

GOVERNMENT

RENOVATING THE NATION

How Asset Recycling Can Help Solve
the Infrastructure Deficit

Roger Partridge
Foreword by Michael Stutchbury



**THE
NEW ZEALAND
INITIATIVE**

www.nzinitiative.org.nz

THE NEW ZEALAND INITIATIVE

Published February 2026 by
The New Zealand Initiative
PO Box 10147
Wellington 6143
New Zealand
www.nzinitiative.org.nz

Views expressed are those of the author and do not necessarily reflect the views of The New Zealand Initiative, its staff, advisors, members, directors or officers.

ISSN
2624-0092 (print)
2624-0106 (online)

RR95

Printing arranged by TBD Digital



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About The New Zealand Initiative

The New Zealand Initiative is an independent public policy think tank supported by chief executives of New Zealand businesses. We believe in evidence-based policy and are committed to developing policies that work for all New Zealanders.

Our mission is to help build a better, stronger New Zealand. We are taking the initiative to promote a prosperous, free and fair society with a competitive, open and dynamic economy. We are developing and contributing bold ideas that will have a profound, positive and long-term impact.

ABOUT THE AUTHOR



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ACKNOWLEDGEMENTS

I have received valuable assistance with this report from a diverse range of stakeholders, including current and former politicians, infrastructure experts, capital markets participants and my colleagues at The New Zealand Initiative. Particular thanks go to Dr Oliver Hartwich for his helpful advice and assistance. Notwithstanding the help I have received, I am solely responsible for the views expressed in this report and for any errors or omissions.

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Foreword



Anyone who has travelled on Sydney's Metro train system can thank asset recycling for the experience. The super impressive driverless trains represent one of

the few significant exceptions to the Australian wasteland for pro-market and productivity-enhancing economic reform over the past quarter of a century. That's now showing up in economy-wide productivity stuck at 2016 levels, a dearth of business investment outside AI-related data centres, federal budget deficits projected for at least the next decade, a housing stock outside the reach of this generation of young adults, an inflation rate that refuses to fall into the Reserve Bank of Australia's target band and a federal government desperate to find new ways to tax the better off. The RBA and the OECD both have confirmed that Australia's trend economic growth potential has fallen to not much above 2 per cent. That should be unacceptably low for an immigrant-receiving and resource-rich economy at the foot of Asia. Australia remains one the world's most affluent nations. But this affluence peaked well over a decade ago and has been slowly slipping away since.

NSW Liberal Premier Mike Baird famously won re-election in 2015 in the face of a political scare campaign against his proposals to sell or lease much of the state's electricity grid "poles and wires" after having already sold a clutch of government-owned ports. The details are spelled out in Roger Partridge's well-timed "Renovating the Nation" report that calls for a similar reform push in New Zealand.

In NSW, the underlying rationale was that the state's balance sheet was saddled with ownership of a whole host of mature or brown-field assets that would most likely be better run by private

operators. The added policy and political pitch was that the \$A34 billion eventually raised from selling the electricity assets (and close to \$7 billion from offloading the ports) would be recycled into investment in needed new public infrastructure that private finance would find too risky to deliver. And that could happen without adding to the state's public debt and threatening its AAA credit rating.

Of course it wasn't easy. Labor and the trade unions campaigned against the partial sale of the state's electricity assets. Public opinion remained sceptical of selling the poles and wires. But the infrastructure pitch resonated because the national mining boom had boosted population growth and added to congestion in Australia's big cities. Baird's asset recycling program provided a credible response to that clear public policy problem through the Metro rail system and big road projects such as Westconnex that now allow people to save valuable time getting around Australia's biggest city. The premier himself was a likeable and credible political leader – no doubt a rare commodity. After driving the scheme as Treasurer, Baird continued to invest political capital on it once he became Premier. And the federal Liberal government helped by offering asset recycling payments to the states to encourage the idea. The government lost 15 seats, but went into the election with a big enough buffer to still emerge with a healthy majority.

While the benefits are still flowing, the current otherwise mostly sensible Labor NSW government has set itself publicly against further privatisation. And, partly due to the pandemic, NSW has lost its AAA rating amid a blowout in its public debt. The fiscal crunch on the Australian states combined with nationwide productivity drought will surely combine at some stage to force some new pro-growth reform agenda.

Roger Partridge's report shows how New Zealand could get ahead of that curve. The mechanisms he proposes – genuine ring-fencing of proceeds, independent Infrastructure Commission oversight, and a requirement that funded projects would not otherwise proceed – address the weaknesses that have undermined previous attempts at asset recycling in both countries. It deserves serious attention on both sides of the Tasman.

Michael Stutchbury

Former editor-in-chief,
the Australian Financial Review

Executive Summary

New Zealand is asset-rich yet struggles to build and maintain essential infrastructure. The evidence is everywhere: congested roads, ageing water systems and dilapidated schools and hospitals. The Infrastructure Commission’s draft National Infrastructure Plan, released for consultation in June 2025, provides a 30-year assessment of the country’s needs. The challenge is how to fund them.

Yet alongside this infrastructure deficit, the Crown’s balance sheet totals \$598 billion, some of it tied up in commercial assets the Crown ownership of which serves no clear public purpose. As Bryce Wilkinson documented in his 2025 report, *The People’s Portfolio*, the Crown’s commercial portfolio represents an awkward assemblage accumulated through decades of changing policies rather than any coherent investment strategy.

The commercial enterprises alone are worth upwards of \$24 billion – enough capital to build more than a dozen new regional hospitals or fund hundreds of essential infrastructure projects across the country. Treasury’s November 2025 Investment Statement recognised the opportunity these assets offer, noting that better management of them could help address infrastructure funding challenges. Days later, Prime Minister Christopher Luxon indicated his government would campaign on using asset sales to fund new infrastructure at the 2026 election.

The question is not whether the Crown should own assets, but *which* assets it should own. Is it better for public capital to remain tied up in mature commercial businesses, or to fund the infrastructure New Zealand urgently needs?

Anyone who has visited Sydney recently has seen the benefits of the government selling

commercial assets and using the proceeds to build new infrastructure. Between 2012 and 2024, New South Wales raised over A\$50 billion through what it called “asset recycling” – selling or leasing ports, electricity networks and other commercial operations – and dedicating every dollar realised to building infrastructure that citizens could see and use.

The NSW approach was straightforward. The government sold or leased commercial assets where private ownership was feasible. Proceeds flowed into dedicated infrastructure funds – primarily the “Restart NSW Fund” – ring-fenced by statute to prevent diversion into operating expenditure.

Critically, Infrastructure NSW prioritised what the state should build. Its 2012 State Infrastructure Strategy was the first prioritised and costed long-term infrastructure plan in NSW history, identifying 70 specific project recommendations. The link between asset sales and specific infrastructure outcomes was visible, accountable and independently determined. Independent assessments ensured that funds supported infrastructure that would not have been built through normal Budget processes.

The results proved the model works. The Sydney Metro reduced travel times for customers across the rail network. WestConnex motorways improved traffic flow across the city. Modern hospitals serve Blacktown, Northern Beaches and Westmead. Regional communities received upgraded water infrastructure. As of June 2024, the Restart NSW Fund had received A\$37.9 billion in total inflows, funding major state infrastructure projects alongside over 817 local and community infrastructure projects. Research found 61% of residents supported the approach when they could see the infrastructure being delivered.

The Australian experience shows asset recycling works when properly designed. NSW succeeded through rigorous project selection, statutory ring-fencing and transparent governance. Infrastructure NSW assessed all projects using cost-benefit analysis. The government maintained baseline capital allowances, ensuring asset recycling supplemented rather than replaced normal Budget allocations. Strong regulatory frameworks protected consumers. Victoria and Queensland followed similar approaches, demonstrating the model's adaptability.

Done properly, the NSW approach prevents governments from 'selling the family silver to pay for the groceries.' It recycles capital from a hodgepodge of commercial enterprises the Crown does not need to own into essential infrastructure the country urgently needs.

Several New Zealand councils have sold commercial shareholdings to establish investment funds or finance infrastructure. Auckland Council's \$1.31 billion Future Fund (2024) and Hawke's Bay's \$234 million Napier Port listing demonstrate that reallocating capital from commercial holdings can be effective at the local level, although without the systematic approach or scale of NSW.

The Crown's commercial holdings reveal the size of the opportunity for asset recycling in New Zealand. These holdings emerged from decades of changing government policies with no coherent investment strategy. The result is an eclectic mix that no rational investor would construct: airlines alongside electricity generators, television networks alongside postal services, farming operations alongside financial institutions.

Their performance tells a sobering story. Losses have led to Television New Zealand's billion-dollar book value plummeting to just \$267 million. New Zealand Post is loss-making too, as letter volumes collapse and private couriers dominate parcel delivery. These poor returns stem

from structural problems inherent in government ownership, where commercial goals conflict with political priorities and Crown enterprises face constraints unknown in private ownership.

The Crown's majority stakes in the mixed ownership model (MOM) companies, Genesis Energy, Mercury and Meridian, tie up billions despite Contact Energy demonstrating that full private ownership works well in electricity generation.

State-owned enterprises like Landcorp's 112 farms, New Zealand Post and Transpower operate in markets either already served successfully by private competitors or subject to strict regulation. Crown entities like Kiwibank and TVNZ deliver financial and broadcasting services that private firms provide across the economy without loss of service quality.

Private capital markets – including KiwiSaver funds – would readily purchase these assets. The MOM companies already trade on the NZX, demonstrating investor appetite. Overseas examples show strong demand for regulated infrastructure and commercial enterprises currently in government hands.

Asset recycling cannot close the entire infrastructure gap alone. But \$24 billion in additional capital – requiring no tax increases or new debt – would provide a material funding boost. NSW-style asset recycling could transform underperforming commercial assets into essential infrastructure New Zealanders can see and use.

Unlocking this capital requires careful sequencing. Phase One should focus on commercial assets where market appetite is proven. The MOM companies offer immediate opportunities given existing market structures and proven private ownership models in their sectors. Selected state-owned enterprises (SOEs) and other commercial Crown entities should follow. Transactions should be sequenced

over several years to optimise proceeds and refine processes.

Phase Two should examine Crown property portfolios and land holdings where further analysis might identify additional opportunities. The focus should remain on assets where government ownership serves no clear public purpose, and private ownership can deliver equal or better outcomes.

Implementation requires a National Infrastructure Fund with statutory ring-fencing of sales proceeds. It also requires an enhanced role for the Infrastructure Commission. The Commission's National Infrastructure Plan assesses infrastructure needs over 30 years, but does not prioritise which projects should be built. The Commission's statutory functions should be amended to mirror those of Infrastructure NSW by requiring it to create a prioritised and costed list of National Infrastructure Priorities. Only projects on this list would be eligible for National Infrastructure Fund financing.

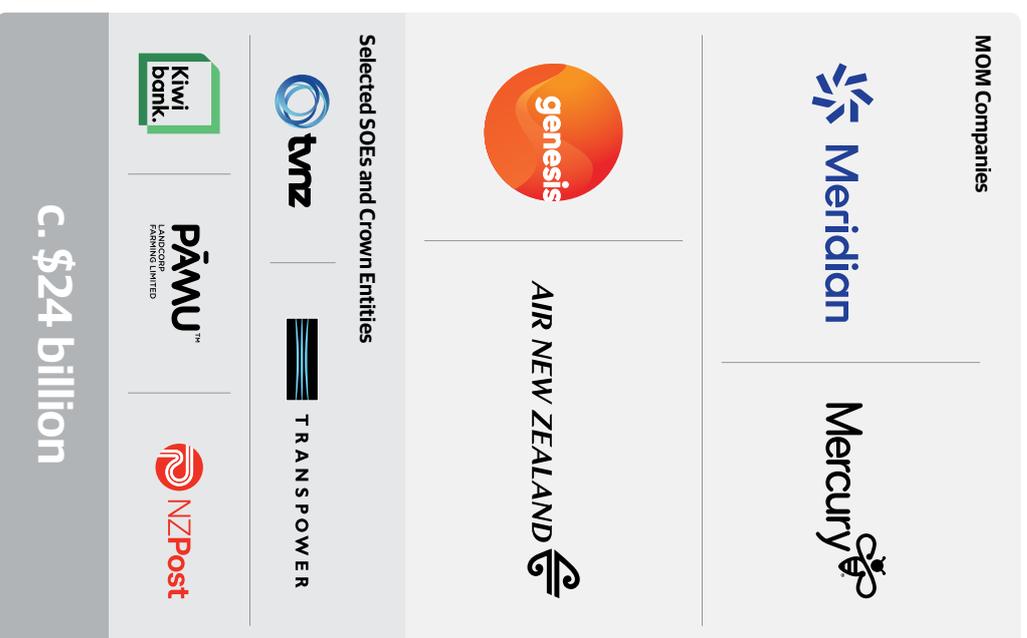
This approach would ensure recycled capital flows to the highest-priority projects rather than politically expedient choices. Maintaining baseline capital allowances would ensure asset recycling supplements rather than replaces normal Budget allocations. Regular public reporting would maintain accountability.

Properly designed, asset recycling can maintain public support through visible infrastructure delivery, strong regulatory protections and transparent governance, preventing proceeds from disappearing into general spending. NSW's experience proves this approach works. And as NSW showed, done well, asset recycling becomes self-sustaining: infrastructure built today can itself be recycled tomorrow, creating an ongoing source of capital for future needs.

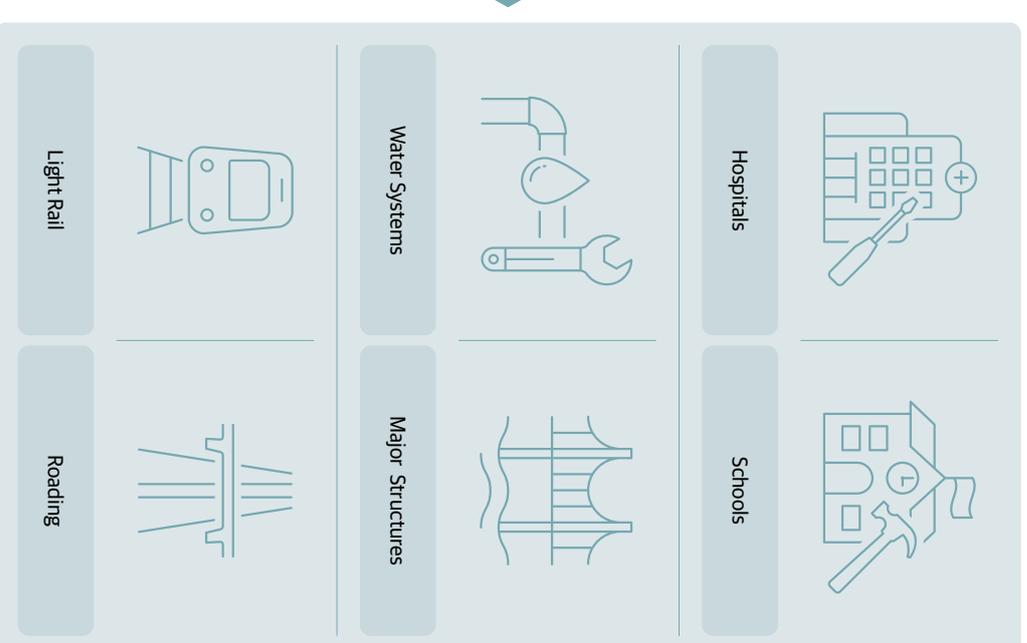
New Zealand faces an unavoidable decision. The Crown owns billions in commercial assets that deliver poor returns, yet the country lacks funds for essential infrastructure. The gap cannot be closed through Budget allowances alone. Tax increases face strong political resistance. Additional borrowing would worsen an already concerning fiscal position. Asset recycling offers another path – redirecting Crown capital into infrastructure underpinning New Zealand's future.

From Assets to Infrastructure

Crown Commercial Holdings



Infrastructure Investment



Based on market valuations and independent commercial assessments.

Asset recycling converts mature commercial holdings into infrastructure New Zealand needs – with proceeds ring-fenced for capital investment only

CHAPTER 1

Introduction

New Zealand faces a stark infrastructure challenge. The Infrastructure Commission's draft National Infrastructure Plan, released for consultation in June 2025, describes formidable and intensifying infrastructure needs.¹ Earlier independent analysis for the Commission estimated the country's cumulative infrastructure gap at around \$210 billion, although the Commission has since refined the analysis.²

New Zealanders already see and feel the infrastructure deficit every day – in congested roads, ageing water systems and dilapidated schools and hospitals. For years, the solution to funding this deficit has seemed beyond reach.

