



13 December 2024

Mr Mark Wynne
Chair
Quayside Holdings Ltd
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Tēnā koe Mark

Statement of Expectations for 2025/2026– Quayside Holdings Ltd and Toi Moana Trust

This Statement of Expectations (SOE) sets out the Bay of Plenty Regional Council’s (Council) priorities and expectations to inform the development of Quayside Holdings Limited’s (Quayside) draft Statement of Intent (SOI) for the year ended 30 June 2026. Council’s priorities and expectations for Toi Moana Trust (TMT), managed by Quayside, are also included in this SOE.

Quayside purpose

Quayside describes its purpose in its June 2024 Annual Report:

“To grow a responsible and diversified fund that generates long term returns to support the growth and prosperity of the Bay of Plenty. We want to have impact past the generation of today, to provide a resilient dividend for our shareholder for the betterment of our rohe and its people.”

Council endorses this purpose, noting that Quayside’s success is fundamental to enabling Council to fulfil its own purpose, at a lower cost to ratepayers than would otherwise be the case. For the 2024/25 financial year, dividends from Quayside reduced general rates by an average of \$400 per ratepayer.

General context

During 2024 Quayside has continued to make a vital contribution to the Bay of Plenty community, mainly through its dividend which helps fund Council’s services to the Bay of Plenty’s environment and people, but also through its investment in the regional economy. Council thanks Quayside for its contribution and its ongoing commitment to regular collaboration and information sharing with Council staff and elected members.

Port of Tauranga shareholding context

The Port of Tauranga Limited (POTL or the Port) is a strategic asset as defined in legislation, which means that any decision to transfer ownership or control of the shares can only be made if they are explicitly provided for in Council’s Long Term Plan (LTP).

Earlier this year, through the development of its 2024-2034 LTP, Council consulted on enabling the reduction of the shareholding in the Port of Tauranga Limited (PoTL) from 54% to a minimum of 28%. After carefully considering public feedback, Council decided to enable this managed sell down process and expressed this in its LTP. Council still needs to approve the details of the process that will be followed

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and approve the final sale conditions of any shares. This involves further consideration of any LTP submissions received that commented on the sell-down process, and work to determine any Council imperatives for strategic control and engagement with Tangata Whenua. This work is currently underway and is not yet completed.

Council would like to express its appreciation for Quayside’s ongoing input in recent months to workshops that are considering Council’s potential divestment parameters and looks forward to reaching a decision on these matters in early 2025.

Implications for SOI process

Council expects Quayside to incorporate these parameters into its draft SOI which is due by 1 March 2025. If parameters have not been determined in time to meet that date, Council has the ability to extend the 1 March deadline (and subsequent process deadlines) by up to one month, by written notice.

Alternatively, if the timeframe for determining the parameters extends beyond the last date to prepare the final SOI (which would be 30 June 2025 plus one month if extended) then Council would have the ability to require the Quayside Board to make a change to the 2025-2028 SOI, after it has consulted with the Quayside Board on the proposed modification.

Internal policy review expectations

Once Council has set parameters for a PoTL sell-down Quayside will have clear direction in relation to the medium-term balance between its Port and non-Port investments. Council expects that Quayside will undertake an organisational review to ensure it is fit for purpose, both for the transition and longer term and that an appropriate change programme is put in place.

As part of a change programme, Council notes that an independent review of the Statement of Investment Policy and Objectives (SIPO) has begun to consider how best to provide Council with a reliable dividend stream over the short, medium and long terms.

A review of the Distribution Policy will also be required, and Council expects to be appropriately involved in such a review.

Expectations for the 2025/26 distribution

Quayside’s Distribution Policy reflects an endowment model which weights both historical distributions (over 3 years) and current asset values. In 2023 Quayside altered the Distribution Policy, replacing the gross assets component with net assets. This has had the effect of reducing distributions determined by the formula, but despite the policy change, Council expects to receive at least the dividend for 2025/26 that was signalled in Quayside’s 2024-2027 SOI, and on which Council’s LTP was developed, being \$48 million.

Perpetual Preference Shares

Council notes that once a sell-down reduces its shareholding in PoTL below 50.1%, the put option on the Perpetual Preference Shares (PPS) will possibly be exercised by PPS holders. As part of the setting of divestment parameters, Council is considering whether the proceeds of any sale of PoTL shares should be used to fund the redemption of the PPS or whether alternative financing options are more suitable. Council appreciates the advice Quayside is providing in this regard, to ensure both Council and Quayside understand the options and implications from the Council Group perspective.

Investment performance targets and reporting

In the past Quayside has set a target for investment returns expressed as a percentage of the investment portfolio, being a five-year rolling gross return of 7% per annum. Given the current volatility of the financial markets, and potential significant changes to the composition of the portfolio if divestment of some of PoTL investment occurs, Council would like Quayside to consider the feasibility and implications of setting a target linked to one or more market rates of return.

Setting targets for different returns by class of asset (e.g. listed asset portfolio, real asset portfolio, private equity) and separate reporting on strategic assets and transition portfolio (if a decision to divest a portion of Port shares was taken) would provide Council with greater transparency of investment performance within the portfolio.

Additionally, it is important that Quayside quantifies and communicates regional benefits delivered in relation to non-Port assets. Council would like Quayside to report back on how they can improve transparency of reporting to the community for assets held on behalf of the community. In making this request, Council acknowledges that some information is commercially sensitive, but also believes some could be made public.

Toi Moana Trust

TMT is a separate CCO which Quayside manages on Council's behalf. It is an uncommitted reserve of Council intended to provide financial resilience.

The forecast dividend on the TMT portfolio was set in the TMT SOI for 2025-2027 at 5% of the amount invested by Council, being \$70 million. In June 2024 the portfolio was valued at \$71.8 million. Given the volatility in interest rates over the last two years, the amount of investment in bonds returning more than 5%, and the need for Council to plan its revenue expectations, it would like Quayside to consider what would trigger a review of this distribution rate.

Rangiuru Business Park development

The development of Rangiuru Business Park is strategically important to the region and Council acknowledges the significant progress made with Stage 1 of the development. Council notes the challenges and risks associated with this project, which Quayside has shared, and appreciates the work that Quayside is doing to mitigate the risks. Council looks forward to further progress updates.

Other strategic land holdings

Council also has an interest in Tauriko land, which Quayside currently holds on behalf of the Council. Council has previously identified this land as having strategic benefit and as a result divestment of this land should only occur with the agreement of Council. In September 2024, Council approved Quayside's intention to undertake a process to sell 610 State Highway 29 to the New Zealand Transport Agency.

Opportunities for Quayside to explore

The Local Government Funding Agency Limited (LGFA) is continually developing its finance offerings, some of which focus on offering cheaper borrowing to finance projects that have environmental or social benefits. Quayside could consider whether there are opportunities to secure cheaper financing through such means and whether there are efficiencies in Quayside borrowing directly from the LGFA.

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In closing, Council looks forward to working with Quayside to reflect the expectations in this SOE in developing Quayside's SOI for the year ended 30 June 2026.

*Nā to rourou, nā tāku rourou, ka ora ai te iwi
With your contribution and mine, the people will prosper.*

Ngā mihi nui

A handwritten signature in black ink, appearing to read 'Doug Leeder'.

Doug Leeder
Chair
Bay of Plenty Regional Council - Toi Moana

cc: Lyndon Settle