

# **Māori Economic Development**

**Te Ōhanga Whanaketanga  
Māori**

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**NZIER**

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**2003**

**NZ INSTITUTE OF ECONOMIC RESEARCH (INC.)**

8 Halswell St. Thorndon

P O BOX 3479 WELLINGTON NEW ZEALAND

Phone: +64 4 472 1880

Fax: +64 4 472 1211

Website: [www.nzier.org.nz](http://www.nzier.org.nz)

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*Ahi Kaa*, the glowing light, represents that light which brings knowledge and life as we know it today.

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# FOREWORD

Tēnā rā koutou katoa.

Nei rā te mihi a Te Puni Kōkiri ki a tātou katoa e ngana nei tātou ki te huaki ake i ngā tatau i roto i te ao ōhanga ki ngā whānau, hapū, iwi, rūpū Māori, tāngata takitahi hoki. Ko tā te pūrongo nei, he arotake i ngā kaupapa nui ka pā ki te whanaketanga taha ōhanga a te Māori i tēnei te mano tau hōu. Nā reira he āwhina nui tēnei pūrongo, e tarea ai e tātou te ine i ngā mahi kua oti me te anga whakamua o te titiro ki ngā taumata hei kake mā te Māori, e tū ai ia ki ngā taumata ikeike o te ao.

The preparation of this report “*Māori Economic Development — Te Ōhanga Whanaketanga Māori*” has been a most successful collaboration between Te Puni Kōkiri and the New Zealand Institute of Economic Research.

Te Puni Kōkiri undertook this project in order to demonstrate the positive contribution of Māori to the wider New Zealand economy, and to show the commercial opportunities that exist within the Māori asset base. The project was also intended to set out a plan for action, to enhance the contribution of Māori to our nation’s economic growth.

This collaborative effort has been important in transferring learning and economic research skills from the NZIER to Te Puni Kōkiri staff. The transfer was achieved through the joint development of eight research papers on the main facets of the Māori economy. These papers covered topics as diverse as Māori innovation, labour market participation, exporting, natural resource development, and the cultural industries.

The preparation of this work also involved close consultation with other key Government agencies, and Māori development experts with wide experience of business. I would like to personally thank the external members of the steering committee who provided guidance and advice during the preparation of this

report. My thanks go to June McCabe (Westpac), Paul Morgan (Federation of Māori Authorities), Professor Mason Durie and Te Kani Kingi (Massey University), Chris Pinfield and Hauraki Greenland (The Treasury), Brian Pink (Statistics NZ), and Lewis Holden and Alison Dalziel (Ministry of Economic Development).

The result is that this report combines rigorous economic analysis with practical knowledge of the Māori commercial sector, and draws out suggestions for further action. The report provides a meaningful platform for ongoing discussion and debate amongst the Government, business and Māori sectors about our respective approaches to Māori economic development opportunities.

Heoi anō

A handwritten signature in black ink, appearing to read 'Leith Comer', with a stylized, flowing script.

**Leith Comer**

**Chief Executive**

**TE PUNI KŌKIRI**

# PREFACE

Tēnā koutou

I am honoured that NZIER has been commissioned to prepare this report for TPK. We set ourselves an ambitious goal of bringing together different strands of analysis in a single overview of the Māori economy and, through being comprehensive, providing new insights on how we approach Māori economic development. The way that we frame questions and collect information has a powerful influence on outcomes. We wanted to find a way to think about the Māori economy in the same way that we think about the New Zealand, or any other, national economy.

I hope you will find the results of this work both fresh and useful. We hope this report provides a basis for debate, which will allow all participants — Māori, businesses, the government — to consider their attitudes to Māori economic development. We do not presume that we got everything right, or that we have all the answers. However, we believe that the report offers useful insights:

- for Māori, on the things Māori organisations can do to enhance their economic development prospects — in particular, our analysis has led us to the view that investment in high quality governance is the most critical next stage of development, which must be guided by Māori;
- for New Zealand businesses, on the opportunities available to them to transact with, and invest in, the emerging Māori economy; and
- for the government, on the broad direction of policies, which would enhance Māori economic development. In particular, the government's interest in Māori economic development is not just about social responsibility or Treaty risk management. Rather, it is a policy area with significant potential to enhance New Zealand's overall economic performance.

I would like to thank my colleagues — Ian Duncan, Ralph Lattimore, John Yeabsley, Mark Walton, Chris Nixon, Peter Gardiner, Preston Davies, John Ballingall and Joanna Smith — who have participated in the preparation of this report. Most importantly, NZIER staff put together a series of background research papers, without which the report would not have been possible. The report also would not have been possible without the very close involvement of TPK staff, and of the Steering Group from other government agencies and interested people convened by TPK. Of course, all the faults of the report are ours.

No report is ever the last word. I look forward to every opportunity to discuss and debate the results of our work with anyone interested, and to the subsequent work to take the thinking in this report further.

Heoi anō

A handwritten signature in black ink, consisting of a large, stylized 'S' followed by a smaller, more complex mark that resembles a combination of 'A' and 'K'.

**Alex Sundakov**

**Director**

**NZIER**

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# Introduction

The purpose of this report is to consider the state of the Māori economy today, to identify the key factors that are driving it, and to highlight the main opportunities for improving its performance. The report is intended to provide a broad framework for thinking about the future paths for Māori economic development.

This is the first time that the Māori economy as a whole has been subjected to the kind of comprehensive and multi-faceted analysis that is usually applied to national economies, such as those of New Zealand, Australia or China. This analysis combines a review of the structure of an economy, its dynamics, and the quality of its institutions.

In considering the Māori economy, we obviously cannot ignore the fact that Māori are highly integrated into the New Zealand economy. However, this is not a barrier to focusing on a unique and separate Māori economy. Most economies around the world are becoming increasingly integrated through the rapidly growing movements of goods, people and capital. It is no longer easy to characterise businesses in national terms. For example, is a company, headquartered in New Zealand, with substantial foreign ownership, with factories in Australia and New Zealand, manufacturing a globally branded product under license, a New Zealand company? In delineating a national economy, such as New Zealand, we often fall back on statistical conventions and rules of thumb. Yet, we get important insights and guidance for action from examining such economies.

It is even harder to draw a boundary between Māori and New Zealand economies than between economies of different countries. Our description of the Māori economy will inevitably be approximate, and there is considerable judgement involved in deciding how economic activity should be split between the two. However, even allowing for some uncertainty in the numbers, we

believe this approach opens up a rich vein for analysis and for policy development.

The Māori economy, under the definition we use, includes all those businesses and transactions where ‘Māoriness’ matters. It includes the activities based on collectively-owned Māori assets, the businesses of the self employed who identify as Māori, commercial transactions involving Māori culture, services oriented to specific Māori needs, as well as the housing owned by Māori.

We typically define an economy in terms of geography, a distinct set of institutions, a dedicated system of governance and a particular asset base. The combination of these characteristics produces a unique set of circumstances and drivers, which allow us to distinguish the prospects for one economy from another. All of these characteristics play on the Māori economy. Māori have a distinct geography within New Zealand, with a strong presence in certain rural areas as well as a significant urban concentration in Auckland, where 25 percent of Māori live.

The Treaty of Waitangi provides an implied constitutional basis for a distinct set of Māori institutions, and underpins a model of governance, which is unique to the Māori people. As a consequence of historical developments, including the Treaty settlements, Māori have an asset base which is different in its composition from the rest of New Zealand. All of this tells us that it is useful to talk of a Māori economy.

This report is deliberately focused on Māori economic development. This focus does not ignore the social and cultural aspects of Māori development. As we discuss later in the report, we take a broad view of development, which incorporates the strengthening of the Māori culture, and the increasing ability to address some deep-seated social problems.

In fact, even though the Māori economy described in this report is relatively small — it is a fraction of the total income derived by Māori individuals from the New Zealand labour market — it is significant precisely because of its link to Māori cultural

aspirations. Māori economic development is about more than just individuals. Any useful concept of Māori development must have regard to Māori collective aspirations, including key Māori concepts such as whanaungatanga (kinship), kotahitanga (unity) kaitiakitanga (guardianship) and mana whenua (ownership and control of land). The Māori economy provides a vehicle for the attainment of collective goals, which go beyond the economic well-being of Māori individuals.

Our analysis of the institutional drivers of Māori economic performance is underpinned by an understanding that many Māori organisations must pursue multiple objectives. In some cases, there is a genuine trade-off between cultural values and economic performance; in other cases, the two are complementary.

However, we are equally aware of the risk that reference to cultural values can become an all-purpose excuse for mismanagement and low quality governance. There is also little doubt that material well-being is an important determinant of Māori progress, and access to resources is frequently a pre-requisite for both social and cultural development. The focus on the Māori economy in this report does not detract from the work being done on other aspects of Māori development elsewhere.

From the insights gained by taking a comprehensive look at the Māori economy, the report distils conclusions about priorities for further action. The report aims at three audiences. First, it is addressed to the participants of public policy debate: public servants, politicians and commentators. For this audience, we aim to develop a ‘collective wisdom’ that can underpin interactions between different interests in relation to specific policy issues. In particular, the report will aim to explain where specific Māori interests need to enter public policy.

Second, the report is addressed to leaders in Māori communal and business organisations. For this audience, the aim of the report is to provide a focus for identifying opportunities and

organisational developments that would promote the growth of the Māori economy.

Finally, we believe this report will be useful to the New Zealand business community. Interaction with the Māori economy offers a growing range of opportunities which should not be missed.

We start the report by describing the Māori economy today, and its recent trends. We then consider what all this means for policy makers and business decision makers.

We should point out that this report is the outcome of a research program which saw the preparation of a number of background papers. These papers draw on NZIER's own work and also research previously undertaken by or for TPK. To make it easier for the reader, we have omitted academic references from this report. All references can be found in the background research papers available from TPK.

# The Māori economy today

Māori entered the modern market economy in three waves.

- In the first wave, from the early days of colonisation, Māori sold their produce, and to some extent labour, into the market. This wave continues to gather momentum even today. Wages and salaries earned from the participation of Māori individuals in the wider New Zealand economy will continue to be the mainstay of Māori incomes and employment. In this context, greatly increased Māori participation in tertiary education provides a basis for increasing entry into better paying jobs and careers.
- In the second wave, collectively-owned Māori assets acquired increasing market presence. Tribal trading activity thrived during the early years of colonisation. Sustained and largely effective efforts at breaking the power of Māori collective commercial enterprise in the mid 1800s — through the individualisation of title to Māori land, the ‘Land Wars’, and disenfranchisement of tribes themselves — signalled the end of a brief but successful Māori involvement in the non-Māori cash economy. The initial revival came in the 1930s, as Māori-owned land-based businesses became incorporated under special acts of parliament. This second wave was dramatically strengthened by recent Treaty of Waitangi settlements. These businesses are sizeable (earning at least \$1.9 billion annually in revenue) and are often highly profitable. They earn substantial export revenue. Recent trends include the acquisition of major interests in the fisheries sector and growing diversification of land use.
- In the third and most recent wave, Māori entered the ‘knowledge economy’. The last ten years have seen the rapid growth of Māori service industries, building on cultural knowledge as well as rapid improvements in the skills of the Māori population. These businesses serve Māori needs or provide access to authentic Māori culture and experience.

All three waves are carrying Māori forward, and all three are critical to Māori economic well-being. The second and the third waves, however, play a special role in promoting Māori collective aspirations. These two waves combine into what we call the Māori economy: a space in which self-determined economic development can take place.

## **What is the Māori economy?**

This report applies to the Māori economy the tools of macroeconomic analysis used in understanding national economies. At the core of this approach, is the System of National Accounts. This is how it is described in the United Nations manual:

*The System of National Accounts (SNA) consists of a coherent, consistent and integrated set of macroeconomic accounts, balance sheets and tables. It provides a comprehensive accounting framework within which economic data can be compiled and presented in a format that is designed for purposes of economic analysis, decision-taking and policy making.*

*The System is built around a sequence of interconnected flow accounts linked to different types of economic activity taking place within a given period of time, together with balance sheets that record the values of the stocks of assets and liabilities held by institutional units or sectors at the beginning and end of the period. Each flow account relates to a particular kind of activity such as production, or the generation, distribution, redistribution or use of income.*

*The net result of the activities covered by the accounts in question ... are economic constructs of considerable interest and analytical significance — for example, value added, disposable income and saving.*

The emphasis is on capturing all the flows — or transactions — that are related either to production, or to the distribution and redistribution of income amongst incorporations, businesses and households.

It is difficult to define a 'Māori economy' in the same way as New Zealand overall, because Māori interests are not separate from the national economy. The Māori economy can be defined as the assets owned and income earned by Māori — including collectively-owned trusts and incorporations, Māori-owned businesses (e.g. tourism, broadcasting, and the self-employed), service providers (especially in health and education), and the housing owned by Māori. The wages and salaries earned by Māori workers are also part of this definition.

Thus, constructing an integrated picture of the Māori economy involves making explicit estimates of the value of transactions of Māori households and businesses. There is no official data relating to these transactions. Instead there is a host of related data — for example, Census 2001 statistics — from which inferences about Māori economic activity can be drawn, and on which basis estimates of transactions that involve Māori can be made.

Explicit estimates of Māori enterprise transactions necessarily involve a high degree of judgement. In most cases, Māori industrial activity was derived by applying a proportion to the national activity for that industry. The proportions were in turn derived from a mixture of data sources, which varied between industries due to data limitations. Two broad types of data were used.

1. Industry-specific output indicators. For example, data from the Ministry of Education was used to calculate the proportion of national enrolments that were in Māori-medium programmes. This proportion was then applied to the national education sector to derive Māori education.
2. Indicative measures or anecdotal evidence. This approach was adopted in the absence of any industry-specific data. An example of this type of approach is the fishing industry, where the estimated percentage of fishing quota under Māori control was used as a proxy for the share of the New Zealand fishing industry that is Māori.

As such, there were no over-arching criteria used to determine whether a particular business unit was Māori or otherwise. Rather,

the determination of Māori business ownership was made at an industry level and implicit within the data source underlying that industry.

In some cases, we also extrapolated data from specific information available on Māori business units. For example, estimates of dividend and interest flows of Māori producer enterprises are based on TPK analysis of 78 annual reports of Māori trusts and incorporations.

Estimates of Māori household transactions rely heavily on data extracted from Statistics New Zealand's *2001 Census of Population and Dwellings*, data that includes the proportion of Māori deriving income from various sources.

In addition, Statistics New Zealand's *2001 Household Savings Survey* provided an ethnic breakdown of main liabilities, and the *2001 Household Economic Survey* provided a commodity breakdown of household expenditure based on household income.

This report also builds on the considerable investment undertaken by TPK over a period of time in building up a series of statistical databases and research reports on different aspects of the Maori economy. Since the overall picture is built from a number of snapshots, we had to bring together data for different periods. To ensure compatibility, we have expressed the macroeconomic numbers for the Māori economy in 1996 dollars — the year of the most recent New Zealand structural statistics.<sup>1</sup>

The structure of Māori production is given in Table 1 below, while an overview of the Māori economy is reported in Table 2. Table 3 sets out the net fiscal position of the Māori economy, an

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<sup>1</sup> We should also point out that total production should not be confused with GDP. Total production includes output, which is not consumed by households or the government, but becomes input into the production of other goods and services. This kind of output is called intermediate consumption, and is netted from the GDP statistic. The GDP concept is closer to the value added measure quoted in Table 1.

important measure for an economy that does not have its own government sector.

### The broad picture

The Māori economy — that is, total Māori value added — accounts for 1.4% percent of New Zealand's economy. In other words, the Māori economy is proportionately significantly smaller than the overall role of Māori in the New Zealand economy. By contrast, Māori account for 10% of consumption in New Zealand. The difference between production and consumption comes from the fact that Māori 'export' labour and capital to the rest of the New Zealand economy. For example, of the approximately \$4.3 billion earned by Māori in salaries and wages, only about \$0.3 billion comes from the Māori economy.

In a sense, this can be compared to the situation in some developing nations, where a significant proportion of income comes from workers' remittances from abroad. More specifically, this highlights the gap between Māori present reality and aspirations for self-determination — the desire to engage in economic activity within Māori settings and institutions.

**Table 1 Māori production and value added**

Industry	Production (\$ million)	Value added (\$ million)	Māori contribution to national value added (%)
Agriculture	700	317	7.5
Forestry	43	17	2.0
Fishing	299	102	37.1
Residential and commercial property investment	41	29	0.9
Education	122	90	2.6
Health	180	120	2.8
Television, motion picture and radio services	23	9	1.7
Recreational services	20	7	2.1
Other Māori production	493	459	0.8
Total Māori production	1,921	1,150	1.4
Other New Zealand production	186,923	82,589	

Source: NZIER

In line with previous studies, our results show that Māori production is heavily concentrated in three key sectors.

**Agriculture:** the value of Māori agricultural output is estimated to be approximately \$700 million, representing about 7.4% of New Zealand's total agricultural output. Much of this is thought to be managed by self-employed farmers, thus giving rise to significant entrepreneurial income — that is, of the generation of profits by farmers for their own use.

**Fishing:** Māori are estimated to control up to 37% of New Zealand's domestic fishing quota, thus providing the means to generate approximately \$299 million in fishing revenue. A significant portion of this activity is conducted by medium-large enterprises, with about 20% of New Zealand's quota being jointly controlled by two Māori businesses: Sealord Products and Moana Pacific Fisheries.

**Owner-occupied dwelling:** Māori account for 7% of home ownership in New Zealand. Home ownership can be, and in the National Accounts is, thought of as providing a service to the occupiers equivalent to the value of rent that would have been paid if the dwelling had been rented. The value of owner-occupied service that Māori home-owners provide is about \$434 million.<sup>2</sup>

Combined, these three industries account for approximately 75% of the output of the Māori economy.

Notably, Māori interests in forestry *production* are not yet significant. Although Māori are thought to control about 10% of the land on which New Zealand's forest estate is situated, Māori participation in managing that land is significantly less: in many instances Māori either do not own the cutting rights to the trees, or do not engage in forestry production. Instead, Māori derive a limited income from the lease arrangements associated with land or cutting rights.

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<sup>2</sup> Included in 'Other Māori production' in Table 1.

However, it is interesting that Māori also have important production interests in commercial and residential property investing, television, motion picture and radio services, education and health. In other words, compared to New Zealand, the structure of the Māori economy appears to be weighed disproportionately to primary and service sectors, with little manufacturing in between.

**Table 2 The Māori economy — highlights<sup>3</sup>**

	Māori	Non-Māori	Total	Māori %
<b>Production</b>				
Intermediate consumption	771	102,414	103,185	0.7
Compensation of employees	288	38,946	39,234	0.7
Operating surplus	826	41,059	41,885	2.0
Other indirect taxes	37	2,583	2,620	1.4
Gross output	1,921	185,002	186,923	1.0
Value added	1,150	82,588	83,738	1.4
<b>Households</b>				
Household consumption	5,524	49,619	55,142	10.0
Wages and salaries received	4,280	34,954	39,234	10.9
Social benefits received	2,312	8,233	10,545	21.9
Savings	877	-1,790		
Net lending	904	-4,622		
Source: NZIER				

Three broad conclusions emerge from this high level overview. The first is the striking conclusion that the Māori economy has a higher savings rate than the New Zealand economy. In fact, Māori are net lenders to the rest of New Zealand. This net lending is greater than the net fiscal inflows from the rest of the New Zealand economy. While Māori households are not generally known for their high savings rates, it appears that Māori incorporations retain a greater proportion of their earnings than general New Zealand businesses. In part, this may be explained by their reduced ability to gain access to external finance, resulting in the need to finance

<sup>3</sup> For full details on the methodology, see the NZIER background research paper “Constructing a Māori SAM: An Illustrative Example”.

development from their own savings. The governance of Māori collective businesses may also play a role, by reducing the pressure on these organisations to distribute income to beneficiaries.

