

Successful Development of Maori Land



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Project Report

DEVELOPMENT OF MAORI LAND

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EXECUTIVE SUMMARY

The purpose of this report is to look at areas for improvement in the management of Maori Authorities to maximise the returns to stakeholders from the resources they hold.

Limitations have been identified that are particular to Maori Land and relate to:

Multiple ownership (creating an ever-expanding shareholder base), legislation (that places constraints on management and administration), cultural factors (relating to genealogical descent), political factors (that can influence shareholder votes in the wrong direction), governance (critical to success of any large business), economic factors (many have started with little capital and little likelihood of raising any on the land) and environmental factors (Maori have a strong affinity with the land).

Success factors need to be identified by all stakeholders and the objectives set by the governance committee around a “balanced scorecard” approach. This allows the authority to assess their goals and strategies by identifying key performance indicators that will signal when progress is being made. This approach is no different from any business operation but must include the additional limitations associated with Maori Land.

The key to ensuring success will be achieved firstly by strong governance and leadership. Secondly, by planning to succeed based on all stakeholders, the resources available and competences of the authority, effective management, continued monitoring and reviewing of plans. Thirdly, by looking at diversification based on sound business analysis and lastly, by better utilisation of already-existing Maori networks and the creation of new ones to better promote business excellence and achieve greater profitability from international markets.

My study has led me to conclude that the general health of large-scale Maori authorities is good. They have moved ahead significantly over the last five years whilst under their own control. Much of the success can be traced back to the leadership involved in each authority. While development and investment practices have been undertaken on a conservative basis many of these authorities are now well placed to look at continued long term growth.

Borrowing money secured over Maori land is a very emotive topic. Many Maori leaders believe that government legislation has led to limitations in securing finance for development. From a strict legal viewpoint this is not correct. The limitation to finance is based more on cultural issues and the impact this has on the value and saleability of land. This limitation can be reduced or eliminated by providing evidence of superior management abilities and a secure cashflow.

Whakapiki Tangata (enhancement) and Mana Maori (self-determination) are seen as the key outcomes and values of a Maori authority. To achieve these goals and the longevity of Maori Land ownership, the authority must seek maximisation of profitability from existing resources along with the development of new investments that fit into the strategic direction of the authority. This strategic direction would have considered the expectations of all stakeholders as well as a stock-take of existing resources and competencies.

Strategic planning is a long-term issue and more work needs to be done to protect and develop the future leadership abilities of the authority. Specialist advice must be sort where required and often this will be from outside of Maoridom. But the authority must gain education from every one of these specialists to develop their long-term goal of Mana Maori. More work is required on education at all levels and this is something that is lacking in most of the strategic planning I have encountered in this study.

Strong networks are evident in Maoridom but they are not being utilised to their potential. Development in this area will help both the smaller scale authorities to gain a return from their land assets and larger authorities move to a new level of on farm profitability and international recognition.

Given the current resource base and access to specialist advice, Maori authorities are well placed to undertake significant growth into the future and achieve their key objectives of enhancement and self-determination.

1.0 INTRODUCTION

I have been involved with primary industries production and finance for the last 20 years and have always been both fascinated and frustrated by the scope of Maori Land holdings. My fascination has arisen by the immense scale of farming operations and the underlying power they hold to become major players in the New Zealand economy. But I have been frustrated by the lack of development and failure to utilise some of these great assets to the best use of the beneficial owners.

I see great potential for both Maori owners and their associated business partners in this land asset and as part of this project I want to gain a better understanding of Maori business aspirations. My aim has been to meet and discuss the issues with the key players involved with Maori Land in the Central North Island. This has provided me with the knowledge required to complete my project and also to promote myself to these players as a credible financier, who is seeking a greater understanding of their business so as to be able to provide the best possible solutions to their future financial needs.

My intention is to look at the successful development of Maori Land but to do this I must define from whose viewpoint I have determined success. Key success factors from my European background could be significantly different from that of Maoridom. Goals and objectives could vary between Maori Trustees, Maori Land owners, farm managers and professional advisors.

My starting point will be to look at a background on Maori Land holdings, how ownership of this land is structured and the evolution of this structure. To fully understand the ownership structure, I will look in some detail at the main entities involved in the ownership and management of Maori Land.

I will define my interpretation of Maori Land and review some of the limitations associated with it. To understand what successful development of this land means, I will look at the different key success factors of each of the different stakeholders in the land.

I have then summarised the key avenues to success through three broad areas of Governance, Planning, Diversification and Networking. These findings are then supported through actual case study analysis of operating Maori Authorities located in the central North Island that I believe displayed characteristics of a successful developer of Maori Land. I have included one recent Northland example of what happens when things go wrong.

From this analysis I have drawn my conclusions and proposed some recommendations that can be utilised to help enhance future Maori Land Development.

2.0 A BACKGROUND ON MAORI LAND HOLDINGS

2.1 The History of Maori Land

In 1840 Maori owned 26 million hectares of land but this was under constant pressure from arriving immigrants. In 1865 the Maori Land Court was established under Judge Fenton. The purpose was to individualise land titles to implement alienation for the purpose of sale (Gray, 2001). Traditionally the ownership of land had carried with it a reciprocal obligation in the Maori community recognising that right. With the establishment of the Maori Land Court those with legally defined rights in land no longer had the community obligations. The right to sell an interest in land was established once proof of descent from the original owners was confirmed in the Maori Land Court. Owners did not need to occupy the land or consult with the local community to exchange an inherited interest in the land into an individual gain. This saw the birth of the “absentee owner”, formally unknown in Maori society (Kingi, 2000).

Government assistance for Maori farming started in 1926 and was increased in 1928 when Apirana Ngata became the Native Minister and number three in Cabinet. The land development schemes started in Ngata’s East Coast region but soon spread to other regions. “By 1939 more than 200,000 acres of Maori Land was under development, with 5000 men employed on these schemes.” (Sutton, 2000, p. 184) Ngata also introduced legislation to assist with the consolidation and development of Maori Land through the use of incorporations. “Sir Apirana Ngata saw the organisational structure as a temporary measure to overcome the limitations of communal or multiple title and as a mechanism to organise community-owned land resources. He stressed the importance of the incorporation as a mechanism to facilitate the selection of the most capable members of the Maori community to manage the farming business.” (Kingi, 2000, p 177)

The Department of Maori Affairs, between 1950 and 1990, undertook further Maori Land development. The program developed around 90% of the pastoral Maori Land under Maori Affairs control. This development was generally successful in improving carrying capacity of the blocks. Smaller units were amalgamated into larger economic holdings with the government providing capital funding to do the development and Maori Affairs providing a supervisory role. No dividends were returned to the owners over this period and in some cases the land was under Maori Affairs controlled development for up to 30 years. The system did suffer from the typical government bureaucracy of the time but generally had the properties in reasonable heart in a farming sense. In the late 1980’s Maori Affairs passed control back to the Maori owners of the land. Trustees were elected and governance structures put in place prior to the transfer away from Maori Affairs. Some properties had debt discounted down to a sustainable level under a government-funded scheme and the owners had to seek ongoing finance from the open market. Other blocks passed back into Maori hands with unsustainable debt levels or with no capital provisions to stock the properties. Land outside of the Maori Affairs development, generally smaller blocks of pastoral Maori Land, remained in the control of owners, some of which was successfully developed, and some which has reverted back to natural cover.

Today Maori own some 1.5 million hectares of land with a value of around \$4 billion. Due to succession and fragmentation, many areas have little value and provide little return to their owners. The confiscation of Maori land focused on better quality land and it is estimated that 80% of current land held in Maori title is of the non-arable class and 30% is landlocked. This land bank also includes many areas of unproductive land that is locked up under conservation. There are 25,887 titles nationally with an average size of 59 hectares (Staff, 2002).

Maori freehold land is defined by the Maori Land Act 1993 (which updated and added to previous legislation as defined under the Maori Affairs Act 1953, the Maori Reserve Land Act 1955 and the Maori Affairs Amendment Act 1967). This was enacted to ensure Maori land remained in the hands of its owners. It makes procedures for alienation by sale or lease more difficult than for European freehold land. The Maori Land Court administers all Maori Land. The Court operates in different districts of New Zealand and keeps records of all Maori Land in that district. “To alienate Maori Land, individual owners must apply to the Maori Land Court for a meeting of assembled owners. A right of first refusal must be given to prospective purchases or lessees who belong to one or more of the preferred class of alienees. Preferred alienees are from the bloodline of the alienating owner or another owner of the same block.