Yet alongside this infrastructure deficit sits an overlooked opportunity. The Crown's \$598 billion balance sheet,³ some of it locked up in mature commercial enterprises operating under the constraints of government ownership, could offer a solution. New South Wales has demonstrated how asset recycling can unlock value from such holdings to fund essential infrastructure.⁴ This report examines how the asset recycling model works and what lessons can be applied to New Zealand's unique context.

To understand the scale of our infrastructure challenge, consider current infrastructure spending. Closing the deficit would require a significant increase in infrastructure investment – creating a significant fiscal burden. Yet without more infrastructure funding and delivery, New Zealand risks falling further behind its peers.

The challenge spans both quality and quantity. Much existing infrastructure needs repair or replacement. New infrastructure must

serve growing communities and meet rising expectations. Climate change adds another layer, demanding both strengthened resilience and different approaches to energy and transport.

Budget allowances for new capital investment are declining rather than expanding – even as infrastructure needs grow.⁵ Treasury's long-term fiscal projections show debt continuing to rise without significant policy change.⁶

The government has recognised the scale of these infrastructure challenges. In March 2025, it convened an Infrastructure Investment Summit, bringing together over 100 senior executives from global infrastructure investors to discuss opportunities for private sector participation.⁷

The Infrastructure Commission's draft National Infrastructure Plan sets out recommendations for improving infrastructure planning, delivery and asset management over the next 30 years.⁸ The government has also established National Infrastructure Funding and Financing Ltd to help with access finance for infrastructure.⁹

Yet these initiatives, while valuable, focus primarily on improving planning processes and attracting private investment for specific projects. They do not solve the fundamental funding gap. Nor does the National Infrastructure Plan prioritise which projects the country should build or in what order.

With Budget allowances declining and debt projected to rise dramatically without policy change, the question of where funding will come from remains unanswered – and what to spend it on is left to political discretion.

Public-private partnerships offer one way to harness private capital and expertise for infrastructure projects. PPPs can work well for specific projects with clear revenue streams or measurable service outputs. But they are not a panacea.

Asset recycling offers an additional funding option. Rather than relying solely on new debt or taxes, the government can unlock value from its extensive balance sheet by selling or leasing commercial assets and dedicating the proceeds to new infrastructure. New South Wales has raised over A\$50 billion through asset recycling.

This report builds on Bryce Wilkinson's comprehensive analysis of Crown ownership in *The People's Portfolio*.¹⁰ Where Wilkinson documented the full scale and poor performance of many Crown assets, this report examines how New Zealand could apply NSW-style asset recycling to help meet the country's infrastructure needs.

New Zealand already has examples of councils selling commercial shareholdings to establish investment funds or finance infrastructure, though without the systematic approach or scale of NSW's asset recycling programme. Auckland Council established a \$1.31 billion Future Fund in 2024, derived from the sale of its airport shareholding, with a target annual return of 7.24% to subsidise rates.¹¹ Hawke's Bay Regional Council raised \$234 million through a 2019 mixed ownership listing of Napier Port, with the port receiving \$110 million to fund construction of a critical new wharf while the council's share established an investment fund.¹²

While these initiatives vary in approach – ranging from perpetual endowments to direct infrastructure funding – they show that recycling capital from commercial holdings can generate value when structured with independent governance and genuine community consultation.

Asset recycling is not about reducing the local or central government balance sheets. It is about replacing assets the government does not need to own with infrastructure New Zealand desperately needs.

Asset recycling at the national level is a viable means of helping fund the infrastructure deficit because of the scale of Crown commercial holdings. Yet many New Zealanders will be unaware they own a vast portfolio of commercial assets through the Crown that could help solve this challenge.

According to the Crown Financial Statements, total assets reached \$598 billion in June 2025 – equivalent to about one-third of all residential property value in New Zealand.¹³ While the Crown has borrowed heavily to fund this portfolio, its equity stake remains substantial at \$189 billion.

The Crown's portfolio spans three broad categories:¹⁴

- Core Crown assets of \$348 billion include public infrastructure like roads, state-owned schools and hospitals, prisons and defence facilities that support core government functions.
- Crown entities control another \$299 billion in assets, delivering public services at arm's length from core government.
- The state-owned enterprise segment holds another \$72 billion in assets.

These three categories include inter-segment holdings that are eliminated in consolidated accounts, resulting in total net Crown assets of \$598 billion. A detailed breakdown of these assets is provided in Appendix A.

Within this vast portfolio sits a sprawling collection of commercial assets that did not emerge from any coherent investment strategy. Instead, they represent an awkward assemblage

accumulated through decades of changing government policies. Some enterprises like KiwiRail reflect the pendulum of privatisation and renationalisation. Others, like Landcorp, remain from an era when governments developed marginal farmland.

Unlike sovereign wealth funds such as Singapore's Temasek Holdings, which build diversified portfolios aimed at maximising returns, these Crown commercial assets serve a muddle of objectives where political goals often trump financial performance. Wilkinson's analysis shows how political constraints and mixed incentives hamper their performance.¹⁵

These governance challenges stem from the institutional framework of public ownership rather than the efforts of public servants and directors. Government agencies face mixed objectives that can work against efficient asset management. Commercial goals often conflict with political priorities. State-owned enterprises particularly face conflicts between commercial and social objectives. Crown ownership also creates conflicts between the government's interests as owner and its responsibilities as a public interest regulator.

Yet these commercial enterprises may hold the key to New Zealand's infrastructure funding challenge – not through better management, but through asset recycling. Rather than relying solely on new debt or taxes, the government could unlock value from assets it does not need to own to fund new infrastructure, reinvesting proceeds from selling or leasing underperforming holdings into a dedicated infrastructure fund.

Of course, Crown commercial assets generate dividend streams contributing to forecasted government finances. Selling these assets means forgoing future dividends. But infrastructure investment generates returns too. Roads enable economic activity and raise productivity. Water systems support urban growth. Hospitals and

schools build human capital. These returns do not appear on the Crown's books in the same way dividends do, but they are real.

The opportunity cost of keeping capital locked in poorly performing commercial assets is crumbling infrastructure. Without visible infrastructure outcomes from asset recycling, maintaining the status quo means that the dividends neither translate into infrastructure nor the capital get deployed productively. Asset recycling provides an opportunity to direct Crown capital from lower-value to higher-value public purposes.

Infrastructure New Zealand's November 2024 report "Unlocking Value" examined the Crown's commercial holdings specifically for this purpose, identifying asset recycling as a promising solution to the infrastructure funding challenge.¹⁶ Strategic divestment of non-essential assets could generate significant capital for infrastructure investment whilst improving the performance of those assets under private ownership. Combined with Wilkinson's documentation of poor commercial returns from the Crown portfolio, this analysis suggests New Zealand has a substantial opportunity to address its infrastructure deficit through careful asset recycling.

New Zealand has previous experience with recycling capital from asset sales, though in a less structured way than the NSW model. In 2012, the government established the Future Investment Fund using \$4.7 billion from the partial privatisation of three electricity companies.¹⁷ But that fund lacked the ringfencing of the NSW model.

This report proposes a more disciplined approach. Following the NSW model, asset recycling must deliver clear public benefits through strong governance. Key elements include:

- ring-fencing sale proceeds in a dedicated infrastructure fund with independent oversight,

- an independently determined list of National Infrastructure Priorities identifying what should be built and in what sequence, based on rigorous cost-benefit analysis for all projects, and
- maintaining transparency through regular public reporting.

These safeguards should help maintain public confidence that assets are being recycled for genuine additional infrastructure needs, not to patch budget holes.

Initial candidates for a NSW-style asset recycling programme in New Zealand include state-owned enterprises like Landcorp's \$1.9 billion farming operation, New Zealand Post and Quotable Value – all operating in markets served by private competitors. The mixed ownership model energy companies and Air New Zealand could move to full private ownership. Crown financial institutions like Kiwibank and New Zealand Growth Capital Partners operate in sectors where private providers already deliver similar services. No compelling argument exists for continuing Crown ownership of these financial institutions.

Later phases could examine property portfolios and land holdings where private ownership or long-term leases might deliver better value. The Department of Conservation, for example, manages 2.7 million hectares of “stewardship land,” including land with limited or no conservation value.

In November 2025, Treasury released its three-yearly Investment Statement examining the Crown's balance sheet.¹⁸ The statement noted that some government assets are underperforming, poorly maintained and lack quality information. It suggested that better asset management, including formal capital recycling programmes, could support infrastructure funding. Days later, Prime Minister Christopher Luxon told Radio New Zealand that New Zealand needed a more mature conversation about state ownership.¹⁹

The following chapters examine these issues in detail:

- Chapter 2 examines New Zealand's infrastructure challenge, including the fiscal constraints and why conventional funding cannot close the gap.
- Chapter 3 analyses how New South Wales successfully used asset recycling to fund infrastructure investment and reviews similar programmes across Australia and internationally.
- Chapter 4 identifies Crown assets where recycling could unlock value for infrastructure investment without compromising essential public services.
- Chapter 5 provides a practical roadmap for implementing asset recycling in New Zealand, addressing governance requirements, regulatory safeguards, and how to build public support.

CHAPTER 2

The Infrastructure Challenge

New Zealand faces difficult choices about infrastructure investment. The country needs massive investment in roads, water systems, hospitals and schools. Yet conventional funding sources fall far short of what is required. Without new approaches to infrastructure funding and delivery, New Zealand risks falling further behind its peers.

The Infrastructure Commission's draft National Infrastructure Plan provides a valuable framework for understanding the country's infrastructure needs.²⁰ The Plan includes 19 recommendations across funding, delivery and asset management for the next 30 years, with the government's response due by mid-2026.

The Plan builds on the Commission's Infrastructure Needs Analysis.²¹ Yet it stops short of identifying what infrastructure the country should build. That task, it says, belongs to infrastructure providers and government decision-makers.²²

2.1 Scale of the Problem

The Infrastructure Commission's project pipeline reveals the scale of the problem.²³ As of June 2025, the pipeline included 12,000 infrastructure initiatives worth \$275 billion. Yet over a third of this value is unfunded, with most concentrated in large transport initiatives.²⁴

The quality of existing infrastructure tells its own story. The country ranks 46th globally for infrastructure quality according to the World Economic Forum.²⁵ Among high-income countries, New Zealand ranks 43rd out of 54 nations.

With 90% of New Zealand's infrastructure built since the 1950s, a wave of renewals looms. The Infrastructure Commission estimates nearly 60% of future investment should go to renewals rather than new projects.²⁶ Yet current spending falls well short of even maintaining existing assets.

These issues affect every sector. Water infrastructure illustrates the challenge. Recent estimates suggest repairs and upgrades will cost tens of billions, even before accounting for population growth and climate resilience requirements.²⁷ Public hospitals struggle with ageing facilities. Schools face maintenance backlogs. Transport networks strain under growing demand.

2.2 The Infrastructure Commission's Role

The Infrastructure Commission plays a key role in addressing these challenges. Established in 2019 as an autonomous Crown entity, the Commission provides independent expertise and oversight of New Zealand's infrastructure planning and delivery.

The Commission evaluates infrastructure proposals through its Infrastructure Priorities Programme (IPP). This provides independent review of unfunded projects, assessing their importance and readiness for investment. The assessments use three criteria: strategic alignment with long-term infrastructure objectives, value for money across the project lifecycle, and deliverability through viable commercial arrangements.²⁸

The first round of assessments closed in December 2024, receiving 48 submissions from

central and local government, the private sector, and other entities. The Commission endorsed 17 proposals across transport, water and wastewater, telecommunications, prisons and the defence estate. However, two-thirds were endorsed only at Stage 1 – meaning they identify important problems but require substantial further development before being ready for funding decisions.²⁹ A second round closed in April 2025 with over 70 submissions under assessment.³⁰

This rigorous assessment process aims to raise the bar on project quality by encouraging proponents to consider cost-effective solutions, including low-cost and non-built options, before seeking government funding. The process helps prevent politically-motivated spending while ensuring proposals demonstrate clear public benefits.

The Commission maintains the National Infrastructure Pipeline, tracking over 12,000 projects. This provides visibility of planned investments across central government, local government and the private sector. The pipeline helps identify gaps, avoid duplication, and coordinate delivery.³¹

The Commission's draft National Infrastructure Plan provides a 30-year assessment of infrastructure needs with 19 recommendations across funding, delivery processes and asset management. On funding, the Plan's primary recommendation calls for user-pays pricing for network infrastructure like roads and water – through tools such as tolls, congestion charging, and water metering – with social infrastructure like schools and hospitals continuing to rely on tax and rates funding. Yet these recommendations, while valuable for improving infrastructure planning and pricing efficiency, do not on their own solve the fundamental capital gap.

Nor does the draft Plan prioritise which projects the country should build. The Plan explicitly states that it “reflect[s] back what's already

happening, rather than proposing new projects.”³² Consequently, the Commission says its IPP “should not be considered as a prioritised list.”³³ The Commission assesses whether proposals submitted by agencies are investment-ready. It does not determine national infrastructure priorities.

The government's response is due by mid-2026. When the Infrastructure Commission released the draft National Infrastructure Plan for public consultation in June 2025, ministers from both major parties emphasised its bipartisan nature. Infrastructure Minister Chris Bishop stated “this is not the... coalition government's plan, this is New Zealand's plan,” adding that the country would “be better off if we follow its recommendations.”³⁴ Labour leader Chris Hipkins said the plan was “a welcome contribution,” noting that “if we can agree some shared priorities, we can avoid this flip-flopping cycle where everything just takes too long and costs too much.”³⁵ This early cross-party support signalled the potential for enduring consensus on infrastructure priorities across successive governments.

The Commission's draft National Infrastructure Plan also identifies significant systemic challenges beyond funding. While New Zealand spends a higher percentage of GDP on infrastructure than many peer countries, the Commission found the country ranks in the bottom 10% globally for value from that spending.³⁶ About half of central government investment proposals lack robust business cases when submitted for Budget funding. The OECD ranks New Zealand fourth-to-last among peer countries for asset management practices.³⁷

Poor project planning, weak asset management, and fragmented delivery contribute as much to the infrastructure deficit as lack of funding. The Commission's work on distressed projects like Transmission Gully highlighted these delivery challenges.³⁸

Improving these processes alongside addressing funding constraints is essential. Solving New Zealand's infrastructure challenge requires both additional investment and fundamental improvements in how infrastructure is planned, delivered and maintained.³⁹

2.3 Funding Constraints

The conventional tools for funding infrastructure face severe strain. Government debt already exceeds the Treasury's pre-Covid guidance on prudent levels. Net core Crown interest payments consume 3.7 cents of every tax dollar – triple the level in 2021.⁴⁰ These payments exceed the entire police force budget.

Budget 2025 set the net capital allowance at \$4.0 billion for new discretionary capital investment, with future Budgets 2026-2028 preset at \$3.5 billion each. Treasury discontinued the Multi-Year Capital Allowance framework in December 2024, returning to single-Budget capital allowances to retain flexibility to vary allowances within fiscal strategy constraints. These constrained capital allowances represent a significant tightening compared to infrastructure investment needs.⁴¹

Closing infrastructure gaps of this scale through traditional funding sources alone is not feasible. It would demand tax increases that would be both politically unpalatable and economically damaging or borrowing. Adding such sums to public debt would dramatically increase current Crown borrowings. The resulting interest burden would crowd out spending on essential public services.

2.4 The Role of Public-Private Partnerships

Public-private partnerships (PPPs) allow governments to harness private sector expertise and capital for infrastructure projects. Through PPPs, governments can build infrastructure

while transferring construction and sometimes operating risks to private partners better placed to manage them.

All infrastructure funding approaches create long-term financial commitments. Whether through borrowing, PPPs or asset sales, the government must either service debt or make ongoing PPP payments. PPPs are primarily a financing mechanism rather than a funding solution. The financial structure of PPPs is straightforward: private partners provide upfront capital and expertise, while the government commits to ongoing payments over the project's life. In New Zealand, where user-pays models lack political support for most infrastructure, PPPs typically involve the Crown making availability payments over the asset's life.

