GOVERNMENT

# THE PEOPLE'S PORTFOLIO

## A $571 Billion Question

**Bryce Wilkinson**
**Foreword by Oliver Hartwich**


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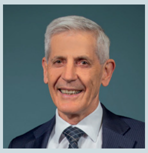
## ABOUT THE AUTHOR



Dr Bryce Wilkinson ONZM is a Senior Fellow at The New Zealand Initiative, and also the Director of the Wellington-based economic consultancy firm Capital Economics. Prior to setting this up in 1997 he was a Director of, and shareholder in, First NZ Capital. Before moving into investment banking in 1985, he worked in the New Zealand Treasury, reaching the position of Director. Bryce holds a PhD in economics from the University of Canterbury and was a Harkness Fellow at Harvard University. He is a Fellow of the Law and Economics Association of New Zealand.

Bryce was made an Officer of the New Zealand Order of Merit in the 2025 New Year's honours for his significant contributions to public policy formation and economic research, spanning his influential work at Treasury during New Zealand's major economic reforms and his extensive research on fiscal discipline and regulatory quality.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# Contents

# Foreword

For some people, 'privatisation' is a dirty word. To me, it is the opposite. Maybe that has something to do with how I experienced the practical effects of privatisation – and the blessings it brought me.

Growing up in West Germany, our telecommunications provider was Deutsche Bundespost, a state-owned behemoth with a monopoly on all communications. It operated with all the efficiency one might expect from a government department that had never faced competition. Which is to say: none.

New phone connections would take weeks. The available handsets mainly differed in colour from dark green to beige and grey. When the rotary dial got replaced with keys, it was a sensational novelty.

Making long-distance calls within Germany was ridiculously expensive. I still remember an internship in the mid-1990s when I had to call companies all around Germany. It felt exciting because in private life, such calls were an unaffordable luxury. The Bundespost's price list made for sobering reading.

Then came privatisation. Deutsche Bundespost transformed into Deutsche Telekom, and the market opened to competition. The results were remarkable.

Prices dropped dramatically. Service quality improved beyond recognition. The handsets became smaller and wireless. Soon I got my first mobile phone.

By 1999, I had a girlfriend (now my wife) in Australia. What would have been ruinously expensive under the old monopoly had become affordable even for a student. Those infamous crackly lines and dropped connections – once considered simply part of life – vanished into telecommunications history.

This personal experience taught me something fundamental about privatisation that Dr Bryce Wilkinson articulates so clearly in this report: when done properly, with genuine competition, privatisation delivers better services at lower prices.

It is not just about changing ownership. It is about introducing the discipline of market forces and customer choice.

Of course, I know the very word 'privatisation' provokes strong reactions in New Zealand. It is why politicians nowadays prefer the euphemism 'asset recycling'.

But emotional responses should not prevent us from having a rational discussion about which assets the government needs to own and which might better serve the public in private hands.

That is what makes Bryce's report so valuable. It strips away the ideology and examines the evidence.

Drawing on decades of research and real-world examples, it shows how unnecessary government ownership can actually harm the public interest through poor asset management and missed opportunities.

The Crown owns $571 billion in assets – about $275,000 per household. Many of these assets deliver subpar returns or services.

As New Zealand grapples with infrastructure challenges and fiscal constraints, we cannot afford to let emotion trump evidence.

This report does not argue for wholesale privatisation. Instead, it makes a measured case for reviewing which assets the government truly needs to own.

It is about being pragmatic rather than dogmatic – just as households regularly review whether to keep or sell assets based on their changing needs.

The evidence, as Bryce demonstrates, is compelling. When done right, privatisation typically leads to better service, lower costs, and improved efficiency. My telecommunications story is just one example of countless similar experiences worldwide.

It is time for an honest conversation about government asset ownership in New Zealand. This report provides the framework for that discussion. I commend it to anyone interested in how we might better manage our national assets for the benefit of all New Zealanders.

**Dr Oliver Hartwich**
Executive Director, The New Zealand Initiative

# Executive Summary

The New Zealand government valued the assets the Crown owns at $571 billion in June 2024. That represents about $275,000 for every household in the country. The Crown's asset portfolio includes everything from commercial entities to houses, hospitals, schools and 40% of New Zealand's land area.

How much of this does the Crown really need to own? This report explains why this is an important question which should be professionally assessed by a non-partisan body.

The question is important because, as the report explains, there are deep structural reasons why politicians and bureaucrats cannot be expected to manage assets satisfactorily. It is important because even small improvements in the management of these assets could make a significant contribution towards living standards.

To put the scope for improvements in perspective, in 2022 Treasury put the opportunity cost (what we give up by having money tied up in these assets) of owning these assets comes at around $22 billion per year. This was using its 5% public sector discount rate. Today it would be closer to $30 billion.

Taxpayers who think owning all these assets should produce net revenue that reduces tax burdens should support the case for a serious review. In 2023-24 Total Crown revenue from dividends and rents was only $2.2 billion. From that one should deduct the net interest costs of $3.3 billion on the heavy Crown borrowing to fund those assets.

As a result, despite its scale the Crown's balance sheet is a cash burden for taxpayers. For core Crown, the net interest payments on its borrowings consumed 3.7 cents of every tax dollar collected in 2023-24.

Of course, taxpayers get some benefit from using assets for which user charges are below the cost of supply, or zero. National parks and KiwiRail are two examples. Such benefits should be evaluated as part of the recommended professional review.

The deep structural reasons why politicians and bureaucrats can be expected to commonly manage assets poorly come down to problems of incentives and inadequate information. Politicians are elected for their leadership abilities, not their business expertise. They face competing political pressures and constantly changing priorities. They lack the expertise, time and detailed information needed to make good business decisions. Their ownership interest conflicts with their role as regulators. Bureaucrats must cope with political upheavals and ambiguities, while having their own institutional pre-occupations and biases. They also have their own patches and budgets to protect.

In a nutshell, there's less pressure to manage assets well when it is other people's money and the public is inadequately informed.

Empirical evidence from around the world strongly supports this general reasoning. It consistently shows that when assets are moved from government to private ownership, performance generally improves in important dimensions. Private owners usually provide better service at lower costs and run operations more efficiently. Self-interest and competitive pressures are powerful motivators. Those who need repeat business must provide value-for-money.

Several empirical studies of New Zealand's experience comparing public, private and mixed public/private performance supports this. In particular, the performance of many of the 30 major enterprises governments sold between 1988 and 1999, improved significantly.

The report emphasizes that the success of any asset sales depends on the quality of sales process. It must be seen to be transparent and fair to maintain public confidence and attract bidders. All credible buyers worldwide should be allowed to bid, and every bidder must receive the same information. Entities should be made subject to competition before they are sold. Would-be buyers must be clear that there are no post-sale government guarantees. “Buyer beware” must prevail. Proper preparation is essential - assets need to be ready for sale, with clear ownership rights and good information about their performance. Any regulations needed to protect special public interests (such as a Kiwi Share) must be put in place before the sale begins.

The report acknowledges that selling government assets often faces strong opposition. Some people naturally worry about job losses, price increases, or reduced service quality. However, on the evidence such fears can be misplaced. Job losses are usually modest (around 10%) and happen gradually. Prices often fall due to improved efficiency and competition. Service quality typically improves when owners must compete for customers. Some opponents simply feel emotional about keeping assets in government hands: “they belong to the people.”

All such concerns should be treated respectfully and their merits fairly debated and assessed. But emotion should not be allowed to prevent rational public debate about ownership options.

The need for a thorough inquiry is pressing now for several reasons. New Zealand faces significant challenges in infrastructure, public services, and economic performance. The government is struggling to fund needed improvements in areas like roads, water systems, and hospitals. Asset switches could help. But there is also the need to reduce the public debt and net asset sales would help.

Of course, none of this is to argue that the government should sell everything and buy nothing. That would be absurd.

Instead, the proposed review of government-owned asset should assess which assets the government does not need to own, having evaluated arguments to the contrary on their merits, and having considered the likelihood that private owners subject to competition could deliver better results for New Zealanders.

## CHAPTER 1

# Introduction

The government values Crown-owned assets at several hundred billion dollars. It has borrowed heavily to fund these assets. The cost of borrowing restricts its spending options.

How well is the Crown managing those assets given the borrowing costs? Should the public expect it to manage them competently given the confounding political pressures? Which assets does it not need to own?

In 2022, the New Zealand Treasury drew attention the growing importance of such questions:

> As the balance sheet grows, there is a significant opportunity cost of ownership – approximately $22 billion per annum at the current public sector discount rate of 5% per annum. Given the size of the balance sheet, even small improvements in the outcomes the government receives from ownership – across financial and physical capital, human capability, social cohesion and the natural environment – can make a significant contribution towards living standards. Key areas for potential improvement are the quality of asset management, and ongoing assessment of whether ownership remains the right intervention to support government objectives.[1]

While the scale of government borrowing is already a problem, the government is under great pressure to borrow even more to improve public infrastructure – roads, piped water, flood protection works – not to mention national defence capability, publicly-owned hospitals, schools, and housing. Many local authorities are facing their own borrowing limits.

Money to fund these needs must come from some combination of the following options:

1. Raising taxes/reducing operating spending;
2. Borrowing more;
3. Selling some assets to buy others (asset recycling);
4. Increasing total private sector investment in infrastructure (privatisation or mixed private-public ownership).

None of these is a recipe for political popularity, yet many households face budget constraints that force them to make hard choices. To fail to make them makes things worse.

Putting off necessary tough decisions is rarely a good option. Deferring needed maintenance when it would be better to sell an asset, reduces the asset's value.

This report addresses options three and four. While its focus is on the options for central government, the points it discusses are equally applicable to cash-constrained local authorities.

