

Susie Campbell
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Email to oio@linz.govt.nz

CC

The Hon Nanaia Mahuta, Minister of Local Government, nanaia.mahuta@parliament.govt.nz;
The Hon David Parker, Attorney General, david.parker@parliament.govt.nz
The Hon Nick Smith, MP for Nelson, nick.smith@national.org.nz
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Professor Anne-Marie Brady, University of Canterbury, Anne-marie.brady@canterbury.ac.nz
Her Worship Steve Chadwick, Mayor of Rotorua, steve.chadwick@rotorualc.nz
Felix Desmarais, Local Democracy Reporter, felix.desmarais@nzme.co.nz

Further Information regarding Trility re Potential Breach of the Overseas Investment Act

Tēnā koe Susie

Thank you for confirming that you are investigating the contract being offered by the Rotorua Lakes Council (RLC) to Trility. In this email I provide more information concerning the appropriateness of the contract.

I do so in the light of Mayor Steve Chadwick's letter to Minister Mahuta dated 7 August and the so called 'desk research,' both attached, that, in my view, about playing games with terminology and details, gratuitously blackening my name instead of considering broader definitions of the public interest, and focussing on process – all intended to distract attention from the key issues of public concerns and potential Chinese penetration of our local government.

There is simply no acknowledgement by the Mayor that offering the contract to Trility is very unpopular locally because

- a. it potentially offers far less than the New Zealand Government's Three Waters Reform Programme without ratepayers having to pay extra to cover Trility's profits,
- b. Trility is controlled by Beijing Enterprises Water Group (BEWG), which in turn is controlled by the government of the People's Republic of China (PRC)

- c. The PRC is controlled by the Chinese Communist Party (CCP) which together have a repugnant human rights record and are intent on projecting governance values that are antithetical to the democratic principles driving New Zealand local government.

These are critical issues because at no point was I, or any other elected member of the RLC, as far as I know, informed that the PRC/CCP holds a controlling interest in BEWG that owns Trility. This means that RLC's contract with Trility will in effect be with the Chinese Government, possibly at variance with New Zealand's security interests.

We can start with Trility's owner, BEWG.¹ It is controlled a web of interconnected State-Owned Enterprises (SOEs) all of whom are directly or indirectly controlled by the Beijing Government. In its 2019 Annual Report, BEWG refers to it being "Backed by the People's Government of Beijing Municipal." The significant shareholders of BEWG include BEHL 41.13% (SOE), SOASAC 10.10%, Yangtze Ecology Group 4.7% (SOE), 3 Gorges Corp 4.4% (SOE), China Yangtze Power Co 2.0% (SOE), Min Zhou 3.0% (CEO & a director of BEWG) and Foreign Investment Funds 9.85%.

To clarify, SOASAC is the China State Owned Assets Supervision and Administration Commission of People's Government of Beijing Municipal. BEHL is controlled by the People's Government of Beijing Municipal, through three other Government Entities and is part of the hierarchical structure of the Beijing Government's SOE's. The total Chinese SOE and Beijing Government SOE ownership (direct and indirect) of BEWG appears to be 62.33 per cent.

Wikipedia confirms that BEWG is controlled by the Chinese State through People's Government of Beijing which is "governed as a [municipality](#) under the direct administration of the [central government](#)." It also explained that

The politics of [Beijing](#) is structured in a dual party-government system like all other governing institutions in the mainland of the [People's Republic of China](#).

The Mayor of Beijing is the highest-ranking official in the People's Government of Beijing. Since Beijing is a centrally administered municipality, the mayor occupies the same level in the order of precedence as provincial governors. However, in the city's dual party-government governing system, the mayor is subordinate to the Beijing Municipal Committee Secretary of the [Communist Party of China](#).

