

Ngāi Tahu – An Intergenerational Investor

Tēnā koutou.....mihi

Thank-you for the invitation to attend the Raising Māori Investment Capability Conference today – it's a pleasure to be here.

Ngāi Tahu is **an intergenerational investor** – a situation not unfamiliar to all other iwi. Today the conference gives me an opportunity to talk to you about how Ngāi Tahu has responded to the challenges this presents. What follows is a short history lesson then I will focus on the solutions rather than the problems, as they will reveal themselves, and they are probably familiar territory to many of you in the audience.

Financial investment legacy

The Ngāi Tahu investment story is essentially one of developmental economics on a “learn as you go basis”. It has had some very strong successes, but it has also had some serious failures and a number of ‘very near misses’. Some of the failures have been the result of natural disasters but most have been caused by inadequate analysis and failures of judgement.

The tribe's base investment policy was essentially established by the Ngāi Tahu Māori Trust Board (NTMTB) in the late 1950's. At that time the Board adopted a policy of investing two thirds of the Board's annual income (\$20,000 p.a at the time) and allocating the remaining one third, together with income from earlier investments, to tribal members.

The bulk of this distribution was in the form of scholarships or educational support, and a modest amount went to kaumātua grants.

This was an aggressive reinvestment policy blended with a tightly focussed distribution policy and was an unusual approach for tribal authorities at the time.

Initial investments were principally in real estate, such as two apartment blocks in Wellington and the Christchurch post office workshops. From the outset the tribe was comfortable with trading even core assets as part of establishing a more significant long-term investment

position and individual properties were actively traded with the funds reinvested back into the portfolio.

Over subsequent decades the Board's investment strategy was refined and developed - and by the mid-1980s its annual \$20,000 payment had produced a net asset worth of some \$3.2 million.

At the same time outgoings continued to increase arising from an active political and cultural role, the development of marae support payments and a steadily growing beneficiary roll.

With the passage of the Treaty of Waitangi Amendment Act 1985 there arose an urgent demand for resources. Board members met with kaumātua to discuss the ways in which this demand might be met and it was agreed that the tribe's property portfolio should be liquidated and the money be used to settle Te Kerēme – The Claim - this was conditional upon the Board replacing the investment base as a first call on a settlement.

There was a clear view that, as well as the reinstatement of the investment portfolio any future settlement benefits should be allocated across the tribe as a whole, both regionally and individually.

Even more significantly the decision was taken that each of the separate Ngāi Tahu grievances would be combined into a single Ngāi Tahu claim, and that any settlement redress would be held centrally for the benefit of *all* Ngāi Tahu individuals equally. This ultimately led to the establishment of the Te Rūnanga o Ngāi Tahu structure and distribution philosophies that are the cornerstone of the iwi today.

These were deliberate and forward-thinking decisions, aimed at managing the anticipated settlement redress and establishing a platform for the iwi's future development.

A core part of the emerging tribal development philosophy was the establishment of a dedicated ***financial engine***. It was always considered that settlement redress was likely to only represent seed capital from which the tribe would need to grow to sustain future generations. This financial engine was to be the mechanism with which to realise Ngāi Tahu's long-term financial, cultural and social development goals.

The critical importance of establishing and maintaining an effective ‘separation of powers’ between the tribal governance and investment arms was also clearly understood, and this led to the early establishment of the Ngāi Tahu Holdings infrastructure.

It is important to note that – I speak here about the financial path Ngāi Tahu followed - from the earliest days of the Trust Board there was a strong and ever-present view that investments should seek to secure and confirm the tribe’s ‘rohe pōtae’ - creating an enduring tribal footprint grounded in Ngāi Tahu’s cultural and geographical landscape and return the tribe to a position of authority and influence in the Te Waipounamu community.

There was a parallel desire to establish greater tribal influence and control over natural resource-related matters, as well as a desire to effect restoration of degraded mahinga kai.

Over time there emerged areas that had both a commercial and non-commercial dimension, with sea fisheries being the perhaps the best example. This space offered an opportunity to simultaneously advance both financial and mahinga kai interests, while also establishing influence in the environmental management arena and being able to do so in a coordinated manner.

Throughout the Ngāi Tahu Claim process the core objective was to establish a *financial corpus* that would last in perpetuity and provide for the tribe’s inter-generational needs. The financial redress was regarded as the seed of the rebuilding process, and in time the tribe’s increased financial capacity could then be used to maximise the opportunities embedded in the non-financial redress provisions, such as ownership and management of pounamu and high country stations, recognition of mana over landscape features and conservation areas, mahinga kai and input into management of DoC estates.