This report explains why open-minded public and political consideration needs to be given to both asset recycling and private sector investment in public infrastructure. Could the government better serve essential needs – such as core infrastructure – if it were freed from the distraction of managing unnecessary assets? Could the public interest be better served by greater private ownership?

To dismiss such pragmatic questions as ideological is itself an ideological position. To do so to stop options from being assessed is to attempt to short-change the public. The public should be permitted to have an informed debate about the options.

This report examines the case for assessing the current extent of Crown ownership.

It acknowledges the reasons for public unease about asset sales and responds to those fears.

The report acknowledges that government asset sales processes are often challenging, politically and administratively. Even unjustified fears of favouritism or corruption are damaging. The public's perceptions of the integrity of the sales process should match the reality. New Zealand's asset sales from 1988-1999 provide valuable lessons on how to do this well.

**CHAPTER 2**

# How much of New Zealand does the government own?

Consider the value of your home – the largest asset many families will own. Now suppose that you also have a stake in other assets worth over $275,000 per household. Given the chance you could sell that stake and use the proceeds to reduce your debts or to buy a better house. Or are you getting so much value from this stake that you would not want to do this?

This value question is not hypothetical. The Crown owns a lot of New Zealand. It is the biggest landlord and the largest landowner. It owns about 40% of New Zealand's land area.

The book value of the Crown's assets in June 2024 totalled $571 billion according to the audited Crown Financial Statements. Averaged over 2 million households that is about $275,000 each. (Note that for many assets, such as the national parks and even the rail infrastructure owned by the Crown, the book values are not market values.)

The Crown has borrowed heavily to fund these holdings. Its equity interest was only $191 billion.[2]

The value of those assets is comparable to the value of all the houses in the South Island and is about one-third of the value of New Zealand's housing stock.[3] If you consider your house and those of your two neighbours, the Crown's assets owned on your behalf, might be worth the value of one of those three properties. For most families, their share of government assets exceeds their annual income, and for some, it will surpass the equity in their home. Yet, an individual household has no effective say over how well that stake is being managed.

The financial cost of government ownership affects every New Zealander. By June 2024, the government had borrowed $251 billion to fund total Crown assets.[4] Net core Crown interest payments now consume 3.7 cents of every tax dollar – more than triple the abnormally low 1.2 cents required in 2021. This means that when you pay $100 in taxes, more than $3.70 goes solely to service net government debt, rather than providing goods or services.[5] These net interest payments exceeded the entire police force budget for 2023-24.[6]

In addition to land and housing, the government owns 72 businesses and organisations that were classified as Crown entities. (This total counts school boards of trustees as a single entity.) An additional 41 entities were classified as belonging to the Crown entities segment. This includes 11 tertiary education institutions. The assets owned by the entities in this segment were valued at $281 billion in June 2024. This includes $39 billion of assessed value in health- and education-related entities.[7]

Separately, the reported state-owned enterprises (SOE) segment comprised more than 10 government-owned businesses), and the four mixed ownership companies. These organisations attempt to operate commercially while simultaneously meeting various political objectives. One might compare this to managing a company where achieving profitability must coexist with fulfilling political demands – an inherently unstable task. The total assets of these entities were valued at $69 billion in June 2024.[8]

The government also operates its own sovereign wealth fund, the New Zealand Superannuation

Fund (NZSF). Its total assets on 30 June 2024 were valued at $79 billion.[9] These assets could be sold to reduce the Crown's total borrowing of $251 billion. The forgone higher expected return relative to the cost of borrowing is the price of risk. People who want to take that risk can do so with their own money. But here, government is gambling for everyone.

The scale and scope of what the Crown owns matters. Community wellbeing suffers in proportion to the degree that these assets are ill-used and ill-cared for, relative to the best alternatives.

## CHAPTER 3

# How good a job is the government doing as asset owner and manager?

New Zealanders might hope to benefit from the assets the Crown owns in either of two ways. First, the assets might produce surplus of revenue over costs which reduces tax burdens. Second, the assets might produce adequate benefits in kind rather than in cash.

The financial returns from Crown assets raise concerns about value for money. The Crown's total equity stake of $191 billion (as of June 2024) represents a significant commitment of public resources. Even if this capital was only invested in government bonds at 4% per annum, it would generate $7.6 billion in annual returns. However, in 2023-24, Crown revenue from dividends and rents totalled just $2.2 billion – not enough to cover the $3.3 billion in net interest paid on government borrowing.[10] This shortfall suggests that substantial value is either being provided through subsidised services or potentially lost through inefficient management.

Not charging directly for services that benefit the public from assets the government owns may be efficient. Owner-occupiers understand the notion of negative cash flows from home ownership: They pay the annual outgoings; they forgo earning cash income from their equity if invested elsewhere; and they forgo the cash rental income that they could receive as a landlord. The offsetting benefits arise from not paying rent to a landlord and being in control of decisions to enhance the enjoyment of their investment in their home. For homeowners that is a good deal, otherwise they would become tenants.

Are the in-kind benefits from all these assets large enough to compensate users for these apparently negative financial returns from Crown ownership overall? In some cases, it likely does. Examples could include Parliament buildings, the courts, policing, and national defence. National parks partially recover cost through hut fees. Other cases can be less compelling. Rail services, for instance, are a private good that largely benefit their users. But users do not seem to be prepared to pay for the ongoing needed investments. Between 2009 and 2024, KiwiRail received $11.67 billion (2024 values) in government funding, a sum approaching half of its customer revenues, yet it generated no net cash return.[11] KiwiRail looks like an endless cash drain on Ministers of Finance and taxpayers for zero commercial return. Surely, sea, land or air transport are a lower cost alternative for some rail routes.

More generally, could not those billions could have been better spent on matters more central to New Zealanders' wellbeing, such as infrastructure, housing, health or education?

Similar questions arise in housing. Kāinga Ora manages over 72,000 houses valued at approximately $45 billion – more than $20,000 per New Zealand household. While these properties provide valuable housing services, there is evidence of significant maintenance challenges including problems with rot, mould, and structural deficiencies.[12] The Crown's annual rental income from all property represents only about $400 per household before costs are deducted, suggesting either significant subsidies or operational inefficiencies.[13]

The management of Crown land assets presents another area of concern. Government agencies manage approximately 40% of all New Zealand land, including 2.7 million hectares of 'stewardship land' of mixed conservation value. The Department of Conservation faces the challenge alone of managing nearly a third of New Zealand's land mass with resources that will always be inadequate for realising its potential.

The overall quality of infrastructure development and management in New Zealand is also a concern.

> A key challenge is that, historically, New Zealand has not built infrastructure well. New Zealand ranks 46th overall, and 43rd out of the 54 high-income countries, on the World Economic Forum's infrastructure quality index. Te Waihanga's [The New Zealand Infrastructure Commission's] benchmarking analysis suggests that New Zealand is among the world's least-efficient high-income countries when it comes to delivering infrastructure.[14]

The New Zealand Infrastructure Commission's analysis indicates that while New Zealand's infrastructure spending matches that of other developed economies, the value received from this investment ranks in the bottom 10% of OECD countries.[15] This suggests major government failure.

The following figure, taken from Treasury's 2022 Investment Statement, lists four categories of deficiencies in the Crown's investment management. It observes that many of these deficiencies are long-standing. It asserts that it is critical that investment management "supports good decision-making, value-for-money, and wellbeing outcomes".[16] But exhortations count for little. What would count is a stronger incentive to do better.

The procurement practices of government agencies are another concern. The Auditor-General reports that government agencies spend approximately $52.5 billion annually on procurement. While some agencies perform well, others do not. Consistency across the public sector is problematic.[17]

In short, householders are right to be concerned. The top public sector monitoring and audit authorities concur on the need to improve Crown asset management and operations. Whether measured by financial returns, operational efficiency, or service delivery, these assets appear to be failing to deliver the value that New Zealand taxpayers likely expect from such substantial public investment. This pattern appears across multiple sectors, suggesting systematic rather than isolated challenges in public asset management.

Box 3.2

## System settings

New Zealand government system settings for investment management have robust foundations. The overarching expectations are clear, and there is guidance on specific areas like infrastructure, procurement and business casing.[87] The different stages of the investment management system are set out in Figure 30.

**Figure 30**: The investment management system


Source: The Treasury

While New Zealand's foundations are robust, there is evidence that government investment management and asset management practices are not universally mature or high performing. Key challenges include:

- **the investment pipeline**: New Zealand has historically found it difficult to develop a clear and credible investment pipeline to support construction-sector planning. Initial steps are being taken to address this challenge (for example Te Waihanga has developed a pipeline of funded or committed projects).[88]
- **investment disciplines**: relatively few investment proposals coming through the investment management system are well-planned (including options analysis, strategies for managing risk, and a view on whole-of-life cost). The use of business cases to support investment decision-making is variable.[89]
- **capability and capacity constraints**: New Zealand faces market capacity constraints. In addition, there is a limited pool of expertise and capability in the public sector to support sector investment planning and delivery. This is an area where strategic consideration of New Zealand's ability to access global capability is likely to be beneficial.
- **asset management practices**: asset management practices are inconsistent, while the incentives to maintain assets well or look at ways to improve value for money are often limited. This has implications for both value-for-money and service quality: the cost of asset delivery is often as low as 10% of an asset's whole-of-life cost.[90]

Many of the issues noted above are long-standing.[91] Historically New Zealand has tended to manage issues such as fiscal sustainability and value-for-money more through a macroeconomic lens than at a project level.

Government investment has been increasing and is forecast to increase further, particularly in infrastructure. Given this context, it will be critical to ensure that the investment management system supports good decision-making, value-for-money, and wellbeing outcomes. Asset management practices will also come under greater pressure, due to the age profile of existing assets, changing service expectations, and new challenges such as climate change.

