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Keston Ruxton  
Manager  
Regulation Branch  
Commerce Commission  
PO Box 2351  
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Dear Keston,

### **CROSS SUBMISSION – ERANZ SUBMISSION ON RELATED PARTY TRANSACTION RULES**

This letter represents Centralines' cross-submission on ERANZ submission on the proposed changes to related party transaction rules.

Centralines does not have any legally distinct related party subsidiaries (e.g. electrical contracting is provided as an internal service), but because of the close relationship with Unison which provides management services, the transaction value is treated as a related party transaction. Under the current Information Disclosure rules, Directors certify that they consider the provision of Management Services is at a value that could be achieved in an arm's length transaction.

After initially contracting Unison for Management services in 2002, the contract has evolved over time to include more services, with both parties investing significantly in ensuring a cooperative, collaborative relationship, which has seen Centralines significantly improve its reliability performance through leveraging Unison's capabilities across a wide spectrum of services. It is impractical for Centralines to regularly tender the management contract in light of the significant relationship capital that is invested in such an arrangement. Additionally, there are no obvious market benchmarks on which an arm's length transaction could be directly inferred. Periodically, the Centralines Board receives independent advice on the potential costs of the services provided by Unison, with the Board taking comfort from this in making the annual Director certifications.

We believe this is a suitable means of establishing the related party transaction value, and that there is no practical alternative available to the Centralines Board, short of re-tendering the

management service contract, which would be extremely costly and highly disruptive to the business.

ERANZ has advocated:

“ERANZ agrees that the director certification option provides an unsatisfactory level of transparency and the Commission should remain resolute in its determination to remove this ‘valuation’ option.”

Centralines is unclear as to what experience ERANZ has to make such comment, but submits that such absolutes are unhelpful where there are no or limited market benchmarks available. As described above, we believe Centralines’ current approach is pragmatic and reasonable in the circumstances and this option should be preserved under any new related party transaction requirements.

Thank you for considering these points. Centralines looks forward to receiving the Commission’s final decisions.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Nathan Strong' with a stylized flourish at the end.

Nathan Strong  
**GENERAL MANAGER BUSINESS ASSURANCE**