Partners. CIP's performance in terms of the sites and kilometres of coverage handed over under MBS is measured by CIP and its MBS Partner using a geospatial dataset.

### 3.1.3 Regional Digital Connectivity programme measures

PERFORMANCE TARGETS FOR THE DIGITAL CONNECTIVITY PROGRAMME			
REPORTABLE MEASURES	FISCAL 2021		FISCAL 2022
	PLAN	FORECAST	PLAN
<b>Marae:</b> Time to connect marae capable of connection <sup>2</sup>	< 60 business days	56	< 60 business days
<b>Marae:</b> Average time for hardware in place for marae capable of connection <sup>2</sup>	< 120 business days	86	< 120 business days
<b>Fibre Links:</b> Haast and Milford progress of fibre links	Haast and Milford contract awarded and deployment on plan for completion by end of 2021 and 2022 respectively	Haast on track for completion by end 2021. Milford started and on track	On plan to achieve end of 2021 Haast and 2022 Milford completion
<b>Rural Capacity Upgrades:</b> Progress on rural broadband capacity upgrades programme (including any further rural capacity / broadband programme)	Contracted and substantially completed	Substantially complete other than 5 towers out of 70 plan upgraded in balance of CY 2021	Fully contracted and deployment commenced in priority areas

#### Marae provisioning

This class of outputs tracks CIP's progress towards the achievement of the marae connectivity component of the Regional Digital Connectivity Strategic Objective by the measuring of timely provisioning of services. Urban marae are also part of the marae connectivity programme.

CIP's performance in terms of the marae programme is based on the number of marae that are capable of being connected to broadband that are provisioned for broadband service within an average of 60 working days, and have all required hardware in place within an average 120 working days from receiving an approved order from Te Puni Kokiri. This will be measured by CIP using a database.

#### Fibre link progress

This class of outputs tracks CIP's progress towards the achievement of the fibre link objective component of the Regional Digital Connectivity Strategic Objective.

CIP's performance in terms of the fibre link programme is based on progress in the build programme in terms of stages completed, and the fibre link programme being on track to meet the end completion date of each separate fibre link.

#### Rural capacity upgrades progress

This class of outputs tracks CIP's progress towards the achievement of the rural broadband capacity upgrades component of the Regional Digital Connectivity Strategic Objective which will enable households and businesses to connect to existing wireless infrastructure that previously had its capacity exhausted or experience improved performance from congested rural broadband areas.

CIP's performance in terms of the capacity upgrades for FY22 is based on the upgrades being fully contracted with deployment commenced in priority areas. This programme is funded from the Infrastructure Reference Group programme appropriation, and has the ability to be expanded if the Government determines it necessary.

2. Capable of connection means that the marae has access to a broadband network.

### 3.1.4 PSN programme

PERFORMANCE TARGETS FOR THE PSN PROGRAMME			
REPORTABLE MEASURE	FISCAL 2021		FISCAL 2022
	PLAN	FORECAST	TARGET
Procurement and contracting	PSN procurement underway by end of FY21	PSN tender results received and being evaluated	Procurement complete, network infrastructure contracts in place for mobilisation and deployment in FY23, by end of FY2022

This class of outputs tracks progress towards the achievement of the PSN Strategic Objective by CIP as the telecommunications infrastructure procurement partner for the PSN. CIP's performance in terms of the PSN programme is based on procurement being complete, network infrastructure contracts (being land mobile radio and mission critical cellular services) being in place and mobilisation having commenced for FY23 deployment.

CIP will bring external market knowledge, commercial procurement experience in the telecommunications industry and technical knowledge in supporting the lead agency Next Generation Critical Communications (**NGCC**) in the implementation of the PSN.

### 3.1.5 Contractual measures for the IFF Strategic Objective

PERFORMANCE TARGETS FOR THE IFF PROGRAMME			
REPORTABLE MEASURE	FISCAL 2021		FISCAL 2022
	PLAN	FORECAST	PLAN
Advancing transaction	One transaction materially advanced including material progress, in totality, on the various matters that need to be included in a levy proposal for the transaction (to be ultimately submitted to the recommender for assessment) by end of fiscal 2021	One IFF transaction is on track to be materially advanced by the end of FY2021	By end of FY22, materially advance the development of the matters that are to be included in the levy proposals for at least one IFF focused transaction (including engagement with MHUD and The Treasury) <sup>3</sup>
Pipeline of projects	Establish a pipeline of projects for which there is a reasonable expectation of providing infrastructure financing in years following FY21 by end of fiscal 2021	Pipeline established with identified focus projects which have likelihood of closing post FY21 and medium/longer term projects which can be advanced over time into focus projects	By end of FY22, maintain a pipeline of medium to longer term projects for which there is a reasonable expectation of providing infrastructure financing within the next five years including proactively developing and sharing outward-facing guidance for relevant parties so that they can understand how to engage CIP, the model's processes and the types of outcomes that the model can deliver

This class of outputs tracks CIP's progress towards the achievement of the IFF Strategic Objective.