The second, perhaps unexpected, result is that, in aggregate, the Māori economy appears to be more profitable than the New Zealand economy. While only accounting for 1.4% of the value added, the Māori economy generates 2% of operating surplus. In part, this is because the Māori economy, as we have defined it, does not include a government sector where, by convention, value added is measured as the total labour income of government employees. Hence, all other things being equal, the Māori economy should account for a bigger share of the profits. However, this explains less than half the difference.

<b>Table 3 Net fiscal position</b>			
\$ million			
Payments	Māori	Non-Māori	Total
Production			
Other indirect taxes	37	2,583	2,620
Income tax	42	3,659	3,701
Households			
Income tax	1,338	14,022	15,360
GST and other product taxes	959	8,614	9,573
Other payments <sup>1</sup>	28	329	357
<i>Total payments</i>	<i>2,404</i>	<i>29,207</i>	<i>31,611</i>
Receipts			
Households			
Social benefits in cash	2,312	8,225	10,537
Net fiscal position	92	20,982	
Note: (1) Other payments includes fees, fines and penalties and government Superannuation Fund contributions.			
Source: NZIER			

So what explains the high proportion of operating surplus, particularly given the evidence that Māori trusts have lower return on equity than other businesses (see Table 4)? The evidence seems to be in the fact that Māori businesses have high operating surplus per employee. In other words, while Māori businesses may not be using their capital as efficiently as other businesses, their overall returns are quite high, thanks to the high productivity of labour

employed and to a high proportion of labour inputs relative to capital.

**Table 4 Business comparisons**

Financial ratios for the 1999/2000 year (Provisional data, subject to revision)	Māori trusts	Agriculture, forestry and fishing	All industries
Total income per full-time equivalent (FTE)	\$158,579	\$114,200	\$209,200
Operating surplus per FTE	\$21,643	\$10,200	\$19,600
Return on equity	3.6%	4.0%	8.9%
Return on total assets	2.1%	2.3%	3.6%
Liabilities structure	57.4%	57.3%	40.5%

The third conclusion challenges the view that Māori are a burden on New Zealand's taxpayers. While Māori households indeed receive \$2.3 billion (see Table 3) in fiscal transfers, this is offset by a tax contribution of \$2.4 billion from the Māori economy.

## Trends

Figure 1 shows the rate of growth in the New Zealand economy since 1989, and an estimate of growth in the Māori economy. This estimate is based on the industry composition of the Māori commercial asset base, and does not include growth in household dwellings. A striking feature of this figure is that Māori economic growth appears more volatile as compared to New Zealand economic growth (although this volatility has decreased since 1997). This is because a significant proportion of the Māori asset base is in industries like agriculture, forestry and fishing, which tend to be more volatile in nature.

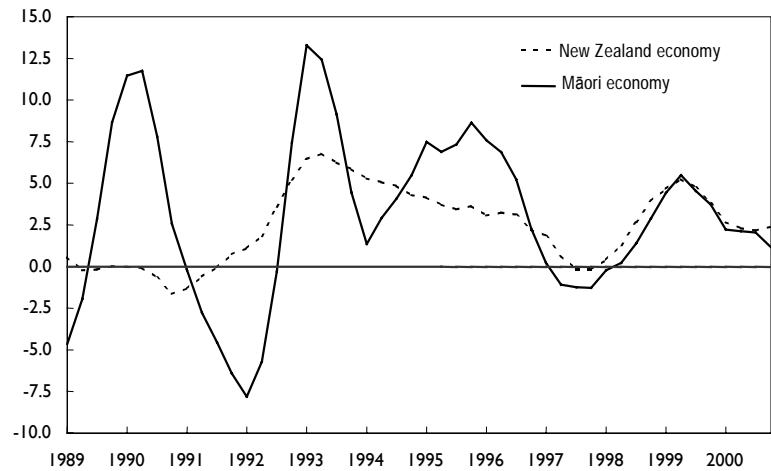
Our methodology assumes that, for the relevant sectors, Māori growth rates are equal to the sectors as a whole. If this is not correct, because for example Māori forestry returns come from fixed ground rentals, then the growth rates may be overstated but we would expect the profile to be as shown.

While volatility is a problem in itself — because greater uncertainty makes investment more difficult — the implicit

underlying growth of the Māori economy in recent years has exceeded the rest of New Zealand.<sup>4</sup>

**Figure 1 Economic growth**

Annual average percent change



Source: UN, NZIER

The 1990s were little short of spectacular for the Māori economy. The performance of the production economy was driven by a combination of unusually strong (although particularly volatile) growth enjoyed by the primary sectors, and the emergence of the Māori services sectors. In addition, Māori ‘exports’ of labour benefited from improved relative performance by Māori in the New Zealand labour market.

Against this background, what are the prospects for the Māori economy? We discuss this question next both with respect to the

<sup>4</sup> We talk of implicit growth because we exclude from our analysis the increase in activity associated with the transfer of assets under various Treaty of Waitangi settlements. Such one-off adjustments tell us little about the underlying dynamics, and we think it is more helpful to examine growth as if such assets had always been in Māori ownership (which is, of course, precisely what the settlements aim to replicate).

Māori production sectors, and in relation to Māori participation in the New Zealand labour market.

### *Primary sector assets*

The Māori economy, as it emerged in the 1990s, is more exposed to international trade than even the most open economies in the world. Partly this reflects the fact that nation state economies include a government sector that typically does not engage in international trade. This exposure is largely driven by the fishing, forestry and agriculture industries. Tourism, which we discuss separately, is another important area of engagement with the rest of the world. This outward orientation of the Māori economy is a novel development, presenting important opportunities and challenges for the future.

During the 1990s Māori emerged from a lengthy period of being ‘trapped’ in the New Zealand domestic market. As Māori urbanised in the 1950s and 1960s, they were employed in manufacturing, railways, and forestry — all of which were sheltered from international markets at that time. What seemed like a guarantee of security at the time, turned into a disaster as New Zealand opened up to the rest of the world in the 1980s.

However, now that the period of adjustment is behind us, the new-found relative openness of the Māori economy allows Māori to de-couple their growth rates from the New Zealand market. Table 5 shows the estimated value of Māori exports (\$650 million) in 2000. During that year, New Zealand’s total exports were \$26 billion. Thus the Māori economy accounted for 2.5 percent of total exports. This again can be compared to its total contribution of 1.4 percent of New Zealand value added. In other words, the Māori economy is already significantly more open to the rest of the world than the New Zealand economy.

In this environment, a whole new set of dynamics comes into play that places few restrictions on the amount of growth that Māori can achieve in any particular period. In fact, a Māori economy connected to international markets may not be influenced

by, or may have little to do with, the constraints of the New Zealand market.

But what does this mean in reality, given the conventional wisdom which tends to see exposure to commodity markets as a strongly negative factor?

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Table 5 Estimated value of Māori exports	
\$million	
Income source	
Total income of Māori Trusts <sup>1</sup>	221
Trading Income of Te Ohu Kai Moana <sup>2</sup>	396
Ngai Tahu Fisheries <sup>3</sup>	31
Ngai Tahu Tourism <sup>3</sup>	2
<b>Total</b>	<b>650</b>

Notes: (1) Statistics NZ, Annual Enterprise Survey (1999/2000). Assumes that the primary revenue of the 423 Māori Trusts included in the 2000 Annual Enterprise Survey are sourced from exports of agricultural and forestry products (ie beef cattle, sheepmeat, wool, and logs). (2) Te Ohu Kai Moana Annual Report Year ending 30 Sept 2000. Te Ohu Kai Moana's subsidiaries are focused on exports of fisheries products. (3) Te Runanga o Ngai Tahu Annual Report p46.

Source: TPK

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Let us look at prices first. According to the International Food Policy Research Institute (IFPRI) world food demand will grow substantially over the next twenty years (2.8% per annum to 2020). However, prices for bulk agricultural products will decline slightly in real terms. This is because developing countries, in particular China, will increase supply of those commodities.

On the face of it, this is a negative forecast. However, this compares dramatically with the past thirty years, when commodity prices declined precipitously compared to other products. In addition, the primary sectors in New Zealand are continuing to enjoy relatively high rates of productivity growth. This combination of more or less steady prices and strongly growing output bodes well for the primary sectors. Hence, the Māori economy, with its relative exposure to these sectors, is poised for a period of expansion.

In addition, fish prices are expected to rise dramatically. Production, driven by fish farming, is expected to increase by 1.5%

per annum which is not enough to offset increasing demand. Demand, particularly from developing countries, will drive prices up further, relative to other agricultural products.

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**Table 6 Forecast prices**

Forecasts to 2020

Commodity	% change in price from 1997-2020
Maize	+1
Beef	-3
Pork	-3
Poultry	-3
Milk	-8
Fish	+16

Source: IFPRI forecasts in Delgado (2002)

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Economic growth, in some measure, depends on good luck. For once, the historical pattern of asset ownership appears to put the Māori economy on the right side of that luck. However, this opportunity for growth will not be without its own challenges. For example, nearly 80% of Māori-owned land consists of land which is unable to support most agricultural uses. We will discuss later in the report the actions needed to take full advantage of the available opportunities.

### *Māori services sectors*

The emergence of the Māori service industries in the 1990s had three underpinnings:

- a cultural revival, and the associated growth of industries, that express high levels of cultural confidence;
- strong growth of Māori social services providers supported by changing government procurement policies; and
- an entrepreneurial focus on the tourism sector, taking advantage of demand for authentic experiences.

One of the key issues for this third wave of Māori economic development is the degree to which various aspects of Māori culture can be commercialised. In order to take advantage of economic opportunities, Māori must have a high level of comfort that exposing the culture to commercial exploitation will not

undermine its essence. In effect, this means that economic development in this field is inextricably linked to the strengthening of Māori culture. If Māori do not feel secure about their culture, commercialisation will be seen as a threat, and will be resisted. In this sense, grievances and insecurity spill over into a self-imposed limit on economic development. It is not surprising that the surge in the third wave of economic development in recent years has gone hand in hand with the Māori cultural renaissance.

Equally, the commercialisation of Māori culture relies on a high level of cultural maturity among non-Māori New Zealanders. If they see the assertion of authentic Māori voices as an encroachment on the overall New Zealand identity, the development of these markets will inevitably be retarded. Those with whom Māori transact need to be secure in their own culture to provide a positive influence on the development of the Māori economy and Māori society.

### *Cultural industries, creative arts and education*

A key element of any cultural identity is the language of that culture. The maintenance of language — particularly for a minority population — is often a deliberate undertaking with economic consequences and corresponding cultural benefits. Clear illustrations of the connection between economic production and cultural development are provided by the creative industries.

The term cultural industries is associated with the evolution of mass entertainment and popular culture, such as newspapers, movies, magazines and music. While the advent of the production of cultural commodities on an industrial scale is viewed by some with disapproval, it is one of the fastest growing sectors in the world economy.

Television, motion picture and radio services is one of the key components of the creative industries. In its September 2000 report, the Māori Broadcasting Advisory Committee identified Te Reo Māori as a cornerstone of Māori culture, and recognised the pivotal role that the media plays in cultivating the language. In so doing, it

clearly drew the link between economic activity and cultural development.

Public funding remains a key driver in the growth of this sector, although Mai FM in Auckland provides a positive example of moving beyond this dependence. Te Māngai Pāho, the Māori Broadcasting Funding Agency, is a crown entity established under the Broadcasting Amendment Act 1993. Its statutory role is to promote Māori language and culture by making funds available for the production and broadcast of programmes.

Te Māngai Pāho is the funding agency for Māori media services, providing financial support to 21 radio stations, enabling Māori radio to reach about 85% of the Māori population. Te Māngai Pāho also supports numerous television productions and is expected to have close ties to the Māori Television Service when it commences operation later this year.

**Table 7 Enrolments in Māori medium programmes**

Number of enrolments

Māori medium programmes (greater than 30% curriculum instruction undertaken in Māori)

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Kura Kaupapa	510	1,442	1,782	2,475	3,224	3,909	4,505	4,860	4,954
Other schools	13,906	14,629	16,064	17,197	17,128	17,753	17,740	17,362	17,590
Total Māori medium programmes	14,416	15,711	17,846	19,672	20,352	21,662	22,245	22,222	22,544
Total New Zealand enrolments	664,408	666,560	672,571	684,896	697,325	712,276	724,579	727,396	729,689
Percentage Māori medium programme enrolments	2.2	2.4	2.7	2.9	2.9	3.0	3.1	3.1	3.1

Source: Ministry of Education

Education is a related cultural industry, whose growth also remains dependent on government funding. Approximately 3% of all primary and secondary school enrolments are in Māori medium programmes where greater than 30% of the curriculum is delivered in Māori. As can be seen in the data in Table 7 this proportion has grown relatively quickly since 1992, suggesting an increased level

of Māori education services at the primary and secondary levels. This rapid development appears to be associated with some growing pains; a recent ERO report questions the quality of some Māori education providers.

The proportion of New Zealand’s tertiary education supplied by Māori providers is also in the order of 3%, as shown in Table 8.

Table 8 Māori tertiary education providers						
Institution	2000			2001		
	Actual Ministry- funded EFTS	All other EFTS	Total EFTS	Actual Ministry- funded EFTS	All other EFTS	Total EFTS
Te Wananga o Aotearoa	1,499	75	1,574	6,089	29	6,119
Te Wananga o Raukawa	1,081	2	1,083	1,424	25	1,449
Te Whare Wananga O Awanuiarangi	312	0	312	684	3	687
Total Wananga	2,891	77	2,968	8,197	57	8,254
TOTAL all tertiary education providers	175,408	21,328	196,736	193,775	35,592	229,367
Source: Ministry of Education						

The most difficult challenge for the Māori cultural industries is to move outside their dependence on the vagaries of government funding. In this regard, the development of Māori-specific trademarks is a key initiative. The toi iho — or Māori made mark is an initiative of Te Waka Toi, which, although a crown agency, has been able to shift the authority to Māori. It is a registered trademark, and aims to promote and sell authentic Māori art and artists, and aid Māori retention of ownership and control of their taonga. There are four categories of recognition:

- Māori Made Mark, exclusively for artists of Māori descent;
- Mainly Māori Made Mark, for groups of artists, most of whom are of Māori descent;
- Māori Co-production Mark, for Māori and non-Māori artists and business working collaboratively; and
- Licensed Stockist Mark, for art and craft retailers and galleries who stock the work of licensed Mark users.

## *Tourism*

Māori people and businesses form a distinctive and important component of the New Zealand tourism industry. World-famous attractions run by Māori include the Māori Arts and Crafts Institute at Rotorua, and Whale Watch at Kaikoura. Many Māori tourism businesses focus on performing arts and crafts, followed by adventure activities. Accommodation (including resorts, motels, and marae stays) is also a major area of business.

Again, while opportunities for growth in the tourism sector abound, the ability of Māori organisations to take advantage of these opportunities remains an issue. TPK and the Office of Tourism and Sport recently prepared a study on the Māori tourism industry.<sup>5</sup> Some of the key findings of this study in relation to Māori within the tourism sector were:

- the proportion of Māori employees in the tourism sector is less than the proportion of Māori in the general population;
- thirteen Māori tourism businesses that provided financial information reported low turnover (\$50,000 – \$350,000 per annum), low gross profit (ranging from \$10,000 – \$60,000 per annum) and very low debt to equity ratios (ranging from 0 – 10%);
- 56% of the 33 Māori businesses surveyed considered there are barriers or impediments to Māori participation and performance in the tourism industry;
- for the year to December 2000, Māori performances were one of the top 15 attractions for international tourists; and
- the number of international visitors who experienced a Māori performance is estimated to have increased by 19% during the December 2000 year.

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<sup>5</sup> “He Mātai Tāpoi Māori: A Study of Barriers, Impediments and Opportunities for Māori in Tourism” Te Puni Kōkiri and the Office of Tourism and Sport, October 2001.

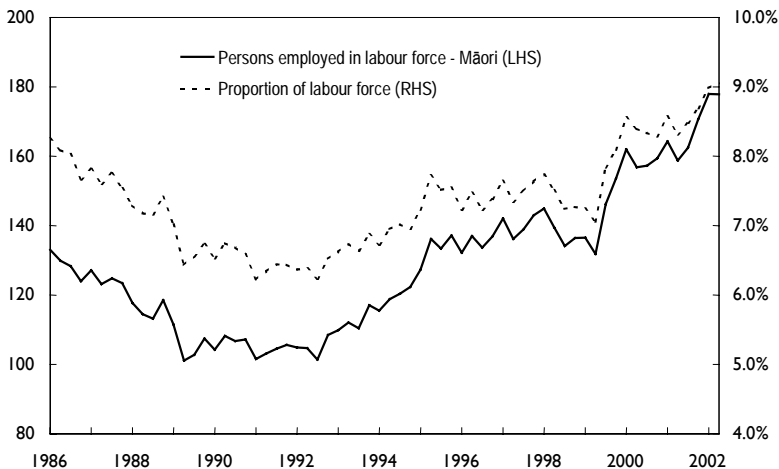
Labour market

We have so far focused on the Māori production economy. However, given the importance of the export of labour for the Māori economy, we now turn to the New Zealand labour market.

Changing employment policies of reforming governments between 1986 and 1992 contributed to a lowering in labour market participation. Māori employed in the New Zealand labour force declined from around 135,000 to 100,000 people, Figure 2. Over the next four years (to 1996), Māori participation grew rapidly to regain its 1986 level. This improvement was slowed after 1996 by the conjunction of tight monetary policy with the onset of two major droughts and the Asian economic crisis. The latter two effects stalled growth in export demand and caused the negative trickle down effect that can be seen in Figure 2.

Figure 2 Māori in the New Zealand labour force

Thousands (LHS),% (RHS)



Source: Statistics New Zealand

The Māori unemployment rate had peaked at over 25% in 1992 and had reduced to around 15% by 1996 before its improvement was also halted by the mid-1990s events just mentioned. After 1998, the improving trajectory resumed. Māori labour market

participation increased rapidly again and long-term unemployment and Māori unemployment have continued to fall ever since. Currently the Māori unemployment rate stands at around 12% and the overall New Zealand unemployment rate at around 5.4%. By comparison the OECD average unemployment rate is 6.7%.

The population census reports that between 1996 and 2001, the equivalent of 88,740 full-time jobs were created in the New Zealand economy, 2,913 jobs were lost with a net gain of 85,827 jobs. Of those, 8,749 jobs were filled by Māori, and 158 Māori jobs were lost, for a net gain in Māori jobs of 8,591.

**Table 9 Net job creation by region**

Number of full time equivalent jobs created, 1996 – 2001

Region	Number of jobs created — Māori	Number of jobs created — total
Auckland	1,016	41,288
BOP	1,446	7,553
Canterbury	441	12,741
Gisborne	464	204
Hawkes Bay	584	1,673
Manawatu-Wanganui	350	-579
Marlborough	54	1,184
Nelson	63	617
Northland	768	2,303
Otago	89	2,126
Southland	-86	-1,289
Taranaki	9	-855
Tasman	90	1,532
Waikato	1,755	6,764
Wellington	1,622	10,760
West Coast	-72	-191
Total	8,591	85,827

Source: Statistics New Zealand, NZIER

More than half the Māori job growth occurred in the Waikato, Bay of Plenty and Wellington. Auckland was the fourth most important region. By contrast, almost half the net gain in total employment occurred in Auckland with other major gains in Canterbury, Wellington, the Bay of Plenty, Waikato and in Northland.

On the surface, Maori job growth is slow, amounting to 5.5% over the five year period. Total job growth was 5.9%. It is, however, concentrated in the northern regions which have the highest concentration of the Māori working age population.