The resolution to alienate, if passed, must be confirmed by the Maori Land Court.” (MacDonald, 2002, p. 5)

Maori may transfer land to each other by way of a vesting order or they may succeed to a deceased relative’s land by way of a succession order. Maori Land may only be left by Will to a bloodline relative or whangai (people adopted according to tikanga Maori or Maori custom) and it may not be taken through a relationship property claim. Owners may subdivide their individual shares out of a block by partition order but co-owners have the right to object, as this may lead to alienation.

Maori Trusts and Incorporations manage 64% of all Maori land. Half (751,000 ha) is under the Ahu Whenua Trust and 14% (210,000 ha) under the Incorporation. The largest authorities are on the East Coast of the North Island, Bay of Plenty and the Central Plateau regions .(Kingi, 2000)

Sanderson (2000) describes some land held by Maori Trust or Incorporation with well developed administration structures, governance and management. But other blocks have Trust administration structures that are sub-economic and not well utilised, while further blocks have no administration structures and are generally unutilised.

Figure 1: Summary of Maori Freehold Land Blocks

	Total Area ('000 ha)	Number of blocks	Average Ha / block
Administered Blocks:			
Self Administered	850	650	1,330
Administered by Maori Trustee	150	2,800	53
Small Blocks with Trust Structure	160	2,500	62
Blocks with no Administration Structure	350	17,500	20

Sanderson goes on to explain that of the 1 million hectares in actively administered blocks, approximately 720,000 ha is in agriculture/horticulture, and 250,000 ha is in forest. The rest is in commercial, industrial and residential use. He notes that there is a core of large Maori Authorities which have the scale to be able to take medium term strategic decisions consistent with sound corporate governance and holistic management and enhancement of the taonga, their resources and the overall industry. He believes that as the larger groups develop, there are significant areas of often-related under-utilised land which can be used in expansion, if it can be brought into effective administration.

2.2 Principle Types of Maori Ownership Entities

2.2.1 Maori Incorporation

Maori Incorporations provide a vehicle by which multiple ownership of Maori land can be consolidated. The shareholders of an Incorporation are the previous owners of the Maori freehold land vested in the Incorporation on making the order of incorporation. The incorporation is a legal entity in its own right (a body corporate) and is similar to a company. The committee of Management of an Incorporation is similar to the board of a company.

Incorporations may own Maori freehold land or general land. They have a greater freedom to mortgage Maori freehold land than some other owners of Maori freehold land. However restrictions still apply to the sale and transfer of Maori freehold land.

Owners still retain the shares in the land but management of the Incorporation is by the elected committee of management.

Advantages: Clearly defined Statutory and Regulatory Obligations;
 An ability to manage multiple ownership blocks and stop some of the problems associated with the ongoing succession of Maori Land;
 Less legal liability for management board;
 While subject to the scrutiny and control of the Maori Land Court there is considerable commercial flexibility (which could be a disadvantage in

poorly run incorporations). The incorporation is free to operate more like an ordinary company.

Disadvantages: The larger shareholders can control Elections and special resolutions;
With a succession of shares they are not seen as a Maori Asset;
Statutory/regulatory requirements can be cumbersome and expansive for small blocks;
Can be restrictive as to the activities and objectives;
Keep their own share register, which can be expensive.

2.2.2 Maori Trust

The other main vehicle enabling multiple-owned Maori land to be developed and used for the owners is the Trust. The Trust is an equitable (legal) obligation under which a person having control of the property is bound to deal with that property either for:

- the benefit of definite persons (of whom they may be one themselves) and any one of whom may enforce obligations; or
- for some object or purpose permitted by law.

There must be:

- Trustees who are the nominal owners of the Trust.
- Property of a nature capable of being settled upon the Trust.
- Beneficiaries or a beneficiary.

The Trustees are under an obligation to deal with the Trust property for the benefit of the beneficiaries.

Maori Trusts may own Maori freehold land or general land and have the power to mortgage Maori freehold land. The sale and transfer of Maori freehold land by all trusts is restricted.

The objectives of the Trust are set out in the Trustee Deed. The Trustees are nominated by the owners but appointed by the Maori Land Court. The Maori Land Court does not have to accept owner nominations. The Courts “shall have regard to the ability experience and knowledge of the individual”. The Maori Land Court may also remove an existing trustee or terminate the Trust, as well as vary the Trust Order. The Ahu Whenua Trusts are the main vehicle used to facilitate the use and administration of land for its beneficial owners.

Advantages: Provides an ability to manage multiple ownership blocks and stop some of the problems associated with the ongoing succession of Maori Land;
Provides economies of scale, ease of operation, faster decision-making, creation of a formal internal management structure, and increased negotiating power.

Disadvantages: Maori Land Court has a greater control over the governance of the entity (which could be an advantage in some cases), which, in a well run Trust, can delay decision-making and reduce the commercial reality of some decisions;
Greater legal responsibility for Trustees (which could limit potential Trustees putting their names forward).

2.2.3 The Whanau Trust

Whanau Trusts are trusts to hold land for the benefit of a particular family. They are available to consolidate the land or shareholdings of Maori, even if those interests are already subject to an existing Trust. The Whanau Trusts are designed to prevent the fragmentation of title (by succession), and ensure close family connections with the land. “The assets of a Whanau Trust are to be held, and income derived from those assets is to be applied, for the purposes of promoting health, social cultural and economic welfare, education and vocational training, and general advancement in the life of the descendants of any tipuna (whether living or dead) named in the order.” (Te Wao Tapu Nui a Tane, p. 81)

This is principally the same as the Maori Trust above but is used to consolidate family holdings within a larger entity. Hence a large Maori Incorporation/Trust may have numerous Whanau Trusts as shareholders/owners.

2.2.4 The Maori Trustee

The Maori Trustee is the equivalent of the Public Trustee. The Maori Trustee administers certain Maori reserve land vested under the Maori Reserve Land Act 1955. This land often includes small uneconomic holdings and land that has no registered owners. The Maori Trustee deals with the land as s/he considers necessary for the due administration of the reserve land.

2.2.5 Maori Trust Boards

The Maori Trust Boards have been created by statute to receive and invest the proceeds of compensation payments from the Crown on behalf of particular tribes. (Simpson et al., 1994) They only have the powers vested in them by the statutes under which they have been created. These powers are subject to various limitations and requirements, including Ministerial supervision. In particular, the consent of the Minister of Maori Affairs is required for:

- The sale and purchase of land
- Borrowing on security of mortgages over land or moneys payable to the Maori Trust Board
- Granting guarantees.

Picture 1: Tiroa E and Te Hape B Trusts



Trustees meeting: Hardie Peni, Koro Wetere, Jim Gray and Murdoch Pahi.

3.0 A DEFINITION OF MAORI LAND AND THE ASSOCIATED LIMITATIONS

For the purposes of this paper, I have defined Maori Land as those Maori holdings associated with pastoral activities based in the Central North Island. These holdings include a range of large Maori Authorities with substantial land holdings and management capacity through to marginally economic smallholdings with no administrative capacity.

3.1 Multiple Ownership

With the structure of Maori Freehold title, where ownership has passed from the original owners to their heirs, the number of owners of each block has grown with successive generations. These owners are of the same iwi or hapu (tribe or sub-tribe). This has led to the current situation where most Maori Land has a large number of beneficial owners. As the number of owners increase the proportionate value of the individual share decreases. Under current legislation, the number of owners will continue to multiply for future generations. This creates a number of difficulties.

With a large number of owners, it is necessary to create some form of governance structure to enable the successful management of the block. This in itself can be a problem, as to establish some form of governance/trustee structure over the block they must try to find where all owners are living as a pre-requisite towards getting a vote on the establishment of such a structure.

In larger properties, this governance team would have a clearly defined role outside of the management team, but in many smaller blocks this is not feasible and the committee of management will be expected to fulfil both roles. Management by committee is often difficult and it is hard to attract the right people onto a committee that offers little financial reward.

Voting for trustees can often be manipulated by whanau, with proposed trustees put forward on the mana or standing of the person rather than the business skills of that person. Once elected as a trustee, it is difficult to remove them for poor performance and it is common for them to hold their position until they die.

With an ever decreasing proportionate share of the assets of the Trust, many beneficiaries see little value in providing input into the management of it and move away from the decision-making part of the Trust.

