

**NZ  
INC.**



**It belongs  
to you**



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***Labour will establish NZ Inc to drive growth and keep our wealth in New Zealand for future generations.***

**NZ Inc will:**

- **create the NZ Inc Sovereign Wealth Fund (NZ Inc) that will take dividends from our public assets and new royalties from oil and gas production, and invest them in the sustainable growth of the New Zealand economy.**
- **make further privatisation unlawful by creating a Kiwi Share in each State-Owned Enterprise, Mixed Ownership Model Company, Air NZ and the NZ Inc Fund which states the Crown is not permitted to privatise these assets any further.**
- **review the management of the Crown's commercial assets to ensure they stay in public hands and drive growth.**

New Zealand is a country blessed with abundant natural resources and talented, innovative people. Together, we have built a successful economy. We export goods around the world that are sought after for their quality.

As part of our growth story, we collectively invested in the infrastructure and companies that we needed to add value to our natural resources and export them to the world. Those public assets supported the wider economy and ensured that the profits of our public enterprise stayed in New Zealand.

That changed when privatisation began. Strategic, profitable assets have been sold off cheaply. Now, rather than supporting the economy, they are often used to suck wealth out of New Zealand. They exploit their market position by charging too much and sending the profits to offshore shareholders.



The current government made it worse when they sold shares in the power companies and Air New Zealand against the will of New Zealanders. Already, that decision has cost hundreds of millions of dollars in sales costs and foregone dividends.

New Zealand is locked in a cycle that is seeing us lose control of our future. We have sold off too many of our assets and borrowed too much from overseas. Now, \$16 billion a year of profits flows to overseas shareholders and lenders. We pay for that outflow by selling more assets and borrowing more from offshore lenders, exacerbating the problem. When our companies want to grow, they often have to get capital from offshore.

If we want to have a more prosperous future, we must build a smarter economy. We can't go on seeing much of the value-add captured by others. In order to support the journey from volume to value, we need to invest in technology, processing, and branding.

Labour wants to take a better path. We will restrict foreign investment that does not have a significant economic benefit to New Zealand, and we will build up our domestic capital base, so that we don't have to borrow so much from offshore. We don't want New Zealand just to be the farm — we should be the bank, the designers, the factory, the wholesalers, and retailers too, and more of the wealth produced at each step should remain in our economy.

NZ Inc is Labour's plan to prevent future privatisation and accelerate our transition to a smart, sustainable, high-value economy with better jobs and higher wages.

It will stop future privatisations. Each SOE, Mixed Ownership Model (MOM) company, Air NZ and NZ Inc will have a Kiwi Share created and held by the Crown under new legislation, which will state that the Crown cannot dilute its shareholding in these assets.

Stopping more privatisations is just the first step. The really exciting opportunity is to use our assets to grow the economy and regain ownership of more of our wealth and job creation. NZ Inc will be mandated to buy, own, and build strategic assets that will help to grow our economy, and keep more of the wealth we generate here in New Zealand.

This may involve buying back interests in our privatised assets when it makes financial sense to do so. It will also mean being an engine of growth, investing in the new companies and new opportunities that are going to add value and create jobs in the 21st century.

We will review the strategy of the SOEs and MOMs to ensure that the Crown's commercial assets — assets we all share — are making the best possible contribution.

NZ Inc will ensure that more of the value chain for our products is in New Zealand hands; that more of the wealth produced from our resources stays in New Zealand. That will mean less international debt, faster growth, and a greater ability for New Zealand to choose its own path in the future.



