



**28 NOV 2017**

Andrew Crisp  
Chief Executive  
Land Information New Zealand  
Private Box 5501  
WELLINGTON 6145

Dear Mr Crisp

## **Ministerial Directive Letter**

1. This Ministerial directive letter is made pursuant to section 34 of the Overseas Investment Act 2005 (the Act). It directs you, as the regulator, on:
  - 1.1. the Government's general policy approach to overseas investment;
  - 1.2. the relative importance of different factors in section 17(2) (including factors in regulation 28);
  - 1.3. the level of monitoring by the regulator; and
  - 1.4. other matters relating to the regulator's functions, powers and duties.
2. The Minister of Finance and the Minister for Land Information intend from time to time to delegate powers and functions to the regulator by separate instrument.
3. References to the Act and the Regulations in this letter refer to the Overseas Investment Act 2005 and Overseas Investment Regulations 2005 (respectively).
4. This directive letter applies to the regulator's consideration of all new and existing applications at the date it comes into force.

## ***Government policy towards overseas investment***

5. Overseas investment is important for New Zealand's economic growth. Overseas investment can provide capital for expansion and new projects; provide increased access to markets, new skills and technology; increase productivity / efficiency; create jobs; increase exports; and provide other benefits.

6. The Government welcomes high quality overseas investment that:
  - 6.1. Generates high levels of benefits to New Zealand;
  - 6.2. Creates new productive assets (e.g. 'greenfield' investments);
  - 6.3. Is environmentally sustainable, minimising adverse impacts on the natural environment, and is likely to create positive and long lasting environmental benefits;
  - 6.4. Provides economic, environmental, social and cultural benefits to regional communities;
  - 6.5. Significantly increases value added activities in New Zealand; and
  - 6.6. Provides for significant participation and oversight by New Zealanders.
7. However, the Government recognises that not all overseas investments provide high levels of benefits to New Zealand and overseas investment can result in the loss of New Zealand ownership and control of important productive assets such as farm land and strategic infrastructure.
8. 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 and that privilege must be earned and maintained.
9. The Government's overall policy 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 in sensitive land: factors of high or low relative importance for certain investments***

10. The Act allows the Minister of Finance to provide direction regarding the relative importance of different criteria or factors in relation to particular assets. Factors that the regulator should consider to be of high or low relative importance in certain scenarios of overseas investment in sensitive land are outlined below.
11. The Minister acknowledges that each application for consent for an overseas investment in sensitive land must be considered on a case-by-case basis and having regard to the particular facts. The directions below are therefore expressed in general rather than strict terms. For example, the Government does not expect the 'rural land' directive or the 'forest land' directive to apply to overseas investments involving minor changes in shareholdings.
12. The benefit assessment required under the Act must be undertaken using a with or without approach rather than a before and after approach in accordance with the decision of *Tiroa E and Te Hape B Trusts v Chief Executive of Land Information* [2012] NZHC 147 (known as the 'Crafar farms case'). This means the assessment is focused on the benefits from the overseas investment which are over and above those which would occur anyway (i.e. the point of difference between the overseas investment and the counterfactual).

#### *Overseas investments in rural land*

13. The primary sector, and the rural land<sup>1</sup> it is based on, forms a particularly important part of the New Zealand economy.
14. The Act acknowledges that the privilege associated with the ownership or control of rural land is greater than for non-rural land by requiring the benefits resulting from the overseas investment to be substantial and identifiable (a higher threshold).
15. The merits of overseas investment in the primary sector can be less compelling given that we are already world leaders in this area. The Government is therefore concerned to ensure that the benefits from overseas investments in rural land are genuinely substantial and identifiable.
16. The Minister therefore directs the regulator that the following factors will generally be of high relative importance for overseas investments in rural land (the rural land directive):
  - 16.1. The 'jobs' factor (section 17(2)(a)(i));
  - 16.2. The 'new technology or business skills' factor (section 17(2)(a)(ii));
  - 16.3. The 'increased exports receipts' factor (section 17(2)(a)(iii));
  - 16.4. The 'increased processing of primary products' factor (section 17(2)(a)(vi)); and
  - 16.5. The 'oversight and participation by New Zealanders' factor (regulation 28(j)).
17. This rural land directive does not apply to land covered by the 'forest land' directive in paragraphs 18 to 19.

#### *Overseas investments in forest land*

18. The Government recognises that overseas investment in the forestry sector, and the associated downstream processing industries, has the potential to add significant value to the overall economy and the environment.
19. The Government wishes to encourage an increase in the value added processing of raw products and the advancement of its forestry-related strategies. The Minister therefore directs the regulator that the following factors will generally be of high relative importance for overseas investments in 'forest land'<sup>2</sup> (the forest land directive):
  - 19.1. The 'increased processing of primary products' factor (section 17(2)(a)(vi)); and
  - 19.2. The 'advance significant Government policy or strategy' factor (regulation 28(f)).

