Tax Working Group Public Submissions Information Release

Release Document

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taxworkingroup.govt.nz/key-documents

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TAX WORKING GROUP SUBMISSION

B Woolsey 27-4-18

INTRODUCTION (Look at the forest before the trees)

Before 1970 NZ had evolved into a comfortably wealthy little country, with only minimal debt. Since 1970, NZ Ltd has had a fundamentally flawed 'credit' business model. It went into negative equity in 2012, and is continuing to trade at a loss, using variations of the same model. This working group is trying to obtain more funding for the increased revenue requirements for this model. As of 2015 the **total** revenue acquired already by 'all Govt' means, is now more than the total remuneration of all 'shareholders'. The NZ dollar is now only a debt token that creates more debt, fundamentally

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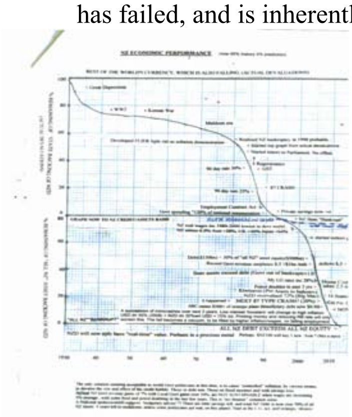
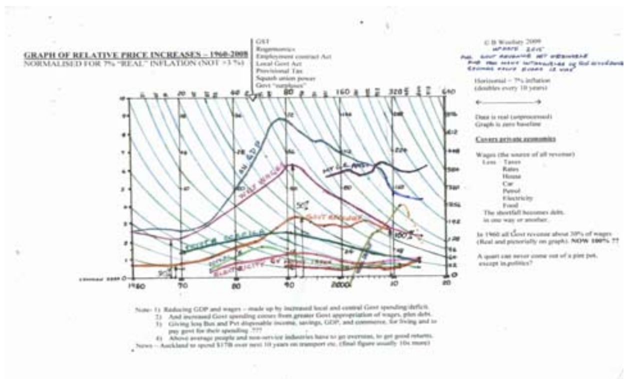
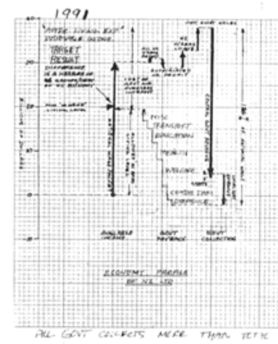
We need a new business model, where NZ Ltd managers exercise fair governance, to operate the Company in a fiscally sustainable manner, **within the means of the worker/shareholder,** to the mutual benefit of all. The present system has failed, and is inherently unsustainable.

NZ EQUITY　　7% INFLATION (7% base)　　REVENUE LOOP+120%

INFLATION-WAGES-GOODS SERVICES-DEBT

The 'Capitalist' monetry system in the western world depends on everything keeping in step with 7% inflation, which is a doubling every 10 years. Cost of houses, goods, wages, taxes, rates, levies, services all double every 10 years, and this purchasing power is retained by savings + interest at 9% (inflation +tax). The system is balanced by productivity and by loans/borrowing halving every 10 years.

By declaring the Cost Price Index (CPI) as a measure of inflation at 1-3 %pa, wages have been bought down to 1% -3%pa for the mid/lower wage-earners, resulting in a drop in consumer income to 1/3 the optimum. Due to hardship, inflation cannot occur at the required rate, suppliers suffer, **welfare** climbs and DEBTS ACCUMULATE, private and national.Using the contrived CPI as "inflation" to determine wages is bad governance, harmful to the state and people of NZ But 'all Govt' (Including local Govt, the SOEs their companies and subcompanies) charges and revenue have continued at 7%pa and now total more than the total average wage. This implies that either wages are 1/3 too little, or Govt revenue is 3x too much for sustainability. This shows up in the 50yr inflation graph, which has been recorded over the last 40 years. Many submissions and practical solutions were offered to Govt, to no effect. OUR CRISIS DID NOT HAVE TO BE.

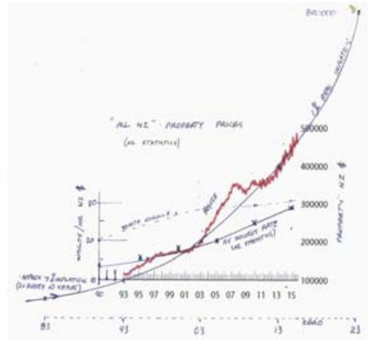
As a simple crosscheck, look at the housing crisis. The average NZ house price has increased 8% over the last year. In real household expenditure, all the costs associated with housing account for half the household expenditure, therefore total inflation is 4% on just half the income alone. Plus the inflation on the other half. A house used to cost 3x the average income. Now it costs 10x. (3:1 again). Savings effectively halve every 13 years, due to the low interest rates compared to hardware inflation., causing house deposit savings to plateau. Plus the amount able to be saved is reducing as household costs increase compared to income.