David Cunliffe  
Labour Party Leader



## ***NZ Inc action plan***

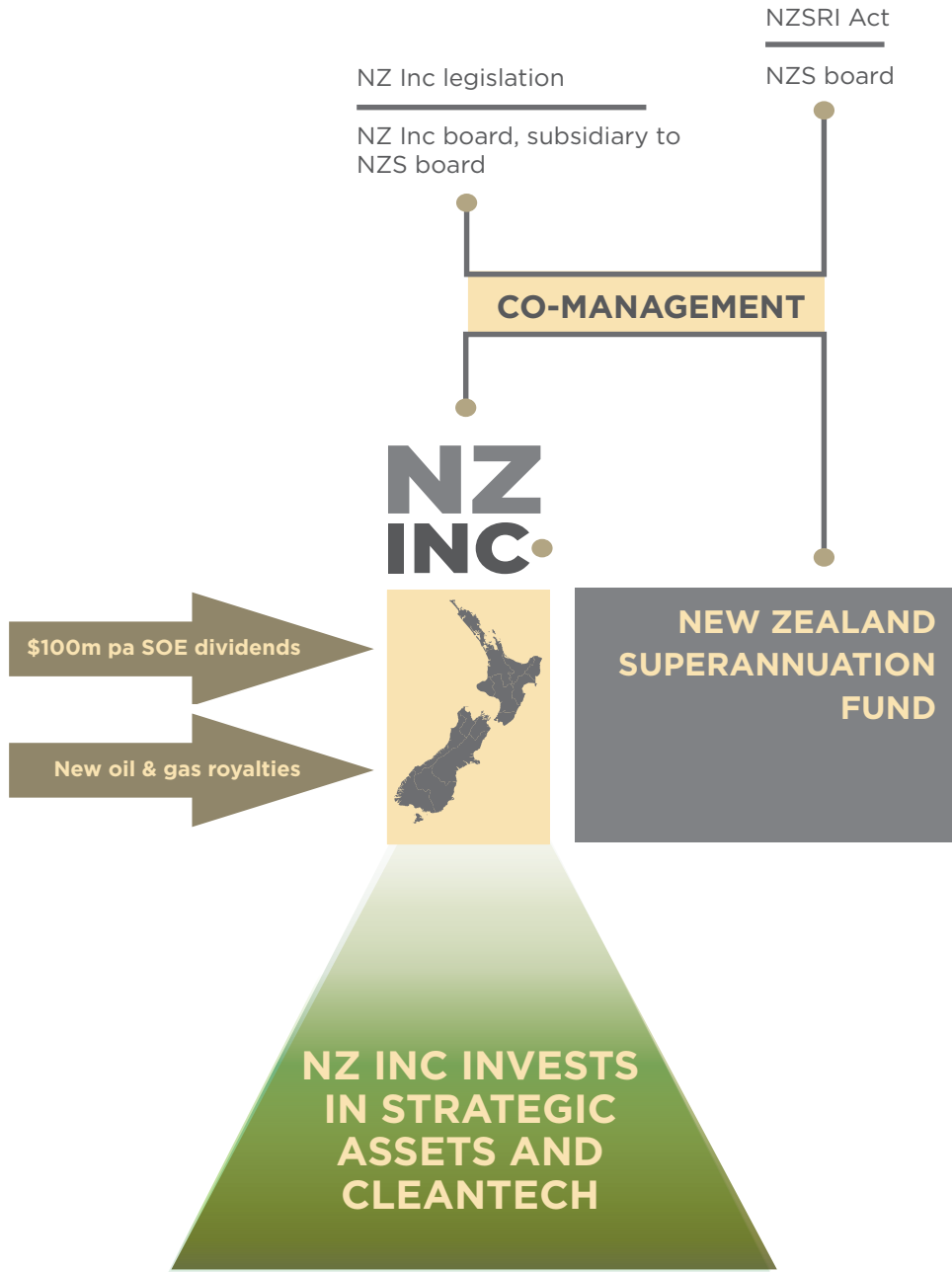
### **Labour will:**

- Create the NZ Inc Sovereign Wealth Fund to invest in and grow businesses of strategic importance to the New Zealand economy, both here and abroad. NZ Inc will be co-managed with the NZ Superannuation Fund to leverage the skill and experience of its staff.
- Create a Kiwi Share for each of the SOEs, MOMs, Air NZ and NZ Inc, owned by the Crown. It will state that the government may not sell down the Crown’s shareholding in these companies.
- Allow NZ Inc to receive some of our public assets’ dividends — \$100 million a year plus any windfall gains initially — for reinvestment and growth.
- Look to increase oil and gas royalties on new discoveries (non-retrospectively) to a fair level, not exceeding Australia’s, while maintaining international competitiveness, so New Zealanders get a fair share of their resources, and direct those additional royalties into NZ Inc to grow it faster.
- Mandate NZ Inc to use this income to invest in the strategic assets of the future, including existing privatised assets when that makes economic sense, and in new clean technologies that are going to grow our economy and make it more sustainable.
- Allow NZ Inc to receive all of the Crown’s dividends from our public assets once National’s record debt is paid off.

## ***NZ Inc timeframe***

<b><i>2014/15</i></b>	<p>Legislate to create a Kiwi Share for each SOE, MOM, Air NZ and NZ Inc to prevent future privatisation.</p> <p>Review management of Crown commercial assets.</p>
<b><i>2015/16</i></b>	<p>NZ Inc created to be co-managed with the New Zealand Superannuation Fund.</p>
<b><i>2016/17</i></b>	<p>NZ Inc begins receiving \$100 million a year of dividends from the public assets and windfall gains.</p>
<b><i>2017/18 and onwards</i></b>	<p>NZ Inc receives additional oil and gas revenues.</p> <p>NZ Inc purchases strategic assets to keep value in New Zealand and invests in the new opportunities that are going to create sustainable growth for the future.</p> <p>The Kiwi Shares prevent future governments from selling off our assets.</p> <p>Once National’s debt is paid off, NZ Inc will receive all of the Crown’s dividends from our public assets.</p>

# NZ Inc's Structure





## **NZ Inc's Investment Principles**

***NZ Inc's investments will be guided by three main principles.***

### **Stewardship**

The first duty of NZ Inc will be to maintain and enhance the assets it invests in on behalf of all New Zealanders.