The Maori Trustee has assumed the management of many of the blocks where no suitable governance structures have been put in place, but given the huge number of blocks and the Maori Trustee's limited resources, some of the smaller blocks receive little support. The level of performance of the Maori Trustee will depend on the abilities of the district office and this can vary substantially between districts.

Given the large and diverse nature of the ownership, it will always be a challenge to satisfy the needs, requirements and expectations of all owners. The Trustees have major issues with providing for the demands/wants of the majority but maintaining equitability to all stakeholders. The Trust cannot be all things to all people. It must know its limitations and act accordingly. To succeed, it must ensure a good level of communication with shareholder/owners. A breakdown in communication can result in strained relationships and hinder future development of the land.

3.2 Legislation

"The ownership and management structures used by Maori landowners are the result of government policies introduced almost 100 years ago and current legislation places numerous constraints on management and administration of these operations." (Kingi, 2000, p. 177) Kingi goes on to say that a common criticism by Maori authorities has been the difficulties encountered when borrowing capital as a result of the governing legislation's restriction on the alienation of Maori land to purchases not included in the "preferred alienees" class. This sentiment is repeated by the Kokomuka Consultancy Ltd, in that "lending institutions will, generally, not accept multiply-owned Maori Land as collateral finance." (Staff, 2002, p. 6) And also by Vallance (2002): "this non-tradability places some unique constraints on providing security for financing new investment in growth activities, often preventing it." Vallance goes on to say that this is the reason for much of the leasing or zero development options often chosen by owners.

The requirements of the Maori Land Court can slow the development opportunities of innovative Trusts and Incorporations but at the same time they provide a set of rules and guidelines to assist the poorer performers to achieve better results.

Although the majority of Maori look for preservation of land, there are some Maori owners who would gladly sell their shares in land and invest the proceeds in assets they can directly control. This is also the case in some of the larger authorities, where individual whanau are seeking to move family interests away from the larger trading entity and back into their own control. Legislation and the Maori Land Court can prevent these things from happening.

Legislation has created the plethora of uneconomic small blocks that, under current management, can never hope to achieve a commercial return. The management of these blocks needs to be reviewed to enable amalgamation into larger more economic units or to look at changing the current land use to something more economic.

3.3 Cultural Factors

Maori have a different physiological approach to both the ownership of land and the management of that land. They have a stronger attachment to the land even though the vast majority of Maori landowners will never occupy it or derive a livelihood from it. What they have is a sense of identity in which genealogical descent is the criteria for membership. "For many owners the benefits of the organisation's activities are general and communal, with the overriding objective of land retention by the present generation being to hand on the land to their heirs and successors intact." (Kingi, 2002, p. 177)

Maori take a much more conservative approach to management, which could be derived from the desire to preserve what they have at all costs. Maori will not trade in turangawaewae (ancestral lands) even where the overall benefits for the Trust are obvious. An example of this could be the sale of high value residential zoned land for larger scaled and more profitable pastoral based land, or the sale of number of scattered margin blocks to purchase one economic unit.

Kokomuka Consultancy Ltd believes that Maori land has remained undeveloped because people in key positions are risk adverse. Theories as to why this is the case include:

- Maori are generally concerned to ensure the land remains in the ownership of the whanau and are unwilling to contemplate projects that would jeopardise that security;
- Many Maori landowners have had negative experiences on their land where former Trustees have incurred significant debt or money has been lost, putting the security of the land at risk. These experiences are often associated with having taken big risks:
- A general lack of confidence in their ability to implement a new project. Again, this may be linked to past failures. It is also linked to the preference amongst some landowners to seek joint ventures with other organisations they can rely on.

Vallance (2002) supports this theory with a belief that Maori organisations take a much longer term view than pakeha and commensurately look for lower immediate returns and risk profile.

Making decisions over Maori Land can be difficult and prolonged. This slow reaction time can lead to missing opportunities by not achieving the market timing required to be truly successful.

3.4 Political Factors

As discussed above, the manner in which Trustees are appointed can lead to major skill deficits in the management team. Poor management, and sometimes corruption, can place the Trust in financial strife, which can lead to further conflict and strained relationships. This can be difficult and many beneficiaries may prefer not to become involved rather than face potential conflict. These dysfunctional situations often lead to large amounts of time and energy being wasted on in-fighting and take the focus away from business management.

Political motives can influence the payment or non-payment of dividends. Trustees can seek to generate short-term returns to pay shareholder dividends but, as a result, limit the potential of their

operation by failing to set aside reserves and plan for growth. Others will criticise the whole idea of paying dividends, as they believe the kaupapa enveloping Maori land is that it should be managed for the benefit of future generations.

Maori Authorities can be quite protective of the assets, abilities and information that they hold. This can limit the abilities of different iwi working together for the mutual benefit of both parties.

3.5 Governance

All large-scale businesses today face an enormous challenge to ensure their governance evolves fast enough to meet the challenges of a rapidly changing environment. "Governance and leadership quality is one of the greatest challenges facing New Zealand corporations of all shapes and sizes today." (Vallance, 2002) Large-scale Maori farming organisations are no different.

In many Trusts, there is a general lack of people with the key skills and experience in management positions. In general, Maori do not have a good track record in academic achievement and few receive financial, accounting or management training. (Staff, 2002) Kingi (2000) notes that the lack of governance and managerial expertise among Maori Authorities has been identified as a key factor in their losing ground to their non-Maori farming counterparts.

This problem is magnified by the lack of financial reward for many Trustees, and hence the lack of those who do have the suitable skills coming forward. Many of the right people are expanding their own equity and have little time to devote to Trustee duties.

Many Trustees also struggle to grasp the concept that they are trustees for all of the owners, not for their self-interest. It is also rare to see outside expertise brought into the Trust, unless appointed by the Maori Land Court.

As noted above, larger Maori Authorities have the capacity for clear role differentiation between governance and management. However in many smaller holdings, Trustees must also assume the role of manager, as cashflow will not warrant having a dedicated manager.

3.6 Economic Factors

Outstanding debts on the land, including rate arrears, have been a major issue with many small blocks or marginal land. In some cases, Maori land is under-utilised and making nothing for the owners, so they have been unable or unwilling to meet their rates commitments. The situation is often longstanding and can lead to significant amounts owing, and a lot of time and effort being expended on battles with the council. Even the most enthusiastic Maori landowner can find the initial obstacle of clearing such debts prohibitive. This often leads to frustration and owners giving up on development.

The same feelings of frustration can arise when a family member undertakes the development of a Maori land block at their own cost. When the land has been improved and is showing a good cash return, the other owners seek to gain their share of the profit. This deters family members risking their own capital on development.

Many smaller Maori Land blocks fail to seek out the right advice or support when trying to determine the best use of their land assets. I am unsure as to whether this is an economic factor relating to the possible cost of seeking professional advice, or a cultural factor in a lack of confidence to seek advice from professionals. (Staff, 2002) Some are of the opinion that many advisors are not familiar with the issues relating to Maori Land and that many landowners decide that what is available is not suitable for their needs.

3.7 Environmental Factors

Maori people have an affinity to the land that has been a strong cultural mindset for centuries. As a result, Maori landowners are more likely to pursue sustainable land uses that are going to have a positive effect on the land. (Staff, 2002) This can lead to some unwillingness to use modern

technologies that may not be in the best long-term interests of the land or have an unproven response to the land.

Picture 2: Kokako Trust



Farm meeting: John Perrin (Farm Consultant), Alex Schweizer (Sharemilker) and John Boyes (Bank Manager).

4.0 KEY SUCCESS FACTORS

Key success factors can vary between the different stakeholders in Maori Land. Even stakeholders within the same category can have vastly different opinions on what they consider to be successful achievements.

Land Owners/Beneficiaries:

- Dividend return from their land investment;
- An equitable return to individual shareholders;
- Education grants for the training and development of their whanau;
- Community grants and support of local businesses;
- Creating job opportunities;
- Development of a cultural platform and a tribal identity;
- Retention and guardianship of the land as well as unimpeded owner access.

Trustee/Management Board:

- Protection/retention of the land and growth in the business enterprise to match a growing shareholder base;
- Strength of Balance Sheet and trading profitability to provide financial independence to be able to assist with community growth and self-determination of tribal interests;
- Correct governance structures that ensure the success of business operations and minimise liability of Trustees/Directors to litigation proceedings;
- Remuneration of Trustees/Directors and Management to ensure the right calibre of applicant for these positions.

