

## Treasury Report: Foreign Investment Review: Letter to OIC and Reserve Bank

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<b>Date:</b>	23 October 2003	<b>Treasury Priority:</b>	High
<b>Security Level:</b>	IN-CONFIDENCE	<b>Report No:</b>	T2003/1810

### Action Sought

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	Action Sought	Deadline
Minister of Finance	<b>Sign</b> attached letters to OIC Chairman, and Reserve Bank Governor	As soon as practicable
Associate Minister of Finance (Hon Trevor Mallard)	None	None
Associate Minister of Finance (Hon David Cunliffe)	None	None

### Contact for Telephone Discussion (if required)

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Name	Position	Telephone	1st Contact
Heather Kirkham	Senior Analyst	471 5062 (wk)	Home numbers withheld under s 9(2)(a) – protect the privacy of natural persons
Steve Cantwell	Principal Advisor, International Economics	471 5144 (wk)	

**Enclosure:** Yes

23 October 2003

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## **Treasury Report: Foreign Investment Review: Letter to OIC and Reserve Bank**

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Cabinet Minute (03) 35/3B requests that you undertake a review of the foreign investment regime.

Attached are two letters, one addressed to Dr Alan Bollard, Governor of the Reserve Bank, and the other to Peter Webb, Chair of the Overseas Investment Commission. They outline:

- what the review will cover;
- that Treasury is running the review and will consult them; and
- your expectations of them during the review.

The expectation outlined of Dr Bollard, Reserve Bank Governor is that the Reserve Bank will, in consultation with Treasury, manage any transition process at the OIC, particularly with regard to staff issues.

The expectations outlined of Peter Webb, OIC Commissioner are that he will work to ensure that the OIC continues to work effectively and professionally over the period of the review and that he works with Dr Bollard to minimise any unsettling impact on staff.

### **Recommended Action**

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We recommend that you **sign** the attached letters.

#### **Steve Cantwell**

Principal Advisor, International Economics  
for Secretary to the Treasury

#### **Hon Dr Michael Cullen**

Minister of Finance

Dr Alan Bollard  
Reserve Bank of New Zealand  
2 The Terrace  
PO Box 2498  
Wellington  
NEW ZEALAND

Dear Dr Alan Bollard

## **REVIEW OF FOREIGN INVESTMENT REGIME**

We have had a number of discussions recently regarding the operation of the foreign investment regime in New Zealand. I have been particularly interested in the points you made regarding the application of the national interest criteria and the current location of the Overseas Investment Commission (OIC) in the Reserve Bank.

As a result, Cabinet has mandated a review of the Overseas Investment Commission to consider some of these concerns and advise on whether any change to the current arrangements should be made. The review will consider the coverage of the overseas investment regime and the organisational structure that supports it. Cabinet has agreed that the review should focus on those assets of critical interest to New Zealand, such as certain sensitive land areas, natural resources (eg fish) and assets with historical or cultural significance (eg heritage buildings).

We want to ensure that New Zealand is a welcoming destination for foreign investment, but there are appropriate checks to ensure that investment does meet New Zealand's national interest.

I am tasking the Treasury to lead this review, with input from a wide range of departments, including the Reserve Bank. Treasury have not as yet worked out the details of how the review will operate, but I will ask them to consult you and keep you informed on progress.

On the operational side I think it is appropriate for the Reserve Bank, in consultation with Treasury, to manage the transition process at the OIC, particularly with regard to staff issues. I realise that the period of the review will be a very difficult time for staff at

the Overseas Investment Commission and I would like to minimise this to the extent possible. I have advised Peter Webb, the Chair of the OIC, that you will contact him shortly to discuss what the appropriate processes should be put in place.

It is of key importance that the OIC continues to work effectively and professionally during this period of uncertainty. Foreign investment applications will continue to come in and need to be processed. I would appreciate your efforts to minimise the disruption to business as usual. I'm sure that the OIC will continue to deliver the high standard of work that I have come to expect of them.

Finally, Patricia Herbert (471 9412) from my office will be dealing with any enquiries from foreign investors who are interested in the review and its potential effect on them.

Thank you for your co-operation. If you have any enquiries please feel free to contact me.

Yours sincerely

Hon Dr Michael Cullen  
Minister of Finance

Mr Peter Webb  
Chairman  
Overseas Investment Commission  
Level 9, 2 The Terrace  
PO Box 2398  
WELLINGTON

Dear Mr Peter Webb

## **REVIEW OF FOREIGN INVESTMENT REGIME**

Over the past four years in your role as Chairman of the Overseas Investment Commission you will have gained a significant insight into how the overseas investment regime in New Zealand operates, and the impact it has on both foreign investors and New Zealand.

In the past few weeks I have spoken with a number of people involved with New Zealand's overseas investment regime and they have shared with me some of their concerns about the current system.

Related to this, Cabinet has mandated a review of the Overseas Investment Commission to consider some of these concerns and advise on whether any change to the current arrangements should be made. The review will consider the coverage of the overseas investment regime and the organisational structure that supports it. Cabinet has agreed that the review should focus on those assets of critical interest to New Zealand, such as certain sensitive land areas, natural resources (eg fish) and assets with historical or cultural significance (eg heritage buildings).

We want to ensure that New Zealand is a welcoming destination for foreign investment, but there are appropriate checks to ensure that investment does meet New Zealand's national interest.

I am tasking the Treasury to lead this review, with input from a wide range of departments, including the Overseas Investment Commission. Treasury have not as yet worked out the details of how the review will operate, but I will ask them to consult you and keep you informed on progress.

It is of key importance that the OIC continues to work effectively and professionally during this period of uncertainty. Foreign investment applications will continue to come in and need to be processed. I would appreciate your efforts to minimise the disruption to business as usual. I'm sure that the Overseas Investment Commission will continue to deliver the high standard of work that I have come to expect of them.

Over the period of the review there is likely to be an increase in enquiries from foreign investors who are interested in the review and its potential effect on them. To avoid OIC staff being drawn into commenting on a review of their own organisation I suggest that you forward these to Patricia Herbert (471 9412) in my office.

On a more personal note, I realise that the period of the review will be a difficult time for staff at the Overseas Investment Commission. The Reserve Bank will contact you shortly to discuss managing staff issues during this period of uncertainty. I would like to minimise any unsettling impact on staff during the time of the review, and look forward to your assistance on this.

Thank you for your cooperation. If you have any enquiries please feel free to contact me.

Yours sincerely

Hon Dr Michael Cullen  
Minister of Finance