

Submission

To the Finance and Expenditure Select Committee

Overseas Investment Amendment Bill (No.3)

July 2020

Introduction

1. Straterra is the industry association representing the New Zealand minerals and mining sector. Our membership is comprised of mining companies, explorers, researchers, service providers and support companies.
2. We welcome the opportunity to make this submission on the [Overseas Investment Amendment Bill \(No.3\)](#).
3. We fully support the intention of the Bill to better support productive overseas investment by reducing the regulatory burden of the screening process. The screening process is widely accepted as being too restrictive and this Bill will mean lower risk transactions no longer have to be screened.

Submission

4. Overseas investment is important for New Zealand. It provides a larger pool of funds and is accompanied by access to new expertise, technology and links to global distribution systems. At the local level, overseas investment is particularly valued for the community benefits it provides including jobs created and other economic contribution.
5. In the extractive sector, overseas investment is essential to minerals exploration, mining and quarrying and it has demonstrated economic benefits for both New Zealand and the local communities where it occurs.
6. We support an open overseas investment regime noting that the Overseas Investment Act has a role in protecting New Zealand's sensitive land and assets, and we accept that scrutiny of some proposed transactions before approval is given is appropriate. However, often the regime is unnecessarily restrictive without providing any benefits or genuine protections. Too many routine transactions can be caught by the process and the time taken for decisions to be made is too long. As a land-based sector, with frequent, often small, land purchases taking place to ensure ongoing operations, mining and quarrying are particularly affected by the regime.
7. For New Zealand to attract the investment it requires, we need to be an attractive destination. An unnecessarily restrictive screening regime can deter investors and impose unnecessary costs.
8. It is more important than ever, in the current economic environment under the threat of Covid-19, that New Zealand attracts overseas investment to help rebuild our economy.

9. The Act has flaws in that too many transactions are unnecessarily captured for screening (both in terms of land type and investor definition). This imposes unnecessary compliance costs and puts at risk proposed investments which have the potential to provide benefits to New Zealand.
10. We therefore are fully supportive of the Bill's intention to make it simpler to make productive investments in New Zealand by no longer requiring lower-risk transactions to be screened.
11. There are many examples where the extractive sector has been disadvantaged by the existing provisions in the Act requiring unnecessary screening for land transactions and for no corresponding gain.
12. These include:
 - sales of small parcels of land for industrial purposes which happen to be adjacent to land defined as sensitive;
 - the definition of overseas person being too broad where the investor is fundamentally a New Zealand entity; and
 - investors who have already been screened for previous transactions.
13. A New Zealand-incorporated mining company may purchase land for the purpose of either:
 - conducting mining activities on or under the land, e.g. carry out earthworks, build infrastructure, or extract minerals; or
 - managing adverse effects on households where those effects (such as noise etc.) are not acceptable to nearby residents.
14. It may operate a mine which has been active in the community for decades but is deemed to be overseas owned because of the balance of its owners' shareholdings.
15. It may have already met the investor test criteria for good character and business acumen etc., for previous transactions and repeating the process every time they want to make a new purchase is unnecessary.
16. It makes good sense for the Bill to exclude examples such as this from the provisions of the screening regime.

Conclusion

17. The Treasury estimates that around 14% of applications to the Overseas Investment Office will be eliminated from screening as a direct result of these initiatives. This is an excellent step in the right direction, and we hope that further improvements can be found, including more streamlining to speed up the decision-making process.