Farm Manager:

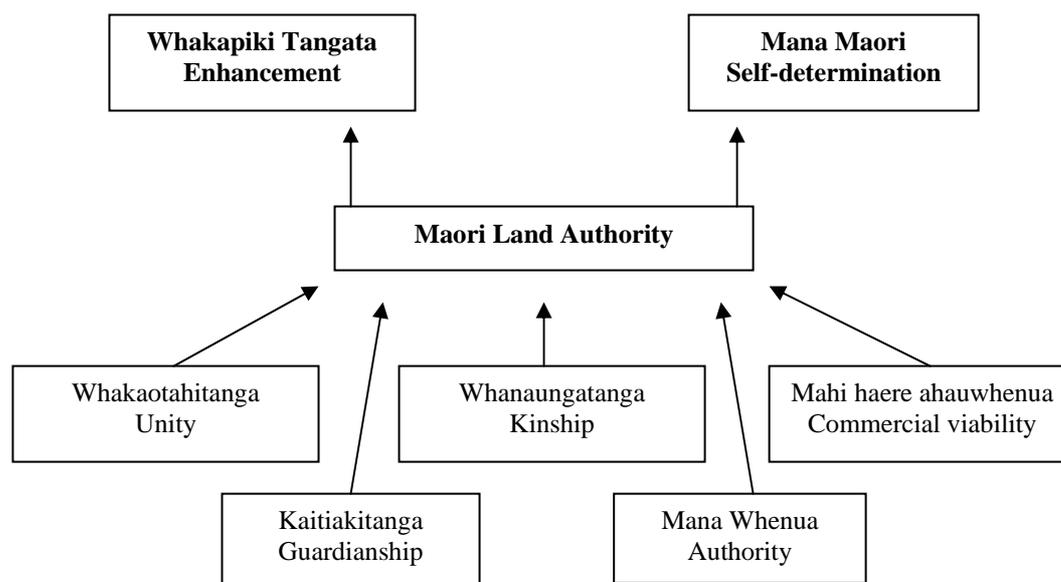
- A network of opportunities to expand within the Authority;
- Timely decision making to take advantage of market/climatic opportunities;
- Provision for seasonal cashflow requirements and future growth in farming operations;
- Capital investment in areas to sustain and improve farm production;
- Flexibility to manage the farmland without interference from other interests (ie Trustees/Directors or Land Owners).

It is obvious that many of these success factors are common to each stakeholder but that others are mutually exclusive. Kingi (2000) notes that the sense of community and kinship is evident because the organisation exists for the benefit of a community with common values and ancestry. He describes these values as whanaungatanga (kinship) and whakakotahitanga (unity). Also, that both owners and management authorities place a strong emphasis on the guardianship of the land (kaitiakitanga) and retention in the hands of the owners (mana whenua). But that farm managers place less emphasis on sustainable land use and income for whanau needs. The whanau connection with the land can be encouraged by participation in a wide range of activities to help create an environment that strengthens identity (mana whenua) but these activities may lower productivity and profitability.

My experience would show that top farm managers have a strong affinity with the land and would generally seek to provide long term sustainable farming systems. Many farm managers have been in place for 10 to 20 years and treat the land as their own. This area could however come under some pressure if Maori Authorities have provided remuneration based on factors that are derived from short-term profit policies. Also, I would conclude that most farm managers would have little desire to see funds required for the management of the farm diverted to whanau needs. If, however, the farming operations have been adequately covered, the provision of whanau requirements could actually help achieve one of the farm manager's key success factors by helping to provide him with the flexibility to operate without interference from land owners.

Kingi identifies the two key outcomes in evaluating the success of Maori Authorities as enhancement (whakapiki tangata) and self-determination (mana Maori). These outcomes are underpinned by the following principles or values: unity (whakakotahitanga), kinship (whanaungatanga), commercial viability (mahi haere ahuhenua), guardianship (kaitiakitanga) and control/authority (mana whenua). These elements are represented in Figure 2 below.

Figure 2: Key Outcomes and Values of Maori Authorities (Kingi 2000)



- Whakapiki Tangata (enhancement) recognises the importance of focusing on the benefits to the land owners and wider community. It emphasises that land development cannot occur in isolation from the enhancement of Maori people in areas of health, education, cultural identity and socio-economic status.
- Mana Maori (self determination) recognises that development must be undertaken in a manner that is consistent with Maori aspirations and cultural norms (tikanga). While retention of land is important, so is the desire to be more involved in the industry. Although owner representatives govern Maori Authorities, many of these owners lack the management skills and experience to be fully involved in the control of the organisation. The number of Maori employed as farm managers, consultants and other service providers is low, and as a result the influence of Maori within the industry is marginal.
- Whakaotahitanga is the unity of purpose that is realised through the cooperation based on whanaungatanga (see below) and identifies the strength of whakapapa (genealogical links) between groups. While differences between individuals and whanau are respected, whakaotahitanga promotes the pursuit of common goals.
- Kaitiakitanga is the act of guardianship, preservation, fostering or protection. While this definition is correct to a point it does not adequately describe the depth of the relationship between Maori and the environment. At the centre of this relationship is the belief that man and the environment are genealogically connected - ranginui (sky father) and papatuanuku (earth mother). This environmental whanaungatanga relationship is reinforced every time someone stands to give a formal introduction in Maori, as individual and tribal identity is conveyed by reference to features of the landscape and natural environment.
- Whanaungatanga is the relationship that binds whanau, hapu and iwi together through common ancestry and unity of purpose. The expression whanaungatanga is usually in the form of obligatory actions of sharing and support and the sense of belonging. Receipt of these benefits is on the expectation that the individual share the responsibilities of the whanau.
- Mana whenua is the legitimacy to control, manage, administer and act with authority over land.
- Mahi haere ahauwhenua is the development and management of the land resource. The commercial focus is a critical part of the organisation, which, if neglected or under resourced, undermines the organisation's ability to meet its non-commercial objectives.

Kingi believes the key outcomes and values outlined in Figure 2 provide a framework where the critical factors important to Maori Authorities can be accounted for when assessing their performance. Each of these factors will have indicators that the owners and/or management can use to measure the organisation's progress. While there will be similarities between Maori Authorities, individual indicators will vary for each of the organisations, depending of the goals and objectives of the organisation. Kingi states that it is uncommon to have these performance measures included in any

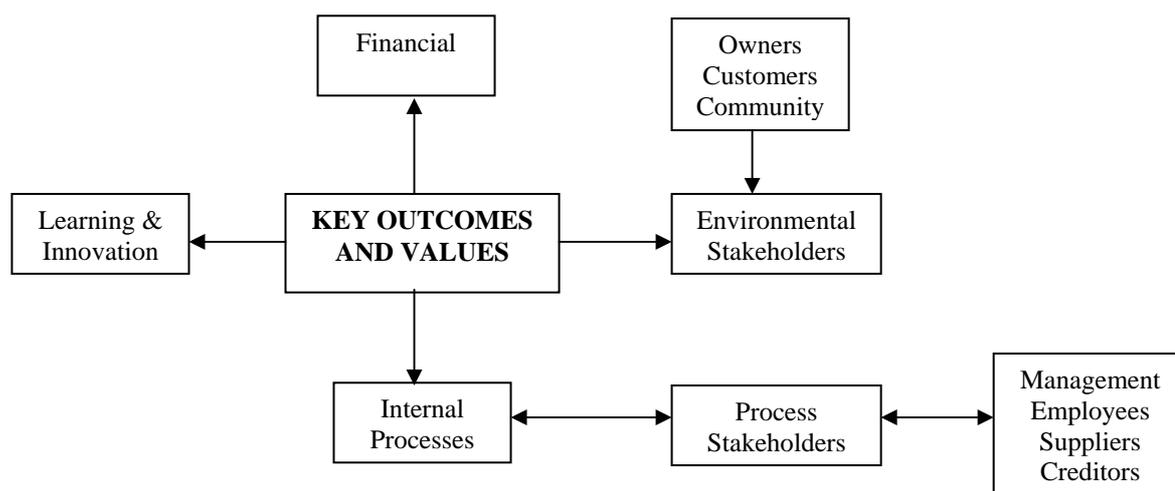
formal assessment by landowners or managers. He concludes this is due either to a lack of guidelines on how to use these factors as indicators, or that the process of identifying these factors is not well known in the farming sector.