As a further check, your taxes to GDP graph shows taxes at 34% of GDP. But GDP is only a commercial activity number measured unfortunately in dollars, which gives great opportunity for misuse and concealment. In the 1960's when the inflation graph starts, GDP was roughly 3x the national remuneration, as defined in the yearbook. Thus a Govt revenue of 11% of GDP was 33% the national remuneration. This is shown in the inflation graph. Simiarly the current 34% of GDP (ON TAXES ALONE) is over 100% the national remuneration.

But GDP has become more efficient with modern banking, and perhaps with more money cycles with credit card use, the ratio is 4:1 or worse. I cannot find the current makeup of GDP, which is at the heart of many Govt financial reports. Do YOU know the makeup of this critical number?

As a further check, a Salvation Army report today, reveals that even those in permanent employment are having to seek food parcels. The majority have never had to ask for help before.

As a further check the poorest 40% only own 3% the country's wealth. If you own your own house freehold, you are deemed rich. The current policy is to limit the peoples ability to get loans to buy houses, thus attempting to drive houseprices down. Everyone loses. THE NZ LTD BUSINESS MODEL IS FATALLY FLAWED



EmployedFood Parcels   Auckland Rail map 90% cover   7%pa houses wrt 2%pa wages   City Buses are congestion

INFRASTRUCTURE   Using a simple mortgage calculator, which is an essential tool for planning/money calculations, (and for detecting flim-flam) 2% pa population growth will require a complete DOUBLING of all roads, energy, houses, rail, employment, water, sewerage, transport, health, welfare, etc EVERY 35 YEARS.

SAVINGS(To reduce the CPI / inflation disparity at less cost than present)
INTEGRATED LIGHT RAIL (FLIER=Free Light Integrated Express Rail) Savings = $10B

When I realised the certain outcome of the economy about 1980, I started submissions to Government. The equity graph was produced for about 10 years prediction. The prediction for 1992 Govt negative equity was only months out. This implies an accuracy of over 90%. The Govt reorganized the economy so the debt was on all NZ.The new prediction for ALL NZ negative equity was 2012, again only months out, and very high accuracy.

The worst performing part of the economy at the time was the ARC and Auckland rail. It still is. In 1983 I designed a light rail railcar, built using bus techniques. In 1996 , with Nissan Diesel, I tendered to do a train system at less than 10% of the cost of the ARC dream. Current cost would be $1.2m per dual 16 tonne vehicle, replaced every 15 years (so always modern). Looking at the current bus pamphlet the AT current routes are CBD based. The buses **are** the CBD conjestion. Only 13% of commuters want to go to the CBD. Using the local buses in 10 min loops between stations, meeting fast trains, kept the 'dead' miles down, enabling the fare to be free. This was paid for by the rail subsidy at the time, and a rolling $40m ($120m now) loan, **both increasing at 7%pa.** Due to the light weight, prefabricated track could be used, just between pads at each end and aligned for high speed. With the (small train) tunnels under the harbour, 90 % of the greater city was covered. THERE WAS NO FARE. The collection costs were more than the fare. This was sustainable. We were declared not a selected tenderer, and thus did not have to be considered (at 90%cheaper)

The current 10 yr AT/ACC/Govt rail plans at $11.5B?? the extra 20m passenger trips pa will cost $57.5 per passenger trip over 10 years, for which the passenger will pay $5. Note, each passenger has 600 trips per year (300days), so 20m passenger trips is only 33k actual passengers. YOU work out the cost per passenger.

HEALTH **Hearing aids** = Buy 2 models direct from factory. Cost about $200 @ 1000up for top quality units with rear noise cancellation etc. Free. Full business plan available. Typical current 'cost' about $4000 ea

Cateracts = Give the Hollows foundation a bus setup attached to the breast x-ray unit. Pay them $350 a cateract. $50 for the operation, $300 donation to do their charity operations. The 10% of special cases by normal hospital. They are very experienced, qualified, specialists. Free

KIWIBANK Kiwibank had half its shares uplifted for half price, and no payment was made to Kiwibank,, harming the depositors and bondholders.(actually much more serious than this) Return all shares and funds with compensation, and make Kiwibank a standalone SOE. The SOE would be a Royal charity for the benefit of NZ savers with a community card .(Doesn't pay tax or dividends, nonprofit) Pays 9% interest, so savings retain their value, and eliminates the savings plateau boundary, where inflation is more than the savings deposit. Savings limited to an average Auckland house deposit.

I have reached two pages of submission in simple plain language. That is about the limit of full attention. This is highly condensed and more details of extensive submissions and full size graphs are available on request.

Thank you for your time and attention