For infrastructure financing, this class of output tracks CIP's progress and will be measured based on materially advancing the development of the matters that are to be included in the levy proposals for at least one IFF focused transaction (including engagement with MHUD and The Treasury). Measurement will be through reporting to the Board and Government on progress.

CIP's progress will also be measured based on CIP maintaining a pipeline of medium to longer term projects for which there is a reasonable expectation of providing infrastructure financing within the next five years including proactively developing and sharing outward-facing guidance for relevant parties so that they can understand how to engage CIP, the model's processes and the types of outcomes that the model can deliver. Measurement will be through reporting to the Board and Government on progress.

3. Noting that the timing of completion of any particular IFF transaction is subject to a number of third party constraints and factors outside of CIP's control and influence.



The impact of the Government's Infrastructure Acceleration Fund administered by Kāinga Ora has not yet been assessed against IFF housing greenfield bulk housing infrastructure projects in the pipeline. CIP is working with relevant officials to ensure there is alignment between these programmes.

### 3.1.6 Infrastructure Reference Group work programme

PERFORMANCE TARGETS FOR THE INFRASTRUCTURE REFERENCE GROUP WORK PROGRAMME			
REPORTABLE MEASURE	FISCAL 2021		FISCAL 2022
	PLAN	FORECAST	PLAN
Project implementation	All approved CIP projects with suitable risk contracted by end of FY21	100%	All approved CIP projects with suitable risk contracted by end of CY21
Project implementation	All approved CIP projects on track to commence within 12 months of contract date unless otherwise agreed by Ministers	100%	CIP projects advanced during year measured by amount of Government funding and total funding (includes co-funding) invested versus total Government funding and total project cost (at least 50%)
Reporting	Fit for purpose monitoring and reporting systems in place for full programme by end of FY21	CIP produces IRG Quarterly public report and IRG Ministerial Monthly report which are meeting requirements	Preparation of timely regular reporting across whole IRG programme for Ministers, and release of suitable quarterly public reporting

This class of outputs tracks CIP's progress towards the achievement of the IRG Strategic Objective.

CIP's performance in terms of the IRG programme is based on the number of approved CIP projects with suitable risk, as approved by IRG Ministers, being contracted (a verifiable and audited measure). This is measured by CIP having entered into binding funding contracts with relevant project owners. This measure reflects the objective of having projects funded and underway but within reasonable risk parameters post due diligence. This objective continues into FY22 as not all IRG projects have been approved by Ministers.

CIP's performance in terms of the percentage of CIP projects advanced during the year will be measured by the amount of Government funding and total funding (including co-funding) invested versus total Government funding and total project cost respectively.

Contracts between CIP and project owners have payments based on achievement of milestones or progress payments certified by engineers and hence the amount invested is a strong measure of project progress. CIP is not the project owner and hence a number of matters which impact timing such as consents, engineering investigations, construction complexities, supply chain, resourcing capacity and weather can all impact project progress. This will be measured by a CIP database.

CIP's performance in terms of preparation of regular reporting across the whole IRG programme for Ministers, and release of suitable quarterly public reporting, is measured by CIP assessing the relevant systems are in place which are fit for purpose. This component measures CIP's overall co-ordination role for the Government across the whole IRG programme and the multiple agencies implementing this, and meeting Government reporting expectations.



### 3.1.7 3 waters reform programme

PERFORMANCE TARGETS FOR THE 3 WATERS REFORM PROGRAMME			
REPORTABLE MEASURE	FISCAL 2021		FISCAL 2022
	PLAN	FORECAST	PLAN
Delivery plan reviews	Delivery plan recommendations provided to the Department of Internal Affairs by 31 October 2020 for complete delivery plans delivered on time	All delivery plans were processed by CIP by 31 October, other than four which were submitted late by Councils	N/A
Review of quarterly reports from Local Territorial Authorities	Review quarterly reports and provide recommendations on funding drawdowns to Department of Internal Affairs within 15 business days of receipt of complete and understandable reports from Local Territorial Authorities	100%	Review quarterly reports and provide recommendations on funding drawdowns to Department of Internal Affairs within 15 business days of receipt of complete and understandable reports from Local Territorial Authorities
Rural water	N/A	N/A	Rural water improvement programme is underway and on plan as agreed by DIA
Reporting	Fit for purpose monitoring and reporting systems in place for programme by end of FY21	CIP reports are fit for purpose. CIP produced 62 Engineer reports, 13 regional reports and 1 national report	Timely quarterly reporting for DIA and public in place that meets Government requirements

This class of outputs tracks CIP's progress towards the achievement of the 3 waters reform programme objectives. CIP has supported the Department of Internal Affairs (**DIA**) in providing monitoring and review services in respect of the fiscal stimulus funding programme for 3 waters infrastructure for Local Territorial Authorities (**LTAs**). The programme is now in a new phase of implementation by LTAs where CIP will be actively monitoring progress, supporting LTAs and recommending any necessary modifications/variations to Delivery Plans to DIA. CIP will also be implementing the DIA's rural water improvement programme as agreed with DIA.