New Zealand's experience with PPPs illustrates their characteristics. Transmission Gully, the 27-kilometre motorway north of Wellington, stands as the country's largest PPP to date. While the project demonstrated private sector capability to deliver complex infrastructure, the Infrastructure Commission's 2024 Briefing to the Incoming Minister noted that reviews of Transmission Gully and City Rail Link had provided insights into the right tools for different projects and the importance of risk allocation.⁴²

PPPs work well for specific types of projects, but they cannot solve New Zealand's broader infrastructure funding challenge. The November 2024 PPP Framework notes that most New Zealand projects lack sufficient third-party revenue streams to support full infrastructure costs through PPPs alone, meaning the Crown must still fund the bulk of infrastructure investment through other means.⁴³ Many infrastructure investments, from flood protection to local roads, also lack the scale or complexity that justifies the additional transaction costs of PPP procurement. While PPPs remain a valuable tool where appropriate, other funding solutions are needed to address the infrastructure deficit.

2.5 New Solutions Required

Asset recycling stands out among the possible solutions. Rather than relying solely on new debt or taxes, the government can unlock value from existing commercial assets and dedicate proceeds to priority infrastructure.

This approach has proven successful internationally. New South Wales has raised over A\$50 billion for infrastructure investment through carefully structured asset sales and long-term leases. The next chapter examines how New South Wales designed and implemented its asset recycling programme, the broader Australian experience, and what lessons might apply to New Zealand's circumstances.

CHAPTER 3

The NSW Model – and Beyond

In 2011, New South Wales faced a familiar problem. The state needed massive infrastructure investment but lacked the means to fund it. Its response offers valuable lessons for New Zealand and has since influenced infrastructure funding approaches across Australia and beyond.

Rather than raise taxes or increase borrowing, NSW developed an innovative solution. The government would sell or lease assets it did not need to own and recycle the proceeds into new infrastructure. The NSW model included critical safeguards: the bulk of proceeds would be ring-fenced in dedicated infrastructure funds with transparent governance and independent project assessment.

The results have been remarkable. From 2011 to 2024, NSW generated over A\$50 billion through asset recycling. As of June 2024, the Restart NSW Fund had received A\$37.9 billion in total inflows, which funded major state infrastructure projects such as the Sydney Metro and components of WestConnex, alongside over 817 local and community infrastructure projects.⁴⁴ The public benefits are visible in new hospitals, schools, roads and other essential infrastructure.

The programme's political success is particularly notable. Well-designed communication about the benefits of asset recycling helped build majority public support in marked contrast to the typical opposition to asset sales. It suggests that careful programme design and clear communication of benefits can overcome traditional resistance to changes in public ownership.

The NSW approach proved so successful that it inspired similar initiatives across Australia and internationally. From Victoria's Port of

Melbourne lease to Ontario's Trillium Trust in Canada, governments have adapted elements of NSW's model to their own infrastructure challenges. What began as a single state's response to funding pressures has evolved into an established infrastructure financing mechanism with applications across diverse political and economic contexts.

3.1 Key Elements of the NSW Model

At the heart of NSW's success was the Restart NSW Fund, established in 2011. The fund provided the governance framework to ensure that asset recycling delivered lasting public benefit rather than short-term budget relief.

The model's strength lay in its simplicity. The government would identify assets it did not need to own. These might be commercial properties, surplus land holdings, or businesses operating in competitive markets. Each sale would be assessed against clear criteria, including whether private ownership could deliver better value while protecting public interests.⁴⁵

The majority of asset sale proceeds flowed into the Restart NSW Fund, though some major transactions were handled through separate mechanisms.⁴⁶ This ring-fencing was critical. It assured the public that the "family silver" would not be sold to pay for day-to-day government spending. The Restart NSW Fund Act 2011 established the fund as a Special Deposits Account specifically to hold proceeds from asset transactions.⁴⁷

The Restart NSW framework required all infrastructure projects seeking funding to

demonstrate clear public benefits through rigorous cost-benefit analysis.⁴⁸ But Infrastructure NSW did more than assess individual projects. It determined the state's infrastructure priorities.

In October 2012, Infrastructure NSW delivered its first 20-year State Infrastructure Strategy to the Premier, containing 70 recommendations for projects and reforms. The NSW Government described it as “the first ever prioritised and costed long-term infrastructure strategy” in the state's history.⁴⁹ The government accepted or noted 63 of those 70 recommendations.

When asset recycling ramped up, the Premier asked Infrastructure NSW to update its strategy, specifically to guide how asset sale proceeds should be spent. The 2014 State Infrastructure Strategy Update identified 30 investment recommendations worth A\$18.9 billion.⁵⁰ Restart NSW proceeds flowed to projects on that list. The link between asset sales and specific infrastructure outcomes was visible, accountable and independently determined.

Infrastructure NSW independently assessed and recommended projects for funding, with the Treasurer making final approval decisions. This arrangement ensured that investment decisions were based on merit rather than political expediency.

The Restart NSW Fund did not procure or deliver projects itself. Instead, it operated as a funding pool that provided capital to government agencies or local project proponents, which then managed procurement through their established processes.⁵¹ Projects supported by Restart NSW included a mix of NSW government agency-led infrastructure projects and local community projects delivered by councils or other entities.

A critical policy goal of Restart NSW was ensuring “additionality” – that its investments represented new infrastructure beyond what would have been delivered through normal

budget processes. Several mechanisms helped achieve this. The Act established that Restart NSW's purpose was to fund major new projects that improve economic growth.⁵² Government rhetoric consistently framed the fund as financing extra infrastructure that would not otherwise be possible. Because the fund was separate from general revenue, it was clear when money was used for a new project. This transparency made it harder to quietly replace normal capital funding with Restart money.

NSW's participation in the Commonwealth Asset Recycling Initiative from 2014 reinforced this additionality requirement. The Commonwealth provided incentive payments only on asset sale proceeds actually reinvested in additional infrastructure, with payments tied to milestones and subject to clawback if projects did not proceed.⁵³

During the asset recycling era, NSW's overall infrastructure outlays grew to record levels, suggesting Restart NSW supplemented rather than replaced other funding.

Transparency was another cornerstone of the programme. Regular public reporting showed exactly how much money had been raised and where it was being spent. This accountability helped maintain public confidence.⁵⁴ The NSW government also recognised the importance of early successes. Initial projects were chosen carefully to demonstrate clear public benefits. As these benefits became visible in new and improved infrastructure, public support for asset recycling grew.

Through these measures, NSW sought to ensure that each dollar in the Restart NSW Fund drove new projects such as the Sydney Metro Northwest rail line, WestConnex highways, regional hospitals and schools. Former NSW Premier Mike Baird described the state as experiencing a “once-in-a-generation infrastructure and jobs boom” enabled by

the asset recycling programme, with projects that would help build “the future for the next generation” for Sydney and NSW.⁵⁵

3.2 Asset Recycling Beyond NSW

Australia’s federal government sought to encourage other states to follow NSW’s lead. Under the Commonwealth’s Asset Recycling Initiative, launched in 2014, participating states received incentive payments of 15% of asset sale proceeds, but only on the proportion reinvested in additional infrastructure. This payment formula automatically enforced additionality: states received the Commonwealth bonus only to the extent they genuinely added to their infrastructure investment. By the programme’s conclusion in 2019, the Commonwealth had provided A\$2.3 billion in incentive payments across participating jurisdictions, unlocking over A\$15 billion in new infrastructure investment.⁵⁶

Several Australian states implemented asset recycling initiatives, each with its own approach. Victoria embarked on a significant programme in 2016, establishing the Victorian Transport Fund to hold these proceeds, designated specifically for transport infrastructure projects such as removing level crossings and upgrading roads. The Victorian experience demonstrates that asset recycling can work across the political spectrum. NSW’s programme was delivered by Liberal governments; Victoria’s by Labor. Both succeeded when the focus remained on delivering infrastructure that meets community needs.

The Australian Capital Territory (ACT) followed a smaller-scale but similar approach. The territory government recycled public housing stock and its betting agency to raise funds for infrastructure, qualifying for federal incentives. The proceeds were primarily directed to public transport infrastructure, including a light rail system serving the Canberra community.⁵⁷

Not all Australian states proceeded with asset recycling programmes. Queensland considered major asset leases in 2015 but ultimately did not proceed with the plan following a change of government. Western Australia also explored recycling electricity network and port assets to manage debt and fund new projects, but these proposals did not advance.⁵⁸

The experiences across Australian states highlight the importance of transparency and community engagement in asset recycling initiatives. States that established clear governance structures and maintained open dialogue with communities about infrastructure priorities tended to achieve more sustainable outcomes. The ring-fencing of proceeds in dedicated infrastructure funds, independent project assessment, and regular reporting on outcomes were common features of successful approaches.

3.3 Key Sales Transactions

The scale and diversity of asset sales across these jurisdictions demonstrated how different types of assets could be recycled to fund infrastructure. NSW’s transactions illustrate this range.

When NSW partially privatised the electricity distribution network, Ausgrid, it generated A\$16.2 billion.⁵⁹ This was followed by the State leasing TransGrid, the high-voltage transmission network, raising A\$10.3 billion in 2015, and Endeavour Energy, raising A\$7.6 billion in 2017.⁶⁰

The ports sector provided another major source of funds. A 99-year lease of Port Botany and Port Kembla raised A\$5.1 billion, while the Port of Newcastle lease generated a further A\$1.75 billion.⁶¹ These transactions demonstrated how well-structured lease arrangements could unlock significant value while maintaining public ownership of strategic assets.

Victoria similarly achieved substantial returns from its port assets. In 2016, the Victorian government leased the Port of Melbourne for 50 years, generating A\$9.7 billion from a consortium of investors.⁶² The proceeds were directed to the Victorian Transport Fund, primarily funding level crossing removals and major road upgrades across the state.

NSW also recycled major infrastructure projects built with public capital. The State sold a 51% stake in WestConnex motorway in 2018 for A\$9.3 billion, with proceeds directed to fund completion of the motorway's final stage. The remaining 49% was sold in 2021 for A\$11.1 billion, with these proceeds deposited into the NSW Generations Fund for debt reduction rather than new infrastructure investment.⁶³

In 2018, NSW sold its 58% share in Snowy Hydro Ltd to the Commonwealth Government for A\$4.2 billion. These proceeds were earmarked for the separate Snowy Hydro Legacy Fund dedicated to regional infrastructure, rather than the Restart NSW Fund.⁶⁴

Property assets also proved valuable. Sales of surplus assets, including the Land and Property Information Registry lease for A\$2.6 billion, provided additional funding for infrastructure.⁶⁵

Importantly, each transaction included carefully designed protections for public interests. The port leases included requirements for ongoing public access and environmental protections. Electricity leases maintained strict regulatory oversight to protect consumer interests.⁶⁶

3.4 Results and Implementation

The outcomes of asset recycling across Australian jurisdictions demonstrate the practical impact of these programmes when well-designed and executed. As of June 2024, NSW alone had remitted A\$37.9 billion to the Restart

NSW Fund, which had in turn committed A\$35.7 billion to infrastructure projects.⁶⁷

The scale of infrastructure delivered was extraordinary. The programme funded ten major projects in NSW, led by Sydney Metro City & Southwest, which received A\$11.3 billion from asset recycling proceeds.⁶⁸ This massive rail project would connect northwest Sydney to the city and Bankstown. The NSW Government's business case estimated the project would create over 44,000 additional jobs in the corridor by 2036 and generate more than A\$8.5 billion per annum in additional economic value.⁶⁹ Asset recycling accelerated the project's delivery by five to seven years, bringing forward infrastructure that would otherwise have remained decades away.⁷⁰

Beyond the Sydney Metro, Restart NSW funded the Parramatta Light Rail, the previously unfunded M4 Smart Motorway, and a series of road improvements, including the Gateway to the South Pinch Points and the Northern Beaches B-Line bus rapid transit.⁷¹ Each project was brought forward by between two and five years through the injection of asset recycling capital.⁷²

The scope of projects extended well beyond capital cities. NSW's programme included a requirement that 30% of all Restart NSW funding be directed to regional areas outside Sydney, Newcastle, and Wollongong.⁷³ This ensured benefits were distributed across the state, helping to maintain broad political support. Funded projects included regional hospitals, road upgrades, and improved water infrastructure, addressing longstanding infrastructure gaps in rural communities. Over A\$2.4 billion was allocated to more than 817 local and community infrastructure projects, with over 660 complete or closed by June 2024.⁷⁴

Successful initiatives followed rigorous project selection. In NSW, investments had to improve

public transport, roads, hospitals, schools, or other essential infrastructure. Each project underwent a detailed cost-benefit analysis with recommendations made by Infrastructure NSW rather than politicians. This rigour helped ensure public money delivered maximum benefit. Victoria adopted similar disciplined approaches to investment decisions for its Transport Fund, prioritising projects with clear economic and community benefits.⁷⁵

These initiatives also showed flexibility in transaction structures. While some assets were sold outright, others were retained under long-term lease arrangements. NSW's port transactions, for example, used 99-year leases rather than permanent sales, allowing the State to maintain ultimate ownership while still unlocking significant capital. These arrangements could include carefully designed protections for public interests through regulatory oversight and specific contract provisions.

Perhaps most significantly, these programmes maintained public acceptance where they were well implemented. Research in NSW found that when the benefits of asset recycling were properly explained, 61% of residents supported the policy, with only 9% opposed. When asked how new infrastructure should be funded, 71% favoured recycling underutilised assets over raising taxes or increasing debt.⁷⁶

The Australian experience shows that with careful management, asset recycling can deliver on its promise of improved infrastructure without additional tax burdens. The visibility of completed projects proved crucial. In NSW's fiscal year 2018-19 alone, the Restart Fund paid out A\$5.6 billion to infrastructure projects.⁷⁷ The programme funded the schools, hospitals, roads and rail infrastructure that communities needed, demonstrating how strategic asset recycling could unlock decades of underinvestment.

3.5 International Adaptations

While Australia's asset recycling initiatives have been the most comprehensive, other countries have explored similar approaches. Canada stands out for implementing a comparable model, with Ontario's experience providing valuable additional insights into how asset recycling can be structured and managed.

The province of Ontario established the Trillium Trust as a special fund to hold proceeds from asset sales for infrastructure investment. Like NSW's Restart NSW Fund, the Trillium Trust provided a ring-fenced vehicle with a legislative mandate to invest in infrastructure projects.⁷⁸

In 2015, Ontario's government sold 15% of Hydro One (the provincial electricity transmission utility) via an initial public offering and dedicated about C\$3.2 billion from that sale to the Trillium Trust for infrastructure funding.⁷⁹ This was part of a broader initiative called "Moving Ontario Forward," which aimed to invest billions in transit, transportation, and other infrastructure, financed partly by asset sales.⁸⁰

The principle was the same as NSW's approach – unlock capital from existing assets and ring-fence it in a dedicated fund for new projects. Concrete outcomes included the GO Transit regional express rail and other transit expansions around Toronto.

Ontario's approach differed from the Australian model in some respects. Rather than full privatisation, Ontario chose a partial sale, retaining 85% ownership of Hydro One initially (later reduced to 40%).

Ontario's experience also highlights an important challenge in implementing asset recycling. There was significant public debate over whether the Trillium Trust was sufficiently protected from being redirected to other purposes.⁸¹ Critics expressed concern that funds might be diverted

from infrastructure to general spending, underscoring the importance of strong legislative safeguards and transparent reporting to maintain public trust.

Advocates for Ontario's approach emphasised that they were "selling the clunker car to buy a newer car" rather than "selling the furniture to pay the mortgage" – stressing that it was a strategic upgrade of assets rather than a desperate sell-off.⁸² This framing helped present asset recycling as a prudent financial management approach rather than a short-term budget fix.

Ontario's experience reinforces the importance of clear legal frameworks and public communication to ensure the integrity of the recycling promise.

3.6 Lessons for New Zealand

The experiences of asset recycling across Australia and Canada offer valuable insights for New Zealand. Several key success factors emerge from these examples that could be applied to New Zealand's unique context.

First, strong governance structures are fundamental to successful asset recycling initiatives. Both NSW's Restart Fund and Ontario's Trillium Trust relied on independent bodies to assess and recommend projects. In NSW, Infrastructure NSW provided arm's-length evaluation of project proposals, ensuring decisions were based on evidence rather than political expediency. New Zealand's Infrastructure Commission could play a similar role, providing independent oversight of project selection and ensuring recycled capital is directed to investments with the highest public benefit.