Source: Te Tai Ōhanga: 2022 Investment Statement, The Treasury.[18]

## CHAPTER 4

# The fundamental reasons for poor government asset management

The fundamental problems with government management of Crown assets arise from mixed incentives, limited expertise and time, and inadequate information.

These limitations arise at all relevant decision-making levels – political, public sector administrative and monitoring, and operational.

### 4.1 The political level

Politicians are not typically elected for their expertise in managing money, businesses or assets. Nor are technical or administrative expertise prerequisites for an aspiring politician. Politician's motives for being in politics will vary, and are commonly laudable.

However, the primary aims of the parties they represent are party-political. Parties need to look after their constituencies. State assets can be a casualty of these incentives.[19]

Time is another constraint. Cabinet ministers are always pressed for time and incessantly distracted by the media focus of the day. The broader their responsibilities, the greater the range of problems demanding their daily attention. They are short of time and at an information disadvantage relative to the public service.

Nor is coherent decision-making through time possible when all decisions are a compromise between contending viewpoints, factions or coalition parties. Politics is the art of finding what is possible.[20]

Lack of agreement about the ranking for the multiple objectives for each policy is normal. Members of a committee can vote in favour of a policy for diverse reasons. They may not even agree about a prime reason. Just why, for example, does government own any given hospital? Under government ownership, a health provider can do little to stop it from being ill-maintained. If it did not own it, however, it could sign a lease that compelled the private owner to keep it well-maintained.

The tension between commercial goals and social objectives is a common problem for government asset management. Tourist access to national parks illustrates this. So does mining. In some cases, responsibility for their achievement can be transparently separated, but transparency is not necessarily politically desirable.

The Crown's ownership interests can also conflict with its responsibilities as a public interest regulator. For example, competition benefits the public interest, but a statutory monopoly protects the Crown, as owner, from competition. This conflict is particularly acute when the assets are commercial. Once sheltered from competition, cost-padding is to be expected. Also, as a regulator, the Crown may be reluctant to prosecute its own. It is less embarrassing to make an example of a privately-owned firm.

Crown ownership can also be a problem for competing private firms. Not having to make a profit makes its behaviour more unpredictable. A change in government could change its focus. Even a change in Minister might do this.

Inadequate information is a pervasive problem for political decision-making. Politicians do not have time to absorb much detailed knowledge even when it is available. And much knowledge of a dispersed and fragmented nature is not known to them or the bureaucrats' head offices in Wellington.

A more political aspect is that some detailed knowledge could be politically embarrassing. What Cabinet minister wants to receive unpalatable advice from the public sector concerning a policy the government is committed to implementing? Such advice will be embarrassing when it becomes public under the Official Information Act. Yet not to seek that advice is to short-change the public interest.

## 4.2 The public sector in general

In general, bureaucracies and politically appointed boards are also hampered by conflicting incentives, inadequate information, and limited expertise. Bureaucratic incentives are different from political incentives. Preserving or enhancing their budgets and not embarrassing their minister are usually important. Not producing or collecting information that could call into question their performance is also a self-preserving incentive.

But neither is its job easy. It falls to the public sector to implement, administer and monitor programmes where priorities are unclear and targets may change with the political winds. Views about which investments are 'ethical' and the relative importance of the 'three bottom lines' or the 'donut economy' can come and go like passing fads. No wonder longer-term outcomes are so often disappointing.

These incentives can easily lead to passivity because change is risky. When a government has a strong 'no surprises' expectation from government agencies, the public sector is likely to be markedly risk averse about political sensitivities. The politicians might be sensitive about pay, gender, ethnicity, political activities, and 'causing offence' to some easily offended group. Government appointees to boards may serve as party political enforcers.

In addition, those at the top of the public service may have their own agendas and agency "visions". These may include priorities for diversity, inequality, ethnicity and the like. Their views about such matters likely differ markedly from those of many taxpayers.

None of this is to disparage the individuals entangled in the problems of unclear and unstable objectives, inadequate information, and limited expertise. That is the nature of the beast, and it is their job to manage the difficulties as best they can.

This perspective is not new. A World Bank report in 1992 expressed it as follows:

> Bureaucrats typically perform poorly in business, not because they are incompetent (they aren't), but because they face contradictory goals and perverse incentives that can distract and discourage even very able and dedicated public servants. The problem is not the people but the system, not bureaucrats per se but the situation they find themselves in as bureaucrats in business.[21]

Another factor that favours perpetuating an unsatisfactory status quo is capture by well-organised self-interested groups. They may be able to secure disproportionate benefits from state-owned assets by non-transparent means, and defend them zealously. The unquantified subsidies gained may not even be identified.

Indeed, the burdens these constraints impose on those doing their best to serve the public can become too much. It is not the fault of the nurses in public hospitals that the public is so dissatisfied with what the hospital is providing.

It is likely that the nurses feel the worst about the situation and our sympathies should be with them.

Nor are all state institutions mediocre. Exceptional people and institutions do exist. Look at the best of our public schools.

The real issue is structural. Unnecessary Crown ownership creates difficulties and conflicts at political, administrative, and operational levels.

Contrast these complexities with the ability of a homeowner or a small business to decide on an action to improve their home or their business. They know what is best for them and the decision is theirs alone. Any lost value falls primarily on their shoulders, not taxpayers.

## CHAPTER 5

# The evidence that private owners do a better job on average

Studies worldwide show that moving assets of a private good nature from government to private ownership typically leads to better service, lower costs, and improved efficiency.[22]

In 1992 a World Bank paper reviewed the evidence on privatisation and concluded as follows:

> Privatization, when correctly conceived and implemented, fosters efficiency, encourages investment (and thus new growth and employment), and frees public resources for investment in infrastructure and social programs.[23]

A more recent and much-cited authoritative survey article in 2001 by US academics Williamson Megginson and Jeffrey Netter, examined privatisations across many countries. The authors concluded:

> We know privatization works – sold businesses almost always become more efficient, more profitable, and financially healthier, and invest more in improvements …
>
> Research now proves that privately-owned businesses are more efficient and more profitable than similar government-owned ones.[24]

In the case of New Zealand, the sale of Telecom in 1990 demonstrates how privatisation can succeed when properly executed. The company sold for $4.25 billion.[25] From memory, this was approximately $1 billion more than the next highest offer. Although some people complained this price was too low, as explained below, subsequent events proved the government had obtained good value while unleashing major benefits for the public.

Telecom was formed as an SOE subject to competition in 1987. A detailed study published in 1996 found that that major productivity gains for shareholders and customers by 1993. The study put values the gains at $500 million in 1987 prices relative to the 1987 situation. Most of this gain was secured by customers though lower prices. Customers benefited further from waiting times, and better service quality.[26]

Exposing government commercial operations to competition exposes excessive costs, poor output quality, and inadequate profits. The exposure forces them to sharpen up. But this does not mean the result is a desirable endpoint. Ownership also matters for performance.

In all, New Zealand's sale of 30 major government enterprises between 1988 and 1999 brought in $19 billion and those proceeds helped reduce the public debt. In 1992, the public debt was over 50% of GDP; by the early 2000s, aided by strong economic growth, it was under 20%.[27]

A study, published in 2000, examined total factor productivity improvements in seven enterprises from 1987 to 1998.[28] The superior relative performance of those privatised was impressive:

The two fully privatised businesses outperformed the others on this measure:

- Telecom: improved by 9.0% each year from 1987-1993 (63% total); and
- Tranz Rail: improved by 7.0% each year from 1989-1998 (68% total).

The five government-owned businesses performed less well between 1988 and 1998:

- Airways Corporation: improved by 6.6% each year (66% total);
- Landcorp Farming: improved by only 1.4% each year (16% total);
- New Zealand Post: improved by 3.2% each year (33% total);
- Television New Zealand: improved by 3.5% each year (36% total); and
- Vehicle Testing NZ: declined by 6.6% each year (-33% total).[29]

Research published in 2018 documented "significant and consistent evidence that state ownership is negatively associated with firm profitability compared to private ownership". It also found evidence that "SOEs on average experience a higher asset turnover due to excessive labour employment, compared to private firms".[30]

These results support the case that:

1. requiring government businesses to operate more commercially helped all of them improve initially, and
2. full private ownership subject to competition best improves outputs relative to inputs.

This outcome is to be expected where privatisation establishes clearer goals and substantially heightened incentives, particularly when owner capital is at risk due to competitive pressures. Moreover, the study showed the initial lift in productivity growth from opening a state-owned business to competition was not sustained if state-ownership continued.

More recent evidence supports this pattern. A 2023 study found that between 2015 and 2022 port companies with partial private ownership consistently generated more profit and paid larger dividends than the fully government-owned ones for the same period. Even partial exposure to market forces improves results.[31]

Competition is important for efficient asset use. Competition for ownership arises when someone makes an attractive offer to buy someone's home, business or investments. Those bidding in a house auction understand this. Share markets match bids and offers minute-by-minute. Those processes generate information about the value others can see in ownership of the asset.

The profit potential is an important consideration in this competitive process. It is there even in the case of home ownership, in the form of potential capital gains. It is there for anyone who needs a profit-seeking investors to help fund the asset purchase. This incentive drives improvements in ways that government ownership cannot replicate.

Some think the biggest firms operate without serious competitive pressure – they have loyal customers and have major economies of scale. Yet, the list of Fortune 500 companies turns over. The competition currently for AI supremacy between multiple Chinese and US giant firms is intense. Even government-owned NASA is facing formidable competition from Space-X.

Those who succeed in such races will make a great deal of money; others stand to lose heavily. Fundamentally, the issue is about the voluntary investment of personal funds by people seeking competitive returns.

