

20 February 2013

Lyn Provost
Auditor General
Level 2, State Services Commission Building
100 Molesworth Street, Thorndon
PO Box 3928
Wellington 6140

Dear Auditor-General,

Re: Release of information by the Government relating to the report into the proposed SkyCity international convention centre

I am writing to express my concerns regarding the Government's use of privileged information contained in draft reports of your inquiry into the Government's decision to negotiate with SkyCity for an international convention centre.

It is my understanding that interested parties are provided copies of draft reports for the purposes of natural justice and to provide those parties with the opportunity to give feedback pertaining to accuracy. It is also my understanding that the content of the draft reports are supposed to be kept confidential until a final report is released by the Auditor General's office and that no public comment on their content is permitted.

It is also my understanding that in relation to this report a decision was made not to provide advance copies of the final report to any party on the basis of share market implications, and that no party should be able to use the report to their political or commercial advantage.

It is my view that comments made by the Prime Minister and the Government in the media prior to the release of the report potentially breached these confidentiality requirements. I believe that such breaches of confidentiality are a serious matter, left unchecked they undermine the whole approach your office uses to seek feedback on draft reports.

Specifically we are concerned about:

- Numerous statements from the Prime Ministers in a range of media outlets made the day prior to and morning of the report's release in which he claimed that the report vindicated him and the Government.
- A statement reported in the Dominion Post on the morning of 19 February attributed to a senior Government source which states there was a difference of opinion in the Auditor General's office as to the reports final conclusions.

For your information I have attached to this letter a list of media reports where the Prime Minister or the Government gave public comment on the contents of the report prior to its release.

It is our view that these statements, in particular the statements made the day prior to and morning of the report's release, sent a clear signal to the markets as to the nature of the findings in the report. As such I believe the Prime Minister's statement potentially breached both the implied or direct confidentiality arrangements agreed with your office and sent a message to the markets about the outcomes of your report.

It is our view that this is a serious matter and not a minor trifle. If every subject of an Auditor General investigation utilises the information gleaned from draft reports to share with the public and the markets, then the whole basis of your future inquiries would be undermined. It also gives the subjects of your investigation a political advantage that they can use.

In relation to the Government's actions pertaining to the SkyCity report we think it is necessary for there to be public clarification, and if necessary censure of the Prime Minister and Government relating to their use of privileged information.

Failure to censure the Government's actions, and in doing so failing to create a consequence to those actions, sends a message to all political parties that they can utilise privileged information however they wish; even if it is in breach of confidentiality arrangements.

We would like to meet with you in relation to these matters as soon as practicable so we can better understand the confidentiality processes your office uses and any changes that may be necessary to those processes as a result of the Government's action to avoid further improper use of information contained in your reports.

Regards

Metiria Turei
Green Party Co-leader

John Key comments

19 Feb 2013

But Prime Minister John Key yesterday made it clear he thinks he is off the hook.

Last year, after seeing a draft report, he said he was not losing any sleep over it.

Yesterday, after seeing more recent drafts, he was "losing even less sleep. There's no political element to it," he said.

18 Jan 2013

Prime Minister John Key said yesterday he had seen the draft report late last year, and his office had been asked for comment.

"It's fair to say we had a couple of comments that we wanted to make, not terribly significant."

He said he did not know the date for the final report's release but hoped it would be soon.

"Put it this way, I didn't lose any sleep when I was on holiday over it."

15 Jan 2013

A spokeswoman for Mr Key yesterday confirmed his office had now provided feedback on the draft report, "as have other relevant interested parties".

13 Dec 2012

Mr Key's office said a draft had been received earlier this week. "We have not provided any feedback as yet and nor have we spoken to SkyCity."

Steven Joyce comments

12 Dec 2012

Officials met with SkyCity on 9 November 2012 to continue negotiations relating to the building and operation of an international convention centre. I am advised by officials that the content of the Auditor General's investigation was not discussed as part of that meeting, although passing references were made to the possible timing of its release.

DOMINION POST — 19 FEB 2013 Edition 1, Page 2

Report to criticise SkyCity to-and-fro

By: VERNON SMALL

A REPORT today will clear the way for SkyCity's \$350 million international convention centre in Auckland, but is expected to question some of the steps that led to the Government negotiating exclusively with the casino operator.

It is understood the report by Deputy Auditor-General Phillippa Smith finds fault with the to-and-fro between the Government and SkyCity and suggests it should have stopped at the point the casino operator was identified as the likely or only operator that could develop the centre.

But Prime Minister John Key yesterday made it clear he thinks he is off the hook.

Last year, after seeing a draft report, he said he was not losing any sleep over it.

Yesterday, after seeing more recent drafts, he was "losing even less sleep. There's no political element to it," he said.

Green Party co-leader Metiria Turei last April sought the investigation into the deal, which would extend SkyCity's gaming licence and allow it to install more pokie machines.

In return, it would build the convention centre, close to the Sky Tower in Auckland, with no cash contribution from the taxpayer.

"I raised concerns about the fairness and adequacy of the process, especially given SkyCity was offered a law change that gave it more pokies in exchange for building the centre, and the deal didn't appear to consider the huge social and financial costs of increased gambling," Ms Turei said last year.

In 2010, the Government called for expressions of interest in building the convention centre and in June 2011 said it was in exclusive negotiations with SkyCity.

Mr Key said yesterday that the centre was important for New Zealand and would bring in tourist dollars.

"The Government continues to be reasonably cash-strapped so we think the sort of deal we were negotiating makes sense.

"All things being equal, we'd like to get on with it as soon as we can," Mr Key said.

The next step would be ascertaining if SkyCity was still serious about pressing ahead.

