



Office of Hon Dr Wayne Mapp

Minister of Research, Science
and Technology

Associate Minister for
Economic Development
Associate Minister for
Tertiary Education

23 JUN 2009

Dr Jim Watson
Chair
Research and Advanced Network New Zealand Ltd
PO Box 3325
WELLINGTON 6140



Dear Dr Watson

In response to your letter dated 25 February 2009 requesting capital certainty for REANNZ, I am writing to confirm the Government's decision in Budget 2009 to provide REANNZ with a \$16 million capital injection in 2010/11. As you are well aware this is a substantial investment by the Government and confirms our support for KAREN. Therefore, I would like to take this opportunity to clarify shareholder expectations for REANNZ.

- The capital injection is to support REANNZ for a three-year period from 2010/11. Beyond 2012/13 shareholding Ministers expect REANNZ to have developed a self-sustaining model. There will be no further Crown funding after this time.
- When REANNZ was established it was with the intention that it would be self-sustaining and that members would become owners of the KAREN network. We expect REANNZ to continue working towards the goal of ownership transfer.
- As part of this goal, we would expect to see REANNZ spend the majority of its time on working with core members to increase and promote the KAREN value proposition. At the same time, however, shareholding Ministers are also open to the Board developing a range of options and encourage REANNZ to respond to developments led by government agencies in the education sector, as long as these options are consistent with the company's original mandate.

Statement of Intent (SOI)

Shareholding Ministers acknowledge receipt of REANNZ's draft SOI on 26 May 2009. Please send 53 copies to CCMAU for tabling in the House of Representatives.

We expect, however, that the Board will now focus its attention on developing its action plan to achieve self-sustainability and submit a revised SOI, no later than 1 October 2009, reflecting that action plan.

Self-sustainable model

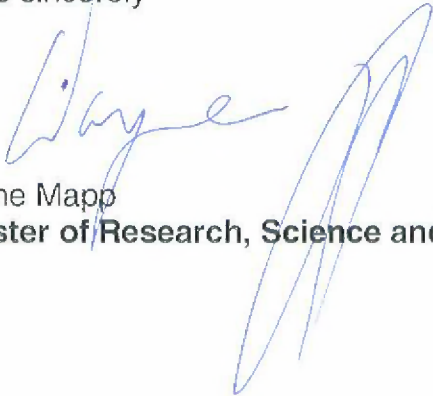
Finally, we will require a report after two years, by 30 June 2012, on the type of network that will be sustainable without further injections of Crown equity.

Share issue

In 2010/11 the equity injection will be transferred by way of an issue of new shares in REANNZ. Closer to the time, please liaise with CCMAU regarding the share issue.

We wish REANNZ all the best for upcoming years. We wish to reiterate that the \$16 million injection through Budget 2009 is the last Crown funding that will be available for REANNZ.

Yours sincerely



Wayne Mapp
Minister of Research, Science and Technology