While the Ngāi Tahu settlement is often viewed as an endpoint it was in fact a process that secured a range of significant benefits on the way through. Some of these are ongoing processes such as the Right of First Refusal to any Crown property sold in the Ngāi Tahu takiwā.

But there was also the Deferred Selection Process which allowed the purchase of up to \$250M worth of Crown assets within one year of settlement\ and the “land bank” which in effect was a “holding pen” which offered the capacity for Ngāi Tahu to buy properties out of it prior to settlement –

this mechanism provided short-term profit, helping fund the Claim and opportunities to secure information and experience, and went on to become the basis for the RFR.

A useful metaphor from this time referred to the Ngāi Tahu Negotiating Group in effect bringing back a truckload of building materials from the negotiating table and securing these under tribal control. It was then up to Te Rūnanga to determine the exact nature of any buildings required for the iwi's present and future needs. These decisions would determine which of the building materials should be kept and used, and which were surplus and could therefore be sold and / or exchanged for other needed materials.

Ngāi Tahu's vision for itself is dependent upon the financial capacity to give effect to those ambitious aspirations. Capital and investment decisions are therefore both central to and critical to the iwi's future success.

Inherent in this developmental view is the dilemma of the reinvestment / distribution trade-off. Greater reinvestment grows the capital base faster, allowing greater future distributions, but at the cost of present day distributions.

But "how much is enough?" The underlying and more fundamental question is in fact "what for?" or "what is it that we are aiming to achieve as an organisation?" Once we have the answers, the questions of which structural and organisational responses are most likely to deliver the desired outcome can be addressed.

Experience suggests that refined views are developed through grappling with the practicalities of giving effect to the iwi's overarching goals, and making continual adjustments in the light of new information and learning along the way.

Intergenerational Investment

Mō Tātou, ā , mō ka uri a muri ake nei – for us and our children after us – is the whakatauke that guides Ngāi Tahu intergenerational investment thinking and decision making.

Intergenerational investment requires sustainable investment that supports our distribution strategy and continues to maintain our tribal footprint on the land.

Whakapapa inextricably links us to the land, we possess large holdings in forestry and farming, and because the RFR is in place in perpetuity, it is no surprise that we currently invest heavily in property - we have a natural advantage through the RFR and it requires us to be responsible and closely monitor Crown assets to identify key opportunities.

It also encourages us to develop close relationships with local and central government stakeholders who have the ability to influence decisions and policies. We need to and actively engage in positioning Ngāi Tahu Property as the partner of choice - and grow the brand as a values-based intergenerational investor.

Ngāi Tahu Holding Corporation is by design an active investment company with a long-term horizon that aims to maximise investment returns by focusing on areas where we have competitive strengths and can generate above average returns on capital.

These include:

- Property investment and development
- Infrastructure (quasi monopolies with regulated or government backed revenue streams)
- Natural resources – such as seafood quota, DoC concessions and rural land
- And private equity - investments with significant potential to grow cash flows

At the beginning of this financial year our business assets were divided over property (58%), seafood (15%), shares (13%), tourism (12%) and tribal services (2%) contributing to total assets of over a half a billion dollars.

In order to achieve Te Rūnanga's wider investment objectives NTHC's preferred mode of investment is to control operating businesses as it provides control over capital allocation and dividend policy and tax efficiency and flexibility.

Through management control it gives us greater ability to achieve our wider non-financial aspirations, namely:

- Enhancement of Ngāi Tahu employment in commercial operations
- Sustainable asset management

- Ngāi Tahu commercial branding that contributes towards growth of the economic strength and influence of Ngāi Tahu
- Opportunities for co-investment with Ngāi Tahu stakeholders
- And optimising opportunities from settlement and developing a competitive strength in specific areas of historical significance

However when it's not practicable to directly control or own operating businesses NTHC will acquire cornerstone or substantial stakes in the businesses. This choice will be made when:

- Attractive investment opportunities so not exist to directly own operating businesses
- Capital constraints mean NTHC does not have the capacity to wholly own the business
- Other investment partners provide long-term value through the capability, skills and experience they bring to the table

We ensure that NTHC takes a long-term disciplined approach to capital allocation and investment decision making and is not influenced by short-term market behaviour. If market cycles result in a lack of attractive investment opportunities free cash is used to repay debt.

