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Vij Kooyela
Senior Policy Analyst
Policy Wāhanga
Te Puni Kōkiri
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Introduction

1. It is timely to have an updated estimate for the Māori commercial asset base as the previous estimate was based on information as at 2001¹. Since then, a number of changes have occurred in terms of Māori participation in the New Zealand economy. Some of these changes include sizeable increases in the number of Māori self-employed and Māori employers over the 1991-2006 period. Other changes include Treaty settlements, the availability of more updated information from Statistics New Zealand's Annual Enterprise Survey and also from the recently completed 2006 census. There have also been legislative changes brought about by the Taxation (Māori Organisations, Taxpayer Compliance and Miscellaneous Provisions) Act 2003² which has had an impact on the Māori trusts and incorporations sampled in the AES.
2. Economic transformation has been identified as a key priority for realising Māori Potential in Te Puni Kōkiri's Statement of Intent³. The aim of this paper is to "develop a strong evidence base of Māori participation in the economic system"⁴. It is crucial for Te Puni Kōkiri to take a lead role in determining whether there has been a significant increase in the value of the Māori commercial asset base over time.
3. This paper is intended as an update for the policy working paper "Māori commercial asset base" produced by Te Puni Kōkiri in December 2003. The analysis in the latter paper followed on from the 1997 report "The Nature and Extent of the Māori Economic Base", prepared by Business and Economic Research Ltd (BERL) and the Federation of Māori Authorities (FoMA). The methodology used in the 2001 estimate has been replicated in this paper to allow for some direct comparisons to be made. However, the reader is recommended to exercise caution in specific estimations especially where there is concern that total assets may have been double counted. It is acknowledged that repeating the December 2003 methodology in this update may have replicated some of the flaws that were identified at the time.
4. Following the 2001 estimate, Te Puni Kōkiri commissioned BERL to

¹ From this point onwards, the estimate completed in December 2003 is referred to as the 2001 estimate as it was based on data available as at 2001.

² In August 2001 the government released the discussion document, "Taxation of Māori Organisations" which contained policy options for modernising the tax rules for Māori authorities. Legislation was passed in 2003 to introduce new rules that apply to the taxation of Māori authorities. The new legislation became effective from the 2004/05 income year and replaced the existing tax rules governing Māori authorities. All Māori organisations wanting to take advantage of the new Māori authority tax rules, including the reduced tax rate of 19.5%, must now meet the qualifying criteria and elect into the system, see <http://www.ird.govt.nz/Māori-organisations/introduction/intro-Māori-authorities> for more details.

³ See Te Puni Kōkiri's Statement of Intent 2007-2010 at <http://www.tpk.govt.nz/publications/soi/tpk-2007-soi-en.pdf>

⁴ Ibid, Page 30.



review the estimate for the Māori commercial asset base. The recommendations made by BERL have been incorporated in this paper whenever possible.

5. In 2007, Te Puni Kōkiri re-commissioned NZIER to provide an update on the contribution of Māori to the New Zealand economy. The work aimed at providing an update of the 1995/96 Māori Social Accounting Matrix (SAM)⁵. This has now been updated for the 2003 data. This paper will be a useful tool to broadly compare the sectoral value added of Māori businesses obtained from the 2003 SAM⁶.
6. In order to update the available information base which can be used for analysis of the Māori economy, this paper presents an estimate of the total value of Māori-owned commercial assets for the 2005/06 financial year. The methodology used to produce the figures is intended to allow the production of consistent and straightforward updated estimates of the total assets owned by Māori, for each Census period. This will allow overall trends and changes in the Māori asset base to be tracked over time.
7. The available information on the assets of Māori-owned businesses is, however, seriously limited, which means the figures presented in this paper should only be read as broad approximations at best. Refer to the section on 'Information Limitations' for more details on limitations of the data used in this update.