It is also notable that BEHL holds a 41.13 per cent stake in BEWG. BEHL's website confirms that its major shareholders are Beijing Enterprises Group Ltd (41.06 per cent, BEGL is 100 per cent

¹ The sources used include BEWG's website at <http://www.bewg.net/en/About/Profile/>, the website of Beijing Enterprises Holdings Ltd (BEHL) at <https://www.behl.com.hk/en/about/structure.php>, Crunchbase (a platform to access information on global companies), and Wikipedia.

owned by Beijing People's Government), Public Investors (38.04 per cent), and Beijing Enterprises Investments Ltd (20.9 per cent, BEIL is 72 per cent owned by BEGL) with the other 27.28 per cent owned by "other entities mostly under control of PRC Govt".

Recent developments are also of concern. An article in the *South China Morning Post* dated 8 January 2020² confirmed that the CCP has issued a new regulation to appoint their officials directly into the management structure of SOEs. It therefore seems almost certain that senior management and directors' decision making at BEWG is directly controlled or heavily influenced by CCP officials being embedded in China's SOE'S, including BEWG. This means that Trility's parent BEWG is effectively under the control of the CCP.

There are other links that support such conclusions. On 7 August 2020 Trility NZ Ltd incorporated a new company in New Zealand called Trility Rotorua Ltd with its 'ultimate holding company' listed as BEWG. Trility Rotorua's three directors are the same people as the three listed as Trility NZ's directors. Trility Rotorua's China-based Director Xue Geng Luo has been described in Chinese media as General Manager Overseas Business Department of BEWG. This indicates that Trility Rotorua Ltd is directly linked to the CCP. It is controlled through BEWG given Xue Geng Luo's senior position and his position as a director of Trility Rotorua. It is no secret that BEWG is openly promoting CCP Chairman Xi Jinping's One Belt One Road policy of foreign penetration.

Finally, the video record of the Council meeting 29 July 2020,³ where the proposed Trility contract was discussed and voted on, confirms that the promoters had scant knowledge of Trility's parent companies and their potential exposure to CCP influence. A significant deficit in due diligence is apparent.

It was also naive for an official to claim that BEWG is listed on the Hong Kong Stock Exchange and to imply that it must therefore be an appropriate partner. Hong Kong is increasingly ruled by the PRC. The CCP certainly controls Chinese SOE's. The Deputy Mayor's comments that he was only interested in data and facts, and dismissed concerns about BEWG as "bogeyman things," "a red herring" and as an example of xenophobia, may have helped undermine due diligence.

² <https://www.scmp.com/economy/china-economy/article/3045053/china-cements-communist-partys-role-top-its-soes-should>

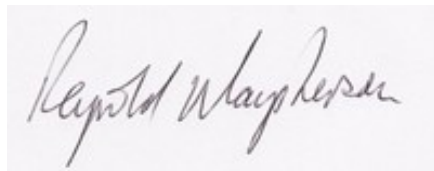
³ <https://www.rotorualakescouncil.nz/our-council/agendas-and-minutes/livestream/Documents/2020/Council/Establishing%20a%20stable,%20reliable%20and%20safe%20Network.pdf>

It must also be noted that, to my knowledge, only one councillor was given access to selected parts of the proposed Trility contract prior to the decision. Requests by myself and other councillors were waved away on the grounds that it was too large. This means that the decision was not consistent with fully informed consent.

In sum, the additional detail in this email indicates that when the 7-4 vote by elected members of the RLC to offer Trility a contract, they did so unaware that the CCP holds a controlling interest in BEWG which in turn owns both Trility NZ and Trility Rotorua. The detail also casts doubt on the quality of due diligence conducted around the contract with Trility, which is effectively controlled by the CCP, possibly also due to its inattention to security concerns. Finally, the 7-4 decision was not based on informed consent because most councillors were not given access to the contract.

I trust this is seen as helpful.

Yours sincerely,

A handwritten signature in cursive script, reading "Reynold Macpherson", is displayed within a light grey rectangular box.

Reynold Macpherson, 11 August 2020