**Table 10 Industry growth**

Growth in full time equivalent employment, 1996 – 2001

**Bold** figures for Māori employment

*Italicised* figures for total New Zealand employment

Region	Primary sector		Secondary sector		Tertiary sector	
Auckland	<b>-7.2</b>	<i>-7.5</i>	<b>-15.3</b>	<i>-6.6</i>	<b>6.8</b>	<i>13.3</i>
Bay of Plenty	<b>-5.3</b>	<i>-1.9</i>	<b>8.2</b>	<i>7.1</i>	<b>11.8</b>	<i>11.7</i>
Canterbury	<b>-4.8</b>	<i>-0.2</i>	<b>-6.5</b>	<i>-0.7</i>	<b>8.4</b>	<i>9.2</i>
Gisborne	<b>23.1</b>	<i>12.0</i>	<b>-15.3</b>	<i>-13.5</i>	<b>9.3</b>	<i>0.6</i>
Hawkes Bay	<b>-12.0</b>	<i>-5.2</i>	<b>18.8</b>	<i>4.1</i>	<b>8.2</b>	<i>5.1</i>
Manawatu-Wanganui	<b>6.2</b>	<i>-2.6</i>	<b>-2.5</b>	<i>-9.6</i>	<b>4.2</b>	<i>1.5</i>
Marlborough	<b>4.3</b>	<i>8.1</i>	<b>11.5</b>	<i>16.7</i>	<b>1.1</b>	<i>5.1</i>
Nelson	<b>-23.8</b>	<i>-17.7</i>	<b>8.1</b>	<i>-2.9</i>	<b>13.3</b>	<i>7.8</i>
Northland	<b>-6.6</b>	<i>-7.0</i>	<b>0.0</b>	<i>-4.6</i>	<b>13.3</b>	<i>10.2</i>
Otago	<b>-0.3</b>	<i>-3.1</i>	<b>16.8</b>	<i>5.8</i>	<b>-0.5</b>	<i>3.3</i>
Southland	<b>-17.7</b>	<i>-7.4</i>	<b>5.0</b>	<i>-0.4</i>	<b>-0.9</b>	<i>-2.4</i>
Taranaki	<b>-15.1</b>	<i>-5.8</i>	<b>3.0</b>	<i>-7.3</i>	<b>2.0</b>	<i>0.4</i>
Tasman	<b>-3.0</b>	<i>-5.0</i>	<b>-3.8</b>	<i>-1.5</i>	<b>25.4</b>	<i>20.0</i>
Waikato	<b>-2.5</b>	<i>-6.0</i>	<b>0.5</b>	<i>-2.2</i>	<b>13.8</b>	<i>9.2</i>
Wellington	<b>-2.4</b>	<i>0.2</i>	<b>-13.5</b>	<i>-12.8</i>	<b>14.3</b>	<i>8.6</i>
West Coast	<b>-25.4</b>	<i>-8.2</i>	<b>-8.5</b>	<i>-8.0</i>	<b>-2.6</b>	<i>1.6</i>
Total	<b>-3.5</b>	<i>-4.0</i>	<b>-3.4</b>	<i>-3.8</i>	<b>9.1</b>	<i>9.1</i>

Note: (1) The primary sector covers industries such as horticulture, agriculture, forestry, mining and oil and gas exploration. The secondary sector refers to manufacturing industries. The tertiary sector covers the services sectors including health and education, business services, retail, accommodation, and government services.

Source: Statistics New Zealand, NZIER

Regional job growth is further subdivided in Table 10 according to the broad sectors (primary, secondary, tertiary) in which it occurred. Table 10 lists the percentage employment growth in each broad sector for each region. The numbers in **bold** are for Māori employment only. The figures in *italics* are for the economy as a whole. For example, in the Auckland region, growth in Māori tertiary sector employment was 6.8% over the period while Māori employment in the Auckland primary and secondary sectors shrank by 7.2% and 15.3% respectively.

Most of the growth in percentage terms has occurred in the tertiary or services sectors in the regions. The big surprise here is the relatively slow growth in Māori tertiary sector employment in Auckland (6.8% versus 13.3% for non-Māori). Nearly half the total net jobs were created in Auckland but only 12% of Māori jobs.

**Table 11 Fastest growing regional sectors — total New Zealand**

Number of full time equivalent jobs created, 1996 - 2001

Rank	Industry	Region	Number of jobs created
1	Primary and secondary education	Auckland	4,287
2	Business administrative and management services	Auckland	3,783
3	Computer services	Auckland	3,699
4	Medical, dental and other health services	Auckland	3,570
5	Wholesale trade	Auckland	3,276
6	Retail trade	Auckland	3,008
7	Medical, dental and other health services	Canterbury	2,343
8	Medical, dental and other health services	Waikato	2,262
9	Bars, clubs, cafes and restaurants	Auckland	1,967
10	Computer services	Wellington	1,899
11	Medical, dental and other health services	Wellington	1,787
12	Business administrative and management services	Wellington	1,739
13	Post-school education	Auckland	1,722
14	Other community care services	Auckland	1,691
15	Employment, security and investigative services	Auckland	1,686
16	Non-building construction	Auckland	1,665
17	Retail trade	Wellington	1,608
18	Services to finance and investment	Auckland	1,581
19	Retail trade	Canterbury	1,575
20	Installation trade services	Auckland	1,536
21	Air transport, services to transport and storage	Auckland	1,476
22	Personal and other community services	Auckland	1,431
23	Hospitals and nursing homes	Auckland	1,340
24	Technical services	Auckland	1,256
25	Primary and secondary education	Canterbury	1,200
26	Medical, dental and other health services	Bay of Plenty	1,197
27	Motion picture, radio and television services	Auckland	1,184
28	Other community care services	Canterbury	1,067
29	Bars, clubs, cafes and restaurants	Wellington	1,056
30	Bars, clubs, cafes and restaurants	Canterbury	1,053

Source: Statistics New Zealand, NZIER

Over 38% of the total jobs created in New Zealand occurred in the health and education sectors of the economy. The slowest growing (or fastest contracting) employment opportunities occurred mainly in the primary sectors. The striking fact, however,

is that these general job losses occurred in regions where Māori job growth was fastest — Bay of Plenty and the Waikato for example. This reinforces the fact that labour markets are very dynamic and that Māori are gaining in importance in some markets.

The slowest growing Māori sectors are in manufacturing and they are heavily concentrated in Auckland. In some cases these adjustments are lagged responses to tariff policy changes some years ago. Other slowest growing Māori employment areas are in services and six of these are in government. Overall, Māori are increasingly employed in the private sector.

**Table 12 Slowest growing regional sectors — total New Zealand**

Number of full time equivalent jobs created, 1996 - 2001

Rank	Industry	Region	Number of jobs lost
122	Clothing manufacturing	Auckland	-1,395
121	Central government administration	Canterbury	-1,305
120	Central government administration	Auckland	-1,304
119	Residential building construction/owner builders	Auckland	-1,154
118	Sheep and beef cattle farming	Southland	-1,041
117	Motor vehicle and part manufacturing	Auckland	-960
116	Finance	Wellington	-927
115	Clothing manufacturing	Waikato	-681
114	Motor vehicle and part manufacturing	Wellington	-680
113	Hospitals and nursing homes	Waikato	-669
112	Wholesale trade	Wellington	-629
111	Residential building construction/owner builders	Canterbury	-624
110	Dairy cattle farming	Waikato	-624
109	Defence	Auckland	-617
108	Sheep and beef cattle farming	Otago	-603
107	Life insurance	Wellington	-590
106	Sheep and beef cattle farming	Waikato	-516
105	Clothing manufacturing	Canterbury	-515
104	Other horticulture	Bay of Plenty	-507
103	Services to forestry	Bay of Plenty	-495
102	Central government administration	Bay of Plenty	-486
101	Apple and pear growing	Hawkes Bay	-474
100	Textile manufacturing	Auckland	-467
99	Other horticulture	Hawkes Bay	-464
98	Paper and paper product manufacturing	Auckland	-428
97	Communication services	Wellington	-423
96	Services to forestry	Waikato	-414
95	Publishing, recorded media manufacturing and publishing	Auckland	-411
94	Other farming	Canterbury	-408
93	Finance	Waikato	-404

Source: Statistics New Zealand, NZIER

**Table 13 Fastest growing regional sectors — Māori**

Number of full time equivalent jobs created, 1996 - 2001

Rank	Industry	Region	Number of Māori jobs created
1	Medical, dental and other health services	Waikato	380
2	Medical, dental and other health services	Auckland	344
3	Non-building construction	Auckland	339
4	Primary and secondary education	Auckland	338
5	Other community care services	Auckland	335
6	Medical, dental and other health services	Bay of Plenty	300
7	Primary and secondary education	Bay of Plenty	293
8	Air transport, services to transport and storage	Auckland	276
9	Retail trade	Wellington	230
10	Logging	Waikato	227
11	Other community care services	Waikato	225
12	Business administrative and management services	Auckland	224
13	Central government administration	Wellington	218
14	Primary and secondary education	Waikato	201
15	Medical, dental and other health services	Wellington	201
16	Log sawmilling and timber dressing	Bay of Plenty	198
17	Services to agriculture, hunting and trapping	Gisborne	197
18	Meat processing	Waikato	186
19	Fruit and vegetable, oil and fat, cereal and flour manufacturing	Hawkes Bay	183
20	Medical, dental and other health services	Northland	183
21	Employment, security and investigative services	Auckland	180
22	Leather and leather product manufacturing	Hawkes Bay	176
23	Primary and secondary education	Northland	156
24	Bars, clubs, cafes and restaurants	Waikato	156
25	Other sport and recreational services	Auckland	153
26	Employment, security and investigative services	Wellington	152
27	Non-building construction	Wellington	150
28	Installation trade services	Auckland	149
29	Computer services	Auckland	149
30	Business administrative and management services	Wellington	149

Source: Statistics New Zealand, NZIER

One of the key issues for Māori participation in the labour market is that — despite enjoying a higher rate of upskilling than non-Māori during the 1990s — Māori employment in New Zealand's knowledge-based industries remains relatively low. The term 'knowledge-based' refers to those businesses that rely on intellectual property and innovation as their primary means of competitive advantage. This broad definition encompasses

software developers, engineering consultants, designers, film and television production companies, biotechnology firms and niche manufacturers such as those in the computing and electronics industry. The scientific sectors (e.g. research institutes) are also an important part of the knowledge-based economy.

**Table 14 Slowest growing regional sectors — Māori**

Number of full time equivalent jobs created, 1996 - 2001

Rank	Industry	Region	Number of Māori jobs lost
122	Services to forestry	Bay of Plenty	-248
121	Defence	Auckland	-197
120	Hospitals and nursing homes	Waikato	-194
119	Clothing manufacturing	Auckland	-191
118	Clothing manufacturing	Waikato	-176
117	Defence	Mana-Wang	-174
116	Services to forestry	Waikato	-173
115	Other horticulture	Hawkes Bay	-158
114	Residential building construction/owner builders	Auckland	-153
113	Motor vehicle and part manufacturing	Auckland	-147
112	Motor vehicle and part manufacturing	Wellington	-146
111	Apple and pear growing	Hawkes Bay	-137
110	Other food manufacturing	Gisborne	-123
109	Paper and paper product manufacturing	Bay of Plenty	-107
108	Fruit and vegetable, oil and fat, cereal and flour manufacturing	Gisborne	-107
107	Central government administration	Auckland	-105
106	Other farming	Northland	-102
105	Central government administration	Bay of Plenty	-96
104	Retail trade	Auckland	-95
103	Basic metal manufacturing	Auckland	-93
102	Other industrial machinery and equipment manufacturing	Auckland	-93
101	Local government administration services and civil defence	Auckland	-89
100	Finance	Wellington	-87
99	Paper and paper product manufacturing	Auckland	-86
98	Other horticulture	Bay of Plenty	-86
97	Retail trade	Mana-Wang	-86
96	Motor vehicle and part manufacturing	Waikato	-75
95	Lotteries, casinos and other gambling	Auckland	-74
94	Electronic equipment and appliance manufacturing	Auckland	-72
93	Plastic product manufacturing	Auckland	-71

Source: Statistics New Zealand, NZIER

Māori are generally under-represented in employment in the knowledge industries. For example, at the time of the 2001 Census

2,430 Māori were employed in advanced technology-based knowledge industries.

This figure represented just below 6% of estimated New Zealand employment in these industries. Relative to the total population Māori are under-employed in all these industries, and are particularly under-represented in scientific research and computer services.<sup>6</sup>

**Table 15 Māori employed in key knowledge-based industries**

Industry (ANZSIC level 4)	Māori	Total	Māori employed (%)
Scientific research	213	6,216	3.4
Computer services	960	18,360	5.2
Electronics manufacturing	267	3,915	6.8
Telecommunication services	687	8,898	7.7
Film and video production	303	3,567	8.5
<b>Total</b>	<b>2,430</b>	<b>40,956</b>	<b>5.9</b>

Source: Statistics New Zealand

The information and communication technologies sector has become increasingly more important to the New Zealand economy. For the March 2000 financial year the total size of the New Zealand information technology industry (including telecommunications) amounted to NZ\$11.13 billion. Total exports of hardware, software packages, and computer and communication services by New Zealand companies reached NZ\$924 million.

Statistics New Zealand estimated that 40,956 resident New Zealanders were employed in information technology industries at the time of the 2001 census (for example, telecommunications, electronic equipment manufacturing, data processing services, computer maintenance, computer consultancy, and radio and television services).

<sup>6</sup> At the time of the 2001 Census Māori were 14.7% of the specified New Zealand population.

In recognition of the expanding job opportunities in this sector, increasing numbers of Māori students are learning information technology skills. Māori tertiary computing enrolments increased by 420% from 1994 to 2000, from 181 to 941 students. In 2000 Māori students made up just over 12% of all enrolments in tertiary computing courses.

A total of 271 Māori graduated from tertiary computing courses during 1999 – 14% of all graduates from these courses. However, the Māori graduates were disproportionately concentrated in computer awareness and introductory computer programmes, rather than in the more advanced computer software and computer science courses.

**Table 16 Māori employed in business and media services**

Industry (ANZSIC level 4)	Māori	Total	Māori employed (%)
Legal and accounting services	1,305	30,042	4.3
Financial services	3,099	51,924	6.0
Printing and publishing	1,416	22,353	6.3
Radio and television services	513	4,677	10.9

Source: Statistics New Zealand

Business services form a substantial part of the New Zealand economy, ranging from temporary office workers to accounting and legal professionals, consultants and business managers. Māori are increasing their involvement in this sector of the economy in line with growth in the Māori economic base.

Māori participation in the media industry (including film, radio and television) has also grown significantly. This industry offers career and business opportunities, and has considerable potential for the increased use and further development of Te Reo and Māoritanga.

*Export growth participation*

We have already discussed the fact that a key opportunity for the Māori production economy is its unusually high exposure to trade.

It turns out that the same is true for Māori employment in the New Zealand economy. Export industries and the industries that are allied to exports, employ proportionately more Māori than non-Māori. This is particularly true for males and for workers with no formal educational qualifications. In other words, growth in the export sector could be expected to provide proportionately more jobs for Māori than for non-Māori.

However, over the period 1986-96 there has also been a general increase in the educational attainment of workers in all industries (exports and import competing industries). The intensity of employment in the export sector has also been changing.

The factor content analysis for the New Zealand workforce overall has shown that over the period 1986-96, employment in the export sector has tended to target:

- workers without any formal educational qualifications;
- Māori;
- women; and
- part-time workers.

In 2001, the categories of Māori workers who are intensively employed in the export sector are, in order of intensity:

- male part-time workers;
- female part-time workers;
- male full-time workers;
- female full-time workers;
- full-time workers with no educational qualifications; and
- part-time workers with all levels of educational qualifications.

The trends in Māori employment over the last five years (1996-2001) indicate that there has been a drift towards employment in the export sector for:

- female full-time workers;
- male full-time workers; and
- female part-time workers.

There has been some drift of Māori male part-timers out of the export sector.

Overall, the continued opening of the New Zealand economy, which imposed so much pain in the late 1980s, was generally beneficial for Māori during the 1990s. This remains so, but Māori continue to face challenges in ensuring that their skill base is relevant to changing markets.

In essence, what this evidence says is that the current pattern of New Zealand's comparative advantage provides a strong base of demand for people with relatively low qualifications. At first glance, this evidence appears to run counter to the constant exhortations for Māori and non-Māori to upskill themselves. In part, this apparent conflict arises from the confusion between skill levels and formal tertiary qualifications. While there are potentially high returns from on-the-job training and from the acquisition of practical skills, on-going investment in tertiary training, particularly 'soft-option' degrees with no employment relevance, may not be justified.

At the same time, increased acquisition of valuable tertiary skills may itself, over time, shift the pattern of comparative advantage. In this sense, on-going improvement of human capital is consistent with the existing pattern of demand.

Finally, this labour market evidence raises issues about the basis of Māori involvement in various economic sectors. It may well be that Māori should be pursuing a dual strategy. The first element would consist of improving the qualification base, which would shift more Māori from the tradable to the non-tradable sectors, where there is relatively more demand for people with formal qualifications. The second element would depend on combining relatively low skill employment in the export-oriented sectors with an ownership interest, which may provide on-going motivation for carrying out low-skilled but valuable tasks. A sense of ownership within the Māori economy would encourage Māori to remain in export-oriented sectors.

## In summary

Māori are frequently presented as a drag on the New Zealand economy. Our review of the state of the Māori economy paints a very different picture. While still small, the emerging Māori economy is robust. It has enjoyed strong growth in the 1990s, and is poised for continued expansion. Like all economies, it faces its share of structural challenges. No economy can shrug off the burden of history without considerable effort. However, it is exciting in itself that we can now meaningfully talk of a Māori economy. Some of its features — such as a relatively high savings rate — make it well positioned for growth. The rest of this report is devoted to an analysis of what needs to be done to build on the existing base.

Again, it is important to emphasise that for the purposes of this report we draw a distinction between the Māori economy — an economy within which Māori can express their collective interests and aspirations, and Māori participation in the New Zealand labour market — which provides most income for Māori.

The relatively small size of the Māori economy belies its importance either to Māori or to New Zealand more generally. From the Māori perspective, this is the space within which cultural and economic aspirations combine. This combination — in addition to the opportunities offered by the existing asset base — is where the greatest potential for future growth lies. As the cultural renaissance gathers pace, the potential for converting cultural assets into commercial activities will increase. In turn, greater economic development within the Māori collective setting will itself strengthen cultural life.

From the wider New Zealand perspective, rapid development of the Māori economy — albeit from a small base — will boost the overall growth rate. Equally importantly, the future of both economies critically depends on the on-going improvement in Māori human capital (defined in terms of skills rather than formal qualifications), and the development of a ‘class’ of Māori

entrepreneurs whose skills will be applied both within the Māori economy and in the wider New Zealand economy. The supply of skilled Māori individuals to the New Zealand economy will be enhanced by growth of the Māori economy, because culturally self-determined development has the potential to widen the horizons and lift the aspirations of many Māori who are currently marginalised and unmotivated. Equally, investment in Māori human capital in the general labour market will feed back into faster Māori economic development, as skills are transferred from the general economy to the Māori economy.

# Determinants of development

## Overview

The pattern of economic development for any society is determined by a complex mix of policy, history, culture, luck and timing. In this section of the report, we develop a framework for thinking about Māori economic development. A framework is a tool for converting observations into insights. A useful framework would explain the development that has taken place to date, and provide a basis for thinking about the future.

The key premise of our report is that Māori economic development can be analysed using the same tools we use for understanding other national economies. In other words, we are not primarily interested in asking how Māori can achieve, in some sense, an equal status within the New Zealand economy. Rather, we ask of the Māori economy the same question we would ask of other economies: what can and should be done to accelerate its economic development compared to its past performance? This allows us to re-focus from the relative economic position of Māori individuals in New Zealand to the performance of the Māori economy, and its ability to achieve Māori aspirations for culturally specific, self-determined development.

This is not to say that the change in focus produces easy answers. In general, there is no readily agreed set of explanations for economic success or failure of societies. We know that some factors — such as macroeconomic stability or lack of corruption — dramatically improve the chances of success. However, there are also exceptions to the rule. At times, other factors appear to take the upper hand. For example, many Asian countries grew rapidly in the 1980s and 1990s despite high levels of corruption.