Second, independent prioritisation of infrastructure needs must precede project assessment. In NSW, Infrastructure NSW did not merely assess projects put before it. The

body created a prioritised list of what the state should build. Without such a list, requiring projects to be in an infrastructure plan becomes meaningless – Ministers can fund whatever they wish, and project selection becomes subject to political whim. Independent project assessment and prioritisation disciplines what money is spent on.

Third, a clear separation of funding and procurement functions is crucial. This separation maintains specialist procurement knowledge while ensuring central coordination of investment decisions. New Zealand could adopt this model, with a dedicated infrastructure fund providing capital to agencies like the New Zealand Transport Agency for project procurement and delivery.

Fourth, ensuring additionality is essential for public confidence. Successful initiatives used multiple mechanisms to guarantee that recycled funds supplemented rather than replaced normal capital spending. These included legislative requirements, ring-fencing of proceeds, and transparency in reporting. New Zealand would need similar safeguards to ensure that asset recycling delivers genuinely new infrastructure rather than simply shuffling existing funding sources.

Fifth, transaction structures should be tailored to specific assets and public needs. The international experience shows a spectrum of approaches from full privatisation to partial sales and long-term leases or concessions.

Sixth, public interest protection must be built into any transaction. NSW incorporated requirements for ongoing public access, environmental safeguards, and consumer protection into its asset sales and leases. New Zealand's regulatory framework, including the Commerce Commission's oversight of monopoly industries, provides a foundation for similar protections.

Seventh, rigorous project assessment ensures recycled capital delivers maximum value. NSW required a detailed cost-benefit analysis for all projects seeking funding. New Zealand already has established business case methodologies through Treasury's Better Business Cases framework, which could be applied to infrastructure fund investments.

Eighth, clear public communication is perhaps the most underappreciated success factor. NSW's experience showed that opposition to asset recycling diminishes significantly when people understand the direct connection to improved infrastructure. New Zealand would need a similarly transparent approach, clearly articulating the link between specific asset transactions and the new infrastructure they would enable.

Finally, early wins help build momentum and public confidence. NSW carefully selected initial projects to demonstrate clear benefits, creating visible evidence of asset recycling's value. New Zealand could adopt the same approach, prioritising projects with broad public appeal and relatively short delivery timeframes to establish early success.

These lessons suggest that asset recycling could work both politically and practically in New Zealand. By drawing on international experience and adapting it to New Zealand's circumstances, a well-designed asset recycling programme could help close the infrastructure gap while improving the performance of public assets.

The next chapter examines specific opportunities within New Zealand's Crown commercial portfolio where this model could be applied.

CHAPTER 4

Opportunities for Asset Recycling

Alongside the country's infrastructure challenge sits a \$598 billion Crown balance sheet, ranging from shareholdings in state-owned enterprises (SOEs) and mixed-ownership model (MOM) companies to a massive housing portfolio, schools, prisons and land.

Some Crown assets serve essential public purposes. Roads, courts, defence facilities and other core infrastructure enable the government to deliver core public services. Their presence on the Crown balance sheet is broadly understood. Whether or not the Crown needs to *own* these assets is another matter.

But the Crown also owns – or has ownership stakes in – many commercial enterprises operating in markets well-served by private companies. These include electricity generators, banks, farms, postal and logistics services, and valuation firms – all sectors where commercial discipline and competition already exist. Alongside these holdings, the government manages an \$83 billion investment fund – the New Zealand Superannuation Fund – largely financed through public borrowing.⁸³

This chapter examines Crown assets where changes in ownership could deliver public value. The primary focus is on commercial enterprises, including mixed-ownership model companies, state-owned enterprises, certain Crown entities such as Television New Zealand, and Crown-owned financial institutions, such as Kiwibank. Many compete directly with private firms in mature markets. Others have monopoly characteristics but operate under regulatory regimes that would enable private ownership. For these commercial assets, private ownership could improve performance whilst releasing significant

capital for infrastructure investment. Proceeds from selling or leasing these assets would flow into a dedicated infrastructure fund of the sort discussed in Chapter 3.

The chapter also considers Crown property portfolios involved in delivering public services, such as Kāinga Ora's social housing, state highways, hospitals and schools. Many core assets like defence facilities must remain in public ownership, ownership reform in other areas might improve efficiency and service delivery. While the case for recycling these service-delivery assets is likely to rest primarily on improved outcomes and fiscal sustainability, the proceeds could also contribute to addressing the infrastructure deficit.

4.1 The Crown's commercial assets

The Crown's commercial portfolio includes the MOM companies (Air New Zealand and the electricity generator-retailers – Meridian Energy, Mercury NZ and Genesis Energy), SOEs (such as Landcorp, NZ Post and Transpower) and Crown entities with commercial functions (such as Kiwibank and TVNZ).

These assets represent the most obvious opportunity for asset recycling. Many operate in competitive markets where private provision is well-established. Others have monopoly characteristics but operate under regulatory regimes that would enable private ownership.

In neither case does Crown ownership serve a clear policy purpose. Where market or competition concerns exist, the Crown relies on regulation rather than ownership to address

them. During the 2024-25 electricity supply crisis, the government commissioned an independent review, announced regulatory changes, and offered capital support for new generation.⁸⁴ But it did not instruct the three MOM electricity companies to moderate prices or change their commercial behaviour.

This pattern holds across the portfolio. If the Crown does not deploy ownership as a policy instrument, ownership serves no policy purpose.

And as Bryce Wilkinson documented in *The People's Portfolio*, Crown ownership can create structural problems that undermine commercial performance and efficient capital allocation.⁸⁵

Appendix A presents commercial values for these Crown-owned commercial assets at estimated market valuations, including those published in Statements of Corporate Intent or derived from standard corporate finance techniques. These values provide a helpful picture of the capital that could be unlocked through asset recycling – capital that could be redirected toward infrastructure investment without compromising essential public services.

As explained in more detail below and in Tables 4.1.1 to 4.1.3, a conservative estimate of the commercial value of the Crown-owned enterprises reviewed in this section exceeds \$24 billion. That is equivalent to the cost of building more than a dozen substantial new hospitals – or nearly seven times the total value of new infrastructure typically approved in an annual Budget.

4.1.1 MOM Energy Companies and Air New Zealand

The MOM companies offer significant opportunities for asset recycling. The Crown's majority stake in these enterprises ties up substantial capital and has constrained their commercial performance.

The three MOM electricity companies – Genesis Energy, Mercury NZ and Meridian Energy – emerged from reforms of the former Electricity Corporation of New Zealand (ECNZ). In 1999, ECNZ was split into Contact Energy, which moved to full private ownership, and three state-owned enterprises – Meridian Energy, Genesis Energy and Mighty River Power (now Mercury NZ). Between 2013 and 2014, the government sold 49% of each company while retaining majority control.⁸⁶

The sales achieved their objectives: they attracted private capital, improved governance, and introduced stronger commercial discipline. As Treasury's 2025 Investment Statement observed, the MOM companies have delivered materially better returns than fully Crown-owned SOEs, demonstrating the benefits of market accountability.⁸⁷

The three MOM energy companies have operated effectively as listed entities under well-established market rules and regulatory oversight. Concerns about electricity affordability and market concentration have persisted, but these issues reflect regulatory uncertainty and past policy missteps, rather than ownership structure. The former government's offshore gas exploration ban and its Onslow pumped hydro proposal created prolonged investment uncertainty, discouraging timely generation build.

Some critics point to vertical integration as a structural problem, but this model is common in liberalised electricity markets and offers efficiency and risk management benefits. In any case, continued Crown ownership has not shielded consumers from rising prices.

More significantly, the Crown's commitment to retaining majority control has complicated the MOM energy companies' growth. All three firms need significant capital to fund renewable energy investment to support New Zealand's decarbonisation goals. Until recently, the

Crown's reluctance to signal a willingness to contribute its share of new equity created a capital-raising impasse. Effectively, the firms have been left in a form of capital-raising limbo.

In October 2025, Finance Minister Nicola Willis moved to address this perception, writing to the three companies to confirm the Crown “is prepared to support capital funding requests for strategic and commercially rational investments that support energy security.”⁸⁸

This announcement removes one immediate constraint. Yet it highlights the fundamental weakness of the current ownership model. The companies' investment capacity now depends on the current government's willingness to provide capital – and future governments' willingness to do the same. Political cycles create uncertainty. A government committed to funding renewable energy today could be replaced by one with different priorities tomorrow. The Minister's assurance that proposals must “stack up” introduces another layer of political judgment into what should be purely commercial investment decisions. Private investors face no such constraints.

More broadly, Crown ownership introduces political risk: investment decisions, dividend policies, and executive remuneration may be influenced – or be seen to be influenced – by political considerations. In a sector where private ownership is the norm, these risks are neither necessary nor efficient.

Selling the Crown's remaining shares would remove these risks permanently and allow the MOM companies to raise capital based on commercial merit alone. Existing regulatory oversight through the Commerce Commission and the Electricity Authority would continue to safeguard consumer interests. A fully private ownership model would allow these regulators to operate without the Crown's conflicting interests as both rule-maker and shareholder. While a sale of the Crown's residual holdings is likely

to be subject to political cross-examination, it would strengthen the companies' ability to fund renewable investment at scale – and allow the Crown to reallocate its capital to higher-priority infrastructure.

Air New Zealand's ownership history differs from the electricity MOMs, but the policy logic for divestment is even clearer. Fully privatised in 1989, the airline returned to majority Crown ownership in 2001 following the collapse of its Australian subsidiary, Ansett. The bailout gave the government an 82% stake, later reduced to 53%. A second rescue during the Covid-19 pandemic involved a \$2 billion Crown package.⁸⁹

Today, the rationale for continued public ownership is weak. Air New Zealand is a well-run, commercially focused airline operating in an open market. It competes directly with private carriers across both domestic and international routes. Its services are regulated through airport access agreements and civil aviation frameworks – not ownership. Most governments no longer own their flag carriers. British Airways, Qantas and Lufthansa all operate successfully without state shareholdings.

The risks of continued Crown ownership are real. Air New Zealand's market capitalisation has fluctuated sharply over the past decade – from a peak of \$4 billion in August 2017 to just \$1.95 billion by 31 October 2025. The Crown's retention of a majority stake exposes taxpayers to commercial volatility without any clear public benefit. Selling the Crown's residual holding would allow the company to operate with full commercial freedom and give the government a chance to reallocate capital to where it is most needed – including more resilient transport networks or climate infrastructure.

As with the electricity companies, public interest obligations can be maintained – if needed – through targeted regulation or contractual service commitments. Ownership is not the only tool for safeguarding access.

Together, these four mixed ownership companies illustrate the risks of holding commercial assets for legacy reasons rather than strategic purposes. They are profitable, well-regulated businesses operating in competitive markets. Continued Crown ownership neither enhances service delivery nor improves accountability. It simply ties up capital that could be more productively

deployed elsewhere. The estimated value of the Crown's shareholdings is set out in Table 4.1.1.

Full divestment would complete the transition begun more than two decades ago – freeing these companies to grow and allowing the government to focus its balance sheet on infrastructure and services only it can provide.

Table 4.1.1 MOM Company Values in \$m

Company	Crown Stake	Crown Accounts Net Equity Value (FY25)*	NZX Market Value Crown's 51% share (31 October 2025)
Meridian Energy	50.66%	\$8,865	\$7,889
Mercury NZ	51.15%	\$4,893	\$4,676
Genesis Energy	51.23%	\$2,982	\$1,444
Air New Zealand	51.0%	\$3,334	\$976
TOTAL		\$20,074	\$14,985

Source: 2025 Crown Financial Statements and NZX website accessed 31 October 2025: <https://www.nzx.com/>

* Figures represent 100 per cent of each company's total net equity, not the value of the Crown's proportionate shareholding (for which see next column).

4.1.2 State-Owned Enterprises

The SOE portfolio represents a further tier of Crown-owned commercial assets where substantial opportunities exist for asset recycling. Unlike the MOM companies, SOEs are fully Crown-owned and operate across a wide range of sectors – from logistics and telecommunications to farming, food safety, meteorology and electricity transmission.

Many SOEs operate in competitive or contestable environments where private sector alternatives already exist. These include New Zealand Post, Landcorp (Pāmu), Quotable Value, AsureQuality and Kordia. Meanwhile, other SOEs like Transpower provide services in regulated markets or contribute to essential public functions. But these characteristics do not, in themselves, justify continued public ownership.

Despite the scale of the Crown's investment – with Crown equity of \$24.69 billion recorded in the 2025 Crown accounts – the commercial performance of SOEs is poor. In 2024-25, they generated a combined operating surplus of \$147 million and paid only \$151 million in dividends, implying a return on equity of just 0.6%.⁹⁰

As shown in Table 4.1.2, independent commercial valuations prepared for Treasury suggest the market value of the SOE portfolio may be as low as \$5 billion – a fifth of the book value reported under public sector accounting rules. This enormous valuation gap, combined with weak financial returns and a lack of compelling strategic rationale in most cases for continued Crown ownership, creates a strong case for ownership reform.

Table 4.1.2 SOE Company Values in \$m

Company	Crown Stake	Crown Accounts Net Equity Value (FY25)*	SCI/DCF Valuation (FY25)**
Airways Corporation of New Zealand Limited	100%	199	323
Animal Control Products Limited***	100%	19	12
AsureQuality Limited	100%	112	198
KiwiRail Holdings Limited	100%	16,155	(573)
Kordia Group Limited	100%	67	98
Landcorp Farming Limited	100%	1,829	1,800
Meteorological Service of NZ Limited***	100%	19	57
New Zealand Post Limited	100%	592	626
New Zealand Railways Corporation	100%	4,305	-
Quotable Value Limited***	100%	19	28
Transpower NZ Limited	100%	1,374	2,600
TOTAL		24,690	5,169

Source: 2025 Crown Financial Statements and SOEs' Statements of Corporate Intent (SCIs).

Notes:

* Net equity value recorded in the 2025 Crown Financial Statements (applying public sector accounting standards): The key difference between NZ IFRS and Public Sector Accounting Standards is the application of the Optimised Depreciated Replacement Cost method for valuing specialised infrastructure assets. KiwiRail is a helpful example, where the Crown Accounts record a net equity value of \$16.2 billion, compared to KiwiRail's accounts, which record a net asset value of \$4.3 billion.

** Independent SCI valuation, which reflects an independent market valuation. If a range of values was provided, the midpoint was selected.

*** The Crown accounts group the "Equity" values of these three SOEs under "Other" and does not provide a breakdown. As an expedient, these values are each one-third of the total.

Airways Corporation

Airways Corporation manages New Zealand's air navigation services. As of 30 June 2025, the Crown's equity in the company was \$199 million, and its independently assessed commercial value was \$323 million.⁹¹ Although aviation safety is tightly regulated worldwide, many countries have moved air traffic control services into private or non-governmental hands.

The UK shows how private ownership can work effectively. The UK's NATS has operated with mixed public and private ownership since 2001. Private capital has helped fund major technology upgrades while regulatory oversight maintains safety standards. NATS has improved both service quality and cost efficiency since moving out of government ownership.⁹²

NAV CANADA offers another proven model. As a non-profit corporation owned by aviation industry stakeholders, it has kept fees competitive and managed one of the world's largest airspaces. The organisation invests heavily in new technology without requiring government funding.⁹³

Airways Corporation already operates under Civil Aviation Authority regulation. Its core functions – safety oversight, service quality, and investment discipline – can be maintained or enhanced under private ownership, as international models demonstrate. Whether through mixed ownership, not-for-profit governance, or concession models, there is no public policy reason for the Crown to retain full ownership of New Zealand's air traffic control services.

Animal Control Products Limited

Animal Control Products, trading as Orillion, manufactures pest control products used to protect New Zealand's environment from introduced mammalian pests. The company supports the Government's Predator Free 2050 initiative and remains a major supplier of bait for large-scale predator control and biodiversity restoration programmes. An independent valuation prepared for the company puts the commercial value of the Crown's investment at just \$11.7 million.⁹⁴

Like AsureQuality and other state-owned testing and certification enterprises, Orillion operates in a market where private companies already manufacture and supply comparable products. All vertebrate toxic agents (VTAs) must meet rigorous standards enforced by the Environmental Protection Authority and the Ministry for Primary Industries, regardless of ownership. Orillion's own products are approved under these same frameworks.

