

ACT Government Asset Ownership Policy

Goal

A more productive New Zealand.

Background

The yearly cost of government asset ownership is around \$1,000 per adult New Zealander or to put it another way, around \$150,000 each in retirement capital, if this \$1,000 was saved.

Based on World Bank estimates, New Zealand would gain over \$1 billion a year or around 1% of annual gross domestic product (GDP) by privatising State Owned Enterprises. (SOE's) That makes no allowance for assets held by local government which total around \$50 billion. This is simply the difference in the return the assets would earn in the private sector as opposed to what they earn today in the public sector.

Clear evidence exists that privatised New Zealand firms (Telecom and Tranz Rail) achieved greater productivity gains during the 10 years to 1998 than the five SOE's which remained under government ownership. Tranz Rail alone, is estimated to have benefited the economy by up to \$9.8 billion (1% of annual GDP)

The reasons for this are clear and include:

- When property is owned by the government, the incentive to take good care of it is much weaker (e.g. government owned housing) and the government has less incentive to develop its assets as compared to the private sector (e.g. land that lies idle in the public sector would be developed by the private sector).
- Government has less incentive to use the assets they own in a way that is beneficial to others. Unless people in the private sector work out how to make their assets and services more beneficial to others, they make no gains.
- Government has less interest in the wise development and conservation of their assets for the future than the private sector does.
- Private sector owners pay more attention to future expected gains, which leads to better conservation via property rights (e.g. trees).
- Government owned SOE's are slower to adopt new technologies than their private sector counterparts.

Principle

Private firms are generally more efficient than their counterpart state-owned firms.

Policy Detail

- **Best use of resources**- Adopt privatisation as the model for the management of resources where it will lead to optimal economic outcomes and enhancement of the economic well being of all New Zealanders.
- **Achieve best price possible** through an open and competitive sales process
- **Regulation**-Ensure appropriate sector/industry regulations are in place, without the conflict that always exists when government is both owner and regulator.
- Put processes in place to monitor the outcomes of privatisation in three key areas:
 - **Employment**. More jobs created (note total employment in New Zealand has grown by approximately 400,000 since 1988 when privatisation began)
 - **Social outcome** - Continue to ensure that as a result of privatisation, consumers and workers overall are better off (World Bank studies show clearly they are).
 - **Prices** - Continue to ensure prices fall in real terms as they have in previous privatisations
 - **Taxation** – Continue to ensure businesses are subject to taxation, so that distortions the tax system imposes on business decisions are minimised.
- **Widespread Ownership**-Consider the possibility of widespread ownership of shares in government-owned businesses.
- **Contracting Out**-Review the options and feasibility of contracting out services that are currently provided by government employees, with well specified and monitored contracts. Where this has been done by central and local government, savings of 30 percent+ have been achieved.
- Develop and consider models for the private funding of public services and ensure the private sector takes its fair share of the risks.

Principles of privatisation for the benefit of the country:

Competition - Deregulation of industry prior to privatisation is important because it keeps the privatised firms honest. Low-income earners in particular, will benefit from having access to better quality goods and low prices.

Transparency - Government conducts privatisation process in a fair and open manner.

Openness - Allowing the greatest number of buyers, including foreigners, to take part.

Efficiency - Demonstrate how privatisation will lead to greater efficiency as a result of a more open and competitive product marketplace.

Productivity - Ensure proceeds from sales are used to improve New Zealand's total output.

Information - Ensure public are kept fully informed during the sales process including what the government is trying to achieve out of the sales. Information relating to foreign ownership, employment and price will be particularly important.

Consumer - Demonstrate how the changes will be to the benefit of consumers, taxpayers and the economy as a whole.

If you believe that private firms will serve New Zealanders better than state owned ones, as proven by practically every other country in the world except Cuba, Burma and North Korea, then **give ACT your Party vote, for a more productive New Zealand.**