Equally, there is an intense debate about the role of natural resources in economic development. Some emphasise the importance of access to resources, while others point to the fact that resource rich countries — which have the luxury of living off their

good luck — often perform worse than countries that are forced to innovate in response to the absence of resources. Japan, Taiwan and South Korea are examples of resource-poor countries making good, while Argentina, Venezuela and Nigeria are cited as examples of wasted opportunity.

Nor is there much consensus on the role of culture in economic development. There is no doubt that societies differ with respect to their openness to innovation and commercial enterprise. However, it is not obvious to what extent such differences can be ascribed to underlying culture.

Finally, there is on-going debate about what is meant by development. Clearly, development is not just about economic growth. People care about more than just their command over goods and services. However, there is a vast gulf between acknowledging a broader definition of development, and an active suspicion of growth expressed by some. While some believe that economic growth is complementary with social, cultural and ecological objectives, others see numerous trade-offs.

It is beyond the scope of this report to attempt to resolve these fundamental disagreements. However, we will argue that some positions make more sense from the point of promoting Māori interests than others. Moreover, despite the diverging views, there is a broad agreement internationally about the factors that support economic development:

- sound macroeconomic policy, with emphasis on stability;
- high quality governance in commercial incorporations;
- de-politicisation of commercial decision-making and independent dispute resolution;
- openness to international trade;
- a business environment that promotes innovation and experimentation;
- an efficient and effective financial sector able to mobilise savings for development; and
- high quality infrastructure and public services.

Clearly, factors such as sound macroeconomic policy, the evolution of the public sector, and the basic rule of law are more country-specific issues, and not things that are fully internal to the Māori economy. However, New Zealand as a nation rates fairly highly in those areas world-wide, and so provides a good umbrella for the Māori economy in these respects. However, all other factors can be considered specifically from the perspective of the Māori economy.

In analysing how these factors affect Māori economic development, we focus on four top-level building blocks of economic performance.

- **Aspirations:** the pattern of development is determined by what people want to achieve, and what they perceive as possible. This is essentially the question of culture and values, including attitudes to education. For example, the way that Māori individuals and institutions interpret the concept of self-determination could have an important effect on how development proceeds. Cultures are not static, and aspirations evolve over time.
- **Opportunities:** in the short run, opportunities are strongly influenced by history. For example, the current pattern of asset holding would tend to define the scope of Māori economic activity over the next few years. However, in the longer run, opportunities are both created and destroyed by policies and individual choices that people make. Moreover, there are always opportunities to do more with what we currently have.
- **Factors of influence:** numerous factors impact on the opportunities that are identified, and therefore on economic development. These include educational and legal institutions, attitudes to markets and risk and so on. In particular, we focus on the roles of Māori institutions and the government.
- **Strategy and action:** finally, we look at what can be, or needs to be done to maintain and improve current performance.

Figure 3 illustrates this framework, showing economic growth at the core. Economic growth is determined by the inter-play of the

four factors, but it also, in turn, influences these factors. Societies with more resources have more opportunities. They can respond to change more effectively. They also can invest in their cultural and social development.

**Figure 3 A high-level framework**



Source: UN, NZIER

## Aspirations

Development is broader than the discussion of economic aggregates. It encompasses aspects of social, and cultural development. Economic growth is about being able to consume increasingly more goods and services, either sold in the market or supplied by the government. Yet, life is more than consumption. While in many ways social and cultural development complements economic growth, there are times when different aspects of well-being have to be traded off. For example, there are times when people would be willing to give up some consumption opportunities in exchange for preserving some aspects of their culture, or for retaining a sense of social connection.

In general, the factors that contribute to well-being include:

- security — both physical and mental;
- social connection — participation in the community’s activities as well as worthwhile social interactions with one’s family;
- health, education, and employment — the quality of these factors is important;

- freedom and the ability to pursue those things that are seen as being valuable — could include social, economic and political freedoms; and
- qualities of the physical environment — clean air, water and a general sense of happiness with the environment.

The state of the wider society also impinges on individuals' well-being. We feel better if other people feel better. The 1972 Royal Commission on Social Security defined this in terms of ensuring that all individuals and families have an income that allowed them:

*to belong and participate — no one is to be so poor that they cannot eat the sort of food that New Zealanders usually eat, wear the same sort of clothes, take a moderate part in those activities which the ordinary New Zealander takes part in as a matter of course. The goal is to enable any citizen to meet and mix with other New Zealanders as one of them, as a full member of the community- in brief to belong.*

These views, defining well-being in terms of participation in the New Zealand society, were further refined by the 1988 Royal Commission on Social Policy. This report does not aim to resolve the probably endless debate about the degree to which different aspects of well-being complement or conflict with each other. However, it is important to consider what puts the 'Māori' into Māori development. The relevant issue for the analysis of Māori economic development is the extent to which Māori aspirations may systematically differ from those of other New Zealand communities in ways that affect the design and performance of relevant institutions.

Table 17 sets out a summary of distinctions between Māori and general measures of social progress and was developed for TPK by Professor Mason Durie.

**Table 17 Te Ngāhuru**

A Māori outcomes schema					
Principles	Domains	Classes	Goals	Targets	Indicators
Inter-connectedness	Human Capacity	Te Manawa	1 Positive participation in society as Māori	e.g. 75% employers recognise Māori culture in employment contracts.	Number of employment regulations and contracts explicitly stating provisions for Māori.
		Secure cultural identity	2 Positive participation in Māori society	e.g. 90% Māori are involved in iwi business.	Runanga beneficiary list and actual benefits distributed.
Specificity			3 Vibrant Māori communities	e.g. 60% Māori residents listen to iwi radio.	Radio listener surveys.
Māori focus		Te Kahui	4 Enhanced whānau capacities	e.g. Whānau are able to provide adequate care for 50% of older Māori.	Māori disability support data.
Māori commonality		Collective Māori synergies	5 Māori autonomy (Tino Rangatiratanga)	e.g. Number of viable Māori businesses increases by 20%pa.	Companies records able to provide ethnic data.
			6 Te Reo Māori used in multiple domains	e.g. Prime TV has 25% Māori language programs.	Analysis of TV content.
Contemporary relevance	Resource Capacity	Te Kete Puawai	7 Practise of Māori culture, knowledge and values	e.g. Tangi leave supported by employers.	Employer records and government policies.
				e.g. Marae attendances increase by 20%.	Aggregated marae attendances.
		Te Ao Turoa	8 Regenerated Māori land base	e.g. Māori land valuations increase by 20%.	LINZ records.
		The Māori estate	9 Guaranteed Māori access to clean and healthy environment	e.g. Resource consents consistent with Māori environmental ethic.	Analysis of local authority consents using Māori criteria.
			10 Resource sustainability and accessibility	e.g. Kina stocks increase by 50%.	MAF stock takes.

*How is Māori defined?*

The first point that should be made is that Māori are not a unified, homogeneous group, amenable to a ‘one-size-fits-all’ analysis or policy. There are many similarities, but there are also many differences within respective iwi and hapu structures that make a blanket definition dangerous.

The period between 1984 and the mid-1990s witnessed a resurgence in tribal identity, leading to Statistics New Zealand including tribal questions in censuses since 1991.

Table 18 below details some statistical definitions of Māori, which illustrate some of the approaches taken in the past.

Table 18 Statistical definitions of Māori		
Definition	Criteria	Minimum requirement
Biological determination	Constitutional	Half or more ‘Māori blood’
Māori descent	Whakapapa	One Māori ancestor
Ethnic affiliation	Self-identification	Choose to identify as Māori
Source: Statistics New Zealand, TPK		

Several ‘populations’ of Māori have therefore been described by census data in the latter half of the last century:

- half or more Māori blood (prior to 1986);
- sole Māori ethnicity (people who identify as Māori only, i.e. they give Māori as their only ethnicity), from 1986;
- mixed Māori (people who identify as Māori *and* one or more other ethnic groups);
- Māori ethnic group (people who identify as Māori, either solely or in association with at least one other ethnic group); and
- Māori descent (people who indicate that they have Māori ancestry, usually in response to a separate census question).

These populations invariably overlap. For example, people of Māori descent are also likely to belong to the Māori ethnic group, while the sole Māori group is a subset of the Māori ethnic group. In addition, there are examples where people identify themselves as

Māori, without identifying any Māori ancestry.<sup>7</sup> A 1988 review of ethnicity recognised that Māori ancestry was perhaps a concept more important to constitutional issues, while Māori ethnic identification was more relevant to comparisons of well-being.

Given this difficulty in actually establishing what Māori means, we may ask what it is that we are talking about when we discuss Māori development. The approach we take here is that being Māori is about cultural identity. Whakapapa, Te Reo Māori, tikānga and a special relationship to the land could all be considered elements of Māori identity. In essence, these features act as markers of Māori, but are by no means deterministic. In this context, some Māori individuals and institutions may share the aspirations of the wider society. However, this also leaves room for uniquely Māori preferences.

From the economic point of view, this cultural definition of Māori has a couple of effects.

- Māori may perceive a different set of economic opportunities from the rest of the New Zealand population. Some aspirations may be considered to be inappropriate, or may be unsupported by social attitudes and experiences.
- Social institutions channel the behaviour of individuals in particular ways. Māori institutions may have different objectives and result in different behaviours under the same circumstances.

An understanding of any unique characteristics inherent in how Māori view the world is important in assessing and proposing Māori economic development policy. Influential commentators have pointed out that the failure to appreciate the salient features of Māori philosophy, and continued attempts to prescribe general remedies to Māori problems by 'adding-on' a Māori dimension to

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<sup>7</sup> Māori ancestry is a biological concept, which is based on descent. Ancestry defines the special position of Māori as the tangata whenua of New Zealand. A person is said to have Māori ancestry if they have any Māori ancestors, no matter how distant.

mainstream frameworks, has been instrumental in actually holding back Māori development.

### *Māori world view*

Like the discussion above around the definition of Māori, articulating a world view is troublesome. This is not a problem unique to Māori because — short of some mission statement, or club membership pledge — articulating world views for any particular ethnic group is difficult. Within any group there are likely to be a range of views, and these may naturally change over time, or with leadership and personnel changes. Despite this difficulty, world views are an important factor in a diagnostic, as well as predictive sense. Looking forward, knowing the ground rules allows one to establish those things that are amenable to change, and those things that are ‘not negotiable’. In terms of diagnosis of the current situation, a world view helps to explain observed outcomes and behaviour.

World views, culture and social institutions provide a template through which people perceive the opportunities and threats facing them, and which translate reactions to such opportunities and threats into action. There is little doubt that some cultural and institutional settings are more conducive to a constructive assessment of the available options and to purposeful action.

The reconciliation of Māori world views with the demands of a growth-oriented capitalist economy is essentially the first step on the economic development path. We do not presume that there is a fundamental conflict between growth aspirations and Māori world views. Rather, we wish to consider the extent to which the existing Māori institutions are able to translate behaviour consistent with the uniquely Māori world view into actions which also produce successful outcomes in the modern economy. Clearly, the success of the Māori economy in the 1990s suggests that, for the most part, this translation can work well. It is also important to ensure that where failure occurs, the quality of the institutions is examined

before the underlying values are blamed. In the case of the Māori, such institutions are often imposed from the outside.

Perhaps the one aspect of a unique Māori world view that is most obvious lies in the apparent preference for collectivism. The language of Māori is unequivocally framed in collective terms such as whānau, hapu and iwi. These structures are seen as the foundations upon which notions of Māori development are built. Individuals are rarely spoken of. Indeed, some have argued that individual economic achievement has tended to isolate individuals from their people. The Māori (economic) ideal is achievement of wealth for the good of the community through co-operative enterprise.

Given that this ideal harks back to the economic success of tribes in the 1850s, there are obvious questions around the effects of a collectivist view in a seemingly individualistic world. The impact of the rise in urban Māori and their seeming lack of affiliation with traditional tribal structures clearly needs to be taken into account. Table 19 below illustrates potential sources of conflict and misunderstanding, arising from different world views in relation to land.

While the concepts in the table are obviously simplified, they do highlight some of the more obvious differences. In terms of Māori attitudes, some researchers have reported that a Māori view, based mainly on traditional values, is seen as highly relevant in modern day Māori society and fundamental for forming principles and a guiding philosophy for culturally-based sustainable development. Traditional values frequently cited include:

- iwitanga: expression and celebration of those qualities and characteristics that make an iwi or hapu unique and underpin a shared whakapapa, history and identity;
- whanaungatanga: the bonds of kinship that exist within and between whānau, hapu, and iwi, belonging, togetherness, relatedness;

- whakakotahitanga, kotahitanga: respect for individual differences and the desire to reach consensus, unity and solidarity;
- tau utuutu: acts of always giving back or replacing what you take or receive, reciprocity;
- taonga tuku iho: the notion of recognising and holding on to the treasures and knowledge passed on from ancestors; and
- kaitiakitanga: stewardship or guardianship of the environment.

Along with other values, these components emphasise the inter-dependence of the spiritual, cultural and physical environments, the individual, and the social group.

**Table 19 Māori and colonial attitudes to land**

	Māori	Colonial
Ownership	Collective (tribal)	Individual title
Proof of ownership	Occupation, use	Deed of sale
Significance	Economic, spiritual	Economic status
Transfer	By conquest or abandonment or succession	By sale or lease or crown directive
Occupants	Part-owners, trustees	Owners or tenants
Classes of land	Ancestral (take tupuna)	Freehold, leasehold
	Gifted (take tuku)	Waste land/arable land
	Conquered (take raupatu)	
Utilisation	Agriculture, hunting	Agriculture, horticulture,
Value	Resource management	mining settlements
	Tribal identity and security for next generations	Market potential
		Employment

Source: Durie (1998)

While Māori openly acknowledge the important role economic growth plays in development, some question whether economic growth means trading off other elements. There is a sense that economic development using pakeha institutions creates a risk of people losing their ‘Māoriness’, when it is this Māoriness that is at the core of development. In some cases, genuine trade-offs may exist. However, in most instances, an apparent trade-off between Māoriness and economic success is in reality a failure of the existing institutions to reconcile the two better.

In summary, Māori world views are potentially an extremely important determinant of Māori economic development. Getting a handle on exactly what constitutes a Māori world view is difficult for outsiders. This creates particular problems since the development of Māori institutions, and the responses available to Māori to external opportunities and threats, are so strongly influenced by 'outside' forces, such as the government.

*Why do Māori want to develop?*

This question has been asked many times, and more recently has tacitly been answered by government with reference to 'closing the gaps'. While the inequalities borne out by statistics on Māori and non-Māori outcomes do provide a valid reason to push forward with development objectives, they form only part of the issue. Māori economic development is a dynamic, forward-looking process, that includes as one of its aims the reduction in those inequalities, but is not restricted to, or defined by, such measures.

An argument could be made that Māori economic development has proceeded at a rate superior to that of non-Māori, if measured from, say, the mid 1800s. Such an argument would be based on a simple comparison of economic indicators present then and the relative progress witnessed against those indicators. Despite numerous setbacks, there has been an overall economic catch-up between Māori and non-Māori. But does this tell us much? While, to some extent, economic development is about keeping up with the perceived reference groups (such as non-Māori or the OECD), to a greater extent, it is about creating an internal dynamic within society where the ongoing betterment of life becomes the norm.

Māori look to development for the same reasons anybody does: development allows the freedom to pursue a way of life that has value and meaning for those pursuing it. The Hui Whakapumau and Te Oru Rangahau conferences in 1994 and 1998, respectively, articulated the desired outcomes for Māori:

- Māori ownership of laws and policies;
- recognition of the diversity of Te Ao Māori;

- tino rangatiratanga — two major themes emerged:
  - Māori control of things Māori; and
  - pursuing negotiated relationships;
- equity and social well-being;
- Māori custom and identity;
- resource development and economic growth;
- universality — Māori development is not constrained within local frameworks and experiences.

Clearly, as well as the discrete mention of economic growth, economic development exerts a powerful influence over other goals. Elements of control, and ownership are enhanced by economic development. So too, are well being, identity and social cohesion brought about by the ‘consensus effect’ of growth policies.

The proceedings of the Hui Ōhanga in 1999 set out a number of steps deemed necessary for the accelerated development of Māori business and economic development:

- the Māori resource base must be capitalised upon with improved, sophisticated management practices;
- major legislative changes must be introduced to free Māori organisations to operate commercially;
- a dramatic improvement in education levels will allow Māori to take advantage of the knowledge economy;
- innovative use of joint ventures will allow Māori businesses and organisations to achieve commercial success; and
- growth in Māori employment is most likely to be achieved through self-employment.

There was unanimous agreement at the hui that Māori must determine their own path, with commercial success underpinning social development. The need to deploy Māori assets for maximum return so that further development may take place was also fully acknowledged.

In an economic context, these messages are no different to what one might expect at any meeting on economic development. The

messages from the hui imply that there is a large degree of overlap between Māori economic aspirations and those of non-Māori. However, there is also little doubt that there is an important thread running through this, which emphasises that development without a sense of Māoriness is not development at all. Outcomes must be Māori in a cultural and lifestyle sense. It is insufficient to gain a good school grade at the expense of cultural priorities. Similarly, in this view it may be no good getting treatment for renal failure if it means separation from whānau. There must be some link between outcome measures and cultural identity, rather than some colourless score.

A large part of the discourse on Māori development promotes self-determination (or self-governance) as the desirable end goal. Self-governance has been defined as “people having the capacity, right, and responsibility to make the fundamental choices that affect their lives and communities”.

Professor Mason Durie states:

*Māori self-determination is not primarily about a divided country or two nation-states, or the rejection of other cultures. Fundamentally, it is about the realisation of collective Māori aspirations. And despite the many faces of contemporary Māori society, there is nonetheless a high level of agreement that the central goal of tino rangatiratanga is for Māori to govern and enjoy their own resources and to participate fully in the life of the country. Māori want to advance, as Māori, and as citizens of the world.*

Self-governance promotes freedom as a fundamental human value, actualises human potential, makes greater use of human capital (individual, cultural, and social) , builds strong communities and facilitates effective problem-solving. Self-governance makes maximum use of society’s human capital (and so has direct and instrumental effects).

Self-governance is likely to have a profound effect on sustainability, in an ownership and accountability sense. Those who have input and a role in determination are also likely to be

more interested in maintaining and enhancing the desirable outcomes of such decisions. These incentives are not apparent in a heavily centrally-governed environment. The state has a role, however, in providing the environment conducive to the formation of self-governing organisations to address development problems.

## **Factors of influence**

### *Institutions*

Throughout history institutions have been devised by human beings to create order and reduce uncertainty in economic transactions. Institutions serve to reduce the transaction and transformation costs in the economy,<sup>8</sup> while also providing the incentive structure within which the players make their choices. As that incentive structure evolves, it shapes the direction of economic change towards growth, stagnation or decline.

Growth and development policies designed in ignorance of the institutional environment, or that implicitly assume that institutions do not matter and can therefore be ignored, are not likely to achieve their desired results. There are different levels of institutions — from the deeply-embedded cultural institutions, such as family bonds, to the ever changing institutions of economic organisation, such as limited liability companies.

In our view, a focus on institutions is particularly useful for Māori economic development as it allows the discussion to incorporate issues such as belief systems, and the structure of property rights in an economic setting, with economic goals. In addition, it provides a useful framework to examine the key differences between Māori and non-Māori pursuit of economic success. Comparative institutional analysis is usually undertaken across national borders, but that does not preclude such comparison within nations, if different institutional structures are present.

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<sup>8</sup> Principally through institutions that permitted the growth of impersonal exchange. By altering payoffs in favour of co-operation, institutions facilitate this.

Crucially, an institutional framework permits — indeed, encourages — solutions to be derived from within. While the ‘rules of the game’ will always largely be set (and enforced) by the government, the ‘play of the game’ is directly in the hands of Māori. Self-determination is in part about having a greater say in the rules of the game, but it is also about successfully playing the game within an economically inter-connected world.