Johnson and Scholes (1997) discuss the idea of stakeholder mapping, which can be useful for both identifying stakeholders and for establishing political priorities in terms of managing stakeholder relationships. They conclude that the management of any company must include an understanding of how the political and cultural issues of the organisation impact on strategic decision-making.

This is supported by Vallance (2002), who states that the challenges of meeting the varying demands of different stakeholders is really no different to the new wave of “triple bottom-line goals” now increasingly being focused on by modern corporations. “They are all seeking to embrace enduring values that will promote their longevity.”

“Kaplan and Norton’s “Balanced Scorecard” enables businesses to assess their goals and strategies by identifying key performance indicators that would signal whether progress was being made. The model focuses on four key elements: financial health, meeting customer demands, getting the business process right and the ability to change and improve.” (Kingi, 2000) Kingi has expanded on this framework to include two additional elements that focus on two groups of stakeholders: environmental and process. Environmental stakeholders include customers, owners and the community, while Process stakeholders are made up of employees, management and others involved in the functioning of the business.

Figure 3: Holistic Evaluation of Maori Authorities: Whakauranga Framework (Kingi 2000)



Identification of the stakeholder groups, particularly the environmental stakeholders, enables the values of landowners to be more explicit and also allows the organisations to define the relevant key indicators. Ponter (2000, cited in Kingi, 2000) defines one of the main issues as being the lack of a formal strategic planning process used by trusts and incorporations leading to a difficulty in defining and identifying the indicators. This appears to be a general weakness characteristic in a majority of farm businesses. (Rawlings et al, 1999, cited in Kingi, 2000)

5.0 AVENUES TO ENSURING THE SUCCESS OF A MAORI AUTHORITY

As described above, success comes in many different forms and will vary with the stakeholders' expectations of success. I will look in depth at some of the areas that will assist to provide the framework to enable a "Balanced Scorecard" approach to success. A fundamental of my analysis is that the organisation must operate at a profit to ensure sustainability.

5.1 Governance

"Good governance plays an important role in protecting shareholder rights, helping to maximise shareholder value over time and assisting the creation of vibrant, dynamic and successful corporations." (Staff, 2001) Sound governance must be in place before any policy or planning can be implemented to ensure the long-term success of the organisation.

5.1.1 Guiding principals to good governance

- a. The objective of the board, working with management and on behalf of the shareholders, is to build a strong, healthy, competitive corporation that maximises shareholder value. The board's role in this process includes:
 - Choosing the CEO, and ensuring that the senior management team is sound, focused and capable of successfully managing the entity.
 - Setting the broad parameters within which the management team operates: including strategic planning, defining a framework for monitoring and managing business risk, approving major corporate decisions and approving communication policy.
 - Coaching the CEO and the management team (ie the board should provide direction and advice, not do the management's job).
 - Monitoring and assessing performance and taking remedial action, including replacing the CEO, if necessary.
- b. Behaviour is more important than structure. A healthy governance structure will be built upon four pillars:
 - A clear understanding of the role and responsibility of the board – one that is shared by owners, directors and managers, and respected by all three. Every board should have a charter that sets out its responsibilities. This charter should be disclosed to shareholders and this will provide the framework that the board works towards.
 - It is important to consider how boards can effectively fulfil their key responsibilities. Meetings need to be designed and resourced to allow the board to look forward, to consider strategic developments that affect the business, to understand the business risks and how they are being managed, and to perform its coaching role by challenging management in a constructive and positive way.
 - It is important to explore how the capacity of boards to govern well can be increased through such means as the selection, training and assessment of directors. Effective governance depends on effective directors. A successful board will combine diverse talents and experience into a cohesive, focused team. Selection of competent, qualified directors/trustees is essential if boards are to do their job well, but all too often board members "are chosen on the basis of relationships rather than competencies and independence." (Staff, 2001) Leadership is critical, but so is a common appreciation of what is expected from board members.
 - The accountability of boards to shareholders should be enhanced. Board accountability to shareholders is monitored primarily through disclosure, including regular financial reports, material information and information about governance processes and how the board fulfils its governance responsibilities. This level of accountability can be further enhanced by the work of the audit committee of the board.
- c. Disclosure is preferable to regulation. Regulation is appropriate where it is desirable to enforce certain minimum standards but there is no single, best model for effective governance. Different corporations will have different needs at different times, and truly effective governance will find the best way to anticipate and meet those needs. Guidelines are preferable to regulations, and meaningful disclosure of behaviour against guidelines is the best approach to improve governance over time. All boards should provide full and complete

disclosure of their governance practices in relation to the board's charter and each of the guidelines. These statements should go beyond simply indicating whether or not the board complies with the guidelines, but should discuss the processes used by the board to fulfil the functions that the guidelines suggest are important.

- d. Governance is important for smaller entities as well as larger ones. But what is truly important are the principles of good governance and the behaviour that gives effect to those principles, rather than any given set of structural arrangements. Smaller entities must be flexible in the implementation of governance to ensure they do not overburden the board with costly and inappropriate imposed structures.

5.1.2 Role of the Governance Body

The governing body must ensure they have know whom the organisation should “be there to serve and how the direction and purposes of the organisation should be determined.” (Johnson & Scholes, 1997) To do this they must identify the business of the entity. They must create and maintain the objectives/focus of the entity with an understanding of the expectations of all relevant stakeholders. They will determine the vision of the entity and from this create business strategies. These strategies will determine the management policies to be implemented to achieve the entity's objectives. They will monitor, review and revise policies to ensure they are meeting the ongoing objectives of the entity.

5.2 Planning

Planning is critical to the success of any business and appears to be one of the main points of differentiation between highly successful Maori Authorities and those that have failed to achieve. The plan must reflect the vision of the board and enable the board to monitor achievement against key performance targets. Strategic Planning provides the leadership role required of the board and gives a clear indication to management of what should be addressed during the preparation of Operation Plans. Strategic Plans would generally cover a three to ten year period, and provide a vision of where the board wants to head. Operational Plans typically cover a 12-month period and cover how the entity will get there. If opportunities arise outside of the strategic plan, they should not be embraced without serious consideration. For the planning process to be a success, the entity must have a good understanding of a number of issues.

5.2.1 Stakeholders

All stakeholders must be identified and their expectations understood. The governing body must balance the expectations of these stakeholders and determine the best way to achieve a “Balanced Scorecard” for all stakeholders. This approach must reconcile both short and long term objectives of the entity.

5.2.2 Resources

“A resource audit can be a useful starting point in understanding strategic capability. It attempts to assess the inherent strength of the resource base – the quantity of resources available, the nature of those resources, and the extent to which the resources are unique and different to imitate.” (Johnson & Scholes, 1997) These resources are grouped under four headings:

- Physical resources: an assessment of the organisation's physical resources, to help determine the usefulness in gaining competitive advantage (land, stock, location, soil type, climate, access to markets, etc);
- Human resources: an assessment of the number and types of different skills within an organisation, as well as the adaptability of these resources;
- Financial resources: an assessment of the sources and use of money, such as obtaining capital, managing cash, the control of debtors and creditors, and the management of relationships with the suppliers of money (eg bankers, JV partners, etc);
- Intangibles: this is an area often overlooked in resource analysis and would relate to “goodwill” in a conventional business sense. For Maoridom, this could be the mere fact of “being Maori” as a point of differentiation to capitalise on market opportunities.

Johnson and Scholes go on to note that the audit should include all resources which the organisation can access to support its strategies, some of which may be outside the organisation's ownership, such as its network of contacts or customers. Also that, although the audit must be comprehensive, it is important to identify the resources which are critical in underpinning its strategies – in contrast to those which are necessary, but which are not the means through which the organisation's advantage is built (see Figure 4).

5.2.3 Competencies

The difference in performance of different Maori Authorities with similar resource bases is generally determined by the way in which these resources are deployed to create competencies in the organisation's separate activities, and the process of linking these activities together to sustain excellent performance. The authority will need to achieve a threshold level of competencies in all of its activities, but some of these will be core competencies. These core competencies will be the building blocks for the future of the authority, and provide its competitive advantage or its ability to outperform others. (see Figure 4)

Figure 4: Resources, competencies and competitive advantage (Johnson & Scholes, 1997)

		LINK TO COMPETITIVE ADVANTAGE	
		Easy to Imitate	Difficult to imitate
RESOURCES		Necessary resources	Unique resources
COMPETENCIES		Threshold competencies	Core competencies

5.2.4 Management

Management is responsible for the day-to-day management of the entity. They must take the strategic plan as determined by the governing body, and turn this into an operation plan. Successful management requires key skills. If these skills are not available within the current resources, it is important that the right people are brought on board to ensure success. It is not essential to have a management team that is skilled in every area of management, but it is essential that the management team does know when they require outside assistance to provide the resources they need (eg farm management consultant, investment advisor, accountant, etc).