The development, manufacture and distribution of pest control products do not require Crown ownership. New Zealand's strategic biodiversity goals – including Predator Free 2050 – could be advanced through procurement contracts, regulatory settings, and contestable R&D support, without the need for the Crown to own a manufacturer.

Overseas, similar products are manufactured and exported by private firms operating under regulatory supervision. Orillion's public purpose can be served more efficiently by reshaping the government's role from owner to regulator and customer.

AsureQuality

AsureQuality provides food safety testing, inspection, auditing, and certification services across New Zealand's food supply chain. As of 30 June 2025, the Crown's equity in the company was \$112 million. The company's commercial

value, as independently assessed using a discounted cash flow method, was \$198 million.⁹⁵

AsureQuality competes directly with international firms such as Bureau Veritas and SGS, which operate globally and bring significant technological scale and expertise. SGS, for example, maintains more than 2,600 laboratories in over 140 countries. Bureau Veritas operates in more than 140 countries, with a large global footprint in food and environmental testing.

Food testing laboratories must be accredited by International Accreditation New Zealand to demonstrate technical competence and compliance with international standards. These accreditation requirements apply equally to government and privately owned providers.

Private ownership of food testing laboratories is now standard practice internationally. In New Zealand, most food safety testing is already carried out by private laboratories. AsureQuality operates in this competitive environment, subject to the same regulatory and technical benchmarks as private providers. There is no compelling public interest rationale for maintaining Crown ownership of a food testing business in an already well-regulated and well-functioning market.

KiwiRail and New Zealand Railways Corporation

KiwiRail operates New Zealand's national rail freight services, passenger trains and the Interislander ferry. It also maintains the 3,700 km rail network. The land beneath the tracks is owned separately by New Zealand Railways Corporation (NZRC), which leases it to KiwiRail for a nominal \$1 per year under a "Core Lease" running to 2070. KiwiRail has proposed extending this arrangement for another century.

The history of these two entities reflects decades of policy turmoil. The loss-making former New Zealand Railways Corporation was corporatised in the 1980s, partially privatised in 1993 as Tranz Rail, and sold to a consortium

including Wisconsin Central and Fay Richwhite. Tranz Rail later passed to Toll Holdings, from which the government re-acquired the rail and ferry operations in 2008 for \$690 million.

As of 30 June 2025, the Crown's equity in KiwiRail was \$16.155 billion. NZRC's rail corridor land was separately valued at \$4.305 billion. However, NZRC has no independent economic role and receives only the nominal lease payment from KiwiRail. Accordingly, its Statement of Corporate Intent assigns a commercial value of nil to the entity, with no expectation of generating cash flows or dividends for the foreseeable future.⁹⁶

KiwiRail itself continues to perform poorly on commercial grounds. Its Statement of Corporate Intent discloses a negative commercial valuation of \$573 million as of 30 June 2025.⁹⁷ The loss reflects ongoing operating deficits, capital intensity, and limited revenue growth despite over \$12 billion in Crown funding since 2008.⁹⁸

The 2023-24 collapse of the Interislander ferry replacement project illustrates the governance and financial risks that have dogged the enterprise. Originally budgeted at \$775 million, the programme was cancelled in 2024 after projected costs ballooned to nearly \$4 billion – only a fifth of which related to the ferries themselves. More than \$300 million had already been spent by the time the project was abandoned.⁹⁹ Other failures in capital delivery, recurring valuation write-downs, and Crown bailouts underscore the challenges of running politically constrained commercial enterprises from the Beehive.

KiwiRail's freight business cannot succeed when it competes on an uneven playing field. In contrast with road freight operators, KiwiRail must recover its network costs directly or through taxpayer subsidy, all while meeting expectations for climate leadership and regional development. The result is a rail system that is

commercially stranded: not competitive enough to thrive on its own, yet regarded by successive governments as too strategic to be allowed to fail. Until freight pricing reforms level the field between road and rail, no structure of Crown ownership – or privatisation – will solve the fundamental problem.

As a result, KiwiRail is not commercially viable in its current form and is therefore not a candidate for asset recycling as a whole. Its freight and ferry operations remain structurally unprofitable, its commercial valuation is negative, and the broader network relies heavily on public subsidy. However, targeted reforms may still be possible.

If road user charges are reformed to reflect the full costs of heavy vehicle use, select parts of the enterprise could become viable candidates for private ownership. International experience shows that long-distance tourist services like the Coastal Pacific can be successfully operated under concession models. Freight companies might invest in specific corridors or terminals in exchange for operating rights. And KiwiRail's substantial urban land holdings – over 18,000 hectares and more than 900 buildings – offer opportunities for joint ventures or commercial development.

Kordia

Kordia provides telecommunications, broadcasting, and cyber-security services to business and government customers. It operates maritime safety networks covering over a quarter of the world's oceans and is involved in building the secure digital network for New Zealand's emergency services.

As of 30 June 2025, the value of the Crown's equity in Kordia was \$67 million. Kordia's independent commercial valuation was estimated at between \$77 million and \$119 million, with a midpoint of \$98 million.¹⁰⁰

The company began as Broadcasting Communications Limited, with a monopoly on transmission services. Kordia now operates in a fully competitive environment. The shift to digital broadcasting and on-demand streaming has fundamentally reshaped the media and transmission landscape. Private telecommunications firms – including Spark, Vodafone, and 2degrees – own and operate extensive national networks. Cybersecurity and digital connectivity services, once dominated by state incumbents, are now contested by a wide range of private providers in New Zealand and internationally.

Kordia's continued public ownership serves no evident strategic purpose. The services it provides are fully contestable. Market performance and service reliability are already regulated by the Commerce Commission and sector-specific technical standards. Crown ownership neither improves competitive neutrality nor fills a market gap.

The company itself recognises these competitive realities. In November 2025, Kordia sold its managed IT services division to Australian firm Fusion5, with 26 staff transferring to the new owner. The sale reflected what Kordia's 2025 annual report acknowledged: "revenues from cyber managed services were flat in a competitive market." With broadcasting revenue facing long-term decline, Kordia has been divesting non-core businesses, while its maritime and emergency services communications remain viable but hardly justify continued Crown ownership.¹⁰¹

Private competitors provide equivalent services at scale in this mature and well-regulated market. There is no compelling policy reason for Crown ownership of a telecommunications, cybersecurity, or broadcast network provider. The company generates stable commercial returns, is well-governed, and would be readily saleable either through a trade sale or public listing. Kordia is a clear candidate for asset recycling.

Landcorp

Landcorp, trading as Pāmu, is New Zealand's largest farming business. It manages over 112 farms, spanning tens of thousands of hectares across the country. As of 30 June 2025, Pāmu's total assets were \$2.196 billion, with Crown equity of \$1.829 billion, and a board-assessed commercial value of \$1.8 billion.¹⁰² These assets include a diverse portfolio of livestock, dairy, horticulture, and forestry operations.

Pāmu was originally established to convert undeveloped land into productive farms. That development role ended decades ago. Today, it operates as a standard commercial farming business – in competition with the rest of the country's farming sector – but with the additional overlay of state ownership. Most of its activities involve conventional pastoral farming, using commercial inputs, selling into global markets, and subject to the same climate, commodity, and regulatory pressures as private farms. Its strategy is now focused on "highest and best land use," and includes shifting marginal farmland into forestry or protected natural capital and converting more productive land to dairy beef or horticulture.¹⁰³

Despite these efforts, Pāmu has consistently delivered weak financial returns. In FY2024, it recorded a return on equity of -1.4%, and while FY2025 performance improved to 7.3%, this was largely driven by fair value gains on assets rather than operating performance.

Pāmu projects a dividend yield of 0.9% in FY2026.¹⁰⁴ The company's balance sheet is largely underpinned by land revaluations, not cash returns. Shareholding Ministers expect Pāmu to deliver commercial performance and operate efficiently – but this has proven difficult under Crown ownership.

There is no compelling commercial reason for the Crown to retain ownership of a national farming business. Private farmers already manage nearly

all of New Zealand’s agricultural land, including under publicly listed structures like Scales Corporation and MyFarm syndicates. If the Crown wishes to retain conservation covenants, public access, or Treaty settlement flexibility over certain parcels, those goals can be achieved via standard legal instruments, such as easements, heritage protections, or long-term leasebacks. Pāmu’s subsidiary, Landcorp Holdings Ltd, already performs this function for designated protected land and Treaty settlement assets.

Landcorp is a clear candidate for asset recycling. It operates in a mature, highly competitive market; it has no natural monopoly characteristics; and its land and infrastructure assets are both saleable and underperforming. Private ownership is the norm in agriculture, and the capital currently tied up in Crown farmland could be better deployed addressing New Zealand’s infrastructure deficit. With careful structuring to preserve heritage, Treaty settlement and environmental protections, the Crown could divest Pāmu in part or in full – through staged asset sales, long-term leases, or a public listing – while unlocking substantial capital and improving commercial discipline in land use.

MetService

MetService is New Zealand’s national meteorological service. It provides public weather warnings, aviation and marine forecasting, and commercial weather services through its MetraWeather and MetOcean Solutions subsidiaries. As of 30 June 2024, the company’s independently assessed commercial value was \$57.1 million.¹⁰⁵

MetService operates in a rapidly changing sector. Technological advances, expanding access to meteorological data, and increasing reliance on AI-based forecasting models have transformed the landscape. Private weather providers like WeatherWatch, AccuWeather, and The Weather Company now offer high-frequency,

location-specific forecasts to consumers and businesses. These services operate alongside national meteorological agencies in many countries – sometimes in competition with them. Public weather services are typically retained for emergency warnings, while commercial offerings have become more market-driven and personalised.

In April 2025, the Government confirmed that MetService will be acquired by NIWA and restructured as a wholly owned subsidiary within a new public research organisation (PRO) focused on earth sciences. This move will consolidate weather, climate, hydrology, and hazards forecasting within the Crown science system. The required legislation will remove MetService from the State-Owned Enterprises Act and align it with Crown research institutes like NIWA and GNS Science. The merger is described as fiscally neutral – involving one Crown entity purchasing another – but it marks a clear departure from MetService’s historic commercial status.

With its removal from the SOE portfolio and integration into a science-led public research organisation, MetService is no longer an obvious candidate for asset recycling. While its forecasting functions could, in principle, be delivered under contract – as in the UK or US – New Zealand has opted to centralise capability within the Crown research system. Future reform opportunities in this sector are more likely to arise within the structure and operations of NIWA itself, particularly in relation to its commercial marine and data services, which operate in increasingly contestable markets.

New Zealand Post

New Zealand Post (**NZ Post**) manages the national postal system and operates parcel and logistics businesses across New Zealand. Once responsible for banking and telecommunications, NZ Post has been progressively narrowed to a mail and courier operator.

As of 30 June 2025, the Crown's equity in NZ Post was \$592 million, and the company's group enterprise value was \$626 million, based on a Deloitte-prepared, board-approved sum-of-the-parts valuation. This was down from a value of \$729 million a year earlier.¹⁰⁶

NZ Post's core letters business is in long-term decline. Volumes have fallen sharply with the rise of digital communication, and the company now delivers fewer than three letters per household per week. Maintaining this network has become increasingly uneconomic, even with targeted government support. In FY2025, NZ Post posted a negative return on equity of -0.3%, and an interest cover ratio of 0.9,¹⁰⁷ reflecting *in part* the structural challenges of the traditional postal model, which remains subject to universal service obligations under a Deed of Understanding with the Government.

Meanwhile, NZ Post's parcel and courier operations – which now dominate its revenues – are fully commercial, operating in direct competition with private firms such as Aramex, DHL, and Freightways. These services are price-sensitive, logistics-driven, and capital-intensive.

There is no public policy rationale for the Crown to own a courier business. NZ Post's own strategy confirms this: it seeks to be “the delivery business of choice for Aotearoa New Zealand” by investing in digital logistics platforms, automated sortation, and eCommerce fulfilment – the same strategic playbook as its private competitors.¹⁰⁸

New Zealand is not alone in confronting these issues. Postal reforms overseas have already moved much further. The UK privatised Royal Mail in 2013 while retaining a universal service obligation via regulation. Germany's Deutsche Post is a publicly listed company operating globally under the DHL brand. Australia Post remains in public hands but faces growing calls for reform. The global trend is clear: separate the social obligation from the commercial engine

and allow competition to drive investment and efficiency.

NZ Post is no longer a national communications backbone. It is a marginal postal service bolted onto a commercial logistics business. Its continued Crown ownership serves no evident strategic, economic, or social purpose. The courier and logistics operations should be fully contestable. If the Government wishes to retain a universal mail service, it could do so more efficiently through regulated contracts or targeted subsidies – without tying up nearly three-quarters of a billion dollars in commercial warehousing and delivery assets. NZ Post is a prime candidate for asset recycling.

Quotable Value

Quotable Value (QV) provides property valuation, rating and consultancy services to local government, the public and commercial clients. It operates as a standard commercial valuation firm in a competitive and well-regulated market. As of 30 June 2025, the board-assessed commercial value of the company was \$28.0 million.¹⁰⁹

Once the Valuation Department of the New Zealand Government, QV is now a data-driven professional services firm. Its core business includes rating valuations for councils, real-time automated property valuations via qv.co.nz, consultancy services for government and commercial clients, and valuation platforms in Australia. The company is not a monopoly. It competes directly with private sector firms for commercial and residential valuation contracts, and for local government rating work, where registered valuers from any accredited provider can be appointed.

The property valuation sector is governed by professional registration under the Valuers Act 1948 and overseen by the Valuers Registration Board. There is no ownership-based differentiation in service quality or professional

standards. Private firms already perform the majority of property valuations in New Zealand, and councils are free to contract them for rating valuations. QV's market position is not a function of its Crown status – it is a function of brand, scale, and technology investment. None of these require government ownership.

There is no public interest rationale for Crown ownership of a commercial valuation firm. QV operates in a mature market with robust professional standards, active competition, and transparent regulatory oversight. Its services are contestable, its clients are commercial or governmental, and its brand could thrive independently. Crown ownership adds no discernible value to its operations or governance. QV is a straightforward candidate for full asset recycling.

Transpower

Transpower owns and operates New Zealand's national electricity transmission grid. It is responsible for the high-voltage transmission network and performs the system operator role that balances supply and demand in real time.

As of 30 June 2025, the Crown's equity in Transpower was \$1.374 billion, and the company's commercial value, as assessed in its Statement of Corporate Intent, was \$2.600 billion, based on an independently reviewed discounted cash flow valuation.¹¹⁰

Transpower is a regulated natural monopoly. It is subject to price-quality regulation by the Commerce Commission under Part 4 of the Commerce Act 1986. The Commission sets maximum allowable revenues and minimum reliability standards and imposes penalties for non-performance. For the 2025-30 regulatory period, the Commission has approved total revenues of \$5.8 billion to fund network reinvestment and growth, with price increases capped and smoothed to protect consumers. These protections apply regardless of who owns the business.

Transpower operates competently under Crown ownership, but its capital needs are rising rapidly. Annual capital expenditure is forecast to more than double between 2023/24 and 2026/27 – from \$488 million to over \$1.07 billion. This reflects the scale of asset renewal required and the demands of electrification. To meet these obligations, Transpower expects to retain more of its earnings, with dividends to the Crown falling sharply from \$120 million in FY2025 to just \$40 million per year through to FY2028 – a two-thirds reduction.¹¹¹ These constraints raise a fundamental question: should the Crown continue to fund this investment from its own balance sheet, or allow private capital to step in?

Transpower is a clear candidate for asset recycling. It operates under a mature and robust regulatory regime that ensures consumer protection, fair pricing, and service reliability. These outcomes do not depend on government ownership. Comparable jurisdictions have successfully divested their transmission businesses under similar regulation. As described in Chapter 3, in 2015, New South Wales leased TransGrid to a consortium of institutional investors for A\$10.3 billion.¹¹² The lease included conditions that protected consumers, required ongoing investment and allowed for government oversight.

New Zealand could follow suit. Transpower's regulated activities could be sold or leased under a long-term concession arrangement – for example, a 30-year lease with clear performance obligations and reversion rights. This would unlock significant capital for infrastructure investment while maintaining full regulatory control. Ownership could be limited to approved institutional investors, subject to national security considerations. Operational standards would remain subject to existing law and regulatory supervision.