Māori institutions, and in particular those relating to governance, are crucial to development. While informal institutions (norms, beliefs, trust, etc) evolve only slowly, an understanding of their impact on development, and of the impact of historical factors is both helpful and necessary in terms of moving forward.

A system of property rights in relation to Māori owned or controlled assets needs to reconcile the Māori view of asset ownership and the factors which enable the economic returns on these assets to be maximised. The Māori model needs to recognise that some assets can not be traded (such as some lands or ‘shares’ in an iwi), and hence needs to incorporate other structural solutions to the issues normally addressed by tradability.

Recent Treaty and fisheries settlements make this a unique period for Māori, where major assets return to Māori control. While these settlements seek to redress past injustices, rather than necessarily underwrite future Māori economic development, they could provide a useful base for the ‘take-off’ of economic growth.

Moribund organisations, both political and economic, soon become part of history. Leadership, skilled resources, and commercial acumen are all necessary qualities to ensure prosperity, and drive development. In some cases, this might entail altering the *raison d’être* of some organisations away from redistributive entities to profit-seeking ones. To reiterate an earlier statement, organisations are involved in the ‘play of the game’ and they need to be aware of ways to maximise returns under the ‘rules of the game’.

Questions arise as to whether Māori entities are optimally configured so as to lead and allow development. Inefficient, or convoluted structures could present significant barriers to economic progress. Organisations that are flexible, competitive, and lean are more likely to be able to exploit any opportunities. If Māori organisations do not meet these criteria, it is important to know why.

Factors such as legislative and regulatory requirements on Māori organisations need to be reviewed. As they largely determine the rules of the game, they assume a major role in performance. Alignment of organisational structure with the structure of incentives provided by the institutional environment should be a goal. To the extent that legislative requirements constrain Māori organisations unduly, they present a barrier.

In addition to structure, organisational goals should be examined. Are the goals of Maori organisations conducive to development? For instance, some iwi organisations might be more interested in disbursements to members or social spending rather than creating and building wealth. That is not to say that disbursements and more socially-oriented spending do not have a place. However, disbursements could be made from retained profits and surpluses rather than from operating expenditure, and spending designed to influence the status of the organisation could be minimised. A delicate balancing, and clear articulation could reduce any barriers to development that could result from poorly-specified goals.

To a large degree, the possible internal barriers are related to issues of governance and leadership. Issues of property rights, uncertainty, direction and preferences all impact on barriers.

Overall, the institutions of the Māori economy determine how Māori perceive and respond to the world around them. Every society moves forward by constantly re-evaluating its institutions, ensuring that they remain consistent with the ever-changing environment. At some levels, such as in relation to attitudes and

high level cultural institutions, the evolution may be subtle and informal. At the level of economic organisations, change is formal and deliberative. Māori institutions — just as those of the rest of society — are evolving at all levels. What makes the Māori situation different is that, to a large extent, the evolution of Māori institutions depends on others, particularly the government, because many of those institutions were created by statute or reflect government policies.

*The impact of history — Māori 'starting behind the field'*

One of the more obvious 'barriers' is the fact that Māori have less history of participation in those areas where development is now headed. Māori are likely to continue to face hurdles in the development journey that non-Māori may already have faced and overcome. This is an easy claim to make, but relatively difficult to prove empirically. The main area where data is needed is in relation to those barriers that are unique to Māori, or affect Māori disproportionately.

The sectoral composition of that development is clear cut. Māori were disproportionately represented in industries that were hit hardest by the reform process of the mid-eighties. In terms of labour market outcomes, Māori were more likely than non-Māori to become unemployed or drop out of the labour market following the privatisation and trade liberalisation policies implemented in that period. The relevant questions here centre on path dependence and adjustment.

*Location, location, location — regional influences on development*

Māori geographical location looms as a potentially significant barrier to economic development. In general, agglomeration of activity within New Zealand — such as in cities — is good for economic growth. People and activity are increasingly drawn to dense urban areas. According to 1996 census data, Māori represent a significant proportion of the population in rural areas where the unemployment rates are higher than average.

Of course, where one chooses to live is determined by a number of factors other than employment opportunities, and the reasons why might be a useful research topic. This is important for development due to the possibility of 'neighbourhood' effects, where there are spill-overs that perpetuate social problems and result in even poorer outcomes for groups in particular regions.

Again, we are interested in the extent to which a trade-off exists between economic prosperity and development and the attachment to traditional lands and structures. Is the marae being substituted for the workplace, and what are the implications of that substitution for development? Do some locational choices trap Māori into a path of low growth and development?

In addition to the idea of a tribal or whānau link to certain regions, the issue of cost may also influence location choices. It may simply be too expensive to move to other more prosperous areas. Disentangling the reasons for locational choices is likely to be difficult, but to the extent that geographical decisions are a barrier to economic development, it is an area worth further investigation.

### *The government*

There is a wide consensus in New Zealand that the role of government is to enable political, legal and social conditions that support the crafting of self-governing institutions which allow space for citizen initiative. This ability to develop self-governing institutions is particularly important for Māori in the pursuit of culturally-specific economic development. Yet, ironically, it is in relation to Māori that successive governments have tended to be prescriptive, paternalistic and frequently pursuing ad hoc interventions.

For a system of self-governance to exist, the government must allow political, social and economic space for self-organisation to occur. This requires a willingness to take risks on the outcomes, as well as a commitment to investing resources in areas that improve the chances of successful self-organisation. These include capacity

building as well as analytical resources needed to improve institutions.

The Treaty relationship between Māori and the Crown entails an enhanced role for the government in Māori economic development. However, this should not be confused with dependence on state handouts. The creation of a system of self-governance is an alternative to dependence on the centralised state. To the extent that Māori dependence on transfers is created by the lack of self-governance opportunities in the present system, a move to self-governance may eliminate such dependence.

Most importantly, the move to self-governance does not imply a reduced role for the government. In fact, additional effort by government agencies will be required to support the creation and evolution of self-governing institutions. For example, the government spends considerable resources in maintaining and enhancing the institution of limited liability companies. The laws are continuously reviewed and updated, government advisors monitor performance and advise on enhancements to security markets and, as the owner of State Owned Enterprises, the government invests heavily in skills related to the governance of such institutions. The outcome of this is that commercial self-governance is easy for the general public: the structure can be purchased 'off the shelf' at a very modest cost to the participants.

By contrast, little investment of this kind takes place in Māori institutions — structures that would be able to reconcile Māori cultural preferences with the demands of the market place. Rather than being able to access 'standard' options, Māori have to invest in case-specific solutions, often requiring special legislation. In fact, many government rules explicitly prevent the use of resources to achieve systemic improvements. For example, the Māori Trustee has no right to use beneficiary resources to fix problems, where benefits are generalised rather than case specific. Thus, there has been little title improvement for many years, and Māori land holders, compared to their general counterparts, face high costs of succession to title on inheritance.

In this context, there is an important question about the role that should be played by TPK. TPK has a crucial role as part of the bureaucracy, in their capacity as the ‘voice of government’ in dealings with Maori. TPK could also be seen as advocates for Māori in their dealings with ‘the Crown’. The key issue is how to move away from the entrenched view of Māori issues being a form of social and Treaty risk management, and towards a co-ordinated focus on economic development.

As the Ministry of Māori Development, does TPK need to provide the leadership in advancing Māori development initiatives and strategy, without necessarily getting too bogged down in the detail and operational side — or does it have a more ‘hands-on’ role to play? The resolution of these types of questions, will define the direction and progress of Māori economic development. It will require a delicate balancing of the issues.

Some commentators have suggested there is a need for a more co-ordinated approach to public sector service delivery, and further evaluation of outcomes as a result of public spending. These issues are likely to have an effect on Māori development and precisely what role TPK has in these initiatives will be important. Continuing involvement and interaction with both delivery and policy agencies will also be important.

## **Opportunities**

### *Māori in key markets*

No one knows the threats and opportunities facing investors in a market better than those investors. In this section we look at the high-level issues facing Māori in the key primary products markets. This section is not intended as a guide to commercial decision-making. Rather, its purpose is to highlight the areas where complex judgements will be required.

### *Vertical integration*

Vertical integration is often seen as a panacea for primary industry’s problems. In the wool industry, for example, it is a

stylised fact that for every \$100 spent by a consumer on a wool carpet only a \$1 is returned to the grower. Integrating forward through the value chain from producing to processing and then marketing is therefore seen as the answer.

Unfortunately, economic research shows little correlation between return on investment and those players who forward integrated. However, there was a correlation between those that backward integrated (from marketing to production) and returns. An obvious reason for the success of backward integration is that those closer to the market have a better idea about what the consumer is demanding.

In New Zealand most of the integration that has taken place has been forward integration: from production into marketing. This has had varying success. For Māori to follow the same path as other producers may not be the most efficient or profitable option, particular if they know little about the market or future demand.

With an iwi such as Ngai Tahu, for example, which already had experience and history in fishing, the ability to move into different parts of the marketing chain (in some cases with joint venture partners<sup>9</sup>) was not as difficult compared to an iwi that has no experience or history in fishing. Ngai Tahu have deliberately followed a strategy of employing people or joint venture partners that have experience and skills Ngai Tahu did not have. The state-of-the-art lobster processing plant at Christchurch airport is a case in point. It was set up as a joint venture with an option for Ngai Tahu to buy the partner out. The joint venture partner brought specialist skills and know how to the business which could eventually be passed on to Ngai Tahu.

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<sup>9</sup> Joint ventures are always a compromise. They have the advantage of bringing capital, know how, and specialist expertise to a business, and the disadvantage of losing some control and increasing risks.

*Diversification*

Diversification of the product range will be a key issue for Māori going forward. The ability to create conditions that allows innovation to flourish is vital for future strong.

*Scale economies*

Scale and Māori control is seen as one of the important objectives for Māori business. It is one of the major reasons, for example, that TOKM have proposed one large fishing company.

Table 20 The importance of scale		
	Processing	Marketing
Dairy	High <sup>1</sup>	High
Meat	Medium	High
Wool	Low	High
Fruit	Low	High
Fishing	High <sup>1</sup>	High
Tourism	Low	High
Note: (1) many industry observers point to the importance of scale in these industries. However, small entities within the fishing and dairy industries have performed profitably.		
Source: NZIER		

Table 20 shows importance of scale in some of the industries that Māori have major investments in. It is interesting to note that the processing scale is of overriding importance only in the dairy and fishing industries. Having said that, there are companies in both industries that have found profitable niche markets making scale less important.<sup>10</sup> In the fishing industry smaller iwi have achieved scale by involving joint venture partners in various parts of the marketing chain depending on the fish species caught.

Creating scale is seen as important in marketing product in all industries. Supporting a world-wide brand is one way of ensuring product success. However, it is interesting to note that successful companies such as Nestle embrace complexity in their marketing strategy. While they have global brands (such as Nescafe) they also

<sup>10</sup> Both dairy co-operatives that did not join Fonterra have recorded payouts to farmers that are higher than Fonterra's.

have a large spectrum of smaller brands which can be utilised in specific markets. In this way they reap the rewards of globalisation (with global brands) and localisation (supporting brands that have a history in the local market).

Table 21 Marketing chain issues			
	Main issue	Opportunities	Main problem
Dairy	Do productive efficiencies (scale) outweigh dynamic efficiencies (innovation)?	Can separate processing and marketing channels be developed?	Coping with exchange rate volatility.
Kiwifruit	Zespri are under pinned by politically motivated forces, therefore its future is uncertain.	Will Māori marketers do a better job than Zespri?	Coping with exchange rate volatility.
Meat	The future role of the Meat Board.	The ability to develop niche markets.	Performance of meat companies.
Wool	The future role of the Wool Board.	Opportunities to further process wool.	The uncompetitive processing sector.
Tourism	Growing Māori tourism businesses.	A point of difference – the ability to combine Māori culture and tourism.	Lack of representation in the consumers home market.
Fish	Distribution of quota.	The further development of a highly profitable business.	Lack of agreement on quota distribution and constraints to volume growth.

Source: NZIER

One of the issues is how to judge the effectiveness of entities within the marketing chain that process and or market products produced by Māori. Each industry is different, with different institutions performing different functions within the value chain. Table 21 illustrates this by examining a selected number of industries.

*Cultural services*

Increasing global demand for authentic cultural experiences to offset the blandness of globalisation provides a limitless base for growth of this sector. The opportunity, however, comes with a powerful challenge. A primary concern is that ethnic authenticity is put at risk by tourism or commercial activities, specifically:

- **dilution of tikānga** — e.g. restrictive time frames, inappropriate use of marae, waiving of marae formalities;

- **misuse of taonga and information regarding taonga** — e.g. misuse of names and language, mispronunciation, inappropriate use of images on souvenirs, inappropriate versions and communication of tribal lore and history;
- **exploitation of taonga through false reproduction** — e.g. mass-produced machine-carved souvenirs, non-recognition of indigenous quality;
- **threat to ownership and control of taonga** — e.g. lack of acknowledgement of ownership rights over Māori cultural and intellectual property; and
- **depreciation of taonga Māori** — e.g. insufficient controls to ensure indigenous product source is acknowledged, commercial viability not supporting the protection and care of the intrinsic Māori value of taonga.

This list captures many issues pertinent to the protection and promotion of Māori cultural heritage, both within the tourism industry, and in the wider sphere of commercialisation. Several of these issues have been at least partly addressed by subsequent government actions, in particular Creative New Zealand's initiation of the Māori Made Mark.

The 1994 position paper also scoped the mechanisms available for ameliorating these concerns, such as legislation, industry standards and iwi. The latter refers to the issue of gaining widespread iwi support, and requires the dissemination of information to iwi regarding the need for protection of taonga and consultation over the appropriate mechanisms for so doing, as well as information regarding trademarks, standards and processes of accreditation. This is a crucial but perhaps easily overlooked role of government in culture and heritage. It is all very well initiating processes, establishing institutions and devising mechanisms, but if these are not appropriately and effectively communicated to Māori (as well as the general population), they risk failing their objectives, despite the best intentions and legislative frameworks.

### *The private sector*

To date, government funding has underpinned the Māori cultural heritage sector. However, the role of the private sector is increasing. This move to developing the commercial aspect of cultural heritage is crucial to its survival; the more that cultural heritage is fostered in the private sector, the more sustainable is its development and advancement. It is important that this is reflected in government funding allocations.

There is a plethora of examples of successful private ventures in the area of Māori cultural heritage. Here we consider a selection, to demonstrate how elements of traditional Māori culture and heritage can make the transition into the modern commercial arena.

#### *Tai Tokerau.com*

Northland Māori, in conjunction with the Tai Tokerau Māori Tourism Association and Auckland University of Technology's Centre for Hospitality and Cultural Tourism, have established a website to market Māori tours to overseas travellers. The website links tourists to the association's 35 members, as well as the websites of participating local Māori tourism businesses. The website includes information on the land, Māori culture, local industry and the arts.

#### *Tamaki Māori Village*

Established in 1989 by the Tamaki Group, this Rotorua tourism venture has grown into a company with an annual turnover of over \$8.7 million. Features include a recreated Māori village with a tribal arts and crafts market, cultural educational workshops and overnight stays. The company won the New Zealand Tourism Supreme Award in 1998, and in 1999 Tamaki Tours won the New Zealand Tourism Award cultural and heritage section, and the Tourism Award for distinction.

#### *Kia Kaha Clothing*

Established in 1994, Kia Kaha Clothing is a 100% Māori owned company that produces casual and sports clothing designed by

Māori artists. The company aims to steer away from a ‘touristy’ look, incorporating distinctive Māori designs into high quality garments popular with New Zealanders and tourists alike. Their clothing is stocked by retailers throughout the North Island, and the company also supplies overseas buyers (facilitated by their on-line purchasing system).

### *Māori organisations*

It is important to bear in mind that current Māori organisations largely responsible for managing business assets (e.g. farms, fisheries quota, vineyards, forests) were not initially designed to operate as commercial bodies. Māori organisations often operate within a range of political, social, cultural *and* commercial objectives, and are typically required to operate within the dual contexts of the New Zealand legal system and their own tikānga.

References to tikānga may be found in the constitutional documents of many Māori organisations today, for example Te Rūnanga a Iwi o Ngāpuhi<sup>11</sup>, Te Whānau o Waipareira Trust<sup>12</sup>, Wakatu Incorporation<sup>13</sup> and Te Ohu Kai Moana<sup>14</sup>. Given these characteristics, a Māori ‘commercial organization’ can be defined as any body that undertakes contracts with other businesses or government agencies, or that owns assets that can be used for a commercial return. The sort of organizations which fall within this very broad description include:

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<sup>11</sup> Its establishment principle is “to promote, safeguard, and advance the interests of the collective Whānau/Hapū and Marae of Ngāpuhi in accordance with our values, tikānga and tino rangatiratanga of Ngāpuhi” (Te Rūnanga a Iwi o Ngāpuhi, 2001).

<sup>12</sup> “We will always rejoice in our Māoritanga and accept change and progress in the continuing redefinition of our tikānga.” <http://www.wai-trust.co.nz/values.html>.

<sup>13</sup> “A business of land and seas – he taonga tuku iho – for profit, social and cultural growth through professionalism, honesty and diligence and embracing of our tikānga.” <http://www.wakatu.org.nz>.

<sup>14</sup> Te Ohu Kai Moana’s 2001-2002 strategic plan has a statement of values that includes reference to kaitiaki (guardianship) and rangatiratanga (leadership).

- a trust or incorporation, established according to the sections of the Te Ture Whenua Māori Act 1993;
- the subsidiaries of the Treaty of Waitangi Fisheries Commission (Te Ohu Kai Moana);
- a rūnanga operating under iwi or hapū structures, and which may be a charitable trust or an incorporated society;
- a Māori Trust Board established according to the provisions of the Māori Trust Boards Act 1955; and
- any company structure under the Companies Act 1993, with shareholding held 50% or more by Māori individuals or incorporations.

Some examples of these commercial institutions include:

- Tumunui Lands Trust, Mangatu Blocks, Wakatu and Taharoa C Block;
- Sealord Group and Moana Pacific Fisheries;
- Te Rūnanga o Ngāi Tahu and Te Rūnanga o Te Whānau a Apanui;
- Te Rūnanga o Ngāti Porou, Maniapoto Trust Board and Wairoa-Waikaremoana Trust Board; and
- Carich Training, Tamaki Māori Village, Outlands Export, Huia, Whalewatch Kaikoura and Kia Kaha Clothing.

We discuss some of the factors which contribute to the performance of Māori economic institutions later in the report. However, we want to emphasise that this remains an area where much is yet to be learnt. In particular, it is important to understand the causes of failure as much as the causes of success at a very micro level. Māori economic institutions, like their corporate counterparts, require close study, benchmarking and the dissemination of lessons.

# Development challenges

This section sets out the framework for thinking about what needs to be done to speed up Māori economic development. To a significant extent, this is in the hands of Māori themselves. Hence, the major focus in this section is on improvement to Māori institutions and organisations, which would promote commercial success. However, there is also, inevitably, room for the government to do better.

## Innovation

A common feature that runs through the analysis of all successful economies is the degree to which innovation — in the widest possible sense — permeates everything people do. The openness to new ideas — which includes not just adoption of technology, but also business practice, perception of opportunities and new ways of doing things — is a critical element of economic success.

At the same time, the strong influence of tradition, culture, and spiritual values sets Māori businesses apart from other businesses operating in New Zealand. This may constrain the ability to innovate. For example, some of the assets employed have a spiritual and cultural value that is based not just on purely economic considerations. Innovation is about perceiving as many options and opportunities as possible, while tradition is about closing off some options.

While tradition and innovation can be combined, it is important to understand the particular challenges of doing this. The key to continued success is to be original in terms of costs, products and processes; indeed this is especially important for those who want to concentrate on particular areas of endeavour defined by, say, a non-tradable asset base. The speed with which new ideas become commoditised (taken up at relatively low cost by all relevant market players) has increased sharply over the last century. This places a significant premium on those able to be successfully

innovative and take an idea through to a commercial venture that returns real cash to the promoters.