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<sup>1</sup> For the purposes of this directive letter, 'rural land' means land that is non-urban and over 5 hectares in size (excluding any associated land), but excludes 'forest land' as defined below.

<sup>2</sup> For the purposes of this directive letter, 'forest land' means land that is non-urban and over 5 hectares in size (excluding any associated land), where the existing principal use of the land is forestry.

20. The Minister would generally expect the regulator to impose specific conditions of consent on overseas investors whose investment plan involves processing in New Zealand. These could include, where appropriate, a condition requiring the overseas investor to enter into a supply arrangement with a local processor. Conditions imposed on overseas investments in forest land may need to be imposed for longer periods given the often long-term nature of such investments.

#### *Sponsorship of community projects and donations*

21. Regulation 28(a) provides that benefit may be demonstrated by an overseas investment providing consequential benefits to New Zealand, including sponsorship of community projects (the 'consequential benefit' factor). For the avoidance of doubt, the Government does not seek donations or sponsorship from overseas persons investing in sensitive land. The Minister of Finance, therefore, directs the regulator that, to the extent that the factor relates to the sponsorship of community projects and donations, the 'consequential benefit' factor is generally of low relative importance.

#### ***Intention to reside in New Zealand indefinitely***

22. Under section 16(1)(e)(i) of the Act, overseas persons intending to reside in New Zealand indefinitely are not required to show that their investment in sensitive land is likely to benefit New Zealand. This supports migrants in the process of moving to New Zealand to make New Zealand their home and make a positive contribution to society.
23. An intention to reside in New Zealand indefinitely must involve a definite plan and accompanying actions. In determining whether a person is intending to reside indefinitely, the regulator must consider any active steps that have been taken by the investor to actually reside in New Zealand.
24. In order to meet the intention to reside in New Zealand criterion in section 16(1)(e)(i), the Government considers the overseas person will generally:
  - 24.1. hold a residence class visa or an entrepreneur work visa; and
  - 24.2. show actions and plans, with supporting evidence, consistent with an intent to reside in New Zealand within 12 months.
25. The regulator may impose as a condition of consent a time limit within which the overseas person must move to New Zealand and become ordinarily resident. The Government would generally expect the overseas person to move to New Zealand within 12 months from the date of consent and become ordinarily resident within 2 years<sup>3</sup> from the date of consent.

#### ***Acquisition of special land***

26. Section 17(2)(f) requires that Ministers (or the regulator acting under delegation) consider whether any foreshore, seabed, riverbed or lakebed (which the Regulations refer to as "special land") has been offered to the Crown in accordance with the Regulations.
27. The Government places a high value on special land. The Government's general policy approach to the acquisition of special land is that the special land should be acquired if it is in the public interest for the Crown to own the special land.

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<sup>3</sup> A longer period may be considered for migrants holding an entrepreneur work visa.

## **Operation of the Overseas Investment Office**

28. The Government seeks to ensure that the process of granting or refusing consent is robust and generates high quality outcomes.

### *Consent conditions, monitoring and enforcement*

29. Monitoring and enforcement of compliance with the consent requirements of the Act, and of compliance with conditions imposed on consents, maintains public confidence in the integrity of the regime.
30. The Government expects the regulator to monitor the conditions imposed for up to 5 years (recognising it may be appropriate to impose a different period of time to monitor some conditions).
31. This will assist in maintaining confidence in the overseas investment regime. It also ensures fair treatment for those who comply with the rules by ensuring those who break the rules are held to account and that others are deterred from doing so.

### *General matters relating to the regulator's functions, powers or duties*

32. As the regulator, you will:
  - 32.1. provide recommendations to the relevant Minister or Ministers;
  - 32.2. perform your functions in a timely, consistent and efficient manner and with transparency, openness and accountability;
  - 32.3. via your website resource, provide a summary of the overseas investment regime, information on how to prepare and submit an application for consent, and specific details on your processes and timeframes;
  - 32.4. via your website resource, increase the level of information currently provided about applications under assessment and decisions made under the Act;
  - 32.5. develop and maintain systems to keep applicants apprised of the progress being made with their application;
  - 32.6. seek sufficient information through the application and assessment process to verify the information provided by applicants, and where appropriate involve third parties (including other government agencies) and third party resources to achieve this goal;
  - 32.7. adopt a risk-based and proportionate approach to application assessment;
  - 32.8. compile and keep records useful for the making available of statistics; and
  - 32.9. publish information on, and compliance with, any additional Government performance expectations.

**Revocation of previous letter**

33. The Ministerial directive letter dated 8 December 2010 is revoked on and from the date this Ministerial directive letter takes effect.

**Date letter takes effect**

34. This Ministerial directive letter takes effect on 15 December 2017. For the avoidance of doubt, this directive letter applies to the regulator's consideration of all new and existing applications at the date it comes into force.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Grant Robertson', with a horizontal line extending to the right.

Hon Grant Robertson  
**Minister of Finance**