



## **Kiwibank ours more than ever**

Market watchers will be scratching their heads at this week's sale of 47 percent of Kiwibank to the ACC and NZ Superannuation Fund.

The sale will have achieved benefits for several parties involved. ACC and Super have made a significant purchase at a good price. NZ Post has been relieved of the need to inject capital into the Kiwibank business. Kiwibank has gained significant capitalisation. And a certain amount of core Government risk has been shifted to ACC and the NZ Super Fund.

At the same time Kiwibank remains in New Zealand hands, and there is no hint of privatisation in the immediate or medium term future.

So what has changed?

The main difference is that Kiwibank no longer has a single SOE owner. It is now owned by three state entities, further cementing its ownership in state hands and making future privatisation less likely.

This may not be helpful for the economy, which depends on private sector growth.

It may not be helpful for the taxpayer to be exposed to the banking sector which is particularly vulnerable at this time of financial volatility. Even though ACC and NZ Super - well-managed and returning excellent investment outcomes - are a safe pair of hands, the risks remain.

State ownership of commercial assets tends to expose taxpayers to risk.

A key risk is the potential friction between the government and SOE boards about commercial decisions.

Another is the potential for appointments to SOE boards to be driven by political connections rather than commercial expertise.

Then there is the issue of investment for growth, with the natural reluctance of the Crown to inject extra equity into an SOE, potentially exposing taxpayers to further risk.

Perhaps the greatest risk is that commercial disciplines can become are diluted because state ownership carries an implicit government guarantee against financial collapse. In an age of bank bailouts, this is not a particularly comfortable place for the taxpayer to be.

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