Hence, a key issue for Māori economic development is how to ensure that innovation becomes a pervasive feature of all Māori institutions, while protecting the base of traditional cultural values.

*Innovation — ways of thinking about it*

The complexity of the breadth of innovation can be examined in terms of some rather straightforward stages.

- The invention or idea: the basic thought that captures the essence of the advance. The true breakthrough ‘invention’ that is the pure mental image of the new product or service or way of doing things.
- Research and development: the work that takes the idea from the vision through to the practical realisable stage. This will involve a degree of thinking about the core of the invention and how it is going to be exploited, but will focus on the development itself.
- The innovation: taking the results of the research and development process to the market in a way that permits the thorough economic exploitation of its commercial potential. This is the stage that produces a positive cash flow.

We are interested in the way these phases could be integrated — what are the paths to success through exploitation in the market place?

This approach allows us to relate the abstract ideas about innovation to some concrete features of the Māori environment. We set out the key elements of this approach in Table 22. We separate out a number of stages or phases of the innovative process to emphasise the way it can become self-sustaining.

**Table 22 Clusters of innovation support factors**

Cluster	Support factors
People's skills and knowledge (Idea generation)	The level and distribution of education and training and the quality of the labour force measures how well a group is equipped with skills and knowledge. This is an indication of how likely it is that the group sees the relevance of new ideas or technology, and has the ability and attitude to push boundaries and create and use new knowledge.
Attitudes that support innovation (Take up of ideas and support)	Some data should also indicate the extent of the group's willingness to create and embrace change. This is key to how well it is likely to do in the rapidly evolving global environment. It requires a mixture of optimism, critical appraisal and enterprise. Attitudes which are fatalistic, or are based on a belief that all good ideas come from the past or from elsewhere, do not sit easily with an innovative drive.
Research and development (Development of the product or service)	Raw ideas are usually insufficient to yield rewards. They need to be developed to the point where they be commercialised. Access to appropriate facilities to provide design, and development services is required.
Ability to turn ideas into wealth (Marketing and distribution)	Reaping the gains from innovation requires more than just coming up with creative ideas and solutions. In order to 'cash in' on the innovation process, ideas need to be brought to the market. This involves marketing and distribution planning to successfully sell the new products and services to new and bigger markets.
Access to the global stage (Innovation – exploitation)	As a part of a small and geographically distant nation, local groups need presence in international markets, and will be looking to both add value and increase the ratio of the value of exports compared to imports. The group needs to produce goods and services that are unique and good value for money.
Networks (Closing the circle)	Innovation is enabled by having in place the networks to share information and knowledge. The local groups need to be well connected internally and with the rest of the world. This provides access to local and outside ideas, and keeps the group up with the process of innovation globally.

Source: NZIER

The level of innovation occurring is not directly measurable. Because the innovation process is complex and subtle — even in a simplified approach — it is not susceptible to any single indicator, or even a small set of indicators. Nor can such a set reflect all there is to know about innovation. Indicators need to be supplemented with 'soft information'. The real challenge and subtlety lies in interpreting the available indicators, alongside a wider suite of 'soft information' about the setting under consideration.

What would an ideal set of innovation indicators cover?

- First, indicators should cover the wide concept of innovation — we are not only interested in technological innovation, but also how well wealth is generated from ideas.
- Second, we want to know the performance at each part of the innovation chain — are we observing creators or adopters?
- Third, indicators should cover the features that are known to be associated with highly innovative societies, in a way that recognises the Māori context.

Table 23 summarises a set of indicators selected to check the state of innovation for Māori in the New Zealand setting. We have put together a set of measures that are reasonably readily available, and that potentially allow us to construct a broad picture of the state of Māori innovation.<sup>15</sup> A range of indicators is needed because, as discussed, innovation performance is a difficult concept to measure directly. Even these indicators, which have been selected to be practical and possibly available, are not readily able to be directly measured in many cases, so we have had to look at indirect information.

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<sup>15</sup> We readily acknowledge that the selected indicators are not the only means of measuring innovation.

**Table 23 Potential Māori innovation indicators — the ideal and the possible**

Feature	Ideal indicators	Possible indicators and assessment
People's skills and knowledge (idea generation)	<ul style="list-style-type: none"> <li>• Qualifications of the Māori working age population, to indicate capability to innovate and openness to new ideas.</li> <li>• The proportion of Māori science and engineering graduates to total employment, to indicate capacity to create and absorb technology.</li> <li>• Māori educational attainment by cohort, to indicate the depth and distribution of capability to innovate and benefit.</li> </ul>	<ul style="list-style-type: none"> <li>• 14.3% vocational or university level qualifications.</li> <li>• N/A, but indications that this could be an area to look at.</li> <li>• N/A, but know that there are two forces at work. Previous cohorts completed less study in their teens and twenties, but many now catching up.</li> </ul>
Attitudes that support innovation (Take up of ideas and support)	<ul style="list-style-type: none"> <li>• Company formations by Māori, to indicate entrepreneurship and attempts to capitalise on new knowledge.</li> <li>• The proportion of self-employed people in the labour force, to indicate entrepreneurship/ risk-taking.</li> </ul>	<ul style="list-style-type: none"> <li>• N/A.</li> <li>• 24%.</li> </ul>
Research and development (Development of the product or service)	<ul style="list-style-type: none"> <li>• Number of R&amp;D facilities open to outside users on an open basis, to indicate the availability of development assistance.</li> <li>• Number of industrial designers available to the open market to show the facilities able to provide R&amp;D services.</li> </ul>	<ul style="list-style-type: none"> <li>• 9 CRIs in general business and other specialised and private R&amp;D facilities are open to outside users. 8 universities are available too.</li> <li>• N/A</li> </ul>
Ability to turn ideas into wealth (Development – marketing and distribution)	<ul style="list-style-type: none"> <li>• The level of private and public investment in Māori relevant R&amp;D, to indicate efforts to create knowledge and to develop ideas for commercial application.</li> <li>• The proportion of Māori companies using Internet for business, to give an insight into commercial innovation.</li> </ul>	<ul style="list-style-type: none"> <li>• N/A though the level of Māori employment in R&amp;D, as researchers is available.</li> <li>• N/A.</li> </ul>

**Table 23 continued**

Feature	Ideal indicators	Possible indicators and assessment
Performance on the global stage (Innovation – exploitation)	<ul style="list-style-type: none"><li>• A comparison of the relative value of (imputed?) Māori exports and imports, as an indicator of international competitiveness.</li></ul>	<ul style="list-style-type: none"><li>• Estimated at \$648 m.</li></ul>
Networks (Closing the circle)	<ul style="list-style-type: none"><li>• Māori household access to computers, as an indicator of the capability and willingness to absorb new knowledge.</li></ul>	<ul style="list-style-type: none"><li>• 23% estimated.</li></ul>
Impact on well-being	<ul style="list-style-type: none"><li>• Improvement in Māori related productivity, to measure how innovation affects economic prospects.</li><li>• Measures of Māori human development, gender empowerment, and personal security, to give insights into how innovation affects Māori well-being.</li></ul>	<ul style="list-style-type: none"><li>• N/A.</li><li>• N/A here – though these could be pulled together.</li></ul>

Source: NZIER

We have included the information as it came to us, as an early demonstration of what can be pulled together. But we note that if this type of measurement is to be continued and followed through as a matter of public policy, attention would need to be given to whether serious resources should be devoted to making a respectable number of these indicators available officially, or at least, in a form which allows due weight to be given to them.

*The Māori setting*

We can assess the immediate setting for Māori innovation by looking at these indicators for the New Zealand economy. This gives an insight into the system that Māori innovators are working within.

Broadly, the results suggest a positive picture in terms of New Zealand’s general attitude toward innovation. This complements the insights from the ratio of personal computers and Internet hosts to population.

In New Zealand as a whole there are nine crown research institutes which are owned by the government and which provide a range of scientific and technical services to the market. In addition, a number of private facilities will undertake development or testing work in various fields. When it comes to industrial designers New Zealand is not as well off as other countries. Recent work on the creative industries indicated that there may be as many as 1,800 separate units employing as many as 4,300 staff in the industry widely defined. We know though that the incidence of such independent designers here is low by the standards of many European countries.

To be able to fully benefit from ideas, they need to be developed and turned into new products and services to sell to new and bigger markets. New Zealand's level of private sector research and development falls well below the OECD average. At the same time, other indicators suggest a willingness to use new knowledge to change how to do business. Taken together, the link between research and development and turning these into commercial applications appears to be weak in New Zealand. We are keen to use new knowledge, but rely on others to create the proven commercial ideas.

As a small and geographically distant nation, New Zealand's presence in the international markets, and particularly the value of exports compared to imports, tells us something about relative international performance and thus indicates ability to innovate.

International performance over the last decade provides a mixed picture.

- The gap between the value of exports and imports has been slowly narrowing — implying New Zealand's success in commercial and organisational innovation as it becomes somewhat more competitive, relative to the rest of the world, than it was ten years ago.
- But much more of New Zealand's export performance economy-wide can be explained by the by the size and proximity of trading partners' economies, rather than comparative

advantage.<sup>16</sup> Overall, the export focuses heavily on low-value primary-sector commodities.

Innovation is enabled by having in place the networks to share information and knowledge. Measures of connections with the rest of the world indicate openness to outside ideas, and how quickly and widely the tools and benefits of innovation are shared locally. There is strong growth in households' access to computers and the ratio of Internet hosts to population. Compared to the OECD New Zealand is a relatively high spender on information and communication technology. This suggests that high levels of take-up of various aspects of innovation, and complements the data on Internet use by business. It also gives a positive picture of the state of the information and communications technology network.

The impact of innovation on Māori economic development can be seen in terms of two broad areas of innovation:

- Innovations, within Māori control, of a general kind — essentially Māori contributions to a global world; and
- Innovations that draw on unique Māori attributes.

The former group are associated with Māori business success and should be seen in the light of contributing to making those enterprises more competitive. It is also a part of the route to international success as discussed above.

### *What do we know about Māori ingenuity?*

We have documented evidence that 'traditional' Māori were both innovative and 'fast adopters' of new innovations. The support for the innovative side of Māori comes from their development of the navigational ability to cross the seemingly trackless and unmarked vast ocean that separated their origins from their eventual destination of New Zealand and beyond. This entailed uncovering a significant understanding of the methods of navigation and of all the other skills, food preservation and husbandry and so on, that

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<sup>16</sup> Other factors that explain export performance are chance, and cultural, historical, and political factors.

are equally part of the underpinnings for a successful ability to cross large reaches of ocean.

For the adoption flexibility, we can start with the history of the Māori after arrival in New Zealand. The previous tropical agricultural capacity associated with the islands they had come from was not easy to adapt to the New Zealand climate and soils. It was thus transformed into a more temperate climate horticulture that suited the local environment. This allowed the occupation of areas further south than the extreme north.

Perhaps better documented, but also clearly extremely compressed in time, we have the impact of European contact, and the accompanying positive Māori response. It was a story of quick and flexible adoption of totally new technologies. This extended beyond taking to attractive tools, such as firearms, axes, needles, combs and so on.

It included the growing iwi capacity to organise to become successful agriculturalists, with introduced crops like wheat, and extended through to the construction and operation of mills to produce the flour that was in demand from the growing numbers of new settlers. It also quickly created a series of examples of widely-travelled Māori whalers and seamen and, probably more importantly, groups of ship owners, who provided coastal services in some areas in the mid-1800s.

We can see successful examples of Māori innovation in a number of modern commercial areas. These are cited here to provide evidence that the type of innovation response that was seen in the nineteenth century was no isolated phenomenon. Rather, it was a product of the setting and the ability of the people of the day; but the key features of the success have not been completely absent more recently.

Māori individuals and organisations have proved to be adept in developing innovative products and services, within their areas of comparative advantage and expertise. Particular sources of innovation have resulted from the influences of Māori culture as

discussed above (e.g. arts and design), educational requirements, and social networking. The strong investment by Māori business organisations in the farming and fisheries industries is also leading to an output of innovative products to meet market demands.

These sources of innovation can be further described as follows.

### *Culture and tikānga*

Māori businesspeople are applying traditions and tikānga to successful tourism enterprises, attracting customers to an innovative blend of cultural experiences and adventure.

### *Educational needs*

A sizeable proportion of Māori live in rural regions which often lack access to the advanced educational resources available in the cities. Recognising the need to enhance Māori educational and vocational attainment, some rural Māori organisations are leading the provision of services for local people to learn highly marketable skills in information technology.

**Cyberwaka Enterprises:** Young people from around the Eastern Bay of Plenty are now able to take part in the Cisco Networking Academy Programme, under a scheme established by Cyberwaka Enterprises. Led by Rikirangi Gage, Chief Executive Officer of the Te Rūnanga O Te Whānau Apanui iwi authority, the Cyberwaka Enterprises Cisco Networking Academy Program (CNAP) is a joint venture between the Bay of Plenty iwi and The Pacific Islands Matagi E Fa Trust, based in Auckland.

The Cisco programme is an interactive web-based curriculum, which allows students to gain industry-recognised qualifications in computer networking. The Academy is based at Te Kaha, 65 kilometres north of Opotiki. The first group of CNAP students started the programme at Waikohu College, Te Karaka (25 kilometres from Gisborne) in February 2001.

### *Social networks*

The need to increase access by Māori individuals to the Internet has been recognised by Māori organisations in urban and rural areas.

The use of 'cyber-café' methods has been applied to encourage learning of basic information technology skills, and electronic communication amongst dispersed whānau and hapū members.

**Wairoadotcom:** In early 2001 government agencies assisted the implementation of a community computer hub in Wairoa, a small township on the East Coast of the North Island. About 24 surplus computers were installed, along with Internet connections. This facility enables more than 40 people a day to learn computer and Internet skills. The Wairoadotcom office is currently open from 9am to 3pm, Monday to Friday, and is used by a wide range of people from the community, including rangatahi to Seniorsnet classes, Wairoa Waikaremoana Māori Trust Board trainees, Tairāwhiti Rural Education Activities Programme (REAP) and local courses of Waikato University.

**Cyber Tek:** The Manukau Urban Māori Authority (MUMA) has established its own community computer hub in its offices in South Auckland. MUMA set up Cyber Tek to provide a base for Māori in South Auckland to gain computer skills, so as to increase their employment options. The training provided is in accordance to New Zealand Qualifications Authority unit standards. MUMA have also provided computer and Internet tuition to several hundred local primary and intermediate age school children.

### *Commercial investment*

Māori land trusts and incorporations have most of their assets tied up in the primary production export sector, especially in farming and fisheries. In order to meet overseas demands for high-value foods, a number of leading Māori businesses have developed innovative new products. These products can also draw on distinctive branding based on Māori culture.

**Tohu Wines:** This is a joint venture between Wakatu Incorporation, Wi Pere Trust and Ngāti Rarua Atiawa Iwi Trust. Tohu Wines launched its first wine in September 1998. During 2000 Tohu Wines produced just over 5,600 cases of sauvignon blanc, chardonnay, pinot noir and reserve chardonnay. Tohu wines were

favourably reviewed by the United Kingdom wine media during 2000, and enjoyed high sales in that market.

In late 2001 the company purchased 202 hectares of land in the Waihopai and Awatere Valleys in Marlborough, to meet demand for premium wine production. Over the next ten years it plans to expand production to 50,000 cases and develop other products under the Tohu brand (e.g. chilled crayfish, kiwifruit).

**Outlands Export Ltd:** This Hamilton-based business is a Māori-owned company exporting natural low fat beef (96 – 98% fat free) to the United States. It targets the high-value California health foods market. It also exports to Singapore and South Korea, and aims to extend its markets to Japan. The company has been operating since late 1999, and now employs 17 people. The company is supported by two major Māori trusts who each have a 50% shareholding in the company and also supply over half the stock requirements.

**Ngāi Tahu Fisheries:** This company owns three processing facilities, in Murihiku, Christchurch and Dunedin. These factories employ advanced processing and packaging technology to ensure maximum quality and flavour for the company's seafood products. The company has recently had a major success with a new mussel chowder for the American market, and is also developing a range of nutraceuticals.

### *What can we take out of this?*

The clear message is that Māori enterprises and people are able to be innovative (through all stages of the model discussed above) in a number of fields as evidenced here. Māori business failure is reported and analysed endlessly. What is needed is an understanding of Māori business success — why it happens; are there preconditions for success?; are there interventions or institutional changes that could generalise the successful experiences? And we should note there are other whole areas of activity discussed separately that are rich in examples of Māori innovative activity — such as tourism. What is interesting is the number that show innovative content, such as the Tamaki Māori

village, Whalewatch Kaikoura (developing an environmentally favourable tourism experience) and the Kaitiaki Adventures ‘dam dropping’.

In other words we see evidence of surges in Māori innovation that at first glance seem to mirror the newly emerging Māori commercial culture. This may be related to the discussion above of the need for successful innovation to integrate the various stages of the process in a natural way.

### *Māori approaches — stylised ideas*

Unfortunately, we do not have available for this project sufficient insight into any uniquely Māori approach to the various stages of the innovation process. A priority for the next few years should be the study of Māori business success, and using the findings to influence policy and to inform leaders and investment partners. The discussion above of the general evolution of Māori distinctiveness is suggestive of some distinctive features. Similarly, Frederick, in his provocative piece on Māori in the knowledge economy, talked about the way Māori classically saw knowledge classified into various categories (or baskets). We believe that there are unique Māori approaches to the various phases of the innovative process, but can only suggest here how these may be relevant. This is, perhaps best seen as a speculative agenda for further work.

There are a series of stylised ideas (many discussed in papers in this series) that may accurately reflect unique Māori attitudes and approaches to the innovation process. In the rest of this section we briefly associate these with the stages of the process as discussed above.

The results, which must be taken as speculative, are displayed in Table 23.

**Table 23: Māori approaches and the innovation process**

Phase of the process	Relevant stylised Māori attitude, situation or approach
Idea	Māori seem inventive. Māori are short of technically qualified people.
Attitudes	Māori are conservative. Māori are risk averse.
Development – product or service	Māori lack natural access to the necessary technical facilities that would provide the honing of the ideas. Māori lack the backing and the access to the capital to contract with such facilities on a commercial basis.
Development – distribution	Māori have interesting international links with appropriate bodies abroad and growing New Zealand outlets associated with tourism. Māori are developing commercial distribution channels.
Exploitation	Māori are short of experienced management able to grow businesses from scratch. Māori have sharp negotiators who can organise market solutions to the exploitation issues.
Closing the circle	Māori have shown that internal communication is a real strength. There is a history of mutual assistance and mentoring within Māoridom.

Source: NZIER

Based on the preliminary ideas above on the results of work on the Māori way, and the twin paths to development through innovation we can think about alternative institutional forms. An obvious place to start might be the big public structures in place.

These would include the core of the public innovation system, the Foundation for Research, Science and Technology’s (FRST) purchasing system and the potential for the array of crown research institutes to successfully act as co-operative development partners.

A brief glance at the way both operate shows that they are aware of Māori needs and are trying to come to terms with the desire by Māori to use innovation in commercial ways. In FRST’s purchasing profile there have long been specific and general signals that they would like to see more Māori-associated research. Indeed, they have created specific Māori science and technology investment programmes, in addition to the specific allocations of investment

funding for Māori-associated matters and the issuing of protocols about the way Māori-related research is to be undertaken.

These initiatives fall into two broad groups.

1. The creation of specific investment signals to encourage the carrying out of work of interest and relevance to Māori, and with Māori associations where possible.
2. The Tech New Zealand suite of programmes that aim to improve the amount of innovation at the firm level.

But the bulk of the purchasing structure is oriented toward an existing scientific research community, with its own interests and approaches. There is possibly room for some rethinking about this to ensure it was appropriate to successfully attract significant numbers of Māori associated research bids.