In short, the empirical evidence confirms what everyone should know: incentives matter. Incentives are commonly clear and sharp under private ownership.

## CHAPTER 6

# The case for selling assets that the government does not need to own

Selling government assets can bring clear financial advantages for government. It can utilise sale proceeds to reduce debt or construct essential infrastructure. It saves money by no longer subsidising loss-making enterprises. It removes the conflict between the government's regulatory and ownership interests. In addition, assets used more productively generate additional tax revenue through increased business activity.[32]

Government does not need to own commercial enterprises. More electric utilities could be sold. Nor does government need to own a public radio station. Private ones are viable. The same applies to schools and hospitals. Nor does government need to own public transport operators. It can subsidise public transport without owning the provider. It can fund not-for-profit providers and science institutions without having to own them. It does not even need to own prisons or as much as 40% of New Zealand's land area. It does not have to be the largest landlord in New Zealand.

To say that it does not need to own these assets is not to say that it should not. Instead, it is to say that the case for continuing government ownership needs to be made, and assessed.

The case for government ownership is strongest when public good issues arise.[33] Issues of national security, policing of the borders and coast, multiple access national parks, air quality, and much else have the attributes of public goods. What is best for the government to own can change through time.

New technologies that make user-charging much more feasible may transform a public good into a private good, and vice versa. They can create new public goods. The case for and against public ownership evolves.

Even this public good focus might overstate the case of government ownership. An influential paper in 1988 by US economist Andrei Shleifer argued that government ownership might be justified if: cost-cutting incentives would severely damage quality, innovation is relatively unimportant, competition is limited, consumer choice is ineffective, or reputation does not matter.[34] This is not a very permissive set of considerations.

Where competition exists or could be created, private ownership typically works better. Where genuine natural monopolies exist, regulatory frameworks can protect public interests while still capturing the benefits of private sector discipline and expertise.

There can be aspects of an otherwise private operation that raise public good issues. The dispatch coordination aspect of Transpower's operations is, arguably, one example. Another is the emergency public 111 dialling facility provided by a private telecom company. Emergency services provided without a user charge provide a public service. But the providers do not need to be state-owned. For example, private ambulances can be run by for-profit or not-for-profit organisations and funded in whole or in part by government contracts.

Those who benefit disproportionately from a state-owned asset will naturally argue that the status quo is in the broader public interest.

Less self-interested voices might agree. Such cases should be assessed on their merits rather than being simply accepted or ignored.

In summary, there are several reasons why there should be a presumption against government ownership of assets that it does not need to own.

A systematic review of government-owned assets is warranted. Questions it should ask in each case include: What is the ownership objective? Why is it this objective? What are the performance measures? What do these measures show? Could performance be improved by increasing competitive pressures? Is continuing ownership necessary? Could private ownership deliver better results?

**CHAPTER 7**

# The objections to selling government assets

Public resistance to selling government assets is common and can be very strong. Proposals to sell assets are commonly derided as 'ideological'.

Households and businesses make their ownership decisions pragmatically. Households buy and sell assets as a matter of course. Property firm Core Logic reported in 2019 that houses were changing hands every 7.4 years.[35] Car turnover is also significant. These decisions are rational, not ideological; as needs change, ownership changes.

Business asset ownership decisions will be similarly rational. If the Crown is to act in the best interests of New Zealanders, it should not let ideology dominate rationality.

The Crown owns many assets. To sell one gives it the money to buy another, or to repay debt. Which option is best? A pragmatic answer to that question be reached by weighing up the pros and cons coherently and logically.

Misconceptions can impair assessments of which assets the Crown should own. One is the notion that the value of a Crown asset that is sold is lost to the community. However, its ongoing value in the community is represented by the sale price. If the state sells a house or a factory, the services provided to the community may continue under different ownership. Likewise, when investors or fund managers sell shares using the share market, they are merely changing the ownership of those shares. The use value to the community of the underlying asset would usually be unaffected.

A related misconception is that selling to a foreigner deprives New Zealanders of its value. There are two things wrong with this. First, New Zealanders, through the Crown, will possess something else of equivalent value. The Crown will use the sale proceeds to reduce its foreign or domestic debt and/or to purchase another asset and/or to fund current spending. Second, selling an immovable New Zealand asset (such as a ski field) to a foreigner commonly ensures its services are still locally provided.[36] Most customers do not care who owns the supplier of what they wish to buy.

The opposition to asset sales can be emotive rather than analytical. One emotional catch cry in opposing the sale of the Bank of New Zealand several decades ago was that it was the "Crown jewel" in the government's asset portfolio. That argument was seen to be weak when it was revealed in 1990 that the Bank had lost hundreds of millions of taxpayer dollars.

An enduring lesson is that to ask a government-owned bank to compete aggressively to 'discipline the competition' could put taxpayers' money at considerable risk. Government-owned enterprises do not have their own money on the line and politics intrudes on what they do with money that indirectly belongs to householders.

Another emotive battle cry might be: 'These assets must stay in government hands – they belong to the people!' While the latter aspect is true, if the assets are sold then the proceeds belong to the people and 'the people' can use them to buy different assets or reduce public debt.

Such emotional resistance to change may illustrate what behaviourists call an 'endowment effect' –

people apparently tend to resist relinquishing what they already possess, even if something better has emerged.

The Wellington City Council's somersaults in late 2024 over the sale of its shares in Wellington Airport provide a contemporary example of the endowment effect. For no good reason, the status quo won. The option of selling the shares and using the proceeds to reduce debt did not seem to get serious attention.

Even so, within reason, resistance to change is rational. Changes need to be justified. A change for the worse is not good. And views about how the new situation will work out will differ.

Consider what happened with New Zealand's post offices in the 1980s. Many communities fought against the closures, fearing the loss of banking, telephone and postal services, and the loss of familiar communal meeting posts. Today, these same communities receive prompt postal services from local shops with more flexible trading hours and meet friends at thriving cafes instead. There is no public pressure to return to the old state monopoly.

Following is a list of more specific common fears that may need to be acknowledged and debated in the context of a proposed asset sale:

1. People will suffer in long-lasting ways from job losses;
2. Prices will rise painfully, e.g. due to price gouging or the elimination of subsidies;
3. Service quality will fall;
4. Government will lose control of strategic assets;
5. Public accountability will diminish; and
6. Lost government ownership of a commercial business reduces competitive pressures.[37]

Following are responses to each of these fears.

## 7.1 Employment impact

The fear of job losses is real. Workers worry private owners will eliminate jobs to reduce costs. They might have reasons to worry where labour is being wasted on a grand scale. In New Zealand, governments had long used the New Zealand Post Office and New Zealand Rail to disguise unemployment. Resolving this situation was a problem. Much taxpayers' money was spent on redundancy payments.

A related problem was very rigid labour laws. An inflexible labour market adds to dislocation costs. But that was then. Today there is greater flexibility.

Moreover, research finds that major job losses are unusual. A major study of privatisations in 2010 found employment typically fell by only 10% after 3–4 years.[38]

To put this 10% figure into perspective, consider normal job turnover rates in New Zealand. In 2023, 21% of workers – more than one in five – changed jobs. The highest turnover rate was for hospitality and food services at "just over 88%", although it is not clear that these figures are using the same yardstick.[39] Seen in this context, the indicative 10% effect of selling government assets would be only a modest contribution to the national turnover of jobs in any one year.

Moreover, selling government assets can increase job opportunities. When Telecom became private, job opportunities were created in the companies that rose to compete with Telecom.

## 7.2 Price increases

People naturally worry private owners will raise prices to lift profits. Yet in competitive markets, prices may fall because companies must become more efficient to compete. Again, the Telecom example illustrates this point – between 1987 and 1992, the toll-call prices were lowered by 60%.[40]

More generally, greater productivity allows lower prices, higher wage rates and more profits. The key to greater productivity lies in creating competition along with the value-for-money incentives of private ownership.

Where a good or service is subsidised, the cost to the community of suppling it will likely exceed the price charged. Price rises when subsidies are reduced or eliminated are not necessarily bad.

Also, note that Part 4 of the *Commerce Act 1986* allows government to control the prices charged by monopolists.[41]

## 7.3 Service standards

Another fear is that private owners will reduce quality to increase profits. However, service quality is more likely to be poor without a profit incentive. Indeed, a thorough research review found that quality usually improves under private ownership, especially when businesses must compete for customers.[42]

The detailed study of Telecom mentioned above found improved service quality in part through shorter waiting times.[43] Greater competition was a factor. After 1987, "anyone in New Zealand could wire up, repair or sell telecommunications equipment".[44]

The following abstract from a 1996 paper by economics professor Lew Evans provides an overview.

> This paper estimates the productivity and consumer and producer changes in the New Zealand telecommunications network market between 1987, when it was deregulated, and 1993 as the major firm, Telecom, evolved from a government department to a public company in an environment of light regulation. The growth in productivity is estimated to [have] reduced costs at an annual compound average of 5.6 percent. The bulk of the substantial gains in consumer surplus has come from price reductions on 1987 consumption levels. There have been marked improvements in the quality of outputs. Shareholders have had a profitable investment.[45]

## 7.4 Strategic assets

Some people worry about 'strategic assets' – things considered vital to the country. Certainly, some assets might need special protection for national security reasons. But whether assets are so vital to the country that government ownership is necessary is something to be assessed rather than asserted as a generic proposition.

Some so-called strategic assets would function better under private ownership with proper oversight. For example, hubs for the transport of people and goods, such as seaports and airports, might be thought of as strategic assets. Governments will certainly regulate them and commandeer them when needs must. But do they need to own the parts of them that are serving the public, as distinct from the parts that are exclusively for the military?