To protect the real value of the putea NTHC aims to achieve a 11.5% return on investments, this allows for a 4.5% distribution policy and a 6.5% allowance for inflation and population growth. For the 2005/06 financial year NTHC distributed \$19.8M to Te Rūnanga of which \$12.5M was distributed directly to the tribe, rūnanga and whānau. In 2006/07 it returned \$20.9M of which \$11.5M was distributed. And this year the anticipated return is likely to be \$22.9M to Te Rūnanga with distributions still to be calculated.

Distribution strategies

In line with our investment strategies, our distribution strategies take a long-term view. As I have mentioned, from the earliest days of the Trust Board, education and our kaumātua have been in sharp focus - building the capacity of our people and honouring those who made sacrifices for the Claim.

The main mechanisms for distribution are:

- Putea Whakamahi (annual payment of between \$150-\$200,000 to each of the 18 Papatipu Rūnanga)
- Whai Rawa (which I will go into in more detail soon)
- The Ngāi Tahu Fund (an annual contestable fund of \$1.2M available for whānau to apply for funds to grow and protect Ngāi Tahu culture)
- KMK – Kotahi Mano Kāika (a reo revitalisation programme that aims to have 1000 homes speaking the Kāi Tahu dialect as their main language of communication by 2025)
- Annual Kaumātua Grants (this year \$600 was paid to every registered person over the age of 65)
- Communications (Te Pānui Rūnaka – a monthly tribal magazine and Te Karaka – a quarterly news and current affairs magazine delivered free to every Ngāi Tahu household, also Tahu FM radio station broadcasting 24 hours a day – 7 days a week throughout Te Waipounamu via the FM frequency, and in the North Island via Sky Digital)

There are also subsidiary companies such as He Oranga Pounamu and Te Tapuae o Rehua that exist to deliver benefits to Ngāi Tahu whānau in health and education respectively.

New ways of distribution and investment are also being developed including the **Aho brand** under which an innovative range of shawls was recently launched. Pitched at the high quality end of the garment industry they incorporate rock art imagery designed by Ngāi Tahu artist Ross Hemera and utilise Ngāi Tahu craftspeople in the finishing process.

The Aho brand is an investment vehicle to bring unique Ngāi Tahu products to the market with mechanisms to return profits to Ngāi Tahu individuals and the tribe. In time the Aho brand will support a diverse range of products anchored in the cultural traditions of Ngāi Tahu.

Whai Rawa – case study

I'd like to talk in more depth about Whai Rawa – as it illustrates the relationship between intergenerational investment to sustain successful intergenerational distribution.

While a sustainable tool to directly distribute the benefits of the Claim to Ngāi Tahu Whānui has always been at the forefront of our thinking - committing to the scheme was a decision not entered into lightly. How we developed the machine that Whai Rawa is today is a story for another time – the least I should say is it took more than two years to build it and a considerable investment of time and money. What is most important is the arrival of Ngāi Tahu at a point where it had the confidence in itself and its investments to launch the scheme.

The commitment required was and still is huge, and it was a critical shift from a reinvestment focus to direct distribution. We needed to have faith that our investment structure was robust enough to generate returns that could give a *meaningful* contribution to Whai Rawa. The rationale being that if we wanted to give every one of our more than 40,000 registered members \$100 we needed to be able to commit \$4 million annually to the scheme.

It is well documented that the savings levels of New Zealanders have declined over the last two decades – and that Māori in general have lower saving rates than other groups. Whai Rawa is also a response to that and a way to increase the social and economic independence and self-sufficiency of all Ngāi Tahu whānau.

The scheme started on 1 October 2006. The key was to develop a scheme that would appeal to a wide Ngāi Tahu audience and would develop long term wealth – which is why the scheme was developed as a medium to long term savings plan and the funds can be used for only three reasons:

1. Tertiary Education
2. First home purchase
3. Retirement

Whai Rawa is about empowerment. There has been excellent take-up rate so far, approximately 50% of all members are saving some of their own money. Most pleasing is take-up rates of under 16's – close to 50% of registered Ngāi Tahu aged under 16 have joined. Of those under 16's just about 60% are saving some of their own money into Whai Rawa.

Whai Rawa funds are invested very conservatively with ING – to minimise risk and create confidence because it is a new initiative.

In order to achieve economic independence and self-sufficiency it was identified that two crucial elements must be in existence:

- A sustained savings habit;
- and adequate financial literacy.

The scheme incorporates a matched savings component where adults dollar for dollar up to a maximum of \$200 and children under 16 – four dollars for every dollar saved up to a maximum of \$200.