Moving to the crown research institutes, many of these have explicitly made provision for working closely with Māori researchers or groups of interested people. Much of this, though, is motivated from the 'wrong end'. The drive is not to integrate Māori commercial opportunities with appropriate research by using the insights and development potential within the crown research institutes, but rather to support the researchers in their search for external public funding.

So neither of these seem to fit the wider notion of the Māori need for unique institutions tailored to the Māori way of doing things. What would define appropriate options?

It is possible to think of alternatives that would address these needs.

But to tackle the questions across the board, more definition of the precise nature of the issues involved is required. We consider that the sort of speculative ideas contained above need to be tested and developed into better empirically grounded material that has been discussed and considered within Māoridom to serve as the basis for further work.

We are confident that it is possible to come up with alternative institutional structures that would suit the Māori approach to

innovation better. But we believe that the primary need is to better understand the Māori way.

As a provocative series of starters, though, the following ideas might be considering.

- Can we design purchasing systems (beyond Tech New Zealand) that are appropriate to the type of Māori organisations and businesses we see — typically small and medium sized enterprises or non-profits of a fairly limited scale?
- Can we organise the crown research institutes so they are more likely to reach out and understand the needs of their Māori communities and especially their commercial enterprises?
- Might it be better to create a series of ‘go-betweens’ who are the people with the resources to commission the work from the crown research institutes because they understand the Māori way and also are skilled at commissioning? Alternatively, there may be room for a Māori crown research institute, which promotes innovation within Māori institutions.

## **Government procurement**

We have suggested that the institutional surroundings that Māori face will be important in influencing their development path. Such institutions as discussed, include legal frameworks, organisations, attitudes, unwritten protocols and customs. They will, therefore involve differing degrees of difficulty in attempting to change them or arrange alternatives. One important bundle of institutional influences is that associated with the whole system of government procurement.

As we discussed before, government procurement of health and education services, as well as its funding of some cultural services has played a key role in the third wave of Māori business development.

New Zealand — which is, after all, the legal and social setting within which the majority of Māori development will take place — is a complex modern society with its own sets of checks and

balances guarding the structure of institution that prevails. For obvious reasons<sup>17</sup> there are significant (and costly) hurdles to be overcome before a new institution is created — or an existing one significantly modified. These are both formal and informal. For instance, on the formal front, it has long been recognised that trying to implement new legislation is an increasingly difficult task, for one thing, simply because the process involved has severe capacity limits.

### *Potential*

One important way that relevant institutions can be influenced is associated with the system of government purchasing and procurement. The New Zealand government in its many guises purchases a diverse range of products and services. This stream of transactions could be used to institute new styles and approaches to the way things are done.

There is potential to consider policies along the lines of the following examples.

- Encourage the creation of innovative Māori organisational forms by allowing them to be accepted as qualifying for the provision of public services — even where this may necessitate the development of a whole new set of monitoring and auditing systems and standards.
- Structure the financial transactions between the state purchasers and Māori providers to allow for the differences in access to capital and funding. This again may require novel approaches.
- Specifically incorporate training or upskilling components as part of the whole provision of the service required.

In recent years, much has been done to encourage Māori provision and delivery of social services. The successes in those areas could provide models for the procurement of goods and

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<sup>17</sup> These relate to the need to preserve a stable environment to prevent uncertainty and the costs associated with constantly relearning of the procedures of society.

services from Māori providers for the other areas of government activity.

We can immediately think of problems that may occur, but on the positive side, there are advantages in looking to this system as an instrument to use. While complex and dispersed, this system is less bound by formal legal constraints than many areas of government activity (compared say to the detail of welfare benefits or the workings of the ACC) and largely regulated by established rules. It is about the way things are done, arranged within general guidelines, but carried out by a variety of different organisations.

This latter feature means that the potential to use procurement in innovative and imaginative ways is high, because there will be state agencies which are well situated to develop new approaches along the lines sketched. Moreover, with a number of different entities to involve, a smart central coordination group could design and execute quite simple but powerful delivery experiments making use of the diversity of natural experiments available through the selective employment of different styles across the various entities that make up the government sector.

### *Possible restrictions*

On the other hand, there are practical difficulties. All public activities that involve resource use are — as is appropriate — closely scrutinised through aspects of the political process magnified through the lens of the media presentation. The approach of the New Zealand state sector since the changes in 1988 has been to encourage all state entities to develop their own particular systems to generate the necessary procedures and checks.

The proposals here would mean that the agencies involved would be moving away from their ‘comfort zones’ (established and tested over the years) to new, and inherently more risky, positions. For this, and other individual agency driven reasons there will inevitably be a degree of inertia among government advisors about these proposals. One way that this could be effectively combated is through a careful exposition of why the approach suggested is a

priority with community benefits that overwhelm the specific agency costs.

There are some further possible drawbacks to be traversed too, as procurement is one of the areas of policy where there are international agreements. Over the years, New Zealand, like all other countries, has entered into a series of international commitments. Government procurement is an area where we have made undertakings. A quick survey suggests that:

- New Zealand has no real constraints under the WTO as there are exemptions for government purchasing in GATT and GATS;
- APEC's commitments are rather general<sup>18</sup> and seem to have limited practical force in terms of the type of policy developments under discussion; and
- the Australia and New Zealand government procurement agreement is possibly more relevant, as it has the aim of trying to produce a single market for government procurement.

As we discussed before, government procurement of health and education services, as well as its funding of some cultural services has played a key role in the third wave of Māori business development. This has created real opportunities to be taken up by those among the Māori community who were prepared to be proactive.

For the government, the key issue is the extent to which it can move from viewing procurement as a series of unrelated, arms-length transactions to a greater focus on long-term supplier relationships. Long-term supplier relationships predominate in the private sector. However, since it is more difficult to define performance measures for public sector organisations, there is a

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<sup>18</sup> The Osaka Action Agenda commits APEC members to "(a) develop a common understanding on government procurement policies and systems, as well as on each APEC economy's government procurement practices; and (b) achieve liberalisation of government procurement markets throughout the Asia-Pacific region in accordance with the principles and objectives of the Bogor Declaration, contributing in the process to the evolution of work on government procurement in other multi-lateral fora".

greater emphasis on demonstrably competitive processes in the public sector. The need for the government to demonstrate that it does not give any supplier preferential treatment comes at a cost. While it may seem counter-intuitive, studies have shown that across-the-board competitive tendering often results in higher procurement costs. Establishing long-term relationships with Māori (and other) suppliers may allow the government both to promote development, and to buy better.

### **Finance for development**

Provision of finance for economic development requires the careful management of risk. Broadly speaking, there are two approaches to this:

- risk can be managed through property collateral; or
- it can be managed through careful assessment and monitoring of project risk.

For a variety of reasons, the New Zealand banking system has developed a strong focus on property collateral. There are relatively few vehicles for securing debt through management of project risk. Yet, given the inalienability of many Māori assets, that is precisely the approach that the Māori economy needs.

Not surprisingly then, Māori access to finance for development has been an important focus of research. Finance has the potential to facilitate development. But problems in accessing finance could be an important obstacle to the realisation of Māori development aspirations.

We use the word 'could' because although there are many papers discussing Māori access to finance, and supporting the idea that it is a significant problem, it is not easy to get a precise handle on the size of this obstacle. Much of the research we examined is case-study based, so it is hard to judge how representative it might be. And there tend to be no clear comparators, in terms of experience with access to finance, which help establish the relative size of the problems faced by Māori.

In this section, we try to put this research into context by considering:

- what precisely we mean by Māori access to finance;
- the actual or potential sources of problems in this area; and
- what implications this might have for Māori economic development.

Part of the difficulty in pinning down whether or why Māori should have distinctive problems in getting access to finance, stems from the need to answer the question — compared to what?

For the purposes of this *Māori Economic Development* report we have defined the Māori economy in terms of the ethnically Māori labour force, and a series of assets and organisations which are predominantly owned and controlled by Māori.

We focus here on access to finance for business expansion or diversification, to align with the core idea of economic development. In most cases, the businesses or individuals will be approaching the mainstream financial institutions for working capital, or for longer-term finance to invest in new or expanded fixed assets.

Each borrower, Māori or not, presents a particular business case, to the bank say, together with a credit risk profile which will be gauged in terms of the amount being borrowed, the purpose for the borrowing, the balance sheet and income stream of the individual or business, its previous track record, nature of the asset and the industry, and so on. Depending on the risk involved in the lending proposition, the bank may refuse to lend at all or may add a risk premium to the lending interest rate, or add other conditions.

This illustrates the difficulty in determining whether, on a like-with-like basis, Māori have distinctive problems in accessing finance. If so, is it a problem of accessing finance *per se*, or is it to do with the costs and conditions attached to the finance?

However, we can infer potential for distinctive problems from some aspects of the Māori economic base and its organisational and governance structures.

Many factors affect an organisation's ability to access finance. In this section we concentrate on issues specific to Māori organisations. Several reports have highlighted problems faced by Māori organisations when accessing finance. Many of these problems relate to management skill, information gaps, and the size of the business so are similar to those issues faced by many non-Māori organisations.

Other constraining factors specific to Māori include economic status, culture and organisational structure and contribute to the underdevelopment of the Māori commercial asset base.

Māori trusts and incorporations — important organisational structures in relation to Māori development — face unique access to finance problems. Multiple ownership, asset location, asset specificity and quality, and a perception of higher risk lending among financial institutions, may place a greater constraint on asset development.

In 2000, TPK reported that the reasons Māori have difficulty accessing finance are:

- a lack of understanding about the process of securing finance;
- a failure to meet a lending institution's credit criteria;
- a lack of complete knowledge about financing options, both debt and equity;
- an inability to identify an agent or agency from which to seek advice and assistance; and
- a diffidence or fear about dealing with unfamiliar people or systems.

An earlier report by TPK, highlighted several additional challenges faced by Māori when accessing finance.

- Māori are over represented in lower socio-economic groups. Business people from these groups are less likely to have the necessary family and personal wealth and savings to assist them through the first few years of business.

- Māori face unique challenges in acquiring finance in relation to multiple-owned land. These challenges include: ownership and management structures, and the need to find alternative sources of loan collateral.
- Māori, who are not current business managers, generally have less experience as owners or managers.
- The co-operative approach to some Māori business ideas are less understood by the financial sector and are perceived to be a higher risk.
- Māori business people may choose not to join professional organisations and networks, which is often where entrepreneurs raise finance.

Massey University research has found that Māori authorities face higher costs when borrowing capital because of land ownership constraints, due to the sections of the Te Ture Whenua Act and the consequent oversight function of the Māori Land Court. A reliance on retained earnings as their primary source of funds for development has seen dividend and benefit payments reduced in an effort to build equity reserves. Furthermore, the absence of a market in which landowners can trade shares has resulted in a lack of means to value equity.

The location of Māori trusts may also count against their ability to attract commercial loan finance. Many Māori land blocks are located within the Eastern Bay of Plenty, the East Coast, and Northland regions. The large number of Māori land blocks in these areas which are undeveloped also means that the trustees of these blocks would have little or no cash-flow to service bank overdrafts, further reducing their ability to attract finance.<sup>19</sup>

There could be a perception within the banking sector that it is often 'too hard' to lend to Māori trusts, due to the sections of the Te Ture Whenua Māori Act and the oversight of the Māori Land

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<sup>19</sup> Information from the Māori Land Information Database indicates that 45% of Māori land can be classified as land use classes 7 or 8, which is largely unsuitable for arable, pastoral or production forestry use.

Court. There may be a concern amongst the banks that, in the event of loan default, any moves to undertake mortgagee sales of Māori land assets would not be politically possible. This can become a disincentive to building business relationships with Māori trusts.

The confidence of the banking sector about the governance of trusts and incorporations is also a key question. Established, successful businesses with effective trustees, able to offer collateral security are much more likely to attract the finance they require. These businesses have established their credit worthiness, and have a known ability to service debt. (This issue is discussed further in the following section on property rights, Māori organisations and governance.)

Māori trusts and incorporations are an important organisational form in relation to Māori development due to the large and significant asset base that is controlled by Māori trusts. These organisations are usually responsible for large areas of Māori multiple-owned land, forestry and other resources.

Some Māori trusts and incorporations have been successful in attracting loan finance and working capital from the banking sector, without needing to put up their land assets as the principal security. They can do this by pledging stock and equipment assets as collateral security (through instrument by way of security measures).<sup>20</sup> This gives the lender assurance that, in the event of loan default, the secured assets of the business can be seized for sale.

Alternatively, the products of an enterprise can be used as collateral (e.g. trees for forestry development). This was the

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<sup>20</sup> An instrument by way of security was the common security taken over livestock and plant: e.g. 2800 sheep, 50 cows, two tractors, one Toyota Hilux, etc. The provisions used to be covered in the Chattels Transfer Act 1924, and were registered in the High Court, on a five-year renewable basis. This Act has now been repealed, however, and these matters are now covered by the Personal Property Securities Act 1999.

approach used in the joint venture between Ngāti Porou Whānui Forests and Hansol Forem.

The New Zealand financial sector is strongly focused on lending against collateral. The gap would appear to be the absence of institutions lending, secured against future cash flows (project finance).

Māori entrepreneurs are less likely to be able to attract start-up or working capital. This is because a smaller proportion of Māori own their homes (banks usually require a lien over a major asset to safeguard their provision of finance, if necessary through a mortgagee sale of the borrower's house).<sup>21</sup> As well, a high proportion of Māori earn relatively low incomes (69% earn less than \$30,000 per year), and this would limit their capacity to allocate savings to support establishing a new business.

It may be that forms of personal guarantee and grouped funds, similar to credit unions or micro-lending may provide a means of mobilising Māori savings for investment in Māori business. A guarantee to your iwi, hapu or whanau would be effective as failure represents a loss of mana rather than a default to a non-Māori financial institution.

Banks also need to be confident in the ability of the borrower to establish a viable business, so that they are able to adequately meet the loan or overdraft conditions. This perception is usually based on the entrepreneur's business track record, their known skills, any savings, the quality of their business plan and reports from referees. Māori businesspeople may be less likely to meet these credibility conditions. This could be indicated by the low level of formal educational and trade qualifications amongst Māori, relative to non-Māori (ie 37% of adult Māori have no formal qualifications).

Despite these challenges Māori are clearly interested in establishing their own businesses. Information from a recent global

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<sup>21</sup> At the time of the 1996 Census only 50% of Māori owned their own homes, compared to 72% of non-Māori.

survey of entrepreneurship has found that Māori were just as likely as non-Māori to be involved in entrepreneurial activity in New Zealand. The *Global Entrepreneurship Monitor 2002* found that Māori have an 11.9% rate of total entrepreneurial activity. If they were ranked as an individual country, Māori in New Zealand would be the world's seventh most entrepreneurial country. But compared to non-Māori, Māori entrepreneurs are younger, have less higher education, make less use of technology and have less of an export focus.

The overarching question in all of this is about the 'binding constraints' on Māori access to finance. This may vary across iwi and organisational types. If, as in the case of trusts, there are cultural or other arguments constraining access to suitable collateral, and thus to finance through conventional routes, other approaches may have to be considered.

Overall, we believe the evidence does support the view that, from a Māori perspective, there are elements of market failure in the mainstream financial system. However, these are not the kinds of market failures that can be corrected by the government. It is not surprising that past attempts to establish government-funded Māori financial institutions have failed. Government-funded organisations inevitably get driven towards mainstream forms of risk management, yet a departure from this is precisely what is needed.

In our view, the evidence points towards an opportunity for Māori themselves to investigate the creation of a 'culturally appropriate' financial intermediary.

- Many Māori trusts and incorporations have substantial savings, but often few opportunities to use this cash well within their own settings.
- Māori organisations may be better able to assess the repayment risk posed by the proposals coming from other Māori organisations and individuals than 'mainstream' financial organisations.

- Defaulting on debt to a Māori organisation may attach a risk to mana in a way that would not be associated with purely 'commercial' debt. Hence, a Māori financial intermediary may in effect reduce risk through the very fact of being Māori.

## **Governance, ownership and control**

In this section we take a closer look at the issues surrounding governance and ownership. In particular we investigate some of the institutional and organisational issues specific to Māori, and the questions these raise about the development and governance of resources.

Overall, organisations work better if under-performance can be identified quickly, communicated to management, and management can be held accountable for correcting that under-performance.

In general, the tools for improving the performance of complex organisations tend to consist of exposing various aspects of organisational performance to market forces. For example, the tradability of shares provides a ready feedback on performance through the market price of shares.

The key issue for many Māori organisations is that the full set of market tools may not be available to them. Beneficiary membership in iwi cannot be traded, and many natural assets are held through trusts, which are not primarily designed as commercial entities. Hence, Māori need to look for alternative tools to improve organisational performance. Helpfully, numerous models are available in this context. In New Zealand, in particular, agricultural co-operatives provide an example of a commercial entity with restricted tradability. This section lays out an agenda for possible improvements to the governance of Māori entities.

### *Organisations and governance*

Organisations evolve to arrange resources, including assets and labour, in pursuit of one or several shared purposes. These resources are co-ordinated by a hierarchical governance structure

that is ordered by a mix of institutions. Organisations are based on a set of rules that govern both internal and external transactions. In this regard, organisations co-ordinate the allocation of resources differently from the way in which resources are allocated in a market, where no goals are set *ex ante*, and self-motivated agents are co-ordinated by responding to price and quantity signals.

Organisations take many forms, from incorporated companies to clubs, cooperatives, trade unions, trusts and mutual benefit societies. What these organisational structures have in common is that they bundle resources together to pursue a shared purpose. The defining questions that the organisation answers include: how profits and losses are distributed, who runs the organisation, and how owners control managers if ownership and management is separated.

The defining characteristic of any organisation is who in the organisation bears the risk and who has effective and direct control over the organisation and its operations. This is the central issue of corporate governance and it arises when the people in the organisation who bear the risk (the principals) delegate control of daily business to managers (called agents). In such circumstances there is a danger that the agents may act in their own self-interest and neglect the interests of the principals. This is known as the principal-agent problem. The principal-agent problem can arise as soon as owners hire others. Much organisational design is oriented to monitoring and controlling agents, and to aligning their incentives to coincide with those of the principals.

Although economics commonly focuses on organisations that are outwardly very different from Māori organisations, it has a number of insights into collective organisations that may be applicable to Māori collective resource holdings. The private joint-stock company, for instance, in which share value provides a clear measure of market assessment of company performance, multiple owners can buy shares with limited liability, and owners can exercise 'exit rights' by selling their shares and extracting value from the company, does not appear a particularly close analogy to

the situation of iwi organisations. Iwi are collectives with involuntary membership, containing individuals with diverging views but who generally do not possess alienable rights over the collective resources, and who hence cannot opt out of the collective by selling their interests. Consequently decisions involving incompatible preferences must be resolved by political deliberation, to exert influence over administrative processes. In such circumstances advocates of particular policies do not face their full costs but spread them across the rest of the membership. Similar characteristics are found in all collective bodies, and the transaction costs of deliberation can be expected to rise with the number of individuals in the collective. Apart from iwi authorities, the majority of Māori trusts occupy an intermediate position with governmental characteristics tempered by smaller scale.

From this perspective large Māori organisations, including iwi, can exhibit ‘national’ characteristics, and like a government may put great weight on deliberative processes, sometimes at the expense of decisiveness and focus on outcomes. One of the weaknesses with these kinds of governance structures is that participants may have an incentive to overstate their preferences, knowing they will not bear the full costs of doing so. Unless very clear boundaries are drawn between governance and management, this can result in limited accountability for decisions and also make it difficult to distinguish between the average and the marginal value of a given collectively-owned good. The political tendency is to act as though the last unit is as valuable as the first in any application, despite the likelihood of diminishing returns to effort and diminishing marginal utility.

