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focus

Protecting Bay of Plenty’s Future

Port of Tauranga has been an outstanding asset for the Bay of Plenty. Through Quayside Holdings — the investment arm of Toi Moana Bay of Plenty Regional Council — the region’s stake in the Port has helped build a multi-billion-dollar investment fund. It has grown regional wealth, reduced pressure on rates, and shown how publicly owned assets can be successfully managed over decades. In 2024/25 alone, Quayside paid Council a $48 million dividend — about 23% of Council’s total income and the equivalent of around a $400 reduction in average household rates. That means Quayside is not simply the vehicle through which the region owns around 54% of Port of Tauranga. It is one of the Bay of Plenty’s most important assets.

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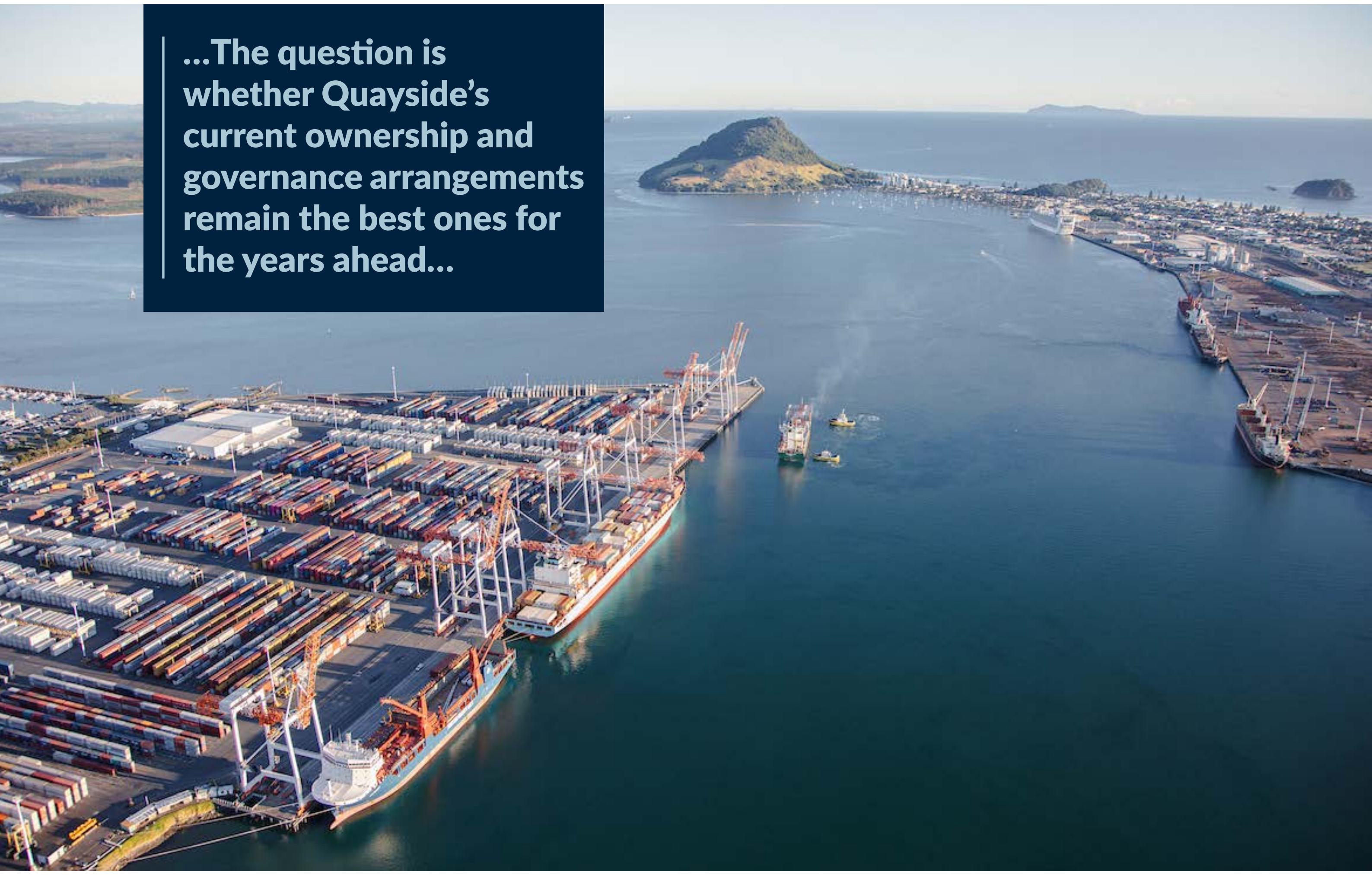

> **…The question is whether Quayside's current ownership and governance arrangements remain the best ones for the years ahead…**

Local government reform creates uncertainty

The question now is how that fund should be protected for the decades ahead.

Local government in New Zealand is being reshaped. Central Government has opened a voluntary pathway for councils to propose new unitary authorities, potentially combining existing councils into larger new organisations. Wider reform is expected after the 2028 local elections. The final structure for the Bay of Plenty has not been decided, and Bay of Plenty Regional Council may not exist in its current form after 2028.

Against that backdrop, Council had been considering changes to how Quayside might be structured. Following concerns raised by the region's mayors and a letter from the Minister of Local Government, Council has said it will defer further decisions on the proposed restructuring until the future shape of local government becomes clearer.

That pause is important. Decisions about the future of a fund that took decades to build should follow broad public consultation and clear communication around the fund's intended future owners, purpose, and beneficiaries. Given the significance of Quayside, the people of the Bay of Plenty deserve clarity before major changes are made.

