



Auckland Regional
Holdings

22 April 2009

Information Sheet on Auckland Regional Holdings' Draft Long Term Funding Plan 2009-2019

Auckland Regional Holdings' (ARH) draft 10-year Long Term Funding Plan to 2019 has been updated to reflect the prevailing volatile and uncertain economic conditions.

The financial upheaval has resulted in ARH's income and asset base reducing which has severely strained its long-term commitment to provide sustained funding from income for the region's infrastructure programmes.

ARH's challenge is to provide funding certainty while sustaining the fund long-term to provide a steady income stream.

ARH has four macro asset classes:

1. Ports of Auckland, which has predicted lower returns because of falling trade;
2. Waterfront investment property (Wynyard Precinct, known as the Sea+City project) which is progressing well, has components of the 25 year project being rephased, in response to market conditions;
3. Financial assets, mostly global bonds and shares which have reduced in value and continue to be volatile; and
4. New Zealand cash, which is now offering very low interest returns.

ARH has committed to payment of more than \$137 million in the year to 30 June 2009, which will be paid from its current cash reserves.

ARH will have distributed \$523 million to the ARC by 30 June 2009 of which around 60% has been from ARH capital sources rather than income. Over the next 10 years the Auckland Regional Council (ARC) needs \$403 million, which will be equally sourced from capital and income.

To meet the ARC's future needs, ARH may need to liquidate a significant part of its financial assets. These financial assets have lost \$37 million in the six months to December 2008 of which the majority of these losses are currently unrealised. Cashing up would mean a realised loss and restrict recovery of the investment fund over time.

The capital depletion of the ARH fund will impact on ARH's policy of maintaining the revenue generating capacity of the portfolio fund. Therefore its investment framework and strategy may also have to change, and the ARH Board is reviewing these strategies in the light of short and medium term economic developments.



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Note to editors:

Auckland Regional Holdings, a statutory, council-controlled organisation focused on investment management, was established with the long-term intention of generating income to assist with funding the Auckland region's transport and stormwater expenditure requirements. The ARC is the sole direct economic beneficiary of ARH's distributions. Section 34 of the Act requires that at least 85% of ARH's funding to the ARC, whether of income or capital must be used by the ARC for transport or stormwater programmes in the Auckland region.

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