CIP's performance in terms of review of quarterly reports and provision of recommendations on funding drawdowns to DIA is measured by CIP having provided recommendations to DIA within 15 business days of receipt of complete and understandable reports from LTAs. This measure reflects CIP's activities in respect to reviewing and monitoring LTA performance against their delivery plans as reported quarterly. Measurement will be via CIP's 3 waters database.

CIP has recently been engaged to manage the implementation of the rural water supply fund, as part of its 3 waters responsibilities. The programme is to be underway by the end of FY2022.

CIP's performance in terms of reporting for the full programme is measured by CIP assessing that timely quarterly reporting is being provided and is on plan as agreed with DIA.

### 3.1.8 CIP's performance targets for financial and operational efficiency

PERFORMANCE TARGETS FOR FINANCIAL AND OPERATIONAL EFFICIENCY			
REPORTABLE MEASURE	FISCAL 2021		FISCAL 2022
	PLAN	FORECAST	PLAN
CIP net operational cost as percentage of annual investment/grants	5%	5%	5%

This measure outlines the operational efficiency of establishing and managing the various infrastructure programmes. During FY22, CIP is involved in two programmes (being PSN and 3 waters infrastructure) where CIP is not directly funding the investments but is incurring the management costs. If the investment relating to those programmes is taken into account, CIP's operational efficiency is improved further.

Each year the CIP Board plans CIP's future level of resourcing, which depends on CIP's scope of work and functions.





Towns with UFB available in FY21



## 4: INFRASTRUCTURE PARTNERS' OPERATIONAL AND SERVICE PERFORMANCE

CIP monitors the operational and service performance of the Partners as described in this section. This is the Partners' responsibility; CIP's role is to monitor performance to ensure that contractually agreed service levels are being met.

### 4.1 CIP'S REPORTABLE MEASURES

CIP monitors the operational and service performance of IRG build partners as described in this section. This is the partners' responsibility; CIP's role is to monitor performance to ensure that contractually agreed service levels are being met.

### 4.2 IRG REPORTABLE MEASURE

INFRASTRUCTURE REFERENCE GROUP REPORTABLE MEASURE			
REPORTABLE MEASURE	FISCAL 2021		FISCAL 2022
	PLAN	FORECAST	PLAN
Construction start	At least 60% of approved CIP IRG projects have commenced construction as at end of FY21	65%	At least 90% of CIP contracted IRG projects are underway as at the end of FY22

CIP's partners' performance in terms of at least 90% of CIP contracted IRG projects being underway is measured by project reports from counterparties confirming construction activity has commenced. CIP will report on this measure in its Annual Report.

### 4.3 UFB, RBI2 AND MBS SERVICE PERFORMANCE

The minimum service performance measures detailed below have been contractually agreed with the Partners in their agreements with CIP. Enhanced service levels are also available. CIP is responsible for monitoring service performance as per its contracts, while the Partners are responsible for meeting these targets. UFB measures will move to the Commerce Commission's remit under the Telecommunications Act 2021 from 1 January 2022, so this will be the last year of measurement by CIP.