5.2.5 Monitoring

Without an adequate monitoring process in place, planning is meaningless. Goals, aims and objectives must be realistic, achievable, specific, time bound and measurable (SMART). Monitoring will provide the necessary feedback to review progress and to determine what actions are required to keep the entity moving in line with the desired goals. The governing board must set the key performance indicators on which the entity's success will be judged and should act promptly if management fail to achieve the desired outcomes.

5.3 Diversification

The key areas of primary sector diversification are to spread the risk of your investment. This may mean investing in different regions to minimise the risk of climatic disaster or investing in

different stock groups to limit exposure to commodity volatility in any one particular income stream. A second category of diversification for Maori Authorities is to look at different land uses which actually provide a return from their land holdings, enabling them to derive a better return from that asset than under their own management. This is diversification away from the standard land uses, but may be the only income stream for the authority and would generally be associated with smaller marginally economic blocks.

I have briefly summarised some of the key on-farm areas for this diversification but have not attempted to look at any off-farm investments, which would provide a significant range of options.

5.3.1 Forestry

Both large and smaller scale Maori Authorities have used forestry investments as a form of diversification. Many have undertaken Joint Ventures with forestry companies or investment houses, where the authority provides the land resource and the investor provides the capital to develop the forest. Returns from the harvest are then split on a percentage basis in relation to the capital invested by each party. Although returns have not been high, some of the larger authorities have used the proceeds from the initial tree harvests to fund subsequent rotations, and have moved away from the necessity of having a capital funding partner. With good management, this process has allowed for significant growth of the Maori authority asset base.

5.3.2 Cropping

Crop diversification can be undertaken from both a hands-on perspective or on a joint venture basis. Authorities with the right resources can look to develop large scale cropping ventures in the form of maize growing, or more specialist vegetable crops such as potatoes. In either case, the crop can be grown directly by the authority, or grown on a joint venture basis with a specialist grower, or by leasing the land directly to the grower.

5.3.3 Horticulture

Horticultural options are similar to cropping above, but will generally require a larger capital investment to get started, and a longer lead-time until a cash return is generated. Resources will determine the range of options available. This has proven to be a sound investment for many Bay of Plenty authorities that have diversified into kiwifruit. Many opportunities still exist in avocados, berries, nuts and some flowers.

5.3.4 Dairy

The conversion of land to dairy farming has led to significant growth in many Maori Authorities over the last decade. Future growth will be more restrictive with the large share contributions now required to secure dairy company shares. The further development of suitable land will however remain a successful option to many Maori Authorities.

5.3.5 Intensification

The development intensive beef fattening systems has allowed for the significant increase in production per hectare on many beef units. The high return on investment in this area at current beef schedules will see this area of diversification continue to develop. Further intensification can be gained by increasing/changing the genetic merits of the stock being run (i.e. higher fertility ewes to increase lambing percentage).

5.3.6 Deer

Deer farming has displayed a volatile history of market returns but now appears to be a more mature and growing market. Given the strong returns per stock unit, and the ability to run large numbers of stock per manager, this form of diversification will continue to grow.

5.3.7 Organic/NZ Fresh

Provided management levels are strong and good systems are in place, I see a strong future for producing specialist product to meet these niche markets. Current market returns are not high enough for large investments in this area, but good returns could be developed with successful marketing campaigns on the international market.

5.3.8 Nature/Cultural Tourism

Still to be fully developed within Maoridom, this has potential to utilise some of the large nature reserves as a tourist feature and to fully capitalise on the unique cultural advantage of being Maori.

5.3.9 Aquaculture

Historically, this has been a specialist area for Maori, being one of their major food sources. The industry is still being developed but strong profitability has been displayed. If the industry moves forward with the right market development, this would be a major area of future potential.

5.3.10 Energy

This is a limited but potentially exciting and highly rewarding form of diversification. The most successful energy development by a Maori authority is the Mokai Geothermal Power Station near Taupo, but options exist to develop smaller hydro schemes on-farm and linked into the local power grid.

5.3.11 Viticulture

This would now appear to be a quite mature industry but is very specialist in nature. It has high up-front capital costs, but could be a good form of diversification on a limited investment with secure contracts in place for harvest.

5.3.12 Grazing/dairy lease

For smaller blocks with multiple land ownership, it can be extremely hard to raise sufficient capital to start a development program. Many of these blocks have resorted to leasing options. In some instances these leases may involve no cash return but solely provide for the development of the land. Other options provide a cash return that is set aside to provide capital to stock or develop the land further to allow a return to owner management.

5.4 Networking

Maori authorities need to continue to develop closer working relationships and business networks with each other. Many authorities, located in the same regions, already work together for mutual gain but there is still a lot to be gained by developing better transfer of information and utilisation of existing business skills across the different Maori authorities.

5.4.1 Purchasing/selling Groups

One of the easiest gains can come from forming buyer (fertiliser, animal health products, etc) or seller (stock, timber, etc) collectives. This allows the group to negotiate better pricing based on the purchasing/selling power of the whole group, versus that given to the authorities on an individual basis. Care must be taken in the formation of these groups that the administration costs do not outweigh the potential benefits. For some items, this is a very cost effective networking opportunity.

5.4.2 Farm Joint Venture Development

Many larger authorities are well placed to assist smaller units with the development of their land. In some instances, the opportunity may arise for two smaller authorities to amalgamate operations for better economies of scale while still retaining independent ownership of the land.

5.4.3 Information Sharing

Many of the authority shareholders have interests, directly, or through family connections, in a number of Maori land owning authorities. Larger authorities could take a more active role in developing the skill base of their smaller regional neighbours. This could be in the form of sharing latest farm technology through more on farm discussion groups, or training workshops for shareholders on business related issues.

The top performing authorities should be actively seeking to compare themselves with similar scale conventional farmers as well as other Maori authorities. They need to gain leading edge technology from all sources that are available.

5.4.4 Product Development, Processing and Marketing

The branding potential of Maori agricultural products is yet to be effectively utilised. Authorities should be looking to form joint venture operations to explore the development of this branding potential in selective world markets. This would be followed up by selection of suitable agricultural products that could be sold and this brand. Once markets have been

identified processing/manufacturing facilities would need to be established and supply contracts negotiated with foundation Maori authorities.

Picture 3: Te Hape B Trust



Organic beef cattle grazing on the organic unit of Te Hape B.

6.0 CASE STUDY EXAMPLES OF MAORI LAND DEVELOPMENT

There are many examples of successfully developed and run Maori Authorities, but I have chosen to detail some that display some of the key characteristics I discussed above.

6.1 Pouakanui II Trust (Taylor, 2002)

This Trust farms approximately 3,800 effective hectares in the South Waikato. The dairy system includes 12 sharemilkers who milk 6,000 dairy cows and the sheep and beef unit runs 16,000 su. Turnover is almost \$5.5m.

The Maori Land Court reduced the number of Trustees to two in order to increase accountability and streamline the decision making process. The Trustees, Ron Mark (MP) and Kingi Smiler (Accountant) acknowledged that they did not hold a strong farming background and have appointed a third trustee, Jim Cotman, who is a farmer and heavily involved in quality assurance and land care activities.

The Trustees see their responsibility is to create the strategic direction of the business, and they have delegated management responsibility to a supervision team.

The management team of three that report to the Trustees are:

Scott Gretton, farm consultant, AgFirst, sheep and beef supervisor and convener of the management team;

John Hall, farm consultant, Agriculture NZ, dairy supervisor;

Tom Wallace, accountant, Staples Rodway, finance.

Given the size of the operation, they have adopted a strong business planning and communication process. The Trust has a 5 year plan which will ultimately decide the fate of the current management team by their success or failure in meeting its objectives.

Strategic goals include:

- Profitability and growth of the farm and its ability to return a dividend to shareholders;
- Focusing on the shape of the farm in the future;
- Protection and enhancement of the land asset is very important (retention of ownership);
- Pride in the business;
- Desire to be seen as industry leaders and to be involved in separate industries.

