Submission on Proposed Sale of Aurora Energy

By Colin Brown, Mosgiel. 2nd May 2024

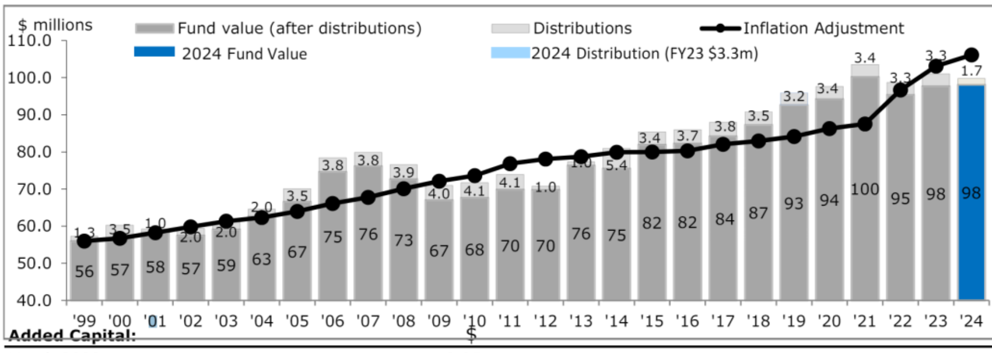
Selling the family silver, or the family brass?

I support the sale, **IF** the sale price is sufficient to provide a capital fund of $100's of millions, as proposed.

However, I find it hard to believe that private equity entities will compete to purchase an asset that has little prospect of generating a genuine return on capital in the short and medium term.
But I also understand there is a lot of information that has been withheld for commercial reasons.

And I am also comforted by the fact that previous councils have resisted the temptation to "raid" the Waipori fund. Looking at the graph on the Waipori fund performance over the past 25 years, it appears to have averaged a 4% return on capital in excess of the CPI, (and so well done to the investment fund managers over that time).

Year	Cap Value	Dist	% return
1999	56	1.3	2.3%
2000	57	3.5	6.1%
2001	58	1.0	1.7%
2002	57	2.0	3.5%
2003	59	2.0	3.4%
2004	63	2.0	3.2%
2005	67	3.5	5.2%
2006	75	3.8	5.1%
2007	76	3.8	5.0%
2008	73	3.9	5.3%
2009	67	4.0	6.0%
2010	68	4.1	6.0%
2011	70	4.1	5.9%
2012	70	1.0	1.4%
2013	76	1.0	1.3%
2014	75	5.4	7.2%
2015	82	3.4	4.1%
2016	82	3.7	4.5%
2017	84	3.8	4.5%
2018	87	3.5	4.0%
2019	93	3.2	3.4%
2020	94	3.4	3.6%
2021	100	3.4	3.4%
2022	95	3.3	3.5%
2023	98	3.3	3.4%
2024	98	1.7	1.7%
		Mean	**4.0%**



Source: https://www.dunedin.govt.nz/__data/assets/pdf_file/0020/1036370/Waipori-Fund-Quarter-Report-31-Dec-2023.pdf

Accordingly, I have two submission points

- The sale price should exceed
  - the NPV of projected future dividends, as modelled by qualified analysists
  - the NPV of a fund generating a return 4% greater than inflation on the net sale price, after clearing all debt.

- The council places both the resulting fund, and the Waipori fund, in a protected trust that can not be raided by future councils when faced with ongoing significant capital expenditure to replace and maintain critical assets. The trust deed should only allow the capital base to be drawn down if there is an extraordinary catastrophic event. An example would be a rupture of the Akatore fault, or the Alpine fault, causing massive infrastructure damage that threatens the survival of the city as a functioning entity.

Basically, I don't trust future elected councils to show the same restraint in protecting the capital base of the investment as has been the case to date.