RCG, Tongaporutu, RBI2 programme

CIP'S PARTNERS' PERFORMANCE TARGETS FOR UFB SERVICE PERFORMANCE		
SERVICE		TARGET
1	<b>Local Fibre Companies UFB1 Provisioning<sup>4</sup></b> <ul style="list-style-type: none"><li>Residential</li><li>Business/Priority</li></ul> <b>Chorus<sup>5</sup> UFB1 and UFB2, and Local Fibre Companies UFB2 Provisioning</b> <ul style="list-style-type: none"><li>All end users</li></ul>	<ul style="list-style-type: none"><li>Within 4 business days</li><li>Within 6 business days (or date and time as agreed with the end user)</li><li>All connections are to be completed on the date agreed between LFC and the RSP/end user (Agreed Date)</li><li>90% of the Agreed Dates must be within 60 days of a properly completed order</li></ul>
2	<b>Layer 2<sup>6</sup> performance per end user:</b> <ul style="list-style-type: none"><li>Residential Restoration</li><li>Business/Priority Restoration</li></ul>	<ul style="list-style-type: none"><li>Within 12 hours</li><li>Within 12 hours</li></ul>
3	<b>Layer 2 network performance per Candidate Area<sup>7</sup>/POI Area<sup>8</sup>:</b> <ul style="list-style-type: none"><li>Frame Loss<sup>9</sup> (99% of Frames)</li><li>Frame Delay (99% of Frames)</li><li>Frame Delay Variation (99% of Frames)</li><li>Availability Time/Network</li></ul>	<ul style="list-style-type: none"><li>No more than 0.1%</li><li>No more than 5 ms (milliseconds) in UFB1 and 7 ms in UFB2 <sup>10</sup></li><li>No more than 3 ms<sup>11</sup> less than 30 minutes or 99.99%</li></ul>
4	<b>Layer 1<sup>12</sup> performance per end user:</b> <ul style="list-style-type: none"><li>Default Restoration</li><li>Level 1 Restoration (Priority)</li><li>Level 2 Restoration (Priority)</li><li>Level 3 Restoration (Priority)</li></ul>	<ul style="list-style-type: none"><li>Within 48 hours</li><li>Within 24 hours</li><li>Within 12 hours</li><li>Within 8 hours</li></ul>
5	<b>Layer 1 performance by Candidate Area/POI Area:</b> <ul style="list-style-type: none"><li>Average Downtime</li><li>Minimum Availability</li></ul>	<ul style="list-style-type: none"><li>No more than 2 hours</li><li>At least 99.98%, measured over a 12-month period</li></ul>
CIP PARTNERS' PERFORMANCE TARGETS FOR RB12 AND MBS SERVICE PERFORMANCE		
6	<b>Minimum service</b>	90% or more of all Eligible End Users must receive Rural Broadband Retail Services at the Minimum Speeds or greater measured across a rolling 12-month period
7	<b>Operational availability</b>	Rural Broadband Retail Services must have an Average Availability to all Eligible End Users who receive such services on a Grant Funded Network of 99.9% of the time, measured across a 12-month rolling period

CIP reports on the Partners' progress against these measures in its Annual Report.

## 4.4 HEALTH AND SAFETY

CIP will ensure that it complies with its obligations under the Health and Safety at Work Act 2015. CIP is committed to the wellbeing, health and safety of its employees, its contractors and the community. CIP will continue to encourage its Partners to achieve zero serious harm injuries.

CIP will also continually seek to improve health and safety processes, awareness and compliance, across its own organisation and through its infrastructure delivery Partners, and will encourage its contractors to do the same.

CIP benchmarks the performance of Partners against key health and safety metrics such as the Total Recordable Injury Frequency Rate (**TRIFR**). The performance on TRIFR across Partners as at 31 May 2021 (on the basis of a rolling 12-month average) is shown below:

PARTNERS' PERFORMANCE AGAINST WORKPLACE HEALTH AND SAFETY BENCHMARK FOR TELECOMMUNICATIONS INFRASTRUCTURE DEPLOYMENT			
SAFETY METRIC	CIP	BENCHMARKS	
		NZ CONSTRUCTION	NZ MINING & UTILITIES
TRIFR <sup>13</sup>	4.2	12	11

CIP also focuses on the health, safety and wellness of its own staff, and has a zero-harm environment.

Infrastructure delivery Partners have measures in place to stay below this threshold, and this will be reported on in CIP's Annual Report.

4. Provisioning means the installation and activation of a UFB service for an end user such as a household or business.

5. Chorus Only: If orders exceed anticipated demand by 120%, then Chorus has additional time to complete the order that is proportional to the increase in demand (e.g. a 125% increase in orders above the anticipated demand results in cycle time extending from 60 days to 75 days).

6. Layer 2 of the Open Systems Interconnection (OSI), associated with active fibre optic network infrastructure.

7. A Candidate Area is a town or city eligible for UFB.

8. A Point of Interconnection (POI) area is a specified group of UFB2 Candidate Areas.

9. A measure of data loss between two specified points.

10. There is some minor variation between service levels due to backhaul constraints as UFB2 towns can be a considerable distance from the POI. If a primary backhaul link fails, and a secondary link is placed in service, then Frame Delay can increase to 12 milliseconds whilst the secondary link is in use.

11. As per the CIP Telecommunications Forum measurement regime.

12. Layer 1 of the OSI Model, associated with passive fibre optic network infrastructure.

13. A TRIFR of 10 means there were 10 total recordable injuries (including lost time injuries and medical treatment injuries) per one million hours worked. It is expected that TRIFR across UFB, RB12/MBS and Regional Digital Connectivity programmes for fiscal year 2021 should remain within a range of 3-5. This threshold reflects the increasing risk profile of the build programmes as work expands from cities into smaller towns and more remote rural areas.