Historically the trust had been run under inflexible management with modest production levels and with ad-hoc reinvestment back into the business. Now it has a strong planning focus:

- The team takes out two days annually to plan operational priorities and activities;
- They seek both solicited and unsolicited feedback from sharemilkers and farm managers;
- Once the Operational plan is drafted it is passed to the trustees for approval;
- This plan forms the basis for negotiation of objectives that sit alongside the management team's contracts (allows good cost/benefit scrutiny);
- Once finalised, it is critical that sharemilkers and managers know the focus for the year. As it is difficult to please everyone, it is important to let grievances be aired so they can be dealt with.

A 15% return on investment must be demonstrated to justify the planned spending (strong business focus).

Staff/sharemilkers must be in place to capitalise on the investment that will be made before money is allotted to specific uses (i.e. skill levels, cow numbers, etc.). The general level of commitment and enthusiasm of the individual is also a consideration.

They have established a monitor farm program on the dairy side of the operation. While this provides benefits to Pouakani, it also helps the wider community with a focus on improving the profitability of dairy farming in the district. The project is very much focused on the sharemilkers, as a key philosophy of the business is that if the sharemilker benefits, then this benefit will flow through to the Trust. And taking this one step further, good performance and good facilities allows recruitment of better people – the critical element in success.

The change in management has seen a change in attitude and has created a partnership between sharemilkers, farm managers and owners. This has helped lift dairy production by 600,000 kg MS in three years and there has been a similar level of improvement on sheep and beef units with increased lambing percentages and meat production.

Key points from this case study have been the business disciplines, especially the time devoted to planning at a strategic and then operational level, to provide a clear focus to management and staff. Also maintaining a clear distinction between governance and management and their

responsibilities, as well as the ability to identify resource weakness and recruitment of skills required (i.e. professional trustee and management team). They have identified the recruitment of staff as a key success factor, and have also taken steps to assist their staff and local community improve production skills, which will flow through to providing greater productivity for the Trust.

6.2 Tiroa E & Te Hape B Trusts

This Trust farms a total of approximately 10,700 ha (8,000 effective) at Benneydale, in the central North Island. The operation is divided into four separate stations, each with their own farm manager. Total carrying capacity is around 85,000 stock units of sheep and beef.

The Maori Land Court appointed trustees in 1996 to solve disagreements amongst trustees, nepotism and dissatisfied shareholders. They needed to provide the right management skills to stop a deteriorating financial performance.

The Trustees, Jim Gray (Professional Trustee) and Koro Wetere (ex minister of Maori Affairs) both had experience in the management of large scale farming operations, but also brought in other skills. The court appointed Jim Gray to use his military skills to run the operation. Jim is the CEO and he has reviewed the business structures and systems. He provides the link between farm management and trustees. He is required to overview the position, coordinate activities and monitor performance. Koro Wetere has special skills in politics and has played a major role in dealing with shareholder issues and political relationships.

At a later date, the Court appointed a further four advisor trustees to plan for succession. One suffered a stroke and retired while the second was relieved of duties due to other work commitments. This has left Hardie Peni (tourism operator) and Murdoch Pahi (Minister of Education overseer between the Ministry and the Maori community) to complete the governance team.

Farm supervision is seen as a key area for the Trustees and the supervisors' responsibility was increased under the new Trustees. Performance and accountability structures have been put in place for managers, and are monitored on a monthly basis by Trustees. Animal and pasture breeding have been a focus of the management team, and training/education has been provided to continue to up skill farm managers and staff. This education includes regular field trips to high performance units around the North Island. This has led to the development of a techno-grazing bull unit. The current farm supervisor is Peter Livingston, AgFirst Rotorua.

The majority of financial work is completed in-house, with monthly financial reporting and the use of Desk Banking software. Tony Steel from KPMG Hamilton is used to complete the final preparation of annual accounts.

Strategic planning is centred on providing sustainable wealth for beneficial owners. This will be achieved by "being the foremost leader in the Sheep and Beef industry through using innovative methods and modern technology". They are working to consolidate on their existing core business activities, to fully develop existing resources, and are looking for complimentary investments to give better efficiencies from the existing operation (i.e. more finishing country to allow finishing of stock on a year round basis). They want to become a stand-alone operation.

This strategic vision has led to investment in the meat exporting sector, through a 50% Joint Venture in Outlands Export Ltd. Outlands is a Hamilton-based company exporting natural low fat beef (96 – 98% fat free) to the United States and Asia. It has targeted the high-value Californian health food market. The company has been operating since 1999 and employs 17 people. (Staff, June 2002) The JV has provided some challenges, with a conflict in the company's shareholders' philosophies, but it has provided valuable experience in a sector which the Trust can see future potential in. All stock is sourced through the Trust, and organic marketing initiatives has led the Trust to develop an organic block on part of one of its stations. The long-term aim is to have the meat exporting company as their own vehicle, to market their own product directly into international niche markets (with USA and Asian markets the main focus).

The Trust aims for a 12 - 15 % return on investment ,but will move outside of these guidelines if the investment can support the existing operation. They will look at the purpose of the investment and determine how it fits into the overall strategic plan. Many high return investments have been passed up, as they do not fit with core business activities.

Another key investment decision is the risk to the corpus if that particular investment fails. The Trust must always have a fallback position. Due diligence must be completed prior to any investment, with all benefits and risks fully explored. It would not be acceptable to invest such funds that could ultimately put corpus operations at risk in the event of failure.

Key points from this case study have been the use of formal structures and systems to put in place accountability benchmarks. These measures are used for monitoring on a monthly basis to drive performance. They have highlighted the importance quality staff and the provision of training and education to increase performance. The Trust is consistently looking for new opportunities and innovative methods. They have looked outside of the traditional areas of expansion (ie land purchase) to focus on areas that will provide a self-contained operation and give them control over the marketing of their produce. They have been willing to work on a JV basis until they have developed the necessary skills to run the marketing operation themselves.

6.3 Tuaropaki Trust (NZ Herald/Staff August 2002)

Mokai geothermal power station is owned by the Tuaropaki Trust, which owns 2700 ha of land around Taupo and has 1700 Maori beneficiaries.

Hot springs within Tuaropaki lands at Mokai have been used for medicinal, bathing and cooking purposes for 200 years. The existence of a significant geothermal resource was confirmed when the Crown drilled investigation wells in 1982-83. The Trust purchased the Crown's interest in the wells in 1996, and decided to develop the resource in stages. ORMAT of Israel was contracted to build the plant and it was opened on 18 March 2000. It is the largest privately-developed and owned geothermal project in New Zealand, and the most modern and advanced plant of its kind. It generates a net output of 58 megawatts, which is currently sold to Mighty River Power Ltd. The original investment was \$130 million for a station producing power. They are currently looking to invest a further \$40 million to take the station's output to 100MW, with potential to double this capacity. For comparison the gas-fired Otahuhu B power station produces 380MW, and the Clyde Dam 432MW. The trust was the first indigenous group in the world to raise finance for such a project.

Key points here are the vision to analyse the best use of resources available to maximise shareholder return. The Trust has moved from being a large-scale primary producer to also include a major energy generating business. The strategic vision has been put into practice in a timely manner and on a genuine corporate footing with major finance lines and use of international expertise to complete the project.

6.4 Parekura Land Trust (Staff 2002)

Parekura Land Trust own Waotu South 18, which is a 274 ha property beside Lake Arapuni in the South Waikato. The property has about 500 shareholders and is leased to three different leasees. In the early 1990's the block was mainly scrub and weeds, with some old wilding pine trees scattered around. The block was held in multiple ownership and the trustees found getting credit for farm development difficult. A plan was put to the Trustees to use capital from the felling of mature trees on the property to provide fencing, gates and a stock water scheme. With the backing of local kaumatua, the farm has developed steadily since. Over the last 10 years, 54 ha of gully and stream banks have been retired, about 13,000 trees planted, and the original eight paddocks have been divided into 60 with stock water to each. All posts, battens and gates have been made from timber off the property. Advice was sort from Environment Waikato on areas to fence and plant to protect water quality. The work has included fencing off 6km of lake frontage and the creeks running down to it, and planting eroding washouts. Trees planted include pines, blackwoods, eucalyptus, lusitanica and macrocarpa. A 35% subsidy was available to protect the Lake catchments. The Trust employed local workers for the project and taught them how to fence and prune. Lessees have had immediate benefit of fencing and water. Owners are now proud of the block and have an asset for future income.