Transpower is a high-value, well-regulated infrastructure business that meets all the conditions for responsible divestment.

Its investment needs are growing, its commercial returns are constrained, and private capital could meet future funding requirements more efficiently. Crown ownership adds little to its regulatory oversight and imposes opportunity costs on the public balance sheet. With appropriate safeguards, the Crown could recycle its equity in Transpower while maintaining control over all the outcomes that matter.

Summary

The SOEs reviewed in this section span a wide range of commercial activities – from logistics and telecommunications to farming and valuation services. In most cases, they operate in competitive or contestable markets where private firms already provide comparable services. Crown ownership adds little to service quality, strategic value, or financial performance.

While the Crown’s reported equity in these enterprises is almost \$25 billion, independent commercial valuations of the commercially viable SOEs suggest their market value is approximately \$5 billion. Rail assets, which account for over \$20 billion of SOE equity, are valued on a public benefit basis and excluded from these

commercial estimates. That discrepancy raises serious questions about the quality of capital allocation under Crown ownership – and whether successive governments have been good stewards of public investment. Asset recycling offers a more disciplined alternative: a way to release capital from underperforming holdings and redeploy it to higher-value public uses.

4.1.3 Other Crown Commercial Holdings beyond the SOE and MOM Portfolios

In addition to the Crown’s stakes in the MOM companies and SOEs, several other Crown entities operate in competitive or quasi-commercial environments. These include a 25% share in Christchurch International Airport, Kiwi Group Capital (**Kiwibank**), Television New Zealand (**TVNZ**), the New Zealand Lotteries Commission (**Lotto NZ**), and the Public Trust.

While these entities differ in form and function, they share one important feature: they operate in markets already served by private providers, raising questions about whether continued Crown ownership delivers net public value.

Table 4.1.3 Other Crown Commercial Holdings – Values in \$m

Company	Crown Stake	Crown Accounts Net Equity Value (FY25)*	Statement of Corporate Intent DCF valuation midpoint
Christchurch International Airport	25%	Undisclosed	\$420
Kiwibank	100%	\$3,129	\$2,784
Lotto NZ	100%	\$80	Unavailable
National Infrastructure Funding and Financing Agency	100%	\$1,257	Unavailable
New Zealand Growth Capital Partners	100%	Undisclosed	Unavailable
Public Trust	100%	\$82*	\$92.4
TVNZ	100%	\$267	Unavailable
Total		\$4,815	\$3,296

Source: 2025 Crown Financial Statements and most recently available Statements of Corporate Intent.

* Value of Public Trust’s “total equity”: see Public Trust, *Statement of Performance Expectations 2025/26* (Wellington, 2025), 10.

These entities are not grouped together in the Crown accounts as a distinct asset class, but they represent a subset of Crown holdings where asset recycling could unlock capital for infrastructure and improve performance. Some, like Kiwibank and TVNZ, face commercial pressures but deliver weak or declining returns. Others, like the New Zealand Green Investment Finance Ltd, are now being wound down. And some – such as Lotto NZ – may offer opportunities for long-term concession models while maintaining public interest obligations through regulation and contract.

Other Crown entities with significant asset holdings, such as Kāinga Ora-Homes and Communities, fall outside the scope of this section and are addressed separately in Section 4.2 alongside other Crown property portfolios. Similarly, the New Zealand Superannuation Fund, governed by the Guardians of New Zealand Superannuation, is excluded from this section's asset recycling analysis. While large and valuable, including it here would risk overshadowing more practical opportunities for reform elsewhere in the Crown's commercial portfolio.

Christchurch International Airport

Christchurch International Airport Ltd (**CIAL**) is a council-controlled trading organisation in which the Crown holds a 25% minority share, with Christchurch City Holdings Ltd owning the remaining 75%. Although not a Crown entity, the Crown's stake sits within the portfolio of commercial holdings that lie outside core public functions.

CIAL operates as a fully commercial enterprise in a competitive and tightly regulated sector, with performance driven by aviation activity, passenger services and property development rather than public policy objectives.

The company's 2025 Statement of Intent reports a commercial valuation of about \$1.675 billion as

of 30 June 2023, implying a Crown interest worth roughly \$420 million.¹¹³

The Crown has no governance role and there is no strategic rationale for the Crown retaining the holding. Regulatory oversight of airport pricing and performance is provided through the Commerce Act's information disclosure regime, not through ownership.

CIAL is therefore a straightforward candidate for asset recycling. Divestment would not affect operations or aviation policy settings, yet would release several hundred million dollars that could be reinvested in public infrastructure.

Kiwibank Group Capital

Kiwibank operates in New Zealand's retail banking market. Established in 2001 as part of New Zealand Post, the bank was brought under direct Crown ownership in 2022 following a \$2.1 billion recapitalisation by the newly established Crown holding company, Kiwi Group Capital Limited (KGC). As of 30 June 2025, the Crown's equity in KGC was recorded at \$3.129 billion, with an independent Statement of Corporate Intent valuation of \$2.784 billion.¹¹⁴

Despite its symbolic status as a "locally owned bank," Kiwibank holds a relatively small market share compared with the major Australian-owned banks.

The Crown's rationale for ownership has traditionally rested on improving competition. However, successive reviews – including the Commerce Commission's 2024 market study into personal banking and a Finance and Expenditure Committee inquiry – have highlighted that competitive outcomes in banking depend less on ownership and more on commercial fundamentals such as scale, capital access and operating efficiency.¹¹⁵

In July 2025, the Government announced that Cabinet had approved a capital raise of up to

\$500 million for Kiwibank, to be sourced from professional New Zealand investors – including KiwiSaver providers and Māori institutions. Kiwibank’s market engagement confirmed that there was sufficient domestic investor interest to proceed. According to Finance Minister Nicola Willis, this investment could support up to \$10 billion in additional mortgage lending or \$4 billion in business lending. While a future public listing of Kiwibank remains possible, the Government has ruled out any such move without an explicit electoral mandate.¹¹⁶

To safeguard the bank’s “New Zealand identity,” the Government has stipulated that Crown ownership of Kiwibank will remain at or above 51% for the foreseeable future. In addition, a Kiwi Share – to be held by the Crown – will enforce governance and operational conditions, including that a majority of directors be New Zealand residents and that Kiwibank retain its principal place of business in New Zealand.¹¹⁷

While these protections may satisfy political concerns, they do not alter the commercial reality: banking competition is not enhanced by public ownership per se, but by giving challenger banks access to the capital and operational flexibility required to compete. In this regard, the current capital raise marks a shift – albeit partial – toward greater reliance on private capital to support a public purpose. Moreover, the decision to source capital for Kiwibank from external investors – rather than simply injecting Crown equity – confirms the government expects Kiwibank to operate on commercial terms.

Over time, allowing Kiwibank to access broader sources of capital – whether through additional institutional investors or eventual public listing – would improve its ability to compete on a level footing. Meanwhile, the Crown’s \$3.1 billion equity stake could be recycled into infrastructure investments. Competition outcomes would remain safeguarded by New Zealand’s existing regulatory frameworks, including the Commerce Act.

Lotto NZ

Lotto NZ operates New Zealand’s state lottery under monopoly protections provided by the Gambling Act 2003. It is a statutory Crown entity, not an SOE, and distributes all profits to the Lottery Grants Board, which funds arts, sports, heritage and community organisations across New Zealand.

In the 2025 financial year, Lotto NZ returned \$395 million to the Grants Board. Despite its commercial success, none of this surplus appears as Crown revenue or dividends.¹¹⁸ Lotto NZ operates with a commercial footprint – including nationwide retail partnerships, digital sales platforms, and major prize promotions – but under tight regulatory oversight.

There is precedent for change. In 2023, the previous Labour-led government granted a 25-year concession to UK-based Entain plc to operate TAB NZ. This concession allowed the Crown to exit operational control while preserving public policy goals – including exclusive rights, harm minimisation, and guaranteed funding for the racing sector.¹¹⁹

A similar approach could be explored for Lotto NZ. A long-term licence or concession arrangement could transfer operational responsibility to a private provider while preserving statutory protections, regulatory oversight, and funding flows to the Lottery Grants Board. Structured correctly, this could unlock significant upfront capital through a concession fee or capitalised revenue share – without compromising the underlying public purpose.

National Infrastructure Funding and Financing Agency

The Crown, through the National Infrastructure Funding and Financing Agency (NIFFCo, formerly part of Crown Infrastructure Partners), holds a portfolio of debt and equity securities in Chorus, accumulated as part of the Ultra-Fast Broadband initiative completed in 2022.

In October 2025, the Ministers of Finance and Infrastructure announced that NIFFCo would investigate the early sale of these holdings, rather than holding them to maturity. The stated objective is to free up Crown capital to reinvest in hospitals, schools and roads. The government has directed NIFFCo to test market appetite, undertake commercial valuation, and deliver advice on an optimal sale process by the end of 2025.¹²⁰

This is a clear example of asset recycling – releasing capital from a completed policy investment for redeployment into new infrastructure – though without the dedicated governance framework that has underpinned the success of the Restart NSW Fund. In this case, the proceeds will simply return to the Crown’s general capital pool rather than being ring-fenced for specific infrastructure projects.

NIFFCo’s broader portfolio includes other infrastructure financing arrangements (such as special-purpose project debt), which may also be considered for future divestment or refinancing.

Crown Investment Funds: New Zealand Growth Capital Partners and New Zealand Green Investment Finance

The Crown’s involvement in direct investment vehicles has a long lineage, dating back to the Development Finance Corporation (DFC) of the 1960s. Intended to channel capital into industrial and regional development, the DFC ultimately entered statutory management in the late 1980s after a string of poor investments and mounting losses. In its modern form, this approach was revived in 2002 with the establishment of the New Zealand Venture Investment Fund (NZVIF), now New Zealand Growth Capital Partners (NZGCP).

These entities were created to use public capital to catalyse private markets that were thought too shallow to support early-stage or low-carbon investment. Each was designed as a temporary

market catalyst. Both have now achieved – or been overtaken by – their original purpose.

NZGCP was established to develop a domestic venture-capital market that barely existed at the time. Over the next two decades, successive governments expanded and re-capitalised its programmes:

- Venture Investment Fund – Crown allocations totalling about \$160 million;¹²¹
- Seed Co-investment Fund (now Aspire NZ Seed Fund) – around \$50 million;¹²² and
- Elevate NZ Venture Fund – \$300 million launched in 2019 and topped up by \$100 million in 2025.¹²³

Through these vehicles, the Crown has invested in hundreds of early-stage companies and anchored many of New Zealand’s current venture-capital funds. The results are tangible: a deeper start-up ecosystem, experienced domestic fund managers, and substantial foreign co-investment.

But those very successes have eroded the rationale for continued Crown ownership. The capital shallowness problem that justified intervention two decades ago has largely receded. Private venture managers, corporates, and KiwiSaver funds now provide risk capital at scale. And independent analysis for The Treasury has long cautioned that, absent a demonstrable market failure, venture capital subsidies can impose net costs; that the private sector can pool risk for small investments itself; and that perceived ‘gaps’ are not overwhelming.¹²⁴ Retaining NZGCP as a permanent state investor risks crowding out the private market it was designed to foster.

Where NZGCP was conceived to deepen venture markets, New Zealand Green Investment Finance (NZGIF) sought to accelerate low-emission investment. Established in 2019 as a government-owned “green investment bank,” by mid-2024 the fund reported \$474 million of investments.¹²⁵

Despite modest profitability in 2024, NZGIF's performance fell short. Its cumulative emissions-reduction impact was limited, and a \$145 million loan to solar company SolarZero collapsed, prompting board resignations.¹²⁶ In April 2025, the Government announced that NZGIF would cease new investments and be wound down, citing "very limited results."¹²⁷ With private banks and institutional investors now offering green-finance products at scale, the market NZGIF was created to serve no longer requires Crown participation.

Together, NZGCP and NZGIF have absorbed well over a billion dollars of Crown capital. They illustrate how targeted government interventions can help develop private markets – and how easily such interventions can outlive their usefulness.

Recycling the Crown's holdings in these funds would release capital and reaffirm the Government's role as market enabler rather than perpetual investor. The public-interest goals that once justified these funds – innovation and decarbonisation – can now be achieved more efficiently through regulation and private capital markets without the Crown acting as a direct investor.

Public Trust

Public Trust is an autonomous Crown entity established under the Public Trust Act 2001 and operates as a self-funding trustee company. It provides trustee, estate administration, and fiduciary services to individuals, charities, and businesses. Although the organisation retains a small public-service function – delivering fiduciary services for vulnerable people under contract to the Ministry of Justice – it now competes directly with private trustee companies such as Perpetual Guardian, Trustees Executors, and several banks' wealth-management divisions.

As of 30 June 2025, Public Trust had total assets of \$410 million, and Crown equity stood at \$82 million.¹²⁸ The entity forecasts revenue of

\$87.5 million, net profit of \$5.3 million and a \$2 million dividend to the Crown for 2024/25.¹²⁹

Public Trust's residual public-interest role is small. Crown funding of \$2 million supports fiduciary and property-management services for low-income or incapacitated clients – programmes that cost an estimated \$3.3 million to deliver, with the balance effectively cross-subsidised from commercial operations.¹³⁰ In all other respects, the organisation operates in a competitive market subject to the same regulatory and accreditation frameworks as its private peers.

While Public Trust is a respected brand with a long history, its public-purpose functions could readily be delivered through regulation and targeted contracting rather than ownership. The organisation's modest profitability and limited strategic importance make it a credible candidate for asset recycling. Its commercial functions could continue seamlessly under private ownership, while the Crown could retain responsibility for the small number of statutory and social fiduciary services through contestable procurement arrangements.

The Public Trust's commercial balance sheet, with Crown equity of around \$80 million, represents a modest but real pool of capital that could be redeployed to higher-priority infrastructure.

TVNZ

TVNZ is the Crown's national free-to-air television and digital media broadcaster. It operates TVNZ 1, TVNZ 2, and a suite of online streaming services, reaching a broad audience through a commercially funded model. The broadcaster is a corporate Crown entity and operates under the Television New Zealand Act 2003.

As of 30 June 2025, the Crown's equity in TVNZ was recorded at \$267 million,¹³¹ with an independent Statement of Performance

Expectations valuation of \$201 million.¹³² This represents a dramatic decline from two decades ago, when TVNZ was consistently profitable and widely regarded as a valuable state asset. Cabinet-commissioned scoping work in the 1990s suggested a potential sale value of over \$1.7 billion, and one political party's budget at the time anticipated revenue exceeding \$1.2 billion above book value.¹³³ TVNZ then dominated free-to-air broadcasting and generated healthy returns. But even at its peak, its commercial role sat uneasily alongside the public expectations of a national broadcaster.

Those tensions were formalised in 2003 with the introduction of a statutory Charter requiring TVNZ to provide quality local content and serve public purposes. In practice, little changed. TVNZ's schedule continued to prioritise ratings-driven programming. When the Charter was repealed in 2011, few viewers noticed – and TVNZ's downwards commercial trajectory continued.¹³⁴

Today, the broadcaster operates as a fully commercial media company. Its primetime lineup is dominated by reality formats and entertainment franchises. Long-running current affairs programmes such as Sunday and Fair Go have been scaled back or cancelled. In FY2024, TVNZ recorded an adjusted loss of \$23 million and did not pay a dividend. The broadcaster returned to modest profitability in FY2025, reporting adjusted earnings of \$11 million and confirming a dividend of \$3 million.¹³⁵ But the result masks underlying weakness: TVNZ expects operating losses in FY2026 and FY2027 as it invests heavily in digital transformation, and revenue continues to decline in a challenging advertising market.

Crown ownership is not required to achieve public broadcasting goals. New Zealand's contestable funding model, delivered through NZ On Air, already supports public interest content across multiple platforms – including on TVNZ itself. Radio New Zealand and Māori

Television also receive direct public funding. If the Crown wishes to promote New Zealand stories, investigative journalism or minority programming, it can do so without owning a commercial broadcaster.

TVNZ now occupies an increasingly awkward position: a commercial business that delivers neither reliable financial returns nor meaningful public service broadcasting. Asset recycling – whether through partial divestment, public listing, or concession-based operation – would allow the Crown to redeploy capital toward critical infrastructure while protecting any remaining public interest objectives through contract or regulation.