# 5: KEY BUSINESS ASSUMPTIONS

## 5.1 REPORTING ENTITY

The reporting entity is Crown Infrastructure Partners Limited (**CIP**, the **Parent** and the **Company**) and its controlled subsidiaries (the **Group**). As at 30 June 2021 the controlled entities were Milldale Holdco GP Limited, Milldale Infrastructure GP Limited, Milldale Holdco LP, Milldale Infrastructure LP, and CIP Services Limited, which are 100% controlled. These controlled entities were established in September 2018 to facilitate accelerated development of bulk housing infrastructure for the Milldale development located at Wainui, Auckland. CIP is a limited liability company incorporated under the Companies Act 1993 and is a Crown entity as defined by the Crown Entities Act. CIP is listed in Schedule 4A of the Public Finance Act 1989.

The purpose of the Company, as amended to reflect the additional responsibilities, is to:

- (a) implement the government's objectives in relation to improving the performance and availability of, and access to:
  - (i) ultra-fast broadband;
  - (ii) rural broadband;
  - (iii) mobile voice and data coverage;
  - (iv) telecommunications backhaul; and
  - (v) digital equipment,
 by co-investing with, purchasing from, or making grants to, private sector participants in order to deploy telecommunications network infrastructure and/or procure the delivery of telecommunications services;
- (b) act as a delivery partner for the government's programme to provide national public safety communications capability, to enable the safe and effective provision of emergency services across New Zealand, including by managing procurement and delivery of radio and cellular network infrastructure and services; and
- (c) implement and/or facilitate funding and financing of infrastructure, including as provided for under the Infrastructure Funding and Financing Act (the IFF Act) (upon the IFF Act receiving Royal Assent), by co-investment with, or facilitating investment from, private sector or other participants, to achieve the government's objectives for:
  - (vi) the provision of infrastructure for housing and urban development; and
  - (vii) the provision of other eligible infrastructure in accordance with the IFF Act; and
- (d) assist with the government's response to the COVID-19 pandemic by:
  - (i) providing assistance to the Infrastructure Reference Group (the IRG) in relation to:
    - i. advice to the government on issues affecting the construction industry as a result of the COVID-19 pandemic and the government's response to such issues;
    - ii. assessing proposals for projects that may be suitable for potential government support as part of COVID-19 response initiatives; and
    - iii. preparing reports and other advice as necessary to assist the IRG to carry out its purpose for the government; and
  - (ii) implementing, facilitating or otherwise assisting the government with any transaction, or class of transactions, or providing assistance with any other matter, in relation to any projects that are selected for government support, as agreed from time to time between the Company and the Shareholding Ministers.
- (e) assist with the government's "3 Waters" reform programme by:
  - (i) providing oversight in relation to delivery plans prepared and carried out by regional or district councils, or by other local authorities, and in particular by:
    - i. reviewing each delivery plan prepared by regional or district councils, or by other local authorities;
    - ii. prior to the disbursement of any funds in connection with any delivery plan, confirming to the Secretary of Local Government that the delivery plan is consistent with requirements set out in the relevant funding agreement; and
    - iii. monitoring the progress of work in connection with each confirmed delivery plan as against the requirements of the delivery plan, and providing relevant information on such progress to the Secretary of Local Government; and
  - (ii) implementing, facilitating, monitoring, advising or otherwise assisting the government with the "3 Waters" reform programme, including, but not limited to, supporting infrastructure deployment, as agreed from time to time between the Company and the Shareholding Ministers.

Section (e) above was added to CIP's purpose as a result of its new 3 waters infrastructure monitoring responsibilities.

CIP's aim is to provide services to the public and implement Government policy, and, as such, CIP is a public benefit entity (**PBE**) for the purposes of financial reporting under Public Sector PBE Standards (PBE Standards). Accordingly, CIP has designated itself as a PBE for the purposes of New Zealand equivalents to International Financial Reporting Standards (**NZ IFRS**). CIP is a public authority and so is exempt from the payment of income tax. Therefore, no provision has been made for income tax in CIP's financial statements.

## 5.2 BASIS OF PREPARATION

The prospective financial statements have been prepared on consistent basis to the accounting policies in the existing Statement of Performance Expectations for Financial Year 2020/21 together with the additional accounting policies set out below.

## 5.3 NOTES TO THE ACCOUNTS

- i. **Interest income:** interest earned on cash balances with financial institutions, and imputed interest from financial securities. The table below shows the reconciliation of interest income;

Interest income	Forecast 2021 \$000	SPE 2022 \$000
Bank interest	525	320
IRG cash and equivalents	500	1,000
Imputed interest - IRG loans	383	2,156
Imputed interest - UFB investments	38,145	41,525
Bulk Housing Infrastructure (BHI) interest	3,153	3,467
<b>Interest income</b>	<b>42,706</b>	<b>48,468</b>

