



Why not sell some assets?

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Sadly we've moved from RWC to election time. Reluctantly, I'll shift modes too, and attempt to provide down-to-earth local views on some of the contentious election issues.

It strikes me that the question of the sale of state assets is readily comparable with that which businesses face in tough times: how best do we haul ourselves out of difficulty, and how do we maximise our return from limited resources? And there is no debate that New Zealand, along with the rest of the world, is facing tough times, just as many of our local business families are.

Although government deals with big numbers, the basic principles are the same as those which every business owner faces. Sadly, of the 456 election candidates, there is a shortage of those with real business experience. Plenty of theorists, not to mention the has-beens, wannabes and never-beens, but not enough from business and the farms which are the engine room of the country, and the producers of the income that all the politicians are planning to spend. But that's another problem and story.

So back to asset sales. Imagine the similarity between a family in business, with a variety of assets and minor investments on the one hand, and on the other hand the Government, which also owns a variety of assets and investments. In tough times, with debt, declining revenue and escalating demands on income, what should the

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family in business do to survive, and more importantly, to jump the gap between a downward spiral or prosperity? Clearly, one of the options is to consider selling non-essential assets. And if some of the assets are profitable investments, we might still look at liquidating them in favour of better use. But that assumes that we do indeed have a better use for the liquidated capital.

If there is a great need for a capital sum, then maybe you do sacrifice an income-bearing asset. We all do that from time to time when we take money from a savings account and spend it on something we want more.

But that is the first important question: does the nation have a better use for the capital released, or will it go into that great black hole called the budget deficit?

Imagine further, that if those of us with multiple business interests and more than enough challenges in life could sell say 49 per cent of our interest in our profitable investments, and be confident that it will then attract better leadership and management, and grow the business further. We'd be mad not to wouldn't we? Isn't it better to have a smaller share of a bigger cake than a bigger share of a smaller one?

A good example of this on a national scale is the BNZ. The Government had to bail it out in 1989, sold it in 1992, and in private hands (regrettably Australian) it has since become a pretty good business, paying dividends to its Australian parent.

How much better would it have been if we could have retained a share in that business, and reaped some of the reward of better private management?

So there we have the second big question: will the business work better or worse under the new ownership model? Will we make more in five years' time as a 51 per cent owner than we do now as a 75 or 100 per cent owner?

There's a couple of other questions I have: is a sale of 49 per cent too much? Although control is retained by the Government it will only have the power to veto, rather than the absolute power that it would have with 75 per cent.

And if we wanted to try to ensure continued Kiwi ownership, wouldn't it be possible to reserve ownership in released SOE shareholdings for KiwiSaver and super funds?

Finally, if we are going to sell investments to invest in new school buildings, is that really a high education priority?

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