Whai Rawa encourages and is responsive to Tribal feedback. Initially the distribution wasn't available to U16 year olds and after feedback that was changed so that all members of Whai Rawa irrespective of age are able to receive the distribution.

It is also very flexible – the minimum contribution amount is \$10 – whānau are able to increase, decrease, put on hold and stop contributing without fees, and funds can be transferred to other members.

We are investigating the possibility of automatically enrolling for U16's at the time of registration with our whakapapa unit and are creating a suite of supporting interactive tools for tamariki on our website.

Financial education is essential because as members build up their savings they will need assistance in knowing how to best utilise their funds for their personal and whānau benefit.

We have also started the Ngāi Tahu Financial Independence Programme which supports the Whai Rawa kaupapa and has a team of experts working one on one with selected whānau to build financial literacy and are running workshops throughout Te Waipounamu.

This year:

- Matched savings were set at a maximum of \$200:
1:1 for Adults
4:1 for Children (U16)
- All members were paid an annual distribution of \$250 in March
- All fees and costs were covered by Te Rūnanga

Currently:

We have 13,143 members (31% of Ngāi Tahu population)

4,464 tamariki (48% of Ngāi Tahu population under 16 years) are members

59% of all Whai Rawa child members (2,614 out of 4,435) in 2007 saved and received matched savings

Over \$100,000 per month being saved by members

Over 6.5M invested in Wholesale Cash Fund

In the next five years are goals are to:

- Encourage and assist all Ngāi Tahu aged under 16 to join and save within Whai Rawa
- Grow the total membership to 25,000
- Grow distributions to members to over \$6M p.a.
- Develop and deliver effective financial education training to increase financial literacy amongst all Ngāi Tahu

In my view Whai Rawa is both evolutionary and revolutionary, as a mechanism and a concept - it is a responsible and sophisticated response to the challenges of distributing money to the people that rightfully own it – and I am very proud that we are able to offer it to our people.

Corporate Social Responsibility

With investment comes many things and corporate responsibility is an increasingly popular term these days, and one which does not exclude tangata whenua. The concept of CSR actually acknowledges and reinforces our concepts of kaitiakitanga and whakatipuranga. But it is still a Western construct, and although the underlying principles may be compatible with tikanga - tikanga is not at its foundation. We need to construct our own form of “tribal corporate social responsibility”. The challenge before us is to translate tikanga into something that works in a commercial world.

Over the years Ngāi Tahu has instinctively behaved in ways that honour our tikanga – but more and more we are called upon to express these values in a corporate context. Doing that is an important task that we are grappling with now, and these are some examples of what a “tribal responsibilities” policy might look like for Ngāi Tahu.

- Where-ever cultural interests and commercial operations are in conflict, cultural aspirations will prevail.
- That all property development projects adhere to the aspirations of NT to be a leader in environmentally friendly practices and materials, energy efficiency etc...
- That we actively seek out direct investments that give rise to employment, training, education and/or leadership opportunities for Ngāi Tahu whānui.
- That Ngāi Tahu should not engage in fishing quota for species that are endangered, or threatened.
- That in respect of inter-iwi commercial arrangements, like Joint ventures - the commercial operations should be guided by relationships founded in tikanga.

The main point is that we expect our commercial arms to give effect to principles of tribal and social corporate responsibility in all commercial operations, consistent with the values and visions of our people. Commercial operations will have a significant impact on the mana, reputation and broader public perception of Ngāi Tahu.

2025

Lastly I'd like to talk about Ngāi Tahu 2025. In 2001 the tribe developed a document that sets a 25 year vision for the lived reality of Ngāi Tahu Whānui till the year 2025 – in essence it is about the ability to create and control our destiny.

Among other things, 2025 sets out the principles of investment such as maintaining a diversified portfolio, having a low to medium risk profile, direct investment where we have specialised and traditional interests and can create employment, training and leadership opportunities, combined with strategic in-direct investments.

It is prescriptive regarding the levels of debt we should carry, the liquidity of the investment portfolio, clear that the commercial and development objectives should be separate and aims for a 50-50 distribution/reinvestment ratio by 2025.

2025 is the yardstick by which all fundamental financial decisions can be made, managed and measured. It is a corner stone for the Te Rūnanga group – it is visionary, inspiring and embodies the principals of Ngāi Tahu intergenerational planning.

Investing, building and growing something of value takes time and being an intergenerational investor we have time on our side, it offers us a natural advantage, but by the same token it also brings to bear huge responsibility for us and our children after us.

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