- iii. **Grant Income:** are the grants funded by the Telecommunications Development Levy (TDL) and the Provincial Growth Fund (PGF) for improving rural broadband connectivity, reducing mobile blackspots, providing fibre links to Haast and Milford, and digital connectivity to Marae/RDHs. IRG grants are provided for the funding of infrastructure as part of the 'shovel ready' IRG work programme (the **IRG Grants**). The nature of the IRG Grants are non-exchange revenue (PBE IPSAS 23), and the grant money is recognised as an asset, with the corresponding future payments to the recipients recognised as a liability, and are reflected as Grant income and expense in the Profit & Loss when the grant payments are made, and on the balance sheet as an asset in the case of loans.
- iv. **Recoveries income:** is reimbursement for infrastructure project transaction costs incurred by CIP on behalf of a project. These costs are usually in the nature of establishment and financing costs directly attributable to a specific infrastructure project, and include PSN costs.
- v. **Fair value changes on investments:** gains and losses arising from changes in the fair value of CIP's investments, these include UFB investments, Milldale, IRG loans, and other infrastructure investment.
- vi. **Depreciation and amortisation:** depreciation charges on property, plant and equipment.
- vii. **Grant Expenses:** these expenses are the cost of the RB12/MBS build that CIP is paying to RCG and 'wireless ISPs' (**WISPs**) funded from the TDL Levy for improving rural broadband connectivity, reducing mobile blackspots, providing fibre links to Haast and Milford, and digital connectivity to Marae/RDHs. IRG grants expenses are the cost of infrastructure as part of the 'shovel ready' IRG work programme, and reflected as an expense as they are incurred.
- viii. **CIP funded expenses:** CIP funds RB12/MBS including site leases, 3G operational expenditure and expansion operational expenditure and mobile capacity upgrade, urban marae connectivity and some of the Chatham Island's satellite backhaul capacity expenses are those not covered by Grant Funding.
- ix. **Other company overheads:** administrative costs for CIP including any additional costs associated CIP's new responsibilities for with IRG shovel ready and 3 Waters infrastructure monitoring.
- x. **UFB contribution - Chorus Equity Securities and Debt Securities and CCHL, and NFL loans:** The difference on initial recognition between the fair value of the investment and the contribution by CIP represents CIP's and the Crown's contribution towards deployment by one of its Partners, Chorus, that is funded through the issue of debt and equity securities.
- xi. **IRG contribution** - is difference on initial recognition of the IRG loan and the contribution by CIP represents CIP's and IRG contribution arising as a result of the concessionary nature, if any, of the loan.
- xii. **Cash and cash equivalents:** cash on hand with New Zealand's major trading banks or Treasury Bills.
- xiii. **Capital:** the Crown investment made in CIP is represented by 1,505,400,200 ordinary shares issued at a value of \$1.00. CIP forecasts calling \$98.5 million.



## 6: SIGNIFICANT ACCOUNTING POLICIES

### 6.1 FORECAST FINANCIAL INFORMATION

The financial information contained below is prospective and, by its nature, contains assumptions which may lead to material differences between the prospective financial information and the actual financial results prepared in future reporting periods. CIP has undertaken a review of its financial models, and believes they remain fit for purpose in assisting CIP in preparing prospective financial information. Significant assumptions in the preparation of prospective financial information are for the investments in Chorus, NFL, Milldale LP, IRG loans and any future infrastructure investments. The prospective information for BHI is subject to significant management judgement relating to the timing and quantum of the investments, and the prospective information reflects the best information available to management.

### 6.2 REVENUE

Interest income is recognised using the effective interest method. Interest income on an impaired financial asset is recognised using the original effective interest rate.

TDL and PGF grant income is recognised on receipt of the grant funds from MBIE.

The IRG grants are recognised as non-exchange revenue (PBE IPSAS 23), and to recognise the grant money as an asset, and the corresponding payments to the recipients as a liability. As the IRG Grant conditions are satisfied and the monies paid the asset and liability are reduced, and the corresponding transactions are recognised as Grant income and expense in the Statement of Performance.

### 6.3 INVESTMENT IN CHORUS AND CCHL, NFL, IRG LOANS, INVESTMENT IN TREASURY BILLS AND MILLDALE

CIP's investment in NFL, and IRG loans is categorised as a "loans and receivables" financial asset and is measured initially at fair value and subsequently at amortised cost using the effective interest method, less any impairment. Any difference on initial recognition between the fair value of the investment in LFC and IRG Loans and the contribution by CIP represents CIP's contribution to the IRG projects, and is reflected in the lines "UFB contributions - LFC Loans" and "IRG contributions - IRG Loans". Interest income is recognised by applying the effective interest method. In CIP's financial statements, the investment in unlisted Chorus Equity Securities and Chorus Debt Securities is categorised as an available-for-sale financial asset and is measured at fair value. CIP has sold its shares in NFL, on 1 April 2021.

CIP part funded UFB for Enable through CCHL, who provided the funding to ESL (UFB build Partner), who in turn advanced the funds to Enable Networks Limited to build of the UFB network. The advance was repaid in May 2021 and was secured over the assets of Enable Networks Limited.