Summary

The commercial Crown entities reviewed in this section operate across diverse sectors – from retail banking and lottery operations to trustee services and broadcasting. While they differ in form and function, most operate in markets already served by private providers.

Crown ownership delivers limited, if any, benefits in these competitive environments. Kiwibank struggles with capital constraints that restrict its ability to compete effectively, with private capital offering a more sustainable growth path. The Lotteries Commission could transition to a concession model that preserves public policy objectives through regulation and contract – the same approach the previous Labour-led government successfully applied to TAB NZ in 2023. Public Trust's modest commercial operations sit alongside a small residual public service function that could be delivered through targeted contracting. TVNZ delivers neither reliable commercial returns nor meaningful public service broadcasting, making the case for continued Crown ownership weak.

The Crown's equity in these entities totals approximately \$4.8 billion (based on Statement of Corporate Intent valuations where available).

NIFFCo's Chorus holdings are already under active divestment consideration by the government. The remaining entities – Kiwibank, Lotto NZ, Public Trust and TVNZ – represent clear candidates for asset recycling, either through outright sale, partial divestment, or long-term concession arrangements.

4.2 Future Asset Recycling Opportunities

Beyond the commercial enterprises discussed above, the largest concentrations of Crown equity are found in the property portfolios of service-delivery agencies such as Kāinga Ora Homes and Communities, the New Zealand Transport Agency Waka Kotahi, Health New Zealand Te Whatu Ora and the justice and education sectors. These entities hold land and buildings essential to the delivery of public services – social housing, roads, hospitals, schools and campuses. They are indispensable to service delivery, yet the Crown's need to *use* these assets does not necessarily require it to *own* them.

The government already demonstrates this principle at scale. The Government Property Office manages approximately 1 million square metres of office space for 73 agencies, with annual rental expenditure of around \$330 million.¹³⁶ The vast majority of Wellington's government departments – including Inland Revenue, the Ministry of Business Innovation and Employment, the Ministry of Social Development, and the New Zealand Transport Agency – operate from privately owned buildings under long-term lease arrangements. Bowen House, opposite Parliament, is owned by Precinct Properties.¹³⁷ The Ministry of Business Innovation and Employment's headquarters at 15 Stout Street is owned by Argosy Property.¹³⁸

The arrangement works because building ownership and service delivery are separate functions. Tax collection does not require the Crown to own Inland Revenue's offices. Foreign

policy does not depend on the Ministry of Foreign Affairs and Trade owning its building. The same principle applies to health and education infrastructure. Private ownership with long-term lease arrangements could offer the same benefits for hospitals and schools: capital released for infrastructure priorities, risk transferred to the private sector, and government focused on service delivery rather than property management.

While the proceeds of any change in ownership could one day contribute to new infrastructure investment, the stronger rationale would be to improve the efficiency, quality and resilience of public-service assets by bringing in new ownership and management disciplines. Because these assets underpin critical services, however, any change in ownership would need to be considered alongside operational and governance reforms.

Bryce Wilkinson's recent report *Owning Less to Achieve More* offers the starting point for this discussion.¹³⁹ His analysis of Kāinga Ora shows that when the government combines the roles of landlord, policy-maker and regulator, commercial discipline weakens, accountability blurs and costs rise. He argues that service quality and fiscal outcomes can often be improved when ownership and service provision are separated – through community, institutional or private ownership supported by transparent funding contracts.

The Government's current reset of Kāinga Ora is addressing financial sustainability and governance first. Over time, and subject to the success of that reset, there may be scope to test whether alternative ownership or partnership models could improve efficiency while maintaining social objectives. That question is for the future, but it is legitimate to flag it as part of a longer-term programme of Crown balance-sheet and service-delivery reform.

Similar considerations may in time apply to other Crown property portfolios – for example, state-highway networks, hospitals, prisons, schools and tertiary-sector campuses. Each represents substantial public capital delivering essential services but managed under fiscal and bureaucratic constraints that can discourage innovation and timely reinvestment. If future governments wish to explore new approaches, the same questions that apply to Kāinga Ora could be asked elsewhere: is ownership necessary to deliver the service, or could stewardship, financing and risk-management functions be shared with, or transferred to, other capable owners under clear contractual and regulatory frameworks?

Any future assessment of these possibilities should be guided by consistent principles. The first is strategic necessity – whether Crown ownership materially enhances outcomes or simply ties up capital. The second is efficiency – whether alternative ownership could lower life-cycle costs, improve maintenance and utilisation or enhance service quality. The third is risk allocation – ensuring that construction, financing and operational risks sit with those best able to manage them.

The final test is accountability – whether regulation and contractual oversight can protect the public interest as effectively as ownership. Applied together, these principles provide a framework for evaluating, over time, where the Crown must continue to own assets outright and where it might prudently deploy capital elsewhere.

For now, the focus should remain on the clear-cut commercial divestments identified in the previous section and on embedding the governance reforms now underway at Kāinga Ora. But as those reforms take hold, the same logic – owning less to achieve more – could one day be extended to other parts of the Crown estate. The guiding objective would remain the

same: to use the nation's balance sheet more productively and deliver better, more efficient public services for New Zealanders.

4.3 The New Zealand Superannuation Fund

The New Zealand Superannuation Fund presents a distinct case. As of 30 June 2025, the Fund held net assets of \$82.8 billion, making it the Crown's largest financial holding.¹⁴⁰ The government established the Fund in 2001 to partially pre-fund future New Zealand Superannuation costs as the population ages. Since inception, the Fund has delivered strong returns, averaging over 10% per annum.

The New Zealand Initiative has previously argued that the government should suspend contributions to the Fund or wind it up, using the proceeds to reduce Crown debt.¹⁴¹ The logic is straightforward: with persistent budget deficits, it makes little sense to borrow money to invest in global capital markets, effectively betting the Fund can outperform the government's cost of capital. While the Fund has succeeded historically, this practice exposes taxpayers to investment risk, with the Crown also carrying substantial debt. Repaying debt would eliminate this risk and reduce the government's interest burden.

That argument remains valid on its own terms. However, it addresses a different question from asset recycling. Winding up the Superannuation Fund would involve liquidating a diversified portfolio of global financial assets and using proceeds to retire government debt. Asset recycling, by contrast, involves selling Crown-owned operating businesses where private ownership could deliver better outcomes, and using proceeds to fund new infrastructure. The two approaches operate on different parts of the Crown balance sheet and serve different objectives.

Moreover, the Superannuation Fund debate inevitably becomes entangled in contested questions about intergenerational equity, retirement income policy and the appropriate structure of public finances. Resolving those questions would require revisiting the fundamental architecture of New Zealand's retirement income system – a task well beyond the scope of this report. By contrast, selling mature commercial enterprises where the Crown competes with private operators can proceed asset by asset, judged on commercial merit and service-delivery outcomes.

This report therefore focuses on the immediate opportunities within the Crown's commercial and service-delivery portfolios. These are assets where ownership reform can improve performance, release capital for infrastructure and proceed on practical grounds without relitigating New Zealand's approach to retirement income funding. The Superannuation Fund debate, while important, belongs to a separate policy discussion.

4.4 Conclusion

The opportunities identified in this chapter demonstrate the potential scale of asset recycling in New Zealand. Conservative estimates shown in Tables 4.1.1 to 4.1.3 suggest the Crown's commercial portfolio, comprising the MOM companies, several SOEs and commercial Crown entities, could unlock around \$24 billion for infrastructure investment while improving the performance of these enterprises under private ownership.

Beyond these immediate opportunities, longer-term reforms to service-delivery assets like Kāinga Ora could deliver further fiscal and operational benefits.

Yet identifying opportunities is only the first step. Translating these possibilities into practical outcomes requires careful programme design, robust governance frameworks and clear implementation processes.

The next chapter examines how to make asset recycling work in practice, drawing on the lessons from NSW and other jurisdictions to ensure proceeds are directed to genuine infrastructure priorities whilst maintaining public confidence and protecting the public interest.

CHAPTER 5

Making Asset Recycling Work in New Zealand

New South Wales demonstrated that asset recycling can work. As discussed in Chapter 3, the state's Restart NSW Fund generated over A\$50 billion from 2011 to 2024. This funded major infrastructure projects such as the Sydney Metro and components of WestConnex, alongside more than 817 local and community infrastructure projects.

Chapter 3 identified nine critical lessons from the NSW and international experience: strong governance structures, independent prioritisation of infrastructure needs, separation of funding and procurement functions, ensuring additionality, tailored transaction structures, public interest protection, rigorous project assessment, clear public communication, and early visible wins. This chapter applies those lessons to New Zealand's circumstances, translating international experience into practical implementation steps.

The focus is practical: what structures and processes ensure asset recycling delivers genuinely new, high-priority, high-value infrastructure rather than simply relabelling existing government spending. The key lies in getting the design right from the outset.

5.1 A National Infrastructure Fund

A dedicated "National Infrastructure Fund" should form the centrepiece of New Zealand's asset recycling programme. Following the Restart NSW model, all proceeds from asset sales or long-term asset leases would flow directly into this fund, established through primary legislation separate from the Consolidated Fund.

The legislation should explicitly prohibit using Fund-controlled proceeds for operating expenses. Asset recycling must fund new infrastructure, not patch budget holes.

The Fund would require independent governance through a dedicated board, following the New Zealand Superannuation Fund model. The board should comprise acknowledged infrastructure and investment experts appointed by Ministers but operating at arm's length from government. This composition ensures genuine independence from government agencies seeking funding. The Superannuation Fund's track record since 2001 – with statutory ring-fencing, independent governance and strong returns – demonstrates that New Zealand can operate sophisticated investment funds successfully at arm's length from government.

The board would manage Fund operations, receive asset sale proceeds, maintain investment earnings on unspent balances, and approve payments for infrastructure projects. However, the board would not assess project quality or selection. That function belongs to the Infrastructure Commission, as detailed in Section 5.2. This separation – Fund board protecting additionality, Infrastructure Commission determining priorities and assessing project quality, Ministers making final decisions – mirrors the Restart NSW model where independent governance proved critical to success.

The board's primary role would be safeguarding additionality – ensuring Fund proceeds genuinely supplement rather than replace normal Budget capital allocations. Chapter 3 described

this as the principle of “additionality.” Without this discipline, asset recycling becomes merely a way to relabel existing capital spending. The government should commit to maintaining baseline capital allowances at current levels.

As discussed in Chapter 2, Budget 2025 set the capital allowance at \$4.0 billion, with future years projected at \$3.5 billion annually. This becomes the floor for normal Budget capital investment, not the ceiling. The National Infrastructure Fund would sit on top of this baseline.

The Infrastructure Commission should certify additionality before recommending projects for National Infrastructure Fund financing. Only projects that would not proceed, or would proceed much later – including renewals – would be eligible for fund support. This requirement prevents the fund from becoming another pool for normal government capital expenditure.

5.2 Infrastructure Commission Oversight

Following the NSW model, the Infrastructure Commission’s role would need to change. Instead of assessing projects put before it by Ministers and agencies, the Commission would first determine what infrastructure New Zealand should build – creating a prioritised and costed list of National Infrastructure Priorities that identifies specific projects and their sequencing. This will require formal sectoral infrastructure plans and an expansion of the Commission’s mandate. The prioritised list would be incorporated into a revised National Infrastructure Plan, creating an integrated framework that both assesses infrastructure needs and identifies specific projects to meet them.

The asset recycling legislation should direct the Commission to deliver this prioritised list within twelve months of enactment. Asset transactions can proceed in parallel with this work, but substantial proceeds should not flow to projects until the strategy is in place.

Only projects on the prioritised 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 arrangement ensures investment decisions are based on evidence rather than political expediency.

As detailed in Chapter 2, the Commission’s existing infrastructure project pipeline would inform the Commission’s National Infrastructure Priorities list, but it need not be limited to projects already in the pipeline. The Commission may identify infrastructure needs that agencies have not yet put forward.

As explained in the previous section, the Commission would also verify additionality before recommending projects for National Infrastructure Fund financing. The Commission’s whole-of-system view would help ensure capital flows to the highest-priority infrastructure needs.

The approval process should follow NSW’s two-stage model. The Infrastructure Commission assesses projects and makes recommendations to the relevant Minister. The Minister then makes final approval decisions. Crucially, all Commission recommendations should be published transparently. This means government must publicly explain any variations from Commission advice, creating accountability and reducing scope for political interference.

Applying similar assessment and decision-making disciplines to major projects funded through normal budget processes would further strengthen infrastructure investment decisions.

5.3 Transaction Approach

Careful sequencing builds market confidence and demonstrates benefits. NSW recognised this,

choosing initial transactions that would attract strong investor interest while delivering clear public benefits. New Zealand should adopt the same phased approach.

Phase One should focus on Crown-owned businesses operating in commercial markets. This includes completing divestment of the remaining 51% Crown stakes in the MOM companies – Meridian Energy, Mercury NZ, Genesis Energy and Air New Zealand. These businesses operate in competitive markets with established regulatory frameworks. Private ownership models are well-proven. Investors understand these sectors.

State-owned enterprises should follow. AsureQuality competes with international food safety testing firms. Landcorp operates standard commercial farming alongside private farmers. New Zealand Post faces growing competition from courier companies. Kordia operates in competitive telecommunications markets. Quotable Value competes with private valuers. Each operates in sectors where private provision is already established. Kiwibank, operating in New Zealand's competitive retail banking market under standard Reserve Bank regulation, represents a further option.

These Phase One assets share common characteristics. They operate in commercial markets with clear local or international private sector comparators. Regulatory frameworks are well-established. They are ready for market without requiring complex policy resolution. Starting with these assets builds confidence through early successes while demonstrating that asset recycling can proceed professionally and transparently.

Phase Two should address regulated monopoly infrastructure. Transpower operates the national electricity transmission grid under robust Commerce Act Part 4 regulation. The regulatory framework protects consumers

regardless of ownership. NSW provides useful precedents. Port leases included requirements for ongoing public access and environmental protections. Electricity privatisations maintained strict regulatory oversight to protect consumer interests.

Professional execution matters throughout. NSW undertook extensive market sounding to inform timing and structure for electricity network privatisations. Financial and legal advisers brought specialist expertise. Thorough due diligence protected public value. Transaction documentation embedded public interest protections where needed.

New Zealand should adopt the same standards. Professional advisers should test market appetite before formal transactions begin. Transaction documentation should include ongoing obligations where needed – public access requirements for certain assets, service quality standards, regulatory compliance, environmental safeguards.

Treaty of Waitangi 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.

Timing should reflect market conditions rather than rigid schedules. The first Phase One transactions could begin once the legislative framework has been established. Subsequent sales should follow as circumstances allow. The goal is optimal value and smooth transactions, not rushed sales to meet arbitrary deadlines.

Early Phase One transactions can proceed while the Commission develops the prioritised list of National Infrastructure Priorities for incorporation into a revised Plan, as detailed in Section 5.2. This sequencing ensures that when substantial proceeds flow, they will be allocated to independently identified priorities rather than short-term political preferences.

5.4 Regulatory Protections

Consumer and environmental protections continue regardless of ownership. This is a critical point that often gets lost in asset recycling debates. Strong regulatory frameworks protect public interests whether assets are government-owned or privately-operated.

Part 4 of the Commerce Act 1986 regulates infrastructure monopolies, including electricity distribution networks, gas pipelines and airports. The Commerce Commission applies regulatory frameworks appropriate to each sector. For electricity and gas networks, the Commission sets price-quality paths that prevent monopoly pricing while ensuring adequate investment. Airports are subject to information disclosure regulation that promotes transparency in pricing decisions. These regulatory protections apply regardless of ownership. Private ownership would not reduce consumer protections.

Industry-specific regulation provides additional safeguards. The Electricity Industry Act 2010 regulates generators and retailers. The Civil Aviation Act 2023 governs aviation safety and operations. These frameworks would continue under private ownership. Indeed, regulation often provides stronger consumer protections in the absence of government ownership.

For assets operating in competitive markets, competition itself provides discipline. The MOM companies compete with Contact Energy and other generators. Other airlines compete with Air New Zealand. Courier companies compete with NZ Post. Market forces constrain pricing and drive efficiency improvements. Regulatory frameworks handle market conduct issues. Private ownership does not reduce these competitive pressures.