SkyCity said last week that it was still willing to invest up to \$350m to develop, own and operate the convention centre, "provided an acceptable return on capital can be delivered from the total project". After today's report it hoped to re-engage with the Government and conclude negotiations.

The auditor-general's report looked at the overall process for seeking and assessing proposals as well as the adequacy of the assessment of likely costs and benefits.

A senior government source said there had been a difference of opinion inside the auditor-general's office about the final conclusion.

PM not fazed over report

By: Kate Chapman

The Government has seen a draft report reviewing its deal with SkyCity to build a convention centre in Auckland, and expects it to be released soon.

Auditor-General Lyn Provost launched the investigation in June, at the request of the Green Party.

The controversial deal would see SkyCity build a \$350 million national convention centre in return for more pokie machines in its Auckland casino and an extension of its gambling licences.

Prime Minister John Key said yesterday he had seen the draft report late last year, and his office had been asked for comment.

"It's fair to say we had a couple of comments that we wanted to make, not terribly significant."

He said he did not know the date for the final report's release but hoped it would be soon.

"Put it this way, I didn't lose any sleep when I was on holiday over it."

The auditor-general's inquiry considered the process for seeking and assessing proposals for the convention centre, the adequacy of the assessment of the likely costs and benefits of each, and any other matters deemed of interest.

In December, the Office of the Auditor-General said it had released a draft report for consultation with interested parties.

The consultation was a substantial part of the inquiry, it said. Fairfax NZ

New Zealand Herald — A001 — 15 Jan 2013

Casino eyes big boost in floorspace

Adam Bennett politics adam.bennett@nzherald.co.nz

SkyCity has confirmed plans to increase floorspace at its Auckland casino as it seeks Government approval for more gaming machines in return for building a \$350 million national convention centre.

But the company says its expansion plans are not linked to the convention centre proposal and yesterday denied suggestions the controversial deal had been finalised.

The Herald understands SkyCity has told contractors the deal has been concluded and the convention centre will go ahead.

An employee of one of the contractors told the Herald SkyCity was planning to alter the entrance area to the casino to fit in more pokies.

SkyCity spokesman Gordon Jon Thompson yesterday confirmed the casino was considering increasing its floorspace by extending the third floor, where its main gaming area is, out into the upper part of the atrium at the main Victoria St entrance.

However, Mr Thompson said the plans were preliminary. Any increase in floorspace would not necessarily result in a larger gaming area, and "any plans we have to enhance our Auckland property are not linked to the convention centre negotiations and are not contingent on concluding the negotiations".

"We are always looking to enhance our property and improve customer experience. This is business as usual."

The casino had not made any final decisions on the work.

Mr Thompson also said no deal had yet been struck with the Government over the convention centre.

A spokeswoman for Economic Development Minister Steven Joyce, whose ministry has been leading negotiations with SkyCity, said yesterday that while talks were well advanced, "it would be incorrect and misleading to say any final deal had been reached".

"The minister is not expecting any agreement to be concluded until after the Office of the Auditor-General report has been released."

The Auditor-General has been investigating how SkyCity was chosen to build the convention centre after Prime Minister John Key dined with the company's board and suggested they should pitch for the contract.

A spokeswoman for Mr Key yesterday confirmed his office had now provided feedback on the draft report, "as have other relevant interested parties".

Last month, the Office of the Auditor-General said it would publish the final report once it had received feedback on its draft from the relevant parties.

New Zealand Herald — A010 — 13 Dec 2012

Convention centre probe may criticise PM

David Fisher david.fisher@nzherald.co.nz

Early draft copies of the inquiry into the SkyCity convention centre deal have gone to Prime Minister John Key and the casino, prompting speculation they are in for criticism.

There have also been questions about the visibility the outcome of the inquiry will have if it is released just before Christmas, as promised by the Office of the Auditor-General.

The inquiry was launched after a complaint from Green Party co-leader Metiria Turei over the way SkyCity was chosen to build the proposed international convention centre.

It was also intended to report on the costs and benefits of each proposal.

The deal came after Mr Key dined with the board of the casino and suggested they should pitch for the contract to build the convention centre. When SkyCity did, its bid won after it offered to pay the \$350 million construction bill in return for gambling concessions which included the ability to have hundreds more pokies.

Ms Turei said draft copies were provided for "natural justice" reasons.

"I understand if there is a comment about a person _ particularly an adverse comment about a person _ they need to have an opportunity to respond."

She said she was concerned that comments by the Office of the Auditor-General that the report would be released this year meant it would come out in the festive season.

"It doesn't give the public the chance to consider the issue."

A spokeswoman for the Auditor-General said the office was aware of the "significant interest" in the report and hoped to publish before the end of the year.

The spokeswoman said the report's terms of reference stated "we consult as necessary on its contents to ensure that it is factually accurate and that the rights of any affected parties are properly protected".

The draft report comes eight months after the original complaint and six months after the inquiry was launched. The Auditor-General's guidelines give three-month time frames for most inquiries and six months for those which are "larger and more complex".

Mr Key's office said a draft had been received earlier this week. "We have not provided any feedback as yet and nor have we spoken to SkyCity."

QWA –Steven Joyce 12 Dec 2012

11632 (2012). Metiria Turei to the Minister for Economic Development (12 Dec 2012): Did any of his officials meet with representatives of SkyCity in November 2012 to discuss the Auditor General's investigation into the convention centre deal?

Hon Steven Joyce (Minister for Economic Development) replied: Officials met with SkyCity on 9 November 2012 to continue negotiations relating to the building and operation of an international convention centre. I am advised by officials that the content of the Auditor General's investigation was not discussed as part of that meeting, although passing references were made to the possible timing of its release.