Summary

8. Despite a lack of national-level statistics on Māori commercial involvement, it is possible to produce a reasonable estimate of the value of Māori assets at the time of each Census. Using a range of information sources, including the Annual Enterprise Survey, published annual reports, and assumptions based on Census data, allows us to estimate that total Māori-owned commercial assets were worth nearly \$16.5 billion as at 2005/06. This conservative figure represents 1.5% of the overall value of New Zealand's commercial assets (i.e. excluding the 'Government Administration and Defence' industry), according to the 2005 Statistics New Zealand's Annual Enterprise Survey.
9. Reviewing the information sources permits a further understanding of the nature of Māori commercial assets. A total of 52 percent of Māori assets are estimated to be invested in the farming, fisheries and forestry industries. This finding is consistent with previously published analyses of the Māori economy⁷, which have pointed out the strong orientation of Māori assets towards the primary sector.
10. Of particular interest is the finding that about 40 percent of Māori assets are invested in trade and service industries (the 'tertiary' sector). The increase in Māori involvement in this sector can be explained by the growing numbers of Māori who have started their own businesses, and the

⁵ New Zealand Institute of Economic Research (NZIER), (September 2002). 'Constructing a Māori Social Accounting Matrix'.

⁶ New Zealand Institute of Economic Research (NZIER), (20 April 2007a). 'Maori participation in the New Zealand Economy', *unpublished as at 9 May 2007*. This is an unpublished confidential report available only internally in Te Puni Kōkiri at the time of writing this paper.

⁷ Te Puni Kōkiri, (December 2003). 'The Maori Commercial Asset Base, Te Puni Kōkiri Working Paper'. & Federation of Maori Authorities (FoMA) & Te Puni Kōkiri, (October 2006a). 'Investigating Key Maori Business Characteristics for Future Measures: Thinking Paper'.



fact that Treaty of Waitangi settlements in recent years have largely involved tertiary sector assets.

11. The various sources of information do not give an accurate view of the Māori commercial asset base, partly because of a lack of national statistical information collected on Māori-owned businesses. It is likely that the various items of information included in this analysis will underestimate the actual level of assets owned by Māori business people.

Update Methodology

12. Since the 2001 estimate, there have been a number of significant changes to the Māori economic base:
 - A. The total assets of all the 16 Māori Trust Boards as at June 2007 increased from \$145 million in 2001 to \$355 million as at June 2007⁸;
 - B. There were sizeable increases in the number of Māori self-employed (and without employees) and Māori employers from 1991 to 2006. In 1991, a total of 10,179 Māori were self-employed or employers; this had risen to 17,095 by 2001 and to 21,069⁹ in 2006 (see Table 7); and
 - C. In 2001, the value of Treaty of Waitangi settlements reported was \$86 million¹⁰. The value settled amounted to \$188 million as at February 2007 (refer to section on Treaty of Waitangi Settlements).
13. Given the economic changes that have occurred in recent years, it is appropriate to assess the overall value of Māori commercial assets. In order to produce a consistent and straightforward method of measuring the Māori asset base, this report uses the following sources to provide an estimated value as at 2006:
 - A. Information from the Statistics New Zealand's Annual Enterprise Survey on the total assets of the 'Māori trusts' sampled within the survey;
 - B. An estimation of the market value of the land blocks administered by the Māori Trustee;
 - C. The 'total assets' figures from the reports of major Māori organisations, including Te Ohu Kai Moana, Te Runanga o Ngai Tahu, Tainui Group Holdings Ltd/Waikato Raupatu Lands Trust, and the Crown Forestry Rental Trust;
 - D. The Treaty of Waitangi settlements from 1993/94 to 2005/2006;
 - E. A summation of the 'total assets' figures from the audited annual reports of the 16 Māori Trust Boards;
 - F. An estimation of the total assets of Māori self-employed (and without employees) and employers, using 2006 Census and 2005 Annual Enterprise Survey data.