In keeping with this principle, NZ Inc will be co-managed with the New Zealand Superannuation Fund, under the oversight of the Guardians, with a separate board and mandate.

### **Growth**

NZ Inc will be mandated to invest in strategic New Zealand assets so that the profits from those assets stay in New Zealand and help to grow our economy. In doing so, it will help to stem the outflow of wealth from our country and create the basis for stronger economic growth. By doing this, NZ Inc will help to reduce our current account deficit and the debt we owe the rest of the world.

NZ Inc will make equity investments both in New Zealand, and abroad where it has impact on New Zealand's value chains. Examples of strategic assets that NZ Inc might invest in include banks, manufacturers, electricity companies, and natural resources. NZ Inc will invest in minority, majority or full equity stakes, and divest as it sees fit.

NZ Inc will invest both in new and existing assets. It may, for example, choose to buy back shares in companies that have been privatised if and when buying those shares makes commercial sense. Equally, it might invest in a joint venture for a new factory that will add more value to our exports.

To support NZ Inc's growth, it will initially receive \$100 million a year of the Crown's dividends and any windfall gains for re-investment. Once National's record debt has been repaid, NZ Inc will be allowed to receive all of these dividends.

On top of that, Labour will look to increase oil and gas royalties on new discoveries (non-retrospectively) to a fair level not exceeding Australia's, while maintaining international competitiveness, so New Zealanders get a fair share of their resources. New royalty revenue in excess of what is already in the fiscal projections, will be directed into NZ Inc. Other windfall or short-term income boosts will also be invested in NZ Inc as available, in keeping with Treasury's recent policy paper on a stabilisation fund.

The returns on these investments will be kept within NZ Inc, turbo-charging its growth.

### **Sustainability**

In the 21st century, the age of climate change and resource depletion, no wealth fund can ignore the issue of sustainability. This is especially important for New Zealand given our dependence on exports based on natural resources.

The cleantech sector is one of the fastest growing areas of the world economy. From ICT to renewable energy such as geothermal, New Zealand's cleantech sector has a strong position and huge potential for growth. By investing in cleantech, NZ Inc will not only help to protect our environment, it will grow faster.

Sustainability isn't just environmental; it's economic and social as well. NZ Inc will be required to assess its actions on a 'whole of New Zealand' basis. There's no benefit to a wealth fund that makes profits by over-charging New Zealanders.

## ***New oil and gas royalties***

New Zealand needs to transition away from fossil fuels to renewable energy and greater energy efficiency. This transition will take decades to complete. Oil and gas will continue to have an important role during that time. NZ Inc will use oil and gas revenue to help drive our transition to a clean, low-carbon economy.

Labour will review royalty rates on new discoveries to bring them up to a fair level, not exceeding Australia's, while maintaining international competitiveness, so New Zealanders get a fair share of their resources.

Treasury projects future royalties based on constant levels of production and royalty rates. New royalties above that level, due to higher production, higher royalty rates, or both, are not included in the current fiscal projections. Labour will direct any such additional royalties into NZ Inc. These can't be reliably forecast, so no dollar value can be responsibly estimated, but MBIE has projected significant new production (see *Economic contribution and potential of New Zealand's oil and gas industry*, 2012).

## ***Crown commercial asset management review***

The Crown's commercial assets are currently used mainly as a revenue source. Labour believes that they have the potential to be much more, acting as drivers of growth for the whole economy.

After the failed privatisation programme and Solid Energy's financial crisis, it is time for a comprehensive review of the management of the Crown's commercial assets.

## ***Kiwi Shares***

The Kiwi Shares will be created to create a legal block to future privatisation.

***One Kiwi Share created for each SOE***

***One Kiwi Share created for the Crown majority interest in each MOM and Air NZ***

***One Kiwi Share created for NZ Inc***

Each Kiwi Share contains:

- A prohibition on privatisation or dilution of the Crown's holding in the entity
- A requirement for the Crown to act as a good corporate citizen in exercising its ownership, based on the requirements of State-Owned Enterprises Act which the MOMs are not currently subject to; including the duty to be a good employer and act with social responsibility while respecting minority shareholder rights.

Kiwi Shares will be enshrined in statute and vested in the Crown with the Ministers of Finance and SOEs as shareholding Ministers.

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Current as of September 2014  
Authorised by Tim Barnett, 160 Willis St, Wellington

  
**Labour**  
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