The 2023 ports study is informative. It found that ports with some private ownership consistently generated more profit and paid larger dividends than fully government-owned ones. Even partial exposure to competition improves results.[46]

## 7.5 Public accountability

Some worry about public accountability under private ownership. Unfortunately, accountability under public ownership is also a worry. Private ownership arguably creates more accountability, not less. Market pressure punishes poor performance more immediately. Listed companies must report detailed information about their operations.

Most importantly, customers can take their business elsewhere – something that provides more direct accountability than any political process. Increased transparency typically follows privatisation, as firms become subject to market scrutiny and regulatory oversight.[47]

Take the case of New Zealand's Accident Compensation Corporation (ACC) which was opened to competitive provision in 1999. Preparatory work revealed that it was not collecting adequate information about customer needs and costs. For example, private insurers needed to assess whether the monopoly ACC was spending enough on accelerating recovery, rehabilitation, and accident prevention. What is not being measured is not being managed.[48]

## 7.6 Keeping private sector competition honest

One argument for Kiwibank is that being government owned it does not need to make a normal profit. Thereby it can stop private banks from over-charging. This argument assumes it has a strong enough incentive to minimise its costs. Unfortunately, this is unlikely to be the case. Cost-padding could see it charge as much as its competitors and still make low profits. Given the chance, it could have high wages, a high head count, and low productivity.

Indeed, cost-padding is to be expected when government ownership discipline is weak. In response to public dissatisfaction with service quality, incumbent state providers invariably call for 'more money to do what we are doing'. For example, the call for more money for public schools, hospitals, welfare agencies, and now Kiwibank, is a common refrain.

A generic problem with Crown ownership of commercial operations is that government agencies create an uneven playing field. A potentially efficient competitor can decide not to invest because a government competitor does face full commercial disciplines. It does not have to provide value-for-money for customers, or for their captive taxpayer investors.

The better way to keep private sector competition honest is to make sure that entry barriers to competition are not unduly high. Complementary to this is the *Commerce Act* as a constraint on anti-competitive pricing and behaviour.[49]

Sinclair Davidson, an Australian professor of institutional economics, has addressed the puzzle of why there is so much public opposition to assets sales that are likely to benefit the public. He ascribed it to four fundamental reasons:[50]

First, many people harbour deep mistrust towards an impersonal system of voluntary exchange for mutual benefit. Having grown up with government services, they cannot envision how private businesses might serve them better. Many see competition as nasty and uncaring. They may fail to appreciate how it empowers customers and enhances value for money.

Second, many people distrust foreign investment, perhaps not appreciating that access to overseas products expertise, technology and capital are vital for New Zealanders' prosperity. New Zealand benefits enormously from the specialisation and economies of scale that foreign trade accesses. Our export income from tourism and primary product, enables us to import of a vast array of products that are not economic to produce locally.

Third, job losses from forced redundances are real; we can all feel the pain. What is much less visible and more diffuse is the rise of job opportunities in new and growing firms. Competition is a process of destruction and creation. But job creation happens, and job turnover is ever-present.

Fourth, many people see government as a benevolent and paternalistic protector and lack faith in human ability to solve problems through innovation through voluntary cooperative actions.[51] Certainly, politicians are largely well-intentioned, but this does not make them capable owners.

## CHAPTER 8

# New Zealanders can accept government asset sales

Asset sales are generally controversial at the time because they disrupt the status quo. But if they are done well, public pressure to reverse them can dissipate once they are successfully embedded.

Between 1988 and 1999, the government transferred 30 major enterprises to private ownership (see Appendix 3).[52] These sales generated $19 billion (in contemporaneous dollars) – a substantial sum that contributed to reducing the public debt.[53]

This was a major undertaking. The groundwork began between 1984 and 1987, when the government required its commercial businesses to prepare for competition from private companies. This preparation phase took a lot of time and expertise. For a start, government agencies had to find out what they legally owned. Goals had to be clarified. Business activities had to be separated from social programmes. Means had to be found to permit more competition.

After the 1987 general election, the re-elected government had a mandate to sell Crown assets of a commercial nature. As explained in the next section this was a major exercise. Sales preparations included opening the enterprise to competition.

The transformation of New Zealand Post Office illustrates the scale of change required. In 1984, it stood as a monolithic organisation with a statutory monopoly for postal delivery and telephones. People could not even buy their own telephone – they had to rent a black one from the Post Office. Delays in getting a phone connection were legendary.

The Post Office also ran the dominant savings bank. School teachers helped primary school children with deposits into their Post Office Savings Bank accounts. The Post Office Savings Bank was dominant because it was subsidised and backed by government.

By the end of the asset sales era, this landscape had changed entirely. The telephone business emerged as a separate company that radically increased investment and productivity. Technology evolved rapidly, and the private sector responded. Competition in providing banking services become more important with the sale of the Post Office Savings Bank to the Australia and New Zealand Banking Group (ANZ). Market pressure as the driver of improvement had replaced government inertia. Couriers competed for postal services. Customer choice greatly increased.

## CHAPTER 9

# The critical importance of a quality sales process

The government managed the sales process from 1988 with impressive discipline, which is not to say it achieved perfection. The focus was on maximising receipts from the sale process, subject to a level-playing field approach to permitting competition. About two-thirds of assets went to a combination of New Zealand and overseas owners, with one-third going mainly to overseas owners. The government made it clear that no buyer could expect special treatment or government assistance after purchase. This clarity about the rules proved essential to long-term success.

When governments buy an asset, there is always a risk that they will have paid too much. Commercial motives are not usually paramount.

The same suspicion arises when governments sell assets. Critics will be quick to suspect foul play. Indeed, one institutionalised critic – His Majesty's loyal opposition in Parliament – has a duty to hold the government to account.[54]

So, for public acceptance and indeed for the welfare of New Zealanders overall, the sales process needs to be 'squeaky clean' in appearance and reality. Achieving this is far from easy, perfection may be impossible.

Following are some essential criteria:

1. Bidding should be open worldwide to credible bidders. This widens the pool of expertise and increases the pressure on bidders. Excluding credible bidders without reason will create an unsavoury impression and plausibly lower the sale price.
2. All bidders must receive the same information. No more, no less. What is said to one bidder should be shared with all bidders. It follows that ministers should not have any contact with any bidders while the sales process is underway. Due diligence by buyers is part of that process. Confidentiality must be tight because the information being revealed to potential bidders is commercially sensitive.
3. All bidders should be in no doubt that there are no after-sales assurances of government assistance or support. It is a case of buyer beware with no implicit post-sale government guarantees.
4. Entities should be given time to prepare to face competition and be sold. They need to identify what they own and gather information that is relevant to performance and customer needs. Inadequate information will make bidders more cautious.
5. All anti-competitive protections the government-owned incumbent enjoyed prior to sale must be removed before the sale. The new owners must comply with the anti-monopoly provisions in the *Commerce Act*. This feature is to stop governments from pocketing a higher sales price at the expense of the public.
6. Responsibilities for achieving non-commercial objectives should be reassigned in the process of preparing a commercial activity to be sold.
7. Where necessary, the most appropriate strategy for protecting any element of a public good nature must be determined and established prior to commencing the sale process. Bidders must know that this is a condition of purchase. The government should refrain from any predatory practices after a sale has been completed.[55] To do so

would undermine New Zealand government's credibility, domestically and internationally. Undermining government's contracting credibility weakens government power.

Competition post-sale is a fundamental requirement for value-for-money for the community. While a private monopoly subject to the *Commerce Act* might be an improvement, a potentially contestable competitive situation would be even better. The government must resist the temptation to obtain a higher sale price by promising buyers protection from competition. Such promises might generate more money now but harm the public later through higher prices and inferior service.

Preparations for sale take time. Just as a homeowner repairs problems and ensures clear property boundaries before selling a house, the government must properly prepare its assets for sale. This preparation begins with separating genuine business activities from any social programmes that might be attached to them. Any special privileges or protections that the government business currently enjoys must be removed. A competitive framework needs to be established, including clear rules about how the market will operate. Regulations to protect legitimate public interests must be put in place before the sale, not negotiated afterwards.

The asset sales processes New Zealand governments followed between 1984 and 1987 had an impressive focus on conforming to these principles. Few would argue it worked perfectly, but to expect perfection, especially in relation to things governments undertake is to expect too much.

One trade-off is between maximising the sale proceeds and transparency. Depending on the case, a government's expert advisers may advise that a trade sale of a controlling interest is the best way of extracting the 'premium for control' from bidders. The government's remaining minority shareholding can later be sold to retail investors. The alternative of selling all the shares at once in smaller parcels would hand the premium for control to whomever was first to gain a majority stake in the secondary market.

However, the process of selling a controlling interest to bidders is likely to invoke more public suspicion than a general float on the share market. Antagonism to 'big business' is endemic. Politically, the choice between a general float and a trade sale is a judgement call. Do politicians prioritise minimal scrutiny or maximal value for taxpayers? They cannot entirely escape criticism either way.

Related public pressure also comes from a form of 'people's capitalism'. Politicians face public pressure to buy public support for asset sales by under-pricing shares for the benefit of households or retail investors. Succumbing to such pressure might be the only way to get the asset sold. However, reducing the sale proceeds in this way reduces the extent to which the government can reduce debt or fund infrastructure projects. Asset sales (or purchases) require the presiding politicians to make judgement calls.

Note how complicated this is compared to a householder's decision as to when to sell their house and buy another one. Private ownership simplifies accountability.

# CHAPTER 10

# Summing up – do not ignore options that might help

Governments need to take their ownership responsibilities seriously and diligently. To own assets they do not need to own and manage them poorly is irresponsible.