Any difference on initial recognition between the fair value of the investment in the Chorus Debt and Equity Securities and the contribution by CIP represents CIP's and the Crown's contribution to the deployment of UFB in New Zealand, and is reflected in the line "UFB contributions - Chorus securities" in surplus or deficit in the statement of comprehensive income. CIP's investment in Chorus's warrants is treated as a derivative, which is categorised as a "fair value through profit or loss" financial instrument, is measured at fair value and is accounted for in the same manner as the "fair value through profit or loss" financial instruments above.

CIP's investment in Treasury Bills is to fund the IRG projects. The Treasury Bills are short-dated investments and are typically issued with 3, 6 and 12month maturities. Treasury Bills do not pay a coupon instead they are issued as at discount to face value to reflect the interest yield on the bill. The interest yield is reflected as amortised interest in the profit or loss up to the face value of the instrument. The Treasury Bills are shown as current assets as their duration is no longer than 12 months. The investment in the Treasury Bills is categorised as a "fair value through profit or loss" financial instrument, is measured at fair value and is accounted for in the same manner as the "fair value through profit or loss" financial instruments above.

### 6.4 CREDITORS AND OTHER PAYABLES

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms; therefore, the carrying values of creditors and other payables approximate their fair values.

## 6.5 GOODS AND SERVICES TAX

All items in the financial statements are presented exclusive of goods and services tax (**GST**), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from, Inland Revenue, including the GST relating to investing and financing activities, is classified as operating cash flow in the statement of cash flows. Commitments and contingencies are disclosed excluding GST.

## 6.6 INCOME TAX

The Company is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax by CIP in the Company's financial statements.

## 6.7 STATEMENT OF CASH FLOWS

The definitions of the terms used in the statement of cash flows are:

- i. *cash and cash equivalents* comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily converted to known amounts of cash and are subject to an insignificant risk of changes in value;
- ii. *operating activities* are the principal revenue-producing activities of the Company and other activities that are not investing or financing activities;
- iii. *investing activities* are those activities relating to the acquisition and disposal of current and non-current investments, property, plant and equipment, intangible assets and other non-current assets; and
- iv. *financing activities* are those activities that result in changes in the size and composition of the contributed equity of the Company.

## 6.8 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements CIP has made estimates and assumptions concerning the future, which may differ from subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management has exercised its judgement in respect of arriving at the fair values of its investments in Chorus, IRG and Milldale loans and receivables.





# 7: FINANCIAL STATEMENTS

## STATEMENT OF FORECAST COMPREHENSIVE INCOME

FOR THE PERIOD 2021-2022

	Forecast 2021 \$000	SPE 2022 \$000
<b>Income</b>		
Interest income	42,706	48,468
Recoveries income	2,198	5,139
Grant income	211,313	476,242
Net fair value gains on investments	13,960	-
Gain on sale of investments in LFC	1,476	-
<b>Total income</b>	<b>271,653</b>	<b>529,849</b>
<b>Expenses</b>		
Directors' Fees	189	221
Personnel costs	6,773	7,160
Professional & advisory fees	4,688	6,735
Other expenses	3,648	3,740
Depreciation	86	664
Financing costs	2,674	3,783
Non Grant project expenses*	24,612	20,845
Grant project expenses	197,566	363,242
UFB contributions - Chorus Equity Securities	68,421	14,471
UFB contributions - Chorus Debt Securities	9,630	34,672
Loan asset contributions	2,780	11,470
Net fair value losses on FVTSD investments	-	53,699
<b>Total expenses</b>	<b>321,068</b>	<b>520,701</b>
<b>Net surplus/(deficit)</b>	<b>(49,415)</b>	<b>9,147</b>

\*CIP funds this through returned funds and cashflow

## STATEMENT OF FORECAST CHANGES IN EQUITY

FOR THE PERIOD 2021-2022

	Capital \$000	Retained earnings \$000	Total \$000
Opening balance 1 July 2020	1,431,900	(655,115)	776,785
Net surplus/(deficits)	-	(49,415)	(49,415)
Capital contributions	73,500	-	73,500
<b>Closing balance 30 June 2021</b>	<b>1,505,400</b>	<b>(704,530)</b>	<b>800,870</b>
Opening balance 1 July 2021	1,505,400	(704,530)	800,870
Net surplus/(deficits)	-	9,147	9,147
Capital contributions	98,547	-	98,547
<b>Closing balance 30 June 2022</b>	<b>1,603,947</b>	<b>(695,383)</b>	<b>908,564</b>