The result is likely to be the economically inefficient allocation of resources across activities, with insufficient regard to the marginal benefit gained from successive increments of resources deployed in different activities. Organisations may get around this problem by separating ownership from control of resources — for instance by setting up enterprise units with tightly defined objectives which operate independent of political influence to

varying degree, and also by constraining the ownership interest by specifying substantial majorities to change the objectives of the subsidiary bodies. A similar separation between ownership and control of resources has been adopted by some Māori organisations e.g. Ngati Porou Whanui Forests was formed as a commercial vehicle to facilitate sustainable commercial forestry within the Ngati Porou area. In order not to upset existing relationships, land ownership has been retained by Māori trusts and incorporations, however control over forestry decisions is exercised by the directors of the company. Ultimate authority resides with the company shareholders, who elect the directors and participate in major strategic decisions at general meetings.

### *Māori organisations and the quality of management*

The extent of effective governance of Māori-owned trusts and businesses is a key factor in the economic development of particular regions and Māori communities. This is because Māori trusts own substantial areas of potentially productive land for farming and forestry, and they may also own increasing quantities of valuable fishing quota in future, assuming that allocation by Te Ohu Kai Moana proceeds.

But the vast number of Māori organisations makes it difficult to attract and retain skilled and commercially experienced Māori to act as trustees, especially given the large number of other Māori community organisations that compete for their time. These include the Māori health and education providers, marae committees, and iwi rūnanga (e.g. there are estimated to be at least 141 Māori health providers, 650 kōhanga reo, and 59 kura kaupapa schools in operation in New Zealand). Table 24 highlights the substantial number of Māori organisations.

**Table 24 Current management structures in MLIS**

Management structures that have current ownerships or administration in current blocks, based on a management structure ID count.

Current management structures	Number
Ahu Whenua trusts	5,021
Whānau trusts	14,123
Whenua Tōpū trusts	33
Māori incorporations	174
Māori Reservations	1,968
Other	1,557

Notes: (1) Many of the management structures may in fact be one and the same but have different ID numbers. This is due to the way the data was initially converted into an electronic format, e.g. the Joe Bloggs Whānau Trust may have had shares in 10 blocks. On conversion of the data that Whānau Trust would have been captured 10 times resulting in 10 unique ID numbers. (2) The 'Other' type includes a mixture of management structures, i.e. Whānau Trusts, reservations etc. (3) The Inland Revenue Department has tax records for 1,576 Māori trusts and incorporations. This indicates that a much smaller number of these structures have sufficient revenue to pay tax.

Further evidence of the high degree of involvement in community organisations by Māori can be seen in an analysis of information from the 2001 census. This has shown that 65,151 Māori adults stated they undertake unpaid voluntary work for 'any organisation, group or marae'. Many of these voluntary workers were Māori women (58%), as can be seen in the following table:

**Table 25 Other helping or voluntary work for or through any organisation, group or marae**

Age range	15-24 years	25-34 years	35-44 years	45-54 years	55-64 years	65+ years
Māori males	5,526	6,126	7,209	4,737	2,514	1,314
Māori females	6,639	9,933	10,626	5,835	3,159	1,530
<b>Total</b>	<b>12,165</b>	<b>16,059</b>	<b>17,835</b>	<b>10,572</b>	<b>5,673</b>	<b>2,844</b>

Source: Statistics New Zealand

### *Options for improving governance and resource management for development*

As discussed earlier, the ability to trade assets is a key component of the engine of growth that is today's market economy, but it appears to be constrained by some forms of Māori institutions and governance structures. But given continued Māori preference for

collective ownership forms, what can be done to facilitate development while retaining these institutional constraints?

One possible means of advance is to distinguish clearly between the institutions of collective governance and the institutions of collective ownership, and deal with them separately. Collective governance is reflected in the multitude of Māori trusts, boards and similar bodies that have evolved to give legal expression to collective interests of iwi, hapu and whanau. All trust forms have certain weaknesses by virtue of their collectivism and the resolution of control decisions through political means. But among the Māori trusts it is clear that some have overcome these difficulties and acquired assets to support successful businesses. Others have been less successful for a variety of reasons — limited scale, lack of management capability within the body, difficulty in obtaining the necessary skills from outside. Closer examination of what differentiates the successful from the less successful ones would yield valuable insights that all Māori could benefit from.

Collective property ownership is epitomised by the institutions of land ownership, in particular the Māori freehold title and the Māori Land Court. The presumption against alienation of land in both these institutions restricts the ability to trade and use land as collateral for further development, but this may be an unavoidable aspect of retaining the Māoriness of development. However, it also suggests the need for clear delineation of what particular assets are held for — traditional or cultural objectives, or economic purposes — and ensuring that assets acquired for their economic potential are held with property rights most suited for that purpose.

A further issue with land is the large number of small holdings with multiple owners, multiple objectives and without the resources to effectively utilise them. Consolidation of small landholdings to a size where they can support more co-ordinated management is a possible means of progress.

A measure of the efficient management of Māori land blocks is the amalgamation of smaller blocks into larger, more commercially

viable units, which can then afford to employ a professional farm manager. Analysis of Māori Land Court records shows there is some movement in the amalgamation of assets to produce larger and more efficient land blocks. Members appear to be taking an interest in their land holdings and looking for trustees to generate the best possible return from these interests.

Under Te Ture Whenua Māori Act 1993 the opportunity to amalgamate titles and aggregate several land titles was put in place. During the 2000/2001 year a total of eight applications for amalgamation orders were received by the Māori Land Court, and three applications were received during 2001/2002. This is, of course, a tiny proportion of the several thousand trusts currently in existence.

### *Enhancing Māori business associations*

Māori have long recognised the need to improve the governance of trusts and the involvement of Māori in the commercial sector. This recognition has led to the creation of private associations of Māori businesspeople, of which two of the most prominent are:

The Federation of Māori Authorities (FoMA) is one of the largest New Zealand Māori business networks. FoMA was established in 1988 and draws its over 150 members from throughout the country. The organisation's main focus is fostering economic development with an emphasis on the primary industries of New Zealand. FoMA is involved in industries such as fishing, forestry, agriculture and minerals.

The Māori Business Network is a non-profit, professional and privately-run organisation dedicated to supporting Māori business and economic development. The network provides a forum for Māori businesses and individuals to promote their business activities and themselves. It also assists Māori to access support and learning activities to maximise business opportunities. The network was established in Auckland in September 1996, and is registered as an incorporated society. Membership is open to any individual or organisation.

These business organisations have extensive networks of skilled businesspeople and are directly involved in improving the growth of the Māori commercial sector. As such, they offer a potentially effective means of setting examples and standards for Māori corporate governance, and communicating these to the wider Māori community.

Importantly, operating independently from the government enables the associations to increase their speed of response and maintain their credibility amongst Māori.

However, the potential capabilities of these associations are limited by their small size and limited funding. Therefore, the provision of capacity building, funding, and administrative support from government agencies could enable the associations to expand the services offered to their members, and so assist further Māori commercial development.

In cases where existing criteria prevent commercial associations from accessing government financial aid, modifications could be made to agency guidelines to ensure that any benefits accrue to the group, rather than to individuals or particular businesses.

### *Improving trustee training*

The provision of trustee training (by private training establishments, government agencies, and contracted BIZ providers) needs to be coordinated to reduce duplication and training gaps, and to assist in the building of networks and information sharing between training providers and users.

Trustee training also needs to be better coordinated with other initiatives to improve the governance of Māori assets, including the range and nature of structures that are available to govern assets, decisions on choice of available structure, and the selection of trustees.

The training courses that are available need to have eligibility requirements that do not present an unreasonable barrier to people training in both trustee obligations and business skills. The

government agencies responsible for purchasing this training also need more information on the outcomes they wish to achieve.

*Enhancing property rights: creating a new class of Māori commercial entity*

The current structures defined under the Te Ture Whenua Act for holding Māori land and other assets, may not be sufficiently flexible or accountable to allow for the sustainable growth of Māori commercial wealth. This issue has been recognised by the Law Commission in a recent discussion document.

As well, the transfer of commercial assets to iwi through the Treaty of Waitangi settlements process requires that capable governance be in place to manage those assets; this is necessary to maintain wider political confidence in the settlements process.

The normal structure for holding and managing commercial assets is the limited liability company, as defined in the Companies Act. Importantly, this model allows for shares to be traded and board and management accountabilities to be clearly defined. These features could usefully form the basis of a new Māori commercial entity option (ōhanga), while maintaining the guardian relationship Māori have with their whenua.

Implementing such a new structure may require amendments to the Te Ture Whenua Act and the Companies Act. Importantly, the structure would need to comply with normal commercial law, in order to build confidence in the accountability of the system amongst investors and shareholders. Changing institutions in this way could be a lengthy and involved process, and there may be more immediate opportunities in adapting the business models of successful Māori organisations to those that have been less successful to date.

*Promoting a structural governance model*

The development of the many smaller Māori trusts and incorporations could be assisted by 'the power of a good example' to highlight effective methods of governing and operating a Māori commercial entity. These 'success stories' could also serve to help

relieve concerns amongst the banking sector about engaging in business relationships with Māori trusts, especially if they know effective governance methods have been put in place.

A well-known successful Māori corporation is Ngāi Tahu Holdings Corporation (NTHC). The Ngāi Tahu iwi has put in place effective commercial governance systems to ensure the sustainable growth of its assets, and consequent fair distribution of returns to iwi members, with funds spent on education, health, rūnanga and cultural development, and customary fisheries. An important distinction between NTHC and other trusts and incorporations is that there are no direct shareholders in NTHC; the iwi rūnanga controls all the subsidiary companies.

Similarly, Te Ohu Kai Moana has mandated a set of requirements that tribal organisations will need to comply with in order to receive asset allocation from the Treaty of Waitangi fisheries settlement. Such requirements could form the basis for a framework that Māori organisations could adopt to give greater access for interacting with banks and other commercial entities.

## **Māori in the New Zealand economy**

### *Labour market: skills*

There is strong evidence that basic numeracy and literacy problems exist in the Māori and non-Māori workforce. For those well beyond school age, the emphasis has to stay on 'second chance' programmes. There is also the need to provide better school environments to increase the quality of educational outcomes for existing and future school pupils.

The key ingredient to correcting these imbalances is new teaching and learning technology. This is a complex area of cultural, social and educational factors. One thing that is very clear for Māori is that a 'one size fits all' approach will not be as efficient as an approach which admits a range of innovative approaches.

In some instances, 'second chance' education in basic skills will be best provided in the workplace itself and funded by the

employing firm. For most of the population, concrete applications speed learning processes.

The New Zealand schooling system is not well organised to innovate productively to the extent required by the current degree of dysfunction in many areas. The system is too centralised and too linear to be able to rapidly respond to the seriousness of the school outcome problems for Māori (and non-Māori for that matter).

It is important for government to highly subsidise basic education for Māori but that does not mean that the most efficient provider is also government. Māori are strongly of the view that Māori are better able to provide many services for themselves, as discussed later.

Labour markets have been offering relatively high rewards for Māori to acquire tertiary qualifications, particularly degrees. The estimated size of the credentialling effect for Māori is much greater than it is for non-Māori. This is evidence of some positive discrimination in the labour market for Māori with post-school qualifications, but this effect will only be temporary. Māori, especially young Māori who are getting strong encouragement to train beyond school, need to be conscious that the credentialling effect will wane over time.

### *Trade policy*

Māori are more exposed to international markets than they have ever been. No longer are Māori a subset of New Zealand economy; they are now a subset of the world economy. This substantially alters the risk and reward structure that Māori are exposed to relative to the pre-settlement period.

With the Māori asset base almost twice as exposed to international markets, relative to New Zealand overall, the importance of trade policy has increased dramatically for Māori. However, the slow pace of international reform and Māori past experience with liberalisation while 'trapped' in the New Zealand economy means that extra emphasis needs to be placed on forming a domestic trade policy consensus.

A major hurdle is that freer trade has failed to persuade a significant section of society that it improves well-being for its citizens. Some believe that one of the main reasons is that freer trade is counterintuitive. Most people attach an infinite weight to jobs that they lose to trade and a zero weight on jobs created by international trade. For example, in New Zealand, press coverage of jobs lost in Thames because of the removal of car tariffs, was very high — this is despite the obvious gains to the rest of the country through reduced car prices for business and family use. As another example, one sees absolutely no coverage of, or connection between, the success of The Warehouse (and the jobs it creates and household budgets it helps) and the progressive reduction in tariffs.

One positive trade policy episode for Māori was the staging of the 1999 APEC summit in Auckland. Māori were consulted over APEC and what it meant for New Zealand for up to a year prior to the Leaders Summit. A Ministry of Foreign Affairs and Trade staff member was attached to TPK and resources made available for liaison. The process was generally regarded as a successful consensus building exercise.

The 1999 APEC experience highlights the importance of process. With hindsight, more attention could have been paid in the Uruguay Round of GATT to developing a process that involved Māori, particularly when developing New Zealand's position on the TRIPs agreement.

A symptom of this is the current interest of Māori in geographical indicators covered by the TRIPs agreement.<sup>22</sup> According to TPK, the use of geographical indicators is more in line with the way in which Māori communities use their knowledge and could provide a way of protecting traditional knowledge because they:

- are held collectively;

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<sup>22</sup> Geographical indicators protect products with distinct regional characteristics such as French Champagne.

- can be held in perpetuity as long as the collective tradition is maintained;
- protect and reward goodwill, tradition, and reputation created or built up by a producer, or a group of producers, over many years or centuries;
- reward producers that maintain a traditional high standard of quality, while at the same time allowing the flexibility for innovation and improvement in the context of that tradition;
- promote the relationship between culture, land, resources, and the environment;
- are not freely transferable from one owner to another;
- are reflective of the traditional aspects of knowledge created and maintained by indigenous and local communities; and
- are not subject to unconditional control by a private owner.

Careful management will, however, be required to manage expectations of Māori who believe that strong geographic and intellectual property protection will bring an economic windfall. An economic windfall is unlikely to occur because of the relatively narrow range of industries that have successfully harnessed patent protection and other intellectual property devices and because of the advances of 'substitute' technologies, such as biotechnology in providing successful treatments for what have traditionally been incurable diseases. While an economic windfall may not occur, it does not discount the cultural significance of providing protection.

Māori will also have to weigh up the economic implications of supporting the inclusion of geographical indicators as part of New Zealand's negotiating stance. If it precludes the use of certain labels (for example New Zealand-made feta cheese) in industries that Māori have substantial investments in, then the costs and benefits of supporting any particular position will have to be carefully weighed up.

Some highlight the increasing emphasis required in forming a domestic consensus to maintain trade policy effectiveness. The challenge now is to reinvent the APEC success when dealing with

other trade policy issues, with limited budgets. This is particularly important for Māori who place great emphasis on process and consultation.

Furthermore, the glacial speed of trade negotiations means that managing expectations about the likelihood of gains has to be carefully explained. TPK, for example, disseminates this type of information through various hui, business conferences, and regional summits.

The snails pace of foreign trade policy liberalisation is mirrored by New Zealand's own tariff liberalisation policy. Contrary to some popular belief, New Zealand import trade barriers were not removed during the 1984 economic policy reforms. Tariff reductions started slowly in the late 1970s, were sped up during the reforms, and were still being reduced when the moratorium was put in place in 1999. There are still significant import barriers in New Zealand in the form of tariffs, anti-dumping duties and the like. They represent a significant tax on Māori exports and they reduce the value of export specific assets held by Māori. Māori can argue, on efficiency and distributional grounds, for import barrier removal or tariff compensation.

### *Regional and sector strategies*

Māori employment growth over the period 1996-2001 (5.5%) was slightly lower than for total employment growth (5.9%). One of the reasons for this may be the very high number of Māori in tertiary training at present. However, the slower growth may also be related to a major lack of Auckland employment growth for Māori. Nearly half the total jobs were created in Auckland over this period, yet only 12% of Māori jobs were created in this region. See Table 9.

If the Māori economy in Auckland fails to keep pace with Auckland's growth, then a major opportunity is being lost. It may be that outside of Auckland, the Māori economy performs better because of the combination of effective iwi organisations, locally available collectively-owned assets and some production

economies of scale. If many Māori in Auckland lack links with iwi, then perhaps different institutions are needed in Auckland to build a vibrant Māori economy and to provide the skills for greater Māori participation in the economy. At present there are many more questions than answers to the question ‘where is the Auckland Māori economy?’, but with 25 percent of Māori in Auckland, finding those answers is a matter of urgency for government, Māori and business.

On a proportionate basis, the key regions for Māori were the Waikato, Bay of Plenty and Wellington — where the later job growth was concentrated in central government employment.

The analysis in the background technical papers indicates that Māori employment is spread across the primary, manufacturing and service sector in roughly the same proportions as non-Māori. The changes in sectoral employment were the same proportionately for Māori and non-Māori but the regional breakdown was quite different between the two groups, see Table 10. Māori fared very well in the booming primary sector growth in Gisborne and Marlborough and in the growing manufacturing sectors in Bay of Plenty, Hawkes Bay, Marlborough and Otago. Similarly, Māori service sector employment growth was relatively strong in all regions except Auckland, Marlborough, Otago and the West Coast.

## Road ahead

The main premise of this report has been that it is no longer sufficient to concentrate analysis and policy solely on thinking about how Māori fit into the New Zealand economy. In addition, powerful insights and a strong impetus for further development can be gained by considering a Māori economy: a coherent whole comprising its own unique institutions, assets and kinds of economic transactions. This small, but rapidly growing, economy provides a connection between Māori collective aspirations and their economic well-being. This is an economy built around Māori culture, yet highly open to trade with the rest of New Zealand and the rest of the world.

Despite its successes to date, the Māori economy is facing many of the same issues as any national economy: how do we ensure that our institutions become more effective at taking advantage of economic opportunities? How do we get the most from the assets we have? How do we ensure that innovation permeates all aspects of our society, while preserving the key elements of our culture? How do we get the most supportive government policies? This report shows that there is much yet to be done to ensure that Māori economic and social aspirations are reached. Past accomplishments are not sufficient to meet future aspirations.

We believe that the most important contribution of this report is to introduce the concept of the Māori economy into public debate. This concept then itself suggests an agenda of actions for the government, Māori and the New Zealand business community.

The focus on the Māori community firmly places emphasis on Māori institutions. First and foremost, this is a challenge for the Māori themselves. There is a critical need to provide leadership that would mould attitudes and behaviour to fit aspirations. Māori aspire to higher living standards and faster economic development, but cultural attitudes often do not support the activities — such as commercialisation of cultural knowledge — which may be

necessary to meet those aspirations. In order to achieve faster economic development, Māori need to examine how their social and cultural institutions contribute to attitudes.

It is also essential to focus on the need to improve the performance of Māori organisations. Governance is even more important to Māori organisations than to firms in general, because many are built around the permanent holding of certain assets, and do not allow free entry and exit of investors. In this setting, clear feedback on organisational performance, and well-articulated accountability arrangements are the only defence against poor sustained under-performance. A useful model in this regard is that adopted in large agricultural co-operatives, which invest heavily in the development of the next generation of leaders, and in promoting an active role for members in the governance of the organisation.

The analysis in the report also suggests that there is room to consider the establishment of a Māori financial institution, which would manage risk in ways appropriate for the Māori economy, rather than through the standard application of property collateral. Since the institutions of the Māori economy differ from those prevalent in the rest of New Zealand, there may be need for different forms of financial intermediaries. This concept is different from the past experience of setting up a government-funded Māori investment body. Rather, this is an issue for Māori organisations themselves, with an opportunity to co-operate with mainstream banks and financial companies.

More generally, trade with the growing Māori economy offers numerous opportunities to New Zealand businesses.

Finally, this report suggests a broad agenda for government policy in assisting the development of the Māori economy. This is not to say that the government should not continue to be concerned about the role of Māori in the New Zealand economy. This would primarily involve continued investment in improving outcomes for Māori in the labour market. However, this is not enough. While it

will assist Māori individuals, the government can do more to promote Māori collective interests. For example, the government can invest more in helping Māori develop institutional frameworks that would help Māori improve governance arrangements. Finally, the government can promote the development of the third wave of Māori businesses by targeting its own procurement in ways that deliberately build capability in Māori organisations. This is already being done in health and education, but it can be extended to other areas of procurement.