Ideological biases against selling Crown assets should not be allowed to prevent reasoned examination of the case for their continued retention. Ownership decisions should be based on the merits of the case, rather than based on prejudice one way or the other.

Governments need to frequently review why the Crown still owns what it owns (or fails to own). Ideological opposition should not be allowed to stifle reasoned public debate on such matters.

These propositions should not be controversial. Householders are notably keen to free up cash by selling assets they no longer need. TradeMe exists to facilitate such sales. First home buyers relinquish one asset – constituting most of their savings balances – to gain another. Those trading up, sell one house to buy a bigger one. It is only rational for governments to make similar evaluations for optimal outcomes. Today's government is cash-constrained, yet there are serious deficiencies in public infrastructure for which it needs more funding. Questioning why an asset should be retained if it is not well-managed and asking if there is a compelling reason for its retention will help to inform sale decisions.

A presumption in favour of selling assets that are not well-managed is appropriate. Crown ownership creates a fundamental conflict of interest for governments and their agencies. A conflict exists between the incentive to shelter the asset from competition and the government's regulatory responsibilities.

Add to that conflict the weak incentives to provide value-for-money under Crown ownership. Political and other objectives will commonly conflict with commercial objectives. The weights to be put on potentially conflicting objectives are likely to be fundamentally arbitrary and unstable.

The empirical evidence cited in this paper of better outcomes on average from private ownership of commercial assets is not surprising, given that politicians and bureaucrats do not have commercial incentives. It can only be *on average*, because in competitive circumstances, some privatised entities will succeed and some will fail. Such failures are part of the value created by healthy competitive pressures. Finding out what people might wish to buy most in the future is a discovery process. It is a contest. To fail is not a sign that the process is wrong.

None of these arguments, based on principles and evidence, suggest that the government should own nothing. That would be absurd.

The proposition that government can effectively manage specific assets should be listened to. However, it should not rely on optimism and endless assurances that an agency has rectified past mistakes and will 'get it right from here'.

Similarly, the case that it is necessary for the government to continue to own a particular asset should be treated respectfully and evaluated on its merits.

Decisions about whether to retain or sell an asset should consider the likely quality of the sales process. The process needs to be stringent. Bidders should be in no doubt that it is buyer beware; the Crown will not subsidise them if their purchase performs poorly. They will not be protected from competitive pressures.

Bidders need to know in advance what they are buying into. To get a good price, the government must alleviate uncertainty. Where possible, it should create open competition before any sale process commences. Arrangements may need to be made to protect legitimate public interests. Sales processes must be open and fair to attract the best buyers. Most importantly, buyers must understand they will succeed or fail on their own merits, without government safety nets.

Done well and at scale, asset sales could attract overseas capital and expertise, and increase competition, innovation, and variety. Households would benefit from the better management of existing assets and the freeing up of government cash to reduce the public debt or improve public infrastructure.

New Zealand's 1987-1999 asset sales processes and outcomes were largely very commendable. Firms were not sold with monopoly privileges intact. Much overseas money and expertise was attracted. Some bidders did fail subsequently, and some did well. This is what should be expected from a good sales process. Even so, the experience underscored the ease with which the process could be politically compromised. Political pressures to screw the scrum as between bidders can be very strong. Public opinion, regardless of its validity, can be prejudiced.

The bottom line for 2025 is that New Zealand faces significant challenges in infrastructure, public services, and economic performance. Asset sales offer a means of freeing up capital and managerial attention that could help address these challenges while simultaneously improving service delivery through market disciplines. This approach has worked before in New Zealand and continues working successfully in countries worldwide.

# Endnotes

1 The Treasury. *He Puna Hao Patiki: 2022 Investment Statement,* (Wellington, March 2022), p 8. Web.

2 See Appendix 1 for a list of the assets and equity in Crown state-owned enterprises (SOEs) and entities. See: The Treasury. Crown Financial Statements of the Government of New Zealand (CFSNZ) for the year ended 30 June 2024 (Wellington, The Treasury, October 2024), p 47. These figures include holdings in SOEs and Crown Entities. As of 30 June 2024, core Crown total assets were $327 billion or about $160,000 per household. Core Crown net worth was $65 billion. Do not forget that local governments also manage substantial assets, for better or for worse. Statistics New Zealand's "Government Financial Statistics" provisionally valued local governments' total assets in June 2024 at $217 billion and its net worth at $184 billion. The corresponding values for central government were $505.5 and $280.9 billion, respectively. (Stats NZ categories for central government assets differ from the Treasury's Total Crown statistics.) Total general government assets in June 2024 were $722.6 billion on this measure, representing around $360,000 per household.

3 See: Reserve Bank of New Zealand |Te Pūtea Matua. *Housing -M10 (1990-current).* Web. For June 2024, RBNZ puts the total value of housing stock in New Zealand at $1,619.652 billion. In Statistics New Zealand's 2023 Census, the number of dwellings in the South Island was 533,838 compared to a New Zealand total of 2,056,578, i.e. 26%. Average house prices in the South Island are likely lower than in the North Island.

4 Total Crown liabilities were $380 billion in June 2024, comprising "borrowings" of $251 billion and "other liabilities" of $129 billion. (CFSNZ, p 47.)

5 New Zealand Treasury, Fiscal Strategy Model for Budget 2024, "Fiscal Forecasts" tab, cells F67, F163 and F160 respectively for core Crown interest paid of $1.918 billion, interest received of $0.716 billion, and tax receipts of $97.983 billion, in the year ended June 2021. For the year ended June 2024 the CFSNZ 2024 (p 48) puts the respective values at $8.943 billion, $4.441 billion and $120.566 billion.

6 Vote Police was $2.9 billion in 2023-24. See https://budget.govt.nz/budget/pdfs/estimates/v6/est24-v6-police.pdf. Net core Crown interest payments were $4.5 billion.

7 See Appendix 2 for a list of Crown entities. This comprised $16.4 billion in Health New Zealand, $15.1 billion in Tertiary Education Institutions, $4.7 billion in School Boards of Trustees and $3.2 billion in Te Pukenga – The NZ Institute of Skills and Technologies. See: The Treasury. Crown Financial Statements of the Government of New Zealand for the year ended 30 June 2024. Op. cit. p 175-176.

8 Op. cit.

9 The Treasury. Crown Financial Statements of the Government of New Zealand for the year ended 30 June 2024. Op. cit. p 173. Crown net worth in the NZSF was $75 billion.

10 CFS 2024, op. cit. Note 6, p 72.

11 B. Howell, "We need to talk about KiwiRail", *Asymmetric Information* (21 November 2024) Web.

12 B. English, C. McNiel and S. Allen. Final Report: Independent Review of Kāinga Ora - Homes and Communities, March 2024. Web.

13 This revenue figure is for Total Crown, not core Crown.

14 The Treasury. *He Puna Hao Patiki: 2022 Investment Statement.* Op. cit. p 52.

15 New Zealand Infrastructure Commission | Te Waihanga, *Testing our Thinking: Developing an enduring National Infrastructure Plan,* (Wellington, 2024), p 15 and Fig. 1 p 16.

16 The Treasury, 2022 Investment Statement, p 53.

17 Controller and Auditor-General. "Strengthening government procurement: Lessons from our recent work", (Wellington, May 2024).

18 Te Tai Ōhanga | The Treasury. *He Puna Hao Patiki: 2022 Investment Statement.* Op cit. p 53.

19 The aborted "Three Waters" proposed change in the control of water infrastructure was a notably partisan measure.

20 In December 2024, there was the extraordinary situation whereby the most senior National Party Cabinet Ministers simultaneously announced their proposed inter-islander ferry replacements and that the leader of NZ First would be responsible for developing an alternative proposal. It seems that the MMP Cabinet had split on party lines over what should really have been a commercial decision made on contestable competitive grounds. (Ferry services can be denied to those who do not pay and can thereby be provided competitively.) MMP is not intended to produce coherent public policies from the government of the day. See also: S. Joyce (2024, December 14). "KiwiRail ferry saga highlights flaws in political-decision-making", *The New Zealand Herald*. Web. "If ever you wanted incontrovertible evidence that politicians should not be making commercial investment decisions, then the sorry saga of the Inter islander ferries would be the best example." Para 1.

21 World Bank. "Bureaucrats in business: the economics and politics of government ownership", policy research report, Washington DC, World Bank, p 3. http://documents.worldbank.org/curated/en/197611468336015835

22 If those who do not pay can be excluded and if each purchase benefits only the purchaser (e.g, a bottle of coca cola) a good or service is, by definition, a private good.

23 World Bank. "Privatization: the lessons of experience", World Bank (1992), p 1.

24 W. Megginson and J. Netter. "From State to Market: A Survey of Empirical Studies on Privatization", *Journal of Economic Literature*, 34, (2001), 321-389. Do not forget that if an asset is sold at a competitive price there is likely a 50:50 chance the buyer will have paid too much. This is known as the winner's curse. But the asset could still be used much more efficiently, even if the buyer does not profit at the bid price.

25 The Treasury. *Income from State Asset Sales as at May 2014*. Web.

26 L. Evans. "The Economic Efficiency of Telecommunications in a Deregulated Market: The case of New Zealand", *Economic Record*, 72, (1996), 24-35.

27 The Treasury Historical Fiscal Indicators. Website. Of course, strong GDP growth after 1991 was also a factor in reducing this debt ratio.

28 L. Evans and D. Boles de Boer. (2000). *The Economic Performance of Five State-Owned Enterprises 1989 to 1998.* Victoria University of Wellington, 2000). Total factor productivity growth = growth in output *minus* growth in total input. See p 7.

