

- 4.1 Several members of Parliament have expressed concern to us about the extent of accountability to Parliament for the Crown's investment in Air New Zealand Limited (Air New Zealand). In response to these concerns, we compare the nature of that accountability with the accountability for other entities within 'the Crown reporting entity'¹.
- 4.2 The Crown owns an 82% stake in Air New Zealand through the investment of a total of \$892 million in January 2002. Because that stake represents a controlling interest, the financial interest of the Crown in Air New Zealand is consolidated in the *Financial Statements* in the same manner as State-owned Enterprises and Crown Entities.²
- 4.3 Air New Zealand remains a company established under the Companies Act 1993 and publicly listed on the New Zealand Stock Exchange. But it is neither a State-owned Enterprise nor a Crown entity and, as a result, it is unique when compared to other entities within the Crown reporting entity.
- 4.4 Air New Zealand is the only company publicly listed on the Stock Exchange in which the Crown has an interest. Particular Stock Exchange listing requirements limit the Crown's ability to make information available and act upon it.
- 4.5 A consequence is that Air New Zealand is subject to none of the accountability requirements to Parliament laid down in:
- the Public Finance Act 1989;
 - the State-Owned Enterprises Act 1986; or
 - any other entity- or sector-specific legislation.

1 A full list of these entities as at 30 June 2002 is given on pages 100-101 of the *Financial Statements*, parliamentary paper B.11, 2002.

2 *Ibid.*, pages 70-71.

- 4.6 Another consequence is that Air New Zealand is not automatically subject to an annual financial review of its performance and current operations. For this to happen, the House would need to resolve that Air New Zealand is a “public organisation” for the purposes of Standing Orders.
- 4.7 In summary, Air New Zealand has no direct accountability to Parliament.
- 4.8 Nevertheless, the Auditor-General is the auditor of Air New Zealand under the Public Audit Act 2001, because it is a “public entity” under that Act as a result of the Crown’s controlling interest. Thus, the Auditor-General can report to Parliament any matter of his choosing arising from the exercise of his functions, duties, and powers as auditor.
- 4.9 As shareholding Minister on behalf of the Crown, the Minister of Finance is accountable to Parliament in that capacity. It would be possible for Parliament to examine the Minister in relation to the Crown’s investment in Air New Zealand, but not in relation to the company’s operations or performance.
- 4.10 The Treasury provides the Minister with ownership and investment advice.
- 4.11 Parliament may wish to consider the appropriateness of these accountability arrangements.