Key points to note here include the use of existing resources to create the opportunity to develop the land (selling trees to finance development, using lease income to assist cashflow for development and utilisation of regional funding to help achieve environmental objectives). The development has improved the value and income generation from the block while creating an environment to protect water flowing into Lake Arapuni. The project has helped local people by providing work and training. This is a good example of a smaller scale project that has achieved Whakapiki Tangata (enhancement) and has placed the property in good heart to provide further Mana Maori (self determination) in the future through leases to individual shareholders.

6.5 Matauri X Incorporation (Carter, September 2002)

Located at Matauri Bay, Northland is 500 ha of coastal land, owned by up to 500 shareholders of Matauri X Incorporation and home to 100. The land, valued at \$9m, has been used as security for a failed water-bottling venture. The land was used as security to raise \$2m for shares in an investment company that owned most of the shares in Whakatane firm, Eternal Waters. The investment was expected to return up to \$18m over six years, but has lost more than \$2m. The firm was placed into receivership and has now been closed. Matauri X's debts now total \$3.75m and the tenure of their land holdings is at risk. Large shareholders knew nothing of the investment and believe they should have been consulted prior to investing such a large share of their asset base in an unproven venture.

Key points to note are the obvious lack of communication between the management committee that undertook the venture, and key shareholders. This investment appears to have placed the body corpus at risk by the scale of funding required in relation to total assets. The large discrepancy of expected profits verses actual losses would suggest that proper due diligence was not carried out. Given the high returns on offer, it would have to have been considered a reasonably high risk venture.

Picture 4: Tiroa E Trust



Trustees farm inspection on Waipa Station, Bennydale.

7.0 CONCLUSIONS

In general, the operational business health of large-scale Maori authorities is in good heart. This development has taken longer than it should have, given the large investment the government has made in providing resources to develop Maori land, but I believe the associated government bureaucracy and lack of accountability wasted much of this investment.

The large scale Maori Authorities I have studied have moved ahead significantly over the last five years while under their own control. This improvement has come through strong leadership, a strategic and planned operational structure, and investment into areas where the authority has a competitive advantage.

The Maori authorities have many limitations, not associated with privately-owned European land, that have arisen through legislation or from cultural issues. The key to managing these limitations and developing a successful operation is to identify the key stakeholders. Once they are known, and what the expectations of success are from these stakeholders, then the governing committee can formally plan around an agreed set of objectives. The measure of success will be the achievement of these objectives. My fundamental belief is that the authorities must run at a profit if they are to survive, and financial indicators must be high on the list of objectives for a sustained operation.

The success of any authority will start from the selection of Trustees/Directors. These people will recruit the management team, who in turn will engage the right staff to ensure the successful operation of the authority. Trustee/directors must continually monitor and review performance. They must ensure that management teams provide the ongoing utilisation of investment funds in areas that meet the authorities strategic objectives to provide income generation and asset growth for future generations, while at the same time meeting the immediate needs of shareholders.

The Maori authority should actively compare its results with similar operations of both Maori and European ownership. Many of the authorities can already compete at a comparable level to well run European operations, and I see no reason why these units can not become some of the best in the country. Due to the scale of operation of some of these authorities, they have been able to pull together specialist management teams that give them a significant advantage over smaller European operations. Many smaller scale operations still have limited knowledge about how to achieve the best from the resources they own. Many have little or no knowledge of good governance structures, and fail to provide any detailed planning on how to move resources to a new level. Many, due to the multiple ownership issues, see little reason to invest their own time into a project that will provide little or no financial return to themselves.

Finance can still provide a limitation to the development of Maori land. Under legislation, land secured to a financial institution under mortgage can be converted from Maori title to European title, in the event of default. Technically, the saleability of this land should be the same as any other land secured to the institution, but, in practice, many of these blocks can still have a natural deficit (i.e. if they were sold, the potential purchaser would discount the price in relation to any ongoing issues that may arise due to past Maori ownership). This means financiers must be very certain of the authority's cashflow (first way out) rather than security (second way out).

Some authorities are limiting their own development potential, and possibly putting their land at greater risk, by refusing to borrow against their land for fear of losing the land in the event of business failure. All proposals should be carefully calculated to provide the best for the authority and, in many instances, the best results could be gained by using borrowed funds to maintain the viability of the land.

There are a wide range of diversification options open to Maori authorities, but any investment must have had suitable due diligence undertaken on its viability, and acceptable fallback options in place, prior to any commitment to proceed.

Effective business networks, between authorities, exist in many regions but are by no means being fully utilised by the wider authority base. Future business growth will be enhanced by better utilisation of existing networks and the development of new ones.

8.0 RECOMMENDATIONS

Maori Authorities should focus on achievement of high profitability from existing resources to ensure they can control their future destiny and provide meaningful contributions to the development of their people. The authority must operate as a business, then look to make distributions in a structured manner from surpluses produced.

Superior profitability will be achieved through the selection of the best people for the job. This should start at a governance level with specialist outside directors/trustees (i.e. marketer, exporter, corporate director). If Mana Maori is the aim, then the authority should use the best possible resources to ensure this is achieved as soon as possible. Management teams (financial, farm supervisory, investment, etc) must know the resources they are dealing with, and specialist advice should be sought if required.

Trustees/directors must not be afraid to question and expect answers from specialist advisors. On-farm staff must be capable of the job expected. If abilities are not up to scratch, then training and education needs to ensure they can be achieved within a realistic timeframe. If this cannot be achieved, then staff should be managed into a role more suited to their abilities. There is no place for nepotism at any level, and people must know what their responsibility is (i.e. governance versus management).

With a balanced score card approach to setting objectives, clear and measurable objectives can be set and monitored at regular intervals. All levels of management must be accountable for their actions, and be aware of the consequences of failure to achieve acceptable results. This approach must weigh up the equitability of returns to current shareholders versus the growth of assets to match the continually growing shareholder base.

Strategic planning must be completed for the management team to know the direction they are required to take the business. This planning must include guidelines on areas of future growth potential. It should also include a distribution policy that clearly states the levels of surplus to be distributed to shareholders, reinvested in the business or set aside for future business growth.

Investment options must be in line with the strategic direction of the authority. Due diligence must be undertaken prior to making any investment, and this must include fallback options if the investment should fail. Strategic plans must define the level of risk the authority is willing to take into any new venture.

Investment should be based around the competencies of the authority. They must provide an acceptable return for risk and in relation to funds invested. If the direct skills are not held to manage such an investment, the authority should explore options to bring in the right partner for the investment. This could involve a joint venture partner (i.e. forestry, meat exporting, etc.), a large-scale sharemilker if looking at dairy expansion, or even a sharefarmer if looking at a deer conversion. The aim of the authority should be to use the relationship to develop business skills in this particular field, so that, should the opportunity or desire to move to 100% ownership arise, they have the ability to exercise this option.

Maori Authorities need to work closely with their financiers to ensure they can gain the maximum benefit from finance lines. Due to the perceived deficit of some Maori Land securities, the authority must ensure it excels at all the other critical finance areas (sound governance/management, robust cashflow and strong fallback options).

Training at all levels should be a focus to accelerate Mana Maori. Trustee training workshops are already running, which provide a great start to potential leaders. Future potential needs to be identified and resources allotted to ensure this potential is achieved. This potential could range from stockmanship to finance to cultural identity, but once identified it must be harnessed for the benefit of that person and his whanau.

The recruitment of new blood into positions of responsibility must be done strategically. A succession plan must be in place to regenerate trustee/directors who may have lost the passion to achieve the best from the authority, but young blood should have been given the opportunity to gain life experience and outside skills before being placed in a position of too much responsibility.

Smaller scale operations that are not being well managed or moving forward, should seek out opportunities to amalgamate with other blocks and create a viable operation. Smaller blocks could look

to amalgamate with larger authorities, who could develop the land to a level that makes the block economic to be run on its own. Good results have been gained by leasing out land. Initial payment can be the development of land from scrub, and then on to a set rental. These blocks have then accumulated rentals to finance the purchase of their own stock, or development of more intensive horticultural operations.

Smaller block authorities must receive more information on how to use the large Maori network of skills that is already in place. Too often land that should be utilised is left under performing because of lack of knowledge on how to maximise the value of the assets.

The new level of success for Maori authorities will be achieved by the development of specialist product under their own branding and marketing on the international markets. This has been started by some of the large authorities already, but should be expanded for the mutual benefit of all supporting Maori authorities.

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