⁸ It is important to note that the financial statements of the 16 Māori Trust Boards refer to periods ranging from 2001 to 2007.

⁹ Includes Māori employers and Māori self-employed (without employees) in the 'Government Administration and Defence' industry.

¹⁰ Excluding the Waikato/Tainui, Ngai Tahu and Fisheries settlements.



Key findings

14. The available information sources indicate that total Māori-owned commercial assets were estimated to be worth nearly \$16.45 billion, as at 2005/06. By way of comparison, the 2005 AES undertaken by Statistics New Zealand produced an estimate of \$1,106 trillion for New Zealand's total commercial assets (i.e. excluding the 'Government Administration and Defence' industry). Therefore, Māori commercial assets amounted to 1.5 percent of the reported value of the New Zealand business sector.

Table 1: Māori commercial information for 2005/06

	Total Assets (\$ million)
1. Māori Trusts	3,177
2. Māori Trustee land assets	725
3. Māori organisations	1,545
4. Iwi Treaty settlements	188
5. Māori Trust Boards	355
6. Māori businesses	10,460
Total Assets	16,450

15. The proportion of total commercial assets which Māori own (1.5 percent) is broadly consistent with the estimated proportion of national Gross Domestic Product contributed by Māori (2.0 percent), as calculated by the New Zealand Institute of Economic Research¹¹, acknowledging the fact that the latter estimate was based on 2003 data. This consistency is logical, assuming that the level of value added¹² generated from Māori-owned commercial assets would be similar to that generated by the businesses which are owned by the rest of New Zealand businesses. Evidence to support this assumption is shown by a comparison of the respective rates of return on total assets¹³ reported by 'Māori Trusts' and 'All industries', from the 2005 Annual Enterprise Survey (see paragraphs 19 and 20).

1. Māori Trusts

16. Appendix 1 presents information from the Statistics New Zealand's AES of Māori trusts and incorporations, which are registered under the Te Ture Whenua Māori Act 1993. This information shows that Māori trusts have shared in the growth of New Zealand's economy in recent years in terms of gain in total assets, but not necessarily in terms of profitability. Key results are:

- Total income increased from \$292 million to \$351 million (or an increase of 20.2%) over 2001 to 2005.
- Gross profits declined by 23.5% from 2001 to 2005, to \$39 million.
- Total assets grew by 112.1% over the five years, to \$3.18 billion.
- Return on equity decreased from 5.1% in 2001 to 1.8% in 2005.

¹¹New Zealand Institute of Economic Research (NZIER), (20 April 2007b). 'Maori participation in the New Zealand Economy, unpublished as at 9 May 2007.

¹² Includes the components of Gross Domestic Product not allocated to industries, such as GST and bank service charges.

¹³ Return on total assets refers to operating surplus before tax, salaries and wages paid to working proprietors divided by total assets.



17. Interestingly, the number of Māori trusts and Incorporations included in the Annual Enterprise Survey increased from 436 to 464 from 2001 to 2003, but this number came down to 434 in 2005. There could be several reasons for this, bearing in mind that the 2005 data is only provisional although the latest one available at the time of writing. One reason could be that because the Annual Enterprise Survey is a random sample designed to produce estimates at the industry level, the number of Māori authorities that are selected from year to year would vary. Also, it is worth investigating whether Māori trusts are closing down, are merging with other firms or are perhaps becoming less economically significant to be included on Statistics New Zealand's Business Frame.
18. There was an increase in loans and overdraft facilities provided to Māori trusts, indicated by the 23.5% increase in 'Current Liabilities' from \$285 million to \$352 million between 2001 and 2005, although this increase was not as sizeable as compared to 2001 (214%). It is interesting to note that 'Other Liabilities' increased by nearly three times over this period. This includes long-term loans, bonds and debentures and other non-current liabilities. This may indicate that Māori Trusts and incorporations have been securing more longer term securities than short term securities.
19. It is straightforward to compare the financial ