



**MINUTES OF THE NINETH ANNUAL MEETING OF BENEFICIARIES HELD AT THE ELLERSLIE EVENT CENTRE, 80-100 ASCOT AVENUE, ELLERSLIE ON WEDNESDAY 27 OCTOBER 2010 COMMENCING AT 7PM**

**Present**

Trustees Mr W Kyd (Chairman), Mr M Buczkowski (Deputy Chairman), Mr W Cairns, Mr J Carmichael and Miss K Sherry  
39 beneficiaries registered their attendance at the meeting.

**In attendance**

Mr I Ward, Executive Officer, Ms J Stevens (Assistant Secretary)

The Chairman, Mr Kyd, opened the meeting, welcomed attendees and introduced the Vector Chairman, Michael Stiassny; the Vector CEO, Simon Mackenzie; the Vector CFO, Alex Ball; the Vector Group Legal Counsel, Grant Wilson; the Vector Group GM, Asset Investment, David Tomkins and the Vector Overhead Improvement Project Manager, Ross Malcolm.

The Chairman also welcomed former Trustees Peter O'Brien and Coralie van Camp, auditors Chris Dixon and Vanessa Black of Grant Thornton, David Bigio, Legal Counsel, and Kath Bolton, Consultant, Dividend Distribution.

The Chairman then thanked former Trustee Shale Chambers, Mr Chambers having retired after the last Trust election, for his six years of service as a Trustee.

**Apologies**

Apologies were received from Len Brown, Mayor-elect of Auckland Council, Vector Directors Bob Thomson, Hugh Fletcher, Tony Carter, James Miller and Alison Paterson, and beneficiaries Peter Keys and Richard Forbes.

**Minutes**

The minutes of the Eighth Annual Meeting of Beneficiaries held on 29 October 2009 and confirmed by Trustees on 17 March 2009, were tabled and received.

**Chairman's Review**

The Chairman tabled his report and spoke to the same. In particular he highlighted that a \$3.7 million increase in dividend payments had been received from Vector. However this was somewhat offset by a significant fall in interest income received. The Trust's operational costs had, however remained reasonably consistent year to year. Triennial election costs and Commerce Commission submission costs had made an impact in the running cost of the trust in the year under consideration but these were unavoidable costs.

**Comparative Costs**

Trustee William Cairns, then gave a presentation which compared the Trust's operational costs with that of similar trusts such as ASB Trust and the ARC subsidiary, Auckland Regional Holdings. From this presentation it could be seen that the costs of running the AECT were not excessive.

At the conclusion of Mr Cairn's presentation the Chairman completed speaking to his report and in particular commented that the net dividend had been maintained at \$320 for several years despite an increased number of beneficiaries and an increase in withholding tax payable.

This year, in answer to a question put to the Chairman at the previous AGM, the Chairman had a number of examples of the reports and submissions that the Trust had completed during the year and to which the Chairman made reference during his report of the work the Trustees undertake on behalf of the beneficiaries in paying close attention to the Commerce Commission's determinations for the re-set of pricing.

### **Ultra-fast Fibre**

The Vector Chief Executive Officer, Simon Mackenzie gave a presentation which explained why ultra-fast fibre is such an important initiative for Vector and why as a society we need fibre to the door. During his report he gave an update of the process that Vector was currently undertaking with Crown Fibre Holdings Ltd and why Vector believed it is the right partner for the Crown in its investment. Mr Mackenzie made the point that Ultra-fast fibre to the door will allow New Zealanders to work from home more efficiently, allow for interactive and remote education and assist international businesses to be run from New Zealand with greater efficiencies and productivity. Mr Mackenzie ended his presentation by stating however, that the project would only be undertaken by Vector if it made commercial sense.

### **Overhead Improvement Programme**

The Chairman then introduced Ross Malcolm, who outlined the progress made on the OIP programme during the year. In the year under consideration a \$12.6 million investment in OIP had been by Vector through the contractual arrangement with the Trust. Mr Malcolm emphasized the need to work closely with Telecom and the Auckland City Council to enable a totally line-free street to occur.

### **Appointment of Auditors**

**As recommended by the Trustees, it was**

**Moved: Mr Stiassny**

**Seconded: Mr Clearwater**

**That, in accordance with Section 158C (1) of the Electricity Act 1992, Grant Thornton be appointed as auditors of the Auckland Energy Consumer for the ensuing year.**

**Carried**

### **Remuneration of Auditors**

**Moved: Mr O'Brien**

**Seconded: Mr Slater**

**That, in accordance with Section 158C (3) of the Electricity Act 1992, Trustees be authorized to fix the fees and expenses of the auditors for the ensuing year.**

**Carried**

The Chairman then opened the floor for those present to ask questions of Trustees including the following:

- **Trustees Remuneration**

Q: Do Trustees have trustee liability insurance cover and who pays for it?

A: The Trustees have this cover which is a charge to the Trust.

Q: The Trust Chairman receives the equivalent of 60% of that received by the Vector Chairman who runs the Company. Why is the Trust Chairman paid 60% of that which is paid to Mr Stiassny?

A: The Chairman answered by saying it was 50%, outlined what Trustees do and pointed out that Trustees' remuneration was fixed following an independent report, just as Directors' fees are fixed. The report was carefully considered including a legal view of trustees' responsibilities. The Chairman reminded beneficiaries that the trustees appoint the Board of Directors, trustees cannot be passive trustees, and they must be active and cited an example of Trustees who held majority shares being held personally liable. Trustees are not covered under the Companies Act and have a responsibility in respect of significant transactions to act within the requirements of the NZX and the Securities Commission. Trustees have responsibilities as the major shareholder including receiving an annual report on the undergrounding programme and also on the security of the company's assets. The Trustees enabled the company to purchase United Networks and NGC, and decided not to have a private equity partner but to issue shares in the company. Trustees' responsibility is not just handing out the dividend.<sup>1</sup>

---

<sup>1</sup> The AECT Chairman's salary is 47% of that of the Vector Chairman

- **Intangibles**

Q: A question was asked as to why there was no breakdown or clarification as to where intangibles are applied to each of the assets; too easy to move up and down to make debt to equity ratio look better.

A: The Trust's only asset is \$1.8 billion which can be seen on the 'Parent' side of the balance sheet. The Parent accounts are consolidated with Vector. The question regarding apportioning of goodwill is a question that should be asked of Vector. The Trust owns 75% of the shares of Vector and does not have any debt. The Chairman offered to pass the question to Vector but pointed out that it was up to Vector to comply with generally accepted accounting practice.

- **Undergrounding**

Q: Each of the Trustees who were returned at the last election and who put undergrounding as one of their issues of importance during the campaign were asked what each of them had done to promote undergrounding in the last 12 months.

A: Mr Carmichael replied that as a Trustee and Director on the Board of Vector I receive a report monthly on undergrounding progress and as a Trustee Director reinforce the efficiency of the programme and also the imperative part of the programme, and I can assure you we are doing the utmost to fulfill the requirements under the agreement with Vector.

A: Miss Sherry said that if she had not promoted the Deed Recording Essential Operating Requirements (DREOR) to be put place in 2001 there would not be an undergrounding programme. She added that she had also asked for a cost analysis of the undergrounding. I am constantly looking at ways to make the Vector dollar go further to make the undergrounding go further she answered.

Q: How is a little residential area in Manurewa going to make a difference to the whole district?

A: Undergrounding is a constant balancing act between 309,000 beneficiaries, many of whom find the \$320 dividend each year quite fundamental to their life, and people like you who are passionate about undergrounding. We have to look where it is economic and where it needs to happen. Also we look at major traffic intersections and encourage Vector to do the best it can to get the most return for its investment.

Q: Is \$12.6 million the best the Trust can do? Are you telling me "Not to come back next year and ask for any more?"

A: An additional \$18 per beneficiary could be the result if weren't spending this amount. The investment return is 0.2%, the cost effectiveness being \$23,000 in respect of expenditure of \$12.6 million.

Q: re Sandringham – I have been driving through road works by Eden Park and notice that the connecting space between Sandringham Road and Eden Park is still a mess.

A beneficiary commented that \$18 would be a significant increase in the dividend; don't see why others should get his money to beautify their area.

- **Dividend Distribution**

Q: Has any consideration been given to paying the dividend twice a year so that people who have been there 11 months would get it?

A: It costs over \$1 million to distribute the dividend. It is an enormous amount of work. At this point in time given the distribution costs a twice yearly distribution is not justified. If a higher dividend is received we would look again at the cost/benefit. It would be nice to distribute twice a year because we would be distributing a significantly higher dividend.

- **Comparative Costs**

Q: A comment was made referring to Mr Cairns' earlier presentation that there is no comparison between ASB Trust, ARH and AECT. ASB Trust's complex operation bears no

comparison. It is a very doubtful exercise. Cannot see why AECT, who really have 3 major transactions a year plus some paper work, bears any relation to other Trusts.

A: Mr Cairns replied that he was comparing AECT to two similar size organizations. ARH is comparable because its main asset is port and land. ASB Trust has a managed fund approach. Mr Cairns also cited Trustpower whose 51% major shareholder, Infratil, is a very active asset manager. He ended by saying that the Trustees choose to be an active shareholder because Trustees' duties require that kind of focus.

• **Trustee Fees**

Q: AECT Trustee fees are 50% higher than the ASB Trust which is a very complex operation.

A: The ASB Trust and ARH employ fund managers to advise them with financial advice. Trustees spend considerable time reading about other infrastructure companies and are hands on in carrying out their role. Remuneration is \$344,000 across 5 people; the last transaction entered into which required the Trust as shareholder to give approval was \$785million.

Q: How many directors are here tonight who are also directors of Vector?

A: Two Trustees are also Directors of Vector. The role of Trustee and Director are separate and carry two independent sets of legal obligations and liabilities.

• **Regulation**

Q: Some companies go back 5 years in their report. How much has the running costs of the Trust increased in the last 5 years? Why have costs increased over the last 5 years?

A: The Trustees do what is necessary to maintain and where possible enhance its investment. There is a cost to this. It is very important that the Trust has a view on matters before the Commerce Commission because the Commission can directly and adversely affect the value of our investment in Vector if for example we get a P<sub>0</sub> adjustment that can be worth hundreds of millions of dollars. Do the maths, for the sake of \$344,000.

Q: Did the Commerce Commission not regulate 5 years ago?

A: No.

• **Vector**

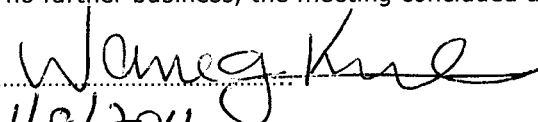
Q: What will Vector do if it does not win fibre-to-the-door?

A: Fibre is not the only growth initiative Vector is considering. Vector also has an extensive investment in the metering business, deploying 550,000 smart meters across the country and is extending that. There is further growth in electricity and gas in Auckland. Auckland is projected to grow to 2 million consumers by 2030. Vector has also recently grown the market share on the North Shore in LPG sales as well as providing gas up into the Pacific Islands. (SM)

Q: Is the process that Vector is employing so far in fibre to the door totally intangible, i.e. is Vector going to drop fibre reticulation totally if the bid is not won?

A: Vector has been laying fibre for the last 10 years and has an extensive communications network. Modern networks are now heavily dependent on capacity to coordinate all new IP devices that enable smart grids to operate. Our fibre programme was initiated from an investment strategy around a significant upgrade of networks and saw opportunities to extend operations around the network to further extend fibre straight into the homes. (SM)

There being no further business, the meeting concluded at 8.30pm.

Confirmed:   
Date: 31/8/2011