## STATEMENT OF FORECAST FINANCIAL POSITION

FOR THE PERIOD 2021-2022

	Forecast 2021 \$000	SPE 2022 \$000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	193,865	106,616
Investments in Treasury Bills	200,000	450,000
Trade and other receivables	181	152
GST receivables	-	-
Prepayments	56	32
<b>Total current assets</b>	<b>394,102</b>	<b>556,800</b>
<b>Non-current assets</b>		
Property, plant and equipment	10,276	9,812
Investments in Treasury Bills	612,000	162,000
Investments in Infrastructure financed projects	51,521	61,011
Investments in Chorus Equity Securities	359,405	363,859
Investments in Chorus Debt Securities	294,709	328,582
Loans asset	17,700	97,844
<b>Total non-current assets</b>	<b>1,345,611</b>	<b>1,023,108</b>
<b>Total assets</b>	<b>1,739,713</b>	<b>1,579,908</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Creditors and other payables	2,287	1,865
Deferred Revenue	265,308	427,646
Employee entitlements	742	806
<b>Total current liabilities</b>	<b>268,337</b>	<b>430,317</b>
<b>Non-current liabilities</b>		
Deferred Revenue	632,292	192,164
Borrowings	38,214	48,862
<b>Total non-current liabilities</b>	<b>670,506</b>	<b>241,026</b>
<b>Total liabilities</b>	<b>938,843</b>	<b>671,343</b>
<b>Net assets</b>	<b>800,870</b>	<b>908,565</b>
Contributed capital	1,505,400	1,603,947
Retained earnings	(704,530)	(695,383)
<b>Total equity</b>	<b>800,870</b>	<b>908,564</b>

## STATEMENT OF FORECAST CASH FLOWS

FOR THE PERIOD 2021-2022

	Forecast 2021 \$000	SPE 2022 \$000
<b>Cash flows from operating activities</b>		
Interest received	1,092	1,320
Other receipts	2,017	5,487
Treasury Bills	812,000	-
Grant received	300,205	276,242
Payments to suppliers	(8,119)	(11,619)
Payments to employees	(6,875)	(6,354)
Grant payments	(224,168)	(363,242)
Non Grant project payments	(27,504)	(48,769)
Goods and services tax (net)	7,562	(29,670)
<b>Net cash outflow from operating activities</b>	<b>856,211</b>	<b>(176,605)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(10,200)	(200)
Acquisition of investment in Chorus Equity Securities	(142,045)	(26,036)
Acquisition of investment in Chorus Debt Securities	(19,521)	(69,196)
Acquisition of investments in LFCs	(921)	-
Investment in IRG Loans	(13,747)	(113,000)
Proceeds from sale of investments in LFC	176,466	-
Gain on sale of equity investments in LFC	1,476	-
Acquisition of investments in Urban Development Infrastructure	(16,134)	(9,017)
<b>Net cash outflow from investing activities</b>	<b>(24,626)</b>	<b>(217,449)</b>
<b>Cash flows from Financing activities</b>		
Capital contribution - Crown	80,500	98,547
Proceeds from Treasury Bills redemption	-	-
Proceeds from borrowings	17,258	10,648
Infrastructure receipts	2,199	1,392
Interest paid	(2,674)	(3,783)
<b>Net cash inflow from financing activities</b>	<b>97,283</b>	<b>106,804</b>
Net increase/(decrease) in cash and cash equivalents	928,867	(287,250)
Cash and cash equivalents at the beginning of the year	76,998	1,005,865
<b>Cash, cash equivalents and T-Bills at the end of the year</b>	<b>1,005,865</b>	<b>718,616</b>



## APPENDIX: DIRECTORY

### Shareholders

The Minister of Finance  
The Minister for State Owned Enterprises

### Registered office

c/- Bell Gully  
Level 22, Vero Centre  
48 Shortland Street  
Auckland Central  
Auckland 1010, New Zealand

### Contact address

PO Box 105321  
Auckland City  
Auckland 1143, New Zealand

Email: [info@crowinfrastucture.govt.nz](mailto:info@crowinfrastucture.govt.nz)  
[www.crowinfrastucture.govt.nz](http://www.crowinfrastucture.govt.nz)  
Phone: +64 9 912 1970

### Auditor

The Auditor-General, pursuant to  
section 15 of the Public Audit Act 2001

### Solicitor

Bell Gully

### Bankers

ANZ Bank New Zealand Limited  
ASB Bank Limited  
Bank of New Zealand Limited  
Kiwibank Limited  
Westpac New Zealand Limited

### Senior Management

Graham Mitchell,  
Chief Executive Officer

Sean Wynne,  
Deputy Chief Executive Officer

Dougal Evison,  
Finance Director

John Greenhough,  
Chief Technology Officer

Jeremy Holman,  
GM Infrastructure Delivery

Nick Manning,  
GM Government and Industry Affairs

Kathryn Mitchell,  
Chief Legal and Risk Officer

### Board of Directors

Mark Binns (Chair)  
Danelle Dinsdale  
Chris Gudgeon  
Kerry Knight  
Bella Takiari-Brame









Crown  
Infrastructure  
Partners

*Hanga Ngātahi • Building Together*