29 Ibid., p 9-12.

30 K. K. Y. Chan, L. Chen, and N. Wong. "New Zealand State-owned enterprises: is state-ownership detrimental to firm performance?" *New Zealand Economic Papers,* 52(2), (2017), 170–184.

31 P. Barry, and S. McSweeney-Harle. New Zealand Ports' Financial Performance. A Comparison of Mixed and Local Government Ownership. (TDB Advisory Ltd, Wellington, April 2023). Web.

32 The Treasury's 2022 Investment Statement stresses the importance of achieving even small improvements in asset management performance.

33 These are situations where those who do not pay cannot be excluded, and where the benefit to any one person does not detract from the benefit to anyone else. Spending on national defence passes both tests. Provision of uncongested public roads does not satisfy the first test since motorists who do not pay can be excluded. Provision of footpaths for pedestrians, however, is a public good; likewise, streetlights and river stop-banks. New technologies can create new public goods and turn others into private goods.

34 A. Shleifer. "State versus Private Ownership", *Journal of Economic Perspectives,* 12 (4), (1998), 133-150.

35 CoreLogic, "How long do owners hold their properties for?" *CoreLogic Research News* (20 March 2019). Web. 7.4 years is the median holding period, not the average.

36 Of course, if the new owner closes the ski field to former customers the benefits from the ski field are distributed differently, but this is so under local ownership also.

37 This is an abbreviated list. A 2002 study for the New Zealand Business Roundtable acknowledged and assessed no less than 26 common concerns about privatisation. See: P. Barry, The Changing Balance between the public and private sectors. Op. cit.

38 J. D. Brown, J. S Earle, and Á. Telegdy. "Employment and Wage Effects of Privatisation: Evidence from Hungary, Romania, Russia and Ukraine", *The Economic Journal,* 120(545), (2010), 683-708.

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52 For a fuller list that includes smaller scale asset sales, see: The Treasury's "Historical information on the sale price and background to New Zealand Government asset sales as at May 2014". Web.

53 The Treasury New Zealand Government Asset Sales as at 30 September 1999. Web.

54 Admittedly, loyalty to His Majesty seems to be in short supply these days.

55 For example, a 'Kiwi share' was devised for the SOE Telecom sale, requiring the buyer to maintain some public good services. Similarly, in the case of the sale of Air New Zealand arrangements were necessary to protect overseas landing rights, which are of a government-to-government nature.

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# APPENDIX 1: Crown equity in SOEs and Crown entities at 30 June 2024

| | Operating Balance year to June 2024 $ million | Distributions $ million | Equity $ million | Property, Plant & Equipment $ million | Total Assets $ million |
|---|---|---|---|---|---|
| **State-owned Enterprises** | | | | | |
| Airways Corporation of New Zealand | 16 | 20 | 193 | 188 | 296 |
| AsureQuality Limited | 4 | - | 102 | 56 | 159 |
| Landcorp Farming Limited | -40 | - | 1,637 | 1,473 | 1,975 |
| New Zealand Post Limited | -13 | 100 | 606 | 317 | 1,013 |
| KiwiRail Holdings Limited | -578 | - | 16,316 | 16,231 | 17,109 |
| Transpower New Zealand Limited | 92 | 116 | 1,478 | 5,006 | 5,925 |
| Kordia Group Limited | - | 1 | 62 | 58 | 137 |
| Kiwi Group Holdings Limited | - | - | - | - | - |
| New Zealand Railways Corporation | 1 | - | 4,292 | 4,290 | 4,292 |
| Other State-owned enterprises | 6 | 4 | 58 | 24 | 91 |
| **Total State-owned Enterprises** | **-512** | **241** | **24,744** | **27,643** | **30,997** |
| Air New Zealand Limited | 105 | 269 | 3,425 | 5,952 | 9,345 |
| Genesis Energy Limited | 109 | 169 | 2,680 | 4,047 | 5,531 |
| Meridian Energy Limited | 417 | 466 | 8,200 | 12,132 | 13,469 |
| Mercury NZ Limited | 279 | 311 | 4,852 | 8,121 | 9,699 |
| Less minority interests | -458 | -602 | | | |
| **Total mixed ownership companies** | **452** | **613** | **19,157** | **30,252** | **38,044** |
| Intra-segmental eliminations | -68 | - | -140 | -171 | -361 |
| **Total SOE segment** | **-128** | **854** | **43,761** | **57,724** | **68,680** |
| **Crown entities** | | | | | |
| Accident Compensation Corporation | -7,239 | - | -12,366 | 36 | 54,143 |
| Crown Infrastructure Partners Limited | 163 | - | 1,167 | 9 | 1,850 |
| Crown Research Institutes | -21 | - | 877 | 836 | 1,292 |
| Callaghan Innovation | -10 | - | 170 | 143 | 219 |
| Earthquake Commission | 231 | - | -621 | 4 | 741 |
| Fire and Emergency New | -73 | - | 1,439 | 1,422 | 1,777 |
| Kainga Ora - Homes and | -568 | - | 29,893 | 46,720 | 48,663 |
| Kiwi Group Capital Limited | 207 | 9 | 2,675 | 47 | 36,478 |
| Maori Health Authority | 87 | - | - | - | - |
| Museum of New Zealand Te Papa Tongarewa Board | -51 | - | 1,641 | 1,578 | 1,654 |
| New Zealand Blood and Organ Institute | -19 | - | 105 | 67 | 201 |
| New Zealand Lotteries Commission | 434 | - | 70 | 8 | 347 |
| New Zealand Transport Agency | -1,535 | - | 80,216 | 85,358 | 86,740 |
| Pharmaceutical Management Agency | 243 | - | 401 | - | 647 |
| Rau Paenga Limited | -79 | - | 525 | 808 | 996 |
| Public Trust | 6 | - | 79 | 3 | 380 |
| School Boards of Trustees | 202 | - | 3,242 | 1,910 | 4,693 |
| Southern Response Earthquake Services Limited | -23 | - | -33 | - | 121 |
| Tamaki Redevelopment Company Limited | -50 | 10 | 2,677 | 2,512 | 2,724 |
| Te Pukenga – New Zealand Institute of Skills and Technology Pukenga – New Zealand | 60 | - | 2,710 | 2,356 | 3,223 |
| Health New Zealand | -800 | - | 9,529 | 13,782 | 16,390 |
| Television New Zealand Limited | -80 | - | 208 | 121 | 258 |
| Tertiary Education Commission | 8 | 4 | 164 | 3 | 708 |
| Tertiary Education Institutions | 109 | - | 15,136 | - | 15,136 |
| Other Crown entities | 7 | 26 | 3,120 | 544 | 3,806 |
| **Total Crown entities** | **-8,887** | **49** | **143,024** | **158,267** | **283,187** |
| Intra-segmental eliminations | -462 | - | -67 | -199 | -2,258 |
| **Total Crown entities segment** | **-9,349** | **49** | **142,957** | **158,068** | **280,929** |

Source: Crown Financial Statements 2024

## APPENDIX 2: List of Crown reporting entities in November 2024

The Treasury's Financial Statements of the Government of New Zealand, November 2024, lists the Crown Reporting Entities at 30 June 2024 in summary form as follows (page 52):

**Core Crown entities**

- Ministers of the Crown
- Government departments
- Offices of Parliament
- the Reserve Bank of New Zealand
- New Zealand Superannuation Fund

**Other entities**

- State-owned Enterprises
- Crown entities (excluding Universities and Wānanga)
- Air New Zealand Limited
- Elevate New Zealand Venture Fund
- Māori Health Authority (disestablished on 30 June 2024)
- Organisations listed in Schedule 4 and 4A (*Non-listed companies in which the Crown is majority or sole shareholder*) of the Public Finance Act 1989
- Organisations listed in Schedule 5 (*Mixed ownership model companies*) of the Public Finance Act 1989
- Legal entities listed in Schedule 6 (*Legal entities created by Treaty of Waitangi Settlement Acts*) of the Public Finance Act 1989

The Treasury's December 2024 Half Year Economic and Fiscal update (pages 103ff) lists under each heading below the entities that belong to that category as at 27 November 2024. In total there were:

- 38 government departments
- 3 offices of parliament
- The Reserve Bank of New Zealand and the New Zealand Superannuation Fund
- 12 state-owned enterprises
- 3 mixed ownership model companies
- Air New Zealand
- 70 Crown entities and entity categories
- 27 "Schedule 4" organisations (listed and non-listed combined)
- 1 legal entity (Te Urewera)
- Elevate NZ Venture Capital Fund
- 10 tertiary education institutions (8 universities, 2 Wananga)
- City Rail Link Limited.

Subsumed under these consolidated entities are many subsidiary entities. Details follow.

