

What you need to know about the Ownership Review

- The Trust is asking you to vote on the WESCT ownership of The Lines Company Ltd (TLC).
- You are a beneficial customer of Waitomo Energy Service Customer Trust which owns 100% of TLC. The Trust Deed requires WESCT to carry out an ownership review every six years.
- It is important you understand why the ownership review is significant to you and your community. You can find an outline of the options in this information sheet.
- In addition to this information sheet, the full Ownership Review Report is available. It includes reports from the Trust, an independent consultant and the TLC Board. **All three reports support retaining the present ownership structure.**

Trustees strongly recommend customers read the full report on the website www.wesct.org.nz/resources/ownership-reviews-2020/



Prior Ownership Review Poll Outcomes

Previous polls conducted in 1996, 2002, 2008, and 2014 voted overwhelmingly (>90%) in favour of retaining the current ownership structure.

Part 1: The Options

OPTION A

Voting for continued Customer Trust ownership

The Trustees believe **the current ownership structure provides the best option to obtain benefits** from:

- Local control of vitally important infrastructure for both our family homes and local business development (**e.g. local people as Trustees that help set the direction of the business through the annual Statement of Corporate Intent process**).
- TLC being able to charge lower than the maximum allowable line charges (e.g. in the nine years to 31st of March 2019, in recognition of affordability, **TLC billed customers over \$30m less than was allowed by the Commerce Commission** which may not have otherwise occurred).
- The distribution of profit, derived from the network business, back into our local community (**over another \$30m of discounts and dividends have passed back to beneficiaries over the last six years**).
- A significant local business providing locally-based training, job opportunities and career paths for people in the community – but especially our young people (**e.g. trainee line mechanics, and 118 people who work for TLC live on the network**).
- A locally owned business that can recognise and act on assisting with the specific needs of our community (**e.g. the COVID-19 response of reduced charges in April 2020, and helping to make homes more energy-efficient through the Maru Trust**).

The Trustees have also concluded that Trust Ownership is an administratively low-cost means of providing for customer ownership and that Trust ownership continues as a durable and appropriate way to hold shares in a lines company.

OPTION B

Voting against continued Customer Trust ownership

See **Part 2: Alternative Options** overleaf.

Part 2: Alternative Options

OPTION 1

Transfer shares to customers

Under this option, shares in the Company are issued to beneficial customers, which they can freely sell. This option brings much higher operating costs that include setting up and then maintaining a share registry. The risks/likely outcome is that customers sell their shares and at less than their real value, and the resulting chain of events would more than likely reduce the Company value. This option could result in the capture of TLC by investors who may focus only on returns, and the previous beneficial customers would quickly lose the benefit of local ownership and their discounts.

OPTION 2

Sale of shares, transfer sale proceeds to customers

WESCT would sell the shares in TLC, and beneficial customers would then share the proceeds. While doing this would result in an influx of funds into the community in the short term, there are less positive consequences. The most likely buyers of the shares are the larger electricity lines companies, another energy business, or a company investment business from outside the area. The consequences could easily include a reduction in the size of TLC's local operations with associated job losses, a reduction in local services, the depletion of the local community voice, and an increase in network charges.

OPTION 3

Transfer shares to the District Councils

Under this option, the Trustees can vest the shares to the local, territorial authorities within the WESCT district (Waitomo, Ōtorohanga and Taupō District Councils). Vesting shares to the Councils allows them the freedom to do as they wish with the shares unless a deed of transfer specifies the Council cannot sell the shares or must undertake a ratepayer poll before selling. Ownership by more than one local authority could make 75% decision thresholds challenging to achieve. This option does not give a guarantee of continued local ownership or discounts to beneficial customers.

OPTION 4

Sale of shares, transfer sale proceeds to the District Councils

WESCT would sell the shares with the proceeds going to the local, territorial authorities within the WESCT district (Waitomo, Ōtorohanga and Taupō District Councils). Refer to the less positive consequences in OPTION 2 above.



Message from the Trustees

The Trustees do not believe that these alternative options would be in the best long-term interests of individual beneficial customers or the community as a whole and therefore **recommend that the existing Trust ownership continues.**

With all the above in mind, we thank you in advance for your participation in this vital review process and encourage you to **have your say and welcome your vote in the 2020 Ownership Review Poll.**

