

FREQUENTLY ASKED QUESTIONS

ASSET RECYCLING FOR INFRASTRUCTURE

1 Isn't this about privatising public assets?

This is about which assets the Crown should own, not whether it should own assets. Asset recycling replaces commercial assets the Crown does not need to own with infrastructure New Zealand desperately needs. The question is: would New Zealanders rather have government capital tied up in commercial farms and courier services, or invested in hospitals, schools and transport infrastructure? If designing the Crown's portfolio from scratch, nobody would choose the current hodgepodge of commercial enterprises over essential infrastructure.

2 How will you decide which infrastructure projects to fund?

The Infrastructure Commission's National Infrastructure Plan assesses needs and catalogues projects but does not prioritise them. The Commission itself has acknowledged its Infrastructure Priorities Programme "should not be considered as a prioritised list." This must change. The asset recycling legislation should direct the Commission to deliver a prioritised and costed list of National

Infrastructure Priorities within twelve months. Only projects on that list would be eligible for National Infrastructure Fund financing. Ministers would make final decisions on which listed projects to fund and when, based on the Commission's recommendations. This mirrors the NSW model, where Infrastructure NSW produced prioritised strategies and asset recycling proceeds flowed to projects on those lists. Government should not have to navigate without a map.

3 Won't this just plug an operating deficit instead of funding infrastructure?

No. Proceeds would flow into a dedicated National Infrastructure Fund established by legislation, with ring-fenced accounts preventing any diversion to operating expenses. This proposal learns from past mistakes with statutory protections ensuring 'additionality' - proceeds must supplement rather than replace baseline capital allowances (\$4.0 billion in Budget 2025, projected at \$3.5 billion for future years). The Infrastructure Commission would verify that funded projects would not otherwise proceed through normal Budget processes.

4 Is this different from the 2014 Future Investment Fund?

The 2014 Future Investment Fund had no safeguards to prevent proceeds from replacing normal Budget allocations. This proposal builds in statutory protections from the outset: legislation prohibiting use for operating expenses or debt reduction, Infrastructure Commission verification of additionality before approving projects, protection of baseline capital allowances, and transparent annual reporting. NSW's Restart Fund demonstrated these institutional safeguards work when properly designed.

5 Didn't the 1980s and 1990s privatisations fail?

Contact Energy operates successfully under full private ownership. Auckland and Wellington airports improved service levels and invested billions in upgrades. Spark and Chorus transformed telecommunications infrastructure through private investment the Crown might never have funded. Where privatisation succeeded, ownership transferred to parties who could manage assets more effectively. Where problems arose, they stemmed from poor regulatory frameworks or external factors rather than private ownership itself.

6 Won't we lose control of monopolies?

The Crown does not use ownership to control monopolies today. In response to the 2024 electricity crisis, the government relied entirely on regulatory settings rather than using shareholder pressure to have its majority-owned companies behave differently. Genesis, Mercury and Meridian operate under Commerce Commission oversight, not ministerial direction. Regulation protects consumers, not ownership. Where market power exists, the Government can impose price-quality regulation on any owner, as it already does with Transpower.

7 Won't service quality and costs deteriorate under private ownership?

Contact Energy delivers reliable electricity under full private ownership. Auckland and Wellington airports improved service levels after privatisation while investing billions in upgrades. Where service quality matters, regulatory frameworks maintain standards regardless of ownership.

8 What about foreign ownership concerns?

Where necessary, the government could impose ownership restrictions through sale terms. The Overseas Investment Act already provides substantial controls. The fundamental question is whether New Zealanders prefer Crown ownership of commercial enterprises like pest control and property valuation, or management by New Zealand institutional investors, iwi organisations, or regulated private operators.

9 What about employment and unions?

Private ownership does not mean job losses. NSW's A\$50 billion programme created thousands of construction jobs building new infrastructure. New Zealand's programme would similarly generate substantial employment through the infrastructure projects it funds.

10 What about the dividend streams we'll lose?

Infrastructure generates returns too – roads enable economic activity, water systems support urban growth, hospitals and schools build human capital. The opportunity cost of keeping capital locked in poorly performing commercial assets is crumbling infrastructure. TVNZ has lost money in recent years. Landcorp has averaged just 2.6 per cent return on shareholder funds over five years and has failed to meet its cost of equity for at least a decade. Asset recycling can redirect Crown capital from lower-value to higher-value public purposes.

11 Can't we just fix the economy instead?

Decades of underinvestment have left New Zealand with a substantial infrastructure gap that a stronger economy alone cannot close. Even with robust growth, Treasury projects net core Crown debt rising toward unsustainable levels without policy change. Asset recycling complements economic reform rather than substituting for it. Better regulation and productive investment matter, but these improvements take time while infrastructure needs are immediate. The choice is between multiple funding tools working together or relying solely on increased debt and higher taxes while infrastructure crumbles.

12 What about Treaty of Waitangi obligations?

Treaty obligations will need to be carefully addressed. For assets with Treaty implications, early consultation with relevant iwi must follow established Crown protocols before any transaction proceeds. Asset recycling could also create opportunities for iwi investment.

13 What if the next government reverses this?

Asset recycling deserves genuine cross-party engagement from the outset but does not depend on it. New Zealand's MMP system requires broader agreement than the NSW Coalition needed during its twelve years in government. The programme should be designed as a multi-decade policy framework rather than a quick political win before the next election. Ring-fencing proceeds in a legislated fund provides some protection. Once infrastructure projects deliver benefits – hospitals, schools, transport networks – reversal becomes politically costly.

14 How does this differ from Labour's proposed Future Fund?

Labour's Future Fund would seed a sovereign wealth fund with Crown assets and reinvest dividends in New Zealand businesses. But dividends from Crown companies are not "spare money" – they already contribute to the Crown's fiscal position. Redirecting them to venture capital does not build a single hospital, school or road. And government has a poor record picking commercial winners. The Development Finance Corporation collapsed in 1989, costing taxpayers over \$600 million. Asset recycling is different. It converts underperforming commercial assets into essential infrastructure to drive productivity growth, prosperity and wellbeing – not risky investments in startups.