Where specific assets have particular public interest dimensions, contractual protections can be embedded in sale agreements.

The Overseas Investment Act provides additional safeguards for strategically important businesses involving national security considerations, such as critical infrastructure for telecommunications. These protections would continue to apply to any asset recycling transactions, ensuring appropriate screening where genuine national interest concerns exist.

5.5 Building Public Confidence

Communication strategy matters as much as programme design. NSW maintained strong public support by focusing relentlessly on infrastructure delivery. The message emphasised visible infrastructure projects – new hospitals, schools, roads, rail lines – showing how asset recycling enabled the infrastructure NSW needed. As discussed in Chapter 3, Ontario asset recycling proponents described asset recycling as “selling the clunker car to buy a newer car” rather than “selling the furniture to pay the mortgage.” This accurately positioned transactions as strategic upgrades rather than budget fixes.¹⁴²

New Zealand should adopt the same approach. Communication should emphasise the infrastructure being delivered: which hospitals will be redeveloped, which roads upgraded, which schools modernised. Making these connections explicit helps the public understand how asset recycling funds infrastructure they value.

Transparency builds confidence. NSW provided regular public reporting showing exactly how much money had been raised and where it was being spent. Every dollar could be traced from asset transaction to completed infrastructure project. The Infrastructure Commission already maintains project pipeline visibility. Expanding this reporting to track National Infrastructure Fund allocations and project delivery would provide similar transparency.

Political sustainability requires more than good communication. Seeking bipartisan support where possible reduces the risk that a future government will unwind the programme. Independent Infrastructure Commission oversight helps by taking project prioritisation out of direct political control. Ministers make final approvals, but only after independent expert assessment and published recommendations. This limits the scope for politically-motivated choices that might undermine public confidence.

The legislative framework provides additional durability. Strong ring-fencing requirements, explicit additionality protections and transparency obligations constrain future governments' ability to misuse the fund. Success builds its own support. As infrastructure projects deliver visible benefits, public backing should strengthen. This creates political incentives for any government to maintain the programme rather than dismantle it.

Critics may argue that asset recycling represents short-term thinking or undermines public ownership principles. However, the evidence from NSW and other jurisdictions demonstrates that well-designed programmes deliver long-term infrastructure benefits while improving asset performance.

The alternative – continued Crown ownership of underperforming commercial assets while infrastructure needs go unmet – serves neither economic efficiency nor public welfare. Asset recycling does not diminish public services; strong regulatory frameworks ensure consumer protections continue regardless of ownership, as detailed in Section 5.4.

The question is not whether the government should own commercial assets, but whether public capital is deployed where it delivers the greatest benefit. When assets can perform better in private hands while proceeds fund essential infrastructure, the public interest is served.

5.6 Implementation Roadmap

The first six months should focus on establishing foundations. Legislative development should begin early, creating:

- (a) the National Infrastructure Fund through primary legislation with statutory ring-fencing, defining the Infrastructure Commission's prioritisation and oversight roles and assessment requirements, establishing additionality protections, and creating transparency and reporting obligations. This legislative programme could proceed in quarters one and two, allowing time for proper consultation and refinement.
- (b) The Infrastructure Commission should be directed to produce a prioritised and costed list of National Infrastructure Priorities within twelve months. The list will identify specific projects and their recommended sequencing, ensuring that when proceeds flow from asset transactions, they are allocated according to independent expert assessment of national needs rather than political preference.

Both should work together to build public communication materials explaining how the programme will operate.

Market engagement begins in quarter three of the first year. Professional financial and legal advisers should be appointed for the initial phase one transactions – likely beginning with one or two MOM companies where market structures are already established. Market sounding should then begin. This preparation would ensure transactions can proceed smoothly once the legislative framework is in place. No formal transactions should occur until the legislative and governance foundations are solid.

The second half of the calendar year should focus on launching the first transaction processes. Phase one assets would proceed sequentially rather than simultaneously, with timing reflecting

market conditions and absorptive capacity. Early transactions would inform later ones, with processes refined based on lessons learned. This sequenced approach mirrors NSW's experience, where the government built capability and market confidence progressively over several years. The priority should be achieving fair value for each transaction, not meeting arbitrary deadlines.

Infrastructure project selection begins in year two as proceeds start flowing into the National Infrastructure Fund. The Infrastructure Commission should assess proposals against its priority list and established criteria, verifying additionality and recommending projects to Ministers. Getting infrastructure projects underway quickly will demonstrate that asset recycling delivers real public benefits.

The pace of infrastructure spending should reflect the system's capacity to deliver value for money. Staged release of proceeds tied to demonstrated improvements in project planning and delivery would help ensure funds are well spent.

Regular public reporting will maintain transparency. The Infrastructure Commission should publish its project assessments and recommendations. Treasury should report on funds raised and allocated. Progress updates should show infrastructure delivery advancing. This visibility will help build and maintain public confidence.

Asset recycling can be positioned as one tool for delivering the National Infrastructure Plan's priorities. The Plan's long-term infrastructure assessment will help identify where recycled capital can make the greatest difference.

Several factors determine success. Professional execution by experienced advisers protects public value and market confidence. Infrastructure Commission independence must be protected from political pressure. Clear communication keeps the public informed throughout.

Programme success requires clear measurement against specific outcomes. The primary indicators are infrastructure gap closure, economic growth from new infrastructure (measured through GDP growth and productivity improvements), and delivery performance (number and value of projects completed against timeline and budget). The Infrastructure Commission's existing reporting framework provides the mechanism for tracking these outcomes transparently. Regular public reporting against these metrics maintains accountability and demonstrates whether asset recycling delivers its promised benefits.

Risk mitigation strategies address predictable challenges. Legislative safeguards prevent proceeds from being diverted to operating spending, learning from 2014's experience with the Future Investment Fund discussed in Chapter 1. Baseline capital allowance protection ensures the fund supplements rather than replaces normal Budget allocations. Commission verification of additionality provides independent oversight of project selection. Professional advisers and thorough market preparation prevent poor transaction outcomes. Flexibility on timing avoids forced sales in unfavourable market conditions. No transactions proceed unless they achieve fair value.

5.7 Conclusion

Asset recycling offers New Zealand a proven path to funding essential infrastructure. The design elements are straightforward: genuine ring-fencing through dedicated legislation, explicit protection of baseline capital spending to ensure additionality, independent Infrastructure Commission oversight of project prioritisation, and transparent reporting throughout. NSW demonstrated these elements work when properly implemented.

Immediate opportunities exist with Phase one commercial assets. The MOM companies, commercial state-owned enterprises and other

commercial Crown enterprises like Kiwibank could generate substantial proceeds for infrastructure investment. These assets operate in competitive markets with well-established regulatory frameworks. They are ready for transactions once the legislative and governance foundations are in place.

Asset recycling need not be a one-off programme. Infrastructure funded through initial asset sales could itself be recycled once operational, with mature assets transferred to private operation and proceeds reinvested in the next generation of infrastructure. This approach transforms asset recycling from a finite exercise into an enduring discipline – a permanent feature of how New Zealand funds and delivers infrastructure rather than a single episode of balance sheet restructuring.

New Zealand's infrastructure deficit demands action. Conventional funding approaches cannot close the infrastructure gap. Asset recycling provides one important tool for accelerating infrastructure delivery while improving the performance of commercial assets that the Crown does not need to own.

With careful design and professional execution, asset recycling can help deliver the infrastructure New Zealand needs.

APPENDIX: CROWN BALANCE SHEET DETAIL

1. Crown Assets by Category

Segment	Total Assets	Key Components
Core Crown	\$348 billion	Including roads, schools, hospitals, conservation land, justice and defence facilities and NZ Superannuation Fund.
Crown Entities	\$299 billion	Including ACC, Kāinga Ora - Homes and Communities, Kiwibank, and TVNZ
State-Owned Enterprises (SOEs) and Mixed Ownership Model (MOM) Companies	\$71.7 billion	Including rail, electricity generation and transmission, postal services, etc
Total excluding inter-segment eliminations	\$598 billion	

Source: 2025 Crown Financial Statements.

2. Crown Land and Buildings by Function

Function	Total Assets	Key Components
Transport	\$89.4 billion	State highways \$64.3b, highway corridor land \$25.1b
Housing	\$48.6 billion	Social housing stock (Kāinga Ora)
Education	\$35.1 billion	Schools \$32.7b, Te Pūkenga \$2.2b
Health	\$18.6 billion	Hospitals \$15.0b, plus other health facilities
Rail	\$4.3 billion	Rail corridor land \$4.3b (SOE segment)
Defence	\$5.3 billion	Defence land/buildings \$5.3b
Conservation	\$9.0 billion	Conservation estate, national parks
Corrections	\$4.9 billion	Prisons and correctional facilities
Justice	\$1.5 billion	Courts and justice facilities
Emergency Services	\$1.9 billion	Fire stations \$1.2b, Police stations \$0.7b

Source: 2025 Crown Financial Statements.

3. Other Crown Commercial Holdings

Entity	Purpose	Crown Equity
Christchurch International Airport (25%)	Airport services	\$420 million
Kiwi Group Capital (Kiwibank)	Retail and commercial banking	\$3.1 billion
National Infrastructure Funding and Financing	Infrastructure financing	\$1.3 billion
New Zealand Growth Capital Partners*	Venture capital provider	Undisclosed
New Zealand Lotteries Commission	Gambling	\$80 million
Public Trust	Trustee services	\$83 millions
Television New Zealand	Commercial broadcaster	\$201 million
Total		\$5.184 billion

Source: 2025 Crown Financial Statements and/or entity Statements of Intent.

* NZGCP manages two venture capital funds, the Elevate NZ Venture Fund and the Venture Investment Fund. It has absorbed over a billion dollars in Crown Capital. However, the Crown Financial Statements group these entities under “other” so provide no information on the performance or value of the taxpayers’ investment.

4. Commercial Asset Portfolio

Mixed Ownership Model Assets

Entity	Operations	Crown equity *
Genesis Energy	Renewable and non-renewable generation and retailing	\$3.0 billion
Mercury NZ	Renewable generation and retailing	\$4.9 billion
Meridian Energy	New Zealand's largest electricity generator	\$8.9 billion
Air New Zealand	Commercial airline	\$3.3 billion
Total		\$20.1

Source: 2025 Crown Financial Statements.

* Figures represent 100 per cent of each company's total net equity, not the value of the Crown's proportionate shareholding as shown in Table 4.1.1.

State-Owned Enterprises

SOE	Activity	Crown Equity
Airways Corporation	Manages New Zealand's air navigation services	\$199 million
Animal Control Products Limited (Orillion)*	Manufactures pest control products	\$19 million
AsureQuality	Provides food safety testing and certification	\$112 million
KiwiRail	Operates trains, tracks and ferries	\$16.155 billion
Kordia	Provides telecommunications and broadcast services	\$67 million
Landcorp (Pāmu)	Manages 112 state-owned farms	\$1.829 billion
Meteorological Services (MetService)*	Provides weather forecasting services	\$19 million
New Zealand Railways Corporation	Owens the rail network land	\$4.305 billion
New Zealand Post	Manages the country's postal network while competing in courier and logistics services	\$592 million
Quotable Value*	Operates in the property valuation market	\$19 million
Transpower	Operates the national electricity grid	\$1.374 billion
Total		\$24.690 billion

Source: 2025 Crown Financial Statements and/or entity Statements of Intent.

* The 2025 Crown Financial Statements group together these three small SOEs under "other." The figures given are in each case for one-third of the combined total.

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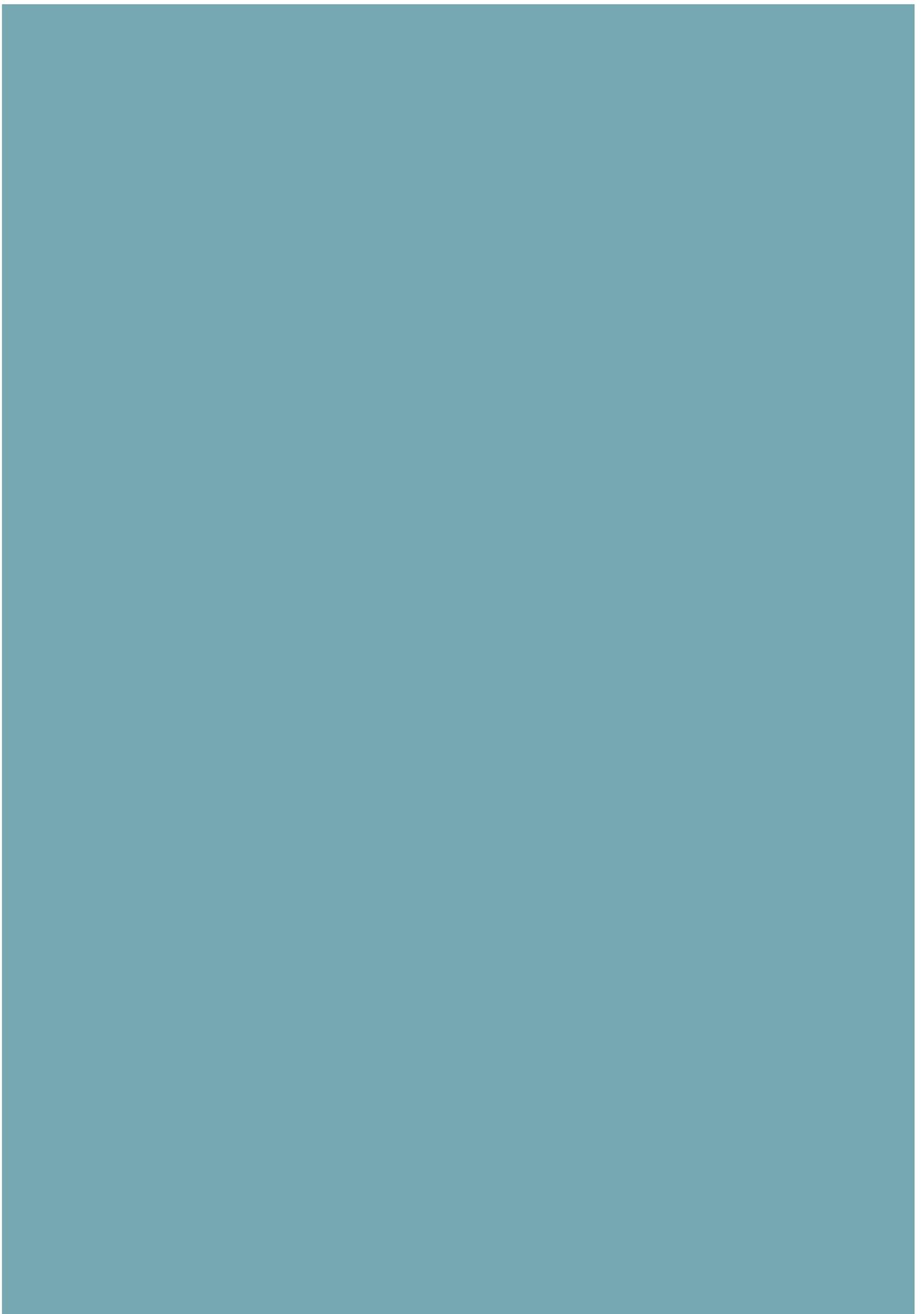
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New Zealand faces a chronic infrastructure shortage. Roads are congested, water systems are failing, and hospitals cannot keep pace with demand. Yet the Crown sits on a \$598 billion balance sheet, including billions tied up in commercial enterprises it does not need to own – electricity companies, a bank, farms, postal services and a television network.

NSW has shown how state-owned assets can be recycled into additional infrastructure. Between 2011 and 2024, the state raised over A\$50 billion through asset recycling – selling or leasing state-owned assets and dedicating the proceeds to new infrastructure. The results are visible in new metro lines, motorways and hospitals.

This report proposes adapting the NSW model to New Zealand. It identifies approximately \$24 billion in Crown commercial assets, the proceeds of which could be recycled into a dedicated National Infrastructure Fund. Strong governance, statutory ring-fencing and independent project prioritisation would ensure proceeds fund genuine unfunded infrastructure priorities.

Renovating the Nation is not a call to shrink the Crown's balance sheet. Rather, it offers a practical pathway to close the infrastructure gap.

\$25.00

ISSN

2624-0092 (print)

2624-0106 (online)



The New Zealand Initiative

PO Box 10147

Wellington 6143