## Core Crown Segment

### Departments

Crown Law Office

Department of Conservation

Department of Corrections

Department of Internal Affairs
(services Digital Executive Board as an interdepartmental executive board)
(hosts Ministry for Ethnic Communities as a departmental agency)

Department of the Prime Minister and Cabinet
(hosts National Emergency Management Agency as a departmental agency)

Education Review Office
(hosts Aroturuki Tamariki – Independent Children's Monitor as a departmental agency)

Government Communications Security Bureau

Inland Revenue Department

Land Information New Zealand

Ministry for Culture and Heritage

Ministry for Pacific Peoples

Ministry for Primary Industries

Ministry for Regulation

Ministry for the Environment
(services Spatial Planning Board and Climate Change Chief Executives Board as interdepartmental executive boards)

Ministry for Women

Ministry of Business, Innovation, and Employment

Ministry of Defence

Ministry of Education
(hosts Charter School Agency as a departmental agency)

Ministry of Foreign Affairs and Trade

Ministry of Health
(hosts Cancer Control Agency, as a departmental agency)

Ministry of Housing and Urban Development

Ministry of Justice
(hosts Te Arawhiti – Office for Māori Crown Relations as a departmental agency)
(services Executive Board for the Elimination of Family Violence and Sexual Violence as an interdepartmental executive board)

Ministry of Māori Development – Te Puni Kōkiri

Ministry of Social Development
(hosts Ministry for Disabled People as a departmental agency)

Ministry of Transport

New Zealand Customs Service
(services Border Executive Board as an interdepartmental executive board)

New Zealand Defence Force

New Zealand Police

New Zealand Security Intelligence Service

Office of the Clerk of the House of Representatives

Oranga Tamariki – Ministry for Children

Parliamentary Counsel Office

Parliamentary Service

Public Service Commission

Serious Fraud Office

Social Investment Agency

Statistics New Zealand

The Treasury

### Others

New Zealand Superannuation Fund

Reserve Bank of New Zealand

### Offices of Parliament

Controller and Auditor-General

Office of the Ombudsman

Parliamentary Commissioner for the Environment

## State-owned Enterprises Segment

**State-owned Enterprises**

Airways Corporation of New Zealand Limited

Animal Control Products Limited

AsureQuality Limited

Electricity Corporation of New Zealand Limited

KiwiRail Holdings Limited

Kordia Group Limited

Landcorp Farming Limited

Meteorological Service of New Zealand Limited

New Zealand Post Limited

New Zealand Railways Corporation

Quotable Value Limited

Transpower New Zealand Limited

**Mixed ownership model companies (Public Finance Act Schedule 5)**

Genesis Energy Limited

Mercury NZ Limited

Meridian Energy Limited

**Other**

Air New Zealand Limited

## Crown Entities Segment

### Crown Entities

Accident Compensation Corporation
Accreditation Council
Arts Council of New Zealand Toi Aotearoa
Auckland Light Rail Limited
Broadcasting Commission
Broadcasting Standards Authority
Callaghan Innovation
Children and Young People's Commission
Civil Aviation Authority of New Zealand
Climate Change Commission
Commerce Commission
Criminal Cases Review Commission
Crown Irrigation Investments Limited
Crown Research Institutes (7)
Education New Zealand
Electoral Commission
Electricity Authority
Energy Efficiency and Conservation Authority
Environmental Protection Authority
External Reporting Board
Financial Markets Authority
Fire and Emergency New Zealand
Government Superannuation Fund Authority
Guardians of New Zealand Superannuation
Health and Disability Commissioner
Health New Zealand
Health Quality and Safety Commission
Health Research Council of New Zealand
Heritage New Zealand Pouhere Taonga
Human Rights Commission
Independent Police Conduct Authority
Integrity Sport and Recreation Commission (previously Drug Free Sport NZ)
Kāinga Ora – Homes and Communities
Law Commission
Maritime New Zealand
Mental Health and Wellbeing Commission
Museum of New Zealand Te Papa Tongarewa Board
New Zealand Antarctic Institute
New Zealand Artificial Limb Service
New Zealand Blood and Organ Service
New Zealand Film Commission
New Zealand Growth Capital Partners Limited
New Zealand Infrastructure Commission/ Te Waihanga
New Zealand Lotteries Commission
New Zealand Qualifications Authority
New Zealand Symphony Orchestra
New Zealand Tourism Board
New Zealand Trade and Enterprise
New Zealand Transport Agency
New Zealand Walking Access Commission
Office of Film and Literature Classification
Pharmaceutical Management Agency
Privacy Commissioner
Public Trust
Radio New Zealand Limited
Real Estate Agents Authority
Retirement Commissioner
School Boards of Trustees (2,425)
Social Workers Registration Board
Sport and Recreation New Zealand
Takeovers Panel
Taumata Arowai – the Water Services Regulator
Te Pūkenga – New Zealand Institute of Skills and Technology
Te Reo Whakapuaki Irirangi (Māori Broadcasting Funding Agency)
Te Taura Whiri i te Reo Māori (Māori Language Commission)
Television New Zealand Limited
Tertiary Education Commission
Toka Tū Ake – Natural Hazards Commission (previously Earthquake Commission)
Transport Accident Investigation Commission
WorkSafe New Zealand

## Crown Entities Segment (continued)

**Organisations listed in Schedule 4 of the Public Finance Act 1989**

Agricultural and Marketing Research and Development Trust

Asia New Zealand Foundation

Fish and Game Councils (12)

Game Animal Council

Māori Trustee

National Pacific Radio Trust

New Zealand Fish and Game Council

New Zealand Game Bird Habitat Trust Board

New Zealand Government Property Corporation

New Zealand Lottery Grants Board

Ngāi Tahu Ancillary Claims Trust

Pacific Co-operation Foundation

Pacific Island Business Development Trust

Reserves Boards (20)

**Non-listed companies in which the Crown is majority or sole shareholder (Public Finance Act Schedule 4A)**

Crown Infrastructure Partners Limited

Crown Regional Holdings Limited

Education Payroll Limited

Kiwi Group Capital Limited

New Zealand Green Investment Finance Limited

Ngāpuhi Investment Fund Limited

Predator Free 2050 Limited

Rau Paenga Limited

Research and Education Advanced Network New Zealand Limited

Southern Response Earthquake Services Limited

Tāmaki Redevelopment Company Limited

The Network for Learning Limited

**Legal entities created by Treaty of Waitangi settlement Acts (Public Finance Act Schedule 6)**

Te Urewera

**Others**

Elevate NZ Venture Fund

## Other entities not fully consolidated into the Forecast Financial Statements of the Government with only the Crown's interest in them being included.

**Crown entities**

Tertiary Education Institutions (10)

(8 Universities and 2 Wānanga)

**Non-listed companies in which the Crown is majority or sole shareholder (Public Finance Act Schedule 4A)**

City Rail Link Limited

# APPENDIX 3: Chronology of New Zealand privatisations, 1988-1999

This table is a reproduction of Annex 4 in P. Barry, *The changing balance between the Public and Private Sectors* (2002). His source is the Treasury.

## ANNEX 4
## NEW ZEALAND PRIVATISATIONS: A CHRONOLOGY

The following table lists the major privatisations undertaken in New Zealand since 1987.

| *Year*[1] | *Business* | *Sale price $m* | *Buyer(s)* | *Principal domicile of buyer(s)*[2] |
|---|---|---|---|---|
| 1988 | NZ Steel | 327 | Equiticorp | M |
| | Petrocorp | 801 | Rossport Inv Ltd | M |
| | DFC | 111 | NPF (80%) | D |
| 1989 | Postbank | 678 | ANZ | M |
| | Shipping Corp | 31 | ACT(NZ) Ltd | F |
| | Air NZ | 660 | BIL, Qantas, JAL, AAL | M |
| | Landcorp mortgages | 49 | Mortgagors | M |
| | Rural Bank | 687 | Magneton Holdings Ltd | M |
| 1990 | Govt Print | 38 | Rank Group | D |
| | State Insurance | 735 | Norwich Union | F |
| | Tourist Hotel Corp | 72 | Southern Pacific | F |
| | Synfuels | –90 | Fletcher Challenge | M |
| | Telecom | 4,250 | Bell South, Ameritech | F |
| | Forestry cutting rights | 1,025 | Various | M |
| 1992 | Timberlands | 366 | ITT Rayonier | F |
| | Export Guarantee Ltd | 20 | State Insurance | F |
| | Housing Corp Mortgages | 2,404 | Various banks | M |
| | Petroleum Mining Licences | 120 | Petrocorp/Sthn Petroleum | M |
| | Bank of NZ | 850 | NAB | F |
| 1993 | NZ Rail | 328 | Wisconsin, Berkshire, Fay Richwhite | M |
| | Fletcher Challenge Shares | 418 | Financial Institutions | M |
| 1994 | Govt Computer Services | 47 | EDS Holdings | F |
| 1996 | Maori Development Corp | 21 | Maori Dev Corp | D |
| | Forestry Corporation | 1,600 | FCL, Citifor, BIL | M |
| | Works Development Services | 108 | Downer, Kinta Kellas | M |
| 1998 | Auckland Airport Ltd | 460 | Public Share Float | M |
| | Wellington Airport Ltd | 96 | Infratil NZ-led consortium | M |
| | Capital Property Services | 119 | Public Share Float | M |
| 1999 | Contact Energy Ltd | 2,331 | Edison and Public Float | M |
| | Vehicle Testing NZ | 19 | Motor Trade Inv | D |

*Notes*:
[1] Date of first settlement.
[2] D = 75 percent or more domestic-owned.
F = 75 percent or more foreign-owned.
M = mixed: that is, more than 25 percent domestic and more than 25 percent foreign-owned.
*Source*: http://www.treasury.govt.nz/assetsales/default.asp. Indications of domicile are the author's estimates. Other minor assets that have also been sold are not included in the table above.

Did you know that your household has a stake in government assets worth around $275,000? That's like owning a luxury car – but you have no say in who uses it and how well it is looked after. And here's the catch: the government has borrowed heavily to buy these assets, and the interest payments alone are eating up nearly 4 cents of every tax dollar you pay.

But wait – it gets more interesting. The financial returns from these assets don't even cover the borrowing costs. So why does the government own so many things? Do they really need to own all these assets? Could some of them serve New Zealanders better in private hands?

This report tackles these provocative questions head-on, drawing on decades of research and real-world experience from New Zealand and abroad. It explores why governments often struggle to manage assets effectively, examines the evidence for private versus public ownership, and explains why some common fears about asset sales rarely materialise.

At a time when New Zealand desperately needs better infrastructure and public services, can we afford not to have this discussion? Read this report to understand what's at stake and why emotional arguments shouldn't prevent us from making rational decisions about assets that belong to all New Zealanders.

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