A regional success story

Quayside was set up in 1991 to hold and manage Council's shareholding in Port of Tauranga. Over the past three and a half decades, its assets have grown substantially. Much of that success reflects a simple but powerful investment strategy: keep capital invested, reinvest returns, and allow value to compound over time.

Today, Quayside's portfolio has three broad parts. The largest is still the Port of Tauranga shareholding. The second is an investment portfolio, including a mix of shares, bonds, property, infrastructure, unlisted investments, and cash. The third is Rangiuru Business Park, a regional development asset intended to support economic growth in the western Bay of Plenty.

That is a strong foundation. The question is whether Quayside's current ownership and governance arrangements remain the best ones for the years ahead.

Questions to answer

Local government reform makes this debate more urgent, but it is not a reason to rush. Important questions need to be answered before any changes are made. The public should understand what Quayside will be for, who will govern it, how board members will be appointed, how much income will be distributed, how much will stay invested, and what role it will play as a shareholder in Port of Tauranga.

These details go to the heart of whether Quayside remains a long-term regional investment fund or drifts into becoming a source of funding for short-term Council priorities.

A different role from community trusts

Council's recent consultation considered several possible structures, including the option of working with an existing community trust.

Community trusts can be excellent organisations. The Bay of Plenty already has strong examples. BayTrust and TECT, among others, support community groups, local facilities, events, social services, environmental projects, and initiatives across the region.

But their role is different from Quayside's.

Rather than primarily distributing grants, Quayside should preserve and grow the region's capital. Growth in real terms, after allowing for inflation, would help ensure it keeps pace with the Bay of Plenty's expected population growth and remains capable of supporting an expanding region. It should also generate a reliable income stream, strengthen the financial position of any future council, and provide resilience against future shocks.

One model is not better than the other. Both can benefit the region, but they serve different purposes. The Bay of Plenty should benefit from both strong community trusts and a professionally governed regional investment fund.

Independence is not optional

Whatever structure is chosen, Quayside's assets should be treated as long-term regional capital — wealth held for the benefit of current and future generations in the Bay of Plenty.

That requires clear rules around how much is distributed each year and how much remains invested. It also requires a high-quality, independent board with the right commercial, investment, and governance experience.

Council's own consultation recognised that managing the assets requires specialised investment expertise, that independent governance is appropriate given the portfolio's size, and that separation is important because Council also performs regulatory functions affecting Port of Tauranga.

Following broad public consultation, elected representatives should decide what the fund is for and set its mandate. An independent board should then manage it within those settings. Without that separation, a large pool of money can quickly be eroded by short-term political whims.

The issue is not simply theoretical. Bay of Plenty Regional Council has allowed Quayside to reduce its 54.14% stake in Port of Tauranga to no less than 28%, with the proceeds reinvested across a broader portfolio. At the same time, Quayside's board is undergoing significant change. One director has recently departed, another three are due to leave in September, and the board is set to reduce from seven members to five. With Quayside authorised to undertake a major Port sell-down while its board is being reshaped, ratepayers need confidence that the right expertise is around the table.

Too much of a good thing?

Once Quayside's purpose and governance are clear, the next question is how its assets should be managed. Protecting Quayside does not mean leaving it unchanged forever. A strong fund still needs to manage risk.

A core principle of investing is diversification: don't put all your eggs in one basket.

If a household had most of its retirement savings invested in one company, even a very good company, an adviser would suggest spreading the money more widely. Not because the company is bad, but because the world is uncertain.

The same logic applies to Quayside. Its Port of Tauranga shareholding is not simply one investment among many. It dominates the portfolio, making up around 80% of Quayside's assets. That leaves the region's investment fund and much of its future income heavily dependent on the performance of one company.

Ports are high-quality infrastructure assets. But they are not risk-free. They can be affected by global trade, shipping patterns, natural disasters, regulation, environmental rules, competition from other ports, and the need for major upgrades.

A regional economy that already relies on the Port for jobs, freight movement, and commercial activity should be careful about also relying too much on the Port for investment income.

Selling down is not selling out

Reducing the Port shareholding would leave Quayside as a major shareholder, but no longer the majority owner. It would also release capital that could be spread across a wide range of investments.

Some call this "selling the crown jewels". In our view, that misses the point. Done well, this is not about exiting the Port. It is about strengthening Quayside so it can keep serving the region for generations.

> **…The priority now is ensuring Quayside endures through a period of local government change…**

People are right to ask the hard questions. Will the shares be sold too cheaply? Could ownership drift offshore? Will mana whenua have a meaningful opportunity to acquire shares? Will the proceeds be preserved for the long term, or steadily drawn down for short-term spending? Will future ratepayers actually benefit? These are the right questions.

The history of public asset sales is mixed. Some have strengthened public finances. Others have provided a short-term boost and left future generations with little to show for it.

If shares are sold in a rushed process, with proceeds used to plug near-term budget holes, critics would be right.

But if a sell-down is measured and proceeds are invested through an independently governed, diversified portfolio, the outcome is very different. It would spread the region's wealth across a stronger, more resilient base.

Protect the fund and Bay of Plenty's future

Quayside and Port of Tauranga have done a fantastic job for the Bay of Plenty. That is not in dispute.

The priority now is ensuring Quayside endures through a period of local government change.

That requires three things: a clear purpose established through broad public engagement, independent and capable governance, and a commitment to preserving and investing capital for the long-term benefit of the region.

Get those decisions right, and Quayside can remain what it has become over the past three decades: one of the Bay of Plenty's most important and enduring assets.

If at any time you want to discuss investment options and opportunities, your Forsyth Barr Investment Adviser is available to provide you advice and assistance.

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