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| TO | Hon Steven Joyce, Minister of Science and Innovation |
| FROM | Michael Bird, General Manager Institutions and System Performance |
| DATE | 7 March 2013 |
| SUBJECT | B/12/486 Update: Future Footprint letter of acceptance |

Minister,

A proposed letter of acceptance for AgResearch's Future Footprint plan was provided with briefing B/12/486 (AgResearch: Future Footprint). This letter no longer reflects current lineframes and requires updating. Please find attached a replacement letter.

Summary of significant changes

- Change of report back requirement regarding sources of finance – moved from 31 March to being presented in conjunction with the Statement of Corporate Intent.
- Additional signatory added – Hon Dr Jonathan Coleman.
- Clarification provided regarding nature of "in principle". AgResearch requested this additional explanation to aid them in managing the critical risk of employment relations and communications.

The attached letter was amended on the basis that the Future Footprint plan is intrinsically linked to the proposed Lincoln Hub Development. Given that the Lincoln Hub Partners are yet to submit their final design, we consider "in principle approval" to consist of:

- a) Consent for AgResearch to further plan using the Future Footprint staff configuration.
- b) Consent for AgResearch to further plan using the Future Footprint investment profile.
- c) Direct AgResearch to engage with Lincoln and Massey stakeholders and prepare detailed joint business cases for approval by Ministers.

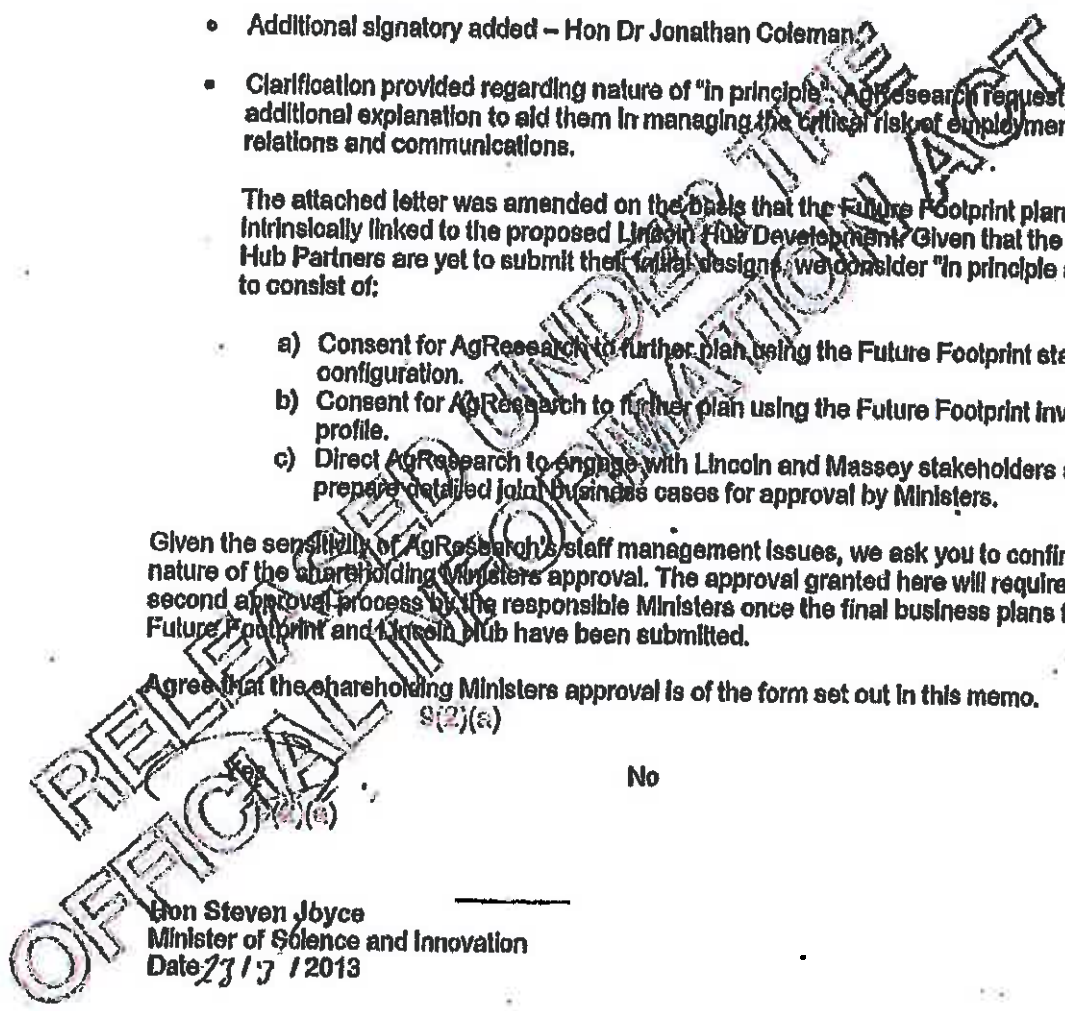
Given the sensitivity of AgResearch's staff management issues, we ask you to confirm the nature of the shareholding Ministers approval. The approval granted here will require a second approval process by the responsible Ministers once the final business plans for the Future Footprint and Lincoln Hub have been submitted.

Agree that the shareholding Ministers approval is of the form set out in this memo.

s(2)(a)

No

Hon Steven Joyce
Minister of Science and Innovation
Date 7/3/2013



section 5(2)(D)(v)

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Purpose

- 1 You are meeting with the Chair, Chief Executive and Shared Services Director of AgResearch Limited on 23 Sept, 3.00pm-3.30pm. Paul Stocks, Deputy Chief Executive, Science, Skills and Innovation, MBIE will also attend.
- 2 To inform the discussion, AgResearch has provided a briefing, *AgResearch Future Footprint*, on the progress of its Future Footprint Programme and the associated risks. This paper provides additional comment on AgResearch's briefing.

Recommendation

- 3 We recommend that you:
 - Note this report provides comment on the AgResearch briefing *AgResearch Future Footprint*.

Ministry Comment

- 4 AgResearch has completed the staff consultation process that commenced on 30 July. It was this staff consultation that triggered the recent media attention in Otago. On 26 September, AgResearch will inform staff of its planned configuration and we reengage with stakeholders.
- 5 We have been assured that the staff configuration approved by the Board will remain flexible. For example, were an industry body wish to co-locate and the benefits of co-location were enhanced by a different staff configuration, a change would be possible.
- 6 Given that the AgResearch's briefing was prepared before the end of the decision making process, its content is limited in both scope and depth. However, MBIE finds that its content is appropriate and notes no material errors or omissions.

7 In recommending the Future Footprint strategy, MBIE's concern was (and continues to be) that AgResearch must have the support of the key stakeholders and that there should be minimal loss of key staff through the change process. This was the reasoning behind the required report-backs.

- 8 You may wish to highlight an expectation that a thorough and high quality response is required for each report-back requirement due by 31 October:
 - Detailed scenario planning regarding risk and consequences of losing staff in the change process.
 - A full consideration of alternative forms of finance such as partnership with local lwl or sale and lease back.
 - A debt and dividend plan to demonstrate how debt and dividends would be affected by different asset sale scenarios and clarify the Board's target debt level.

- 9 MBIE will discuss with AgResearch how it will best meet these report-back requirements. Additionally, MBIE will work with AgResearch to understand the rationale and support for the significant changes to the initial staff configuration, including the⁹⁽²⁾ staff that will now transfer to Lincoln rather than Palmerston North.

(b)
(ii)

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