

The Treasury

Overseas Investment Act 2005 – Phase One Review Policy Advice (2017/18) Information Release

March 2019

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- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [3] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [4] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
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Reference: T2018/1149 IM-5-1-1

Date: 27 April 2018

To: Associate Minister of Finance (Hon David Parker)

Cc: Minister of Housing and Urban Development (Hon Phil Twyford)
Minister of Rural Communities (Hon Damien O'Connor)

Deadline: Read before Tuesday 1 May 2018
(if any)

Foreign Investment Talking Points for International Investor Dialogue, 1 May 2018

On Tuesday 1 May, you are speaking at the NZ International Investor Dialogue, organised by the Sydney-based International CEO Forum in conjunction with the Hugo Group. Your address is scheduled for 45 minutes, comprising a 15-minute speech followed by a Q&A session chaired by Arthur Grimes (Chairman of the Hugo Group).

This event is held every three years and provides: *“an opportunity for the foreign investment community to better understand the policies and priorities of the Government, and for the Government to better understand the strategies and investment plans of global companies and issues facing foreign investors in New Zealand”*. It consists of interactive sessions between Ministers and around 60 senior figures from international companies operating in New Zealand. A number of other Ministers are also speaking at the event.

You have been asked to talk about the aims and priorities of the Government's transformative economic and environmental agenda. We understand this spans the range of portfolios you hold, including foreign investment. This note provides suggested talking points on foreign investment.

Key Messages

- The Government welcomes foreign investment that brings benefits for New Zealand and we are committed to ensuring New Zealand remains an attractive destination for high-quality investment that adds to our economy and creates new productive assets.
- The Government recognises, however, that not all overseas investment provides these high levels of benefits. Also, while economic goals are important, so too are environmental, social, and cultural goals. Our approach is to achieve a balance

between the need for highly beneficial overseas investment and advancing these wider goals.

- It's also important to acknowledge that public opinion on the outcomes of globalisation has changed in recent years. We need to meaningfully respond to these concerns in order to rebuild public support and our social license on issues such as trade and foreign investment.
- We're introducing a number of changes to New Zealand's overseas investment regime – for example, around foreign purchases of residential land and the treatment of forestry. These aim to ensure that foreign investment delivers benefits for all New Zealand, and in doing so will continue to support foreign investors who bring high-quality productive investment to the country.
- The Government has been consulting publically on these changes and working hard to respond to investor and public feedback.

Background Points

The Government's overall approach to foreign investment

- The Government continues to welcome foreign investment that brings benefits to New Zealand, including to our businesses and communities. We want to encourage foreign investment that adds to our economy.
- Overseas investment is important for New Zealand's economic growth. Overseas investment provides: new capital for expansion; increased access to markets; new skills, jobs, and technology; enhanced economic productivity and efficiency; and other benefits.
- The Government welcomes high-quality overseas investment that:
 - Generates high levels of benefits to New Zealand;
 - Creates new productive assets (e.g. greenfield investments);
 - Is environmentally sustainable, minimises adverse impacts on the natural environment, and is likely to create positive and long-lasting environmental benefits;
 - Provides economic, environmental, social, and cultural benefits to regional communities;
 - Significantly increases value-added activities in New Zealand; and
 - Provides for significant participation and oversight by New Zealanders.
- However, the Government recognises that not all overseas investments provide these high levels of benefits. The Government also recognises that while economic goals are important, so too are environmental, social, and cultural goals.

- Overseas investment must deliver for all of New Zealand. It is a privilege, not a right, for overseas persons to own or control sensitive New Zealand assets.
- The Government's approach is to achieve a balance between the need for highly beneficial overseas investment and the need for New Zealand to maintain ownership and control of sensitive New Zealand assets.

Overseas Investment Amendment Bill – Residential land

- The Government is currently reforming New Zealand's overseas investment regime to require foreign non-resident persons (excluding Australian citizens and permanent residents) to obtain consent before they can purchase residential land.
- The policy is aimed at ensuring the New Zealand housing market is shaped by New Zealanders. A similar regime exists in other countries, including Australia.
- The policy is intended to make homes more affordable for New Zealand buyers at certain times in the property market cycle, while also supporting efforts to build a more productive economy by helping redirect capital to more productive uses.
- Consistent with the Government's approach of welcoming foreign investment that adds to our economy, the policy will ensure foreign developers continue to play an important role in developing new housing and delivering wider benefits for the economy.
- Overseas persons will be able to apply for consent to develop residential land in a way that will benefit the country. For example, they will be able to purchase residential land if they can demonstrate that they will:
 - Increase the housing supply through their investment, and commit to sell the properties;
 - Build or expand a long-term accommodation facility, such as a retirement village; or
 - Convert the land to a non-residential use, such as a hotel or commercial development, and can show the development will be beneficial to New Zealand.
- The legislation is currently before the Finance and Expenditure Select Committee and the Government has been working hard alongside the Committee to address matters raised in public submissions.

Overseas Investment Amendment Bill – Forestry

- The Government is also making changes to the treatment of overseas investment in forestry to increase consistency across investment types and to further improve New Zealand's inward investment regime for forestry.

- The Government recognises the importance of active and ongoing participation of foreign investors in our forestry sector, where 70 percent of plantation trees are under foreign ownership.
- One change is to bring forestry rights into the Overseas Investment Act screening regime. This will ensure they are treated in the same way as leasehold and freehold arrangements for forestry land.
- The other change is to introduce two streamlined and more certain pathways for obtaining consent where an overseas investment in sensitive land relates to forestry.
- The first pathway responds to investor feedback and will make the counterfactual easier to apply, while the second introduces a light-handed “checklist” screening regime which, if met, will require no further analysis for consent.
- In addition, a standing consent system will be developed so that quality forestry investors can make purchases of forestry land and rights without needing to seek prior approval for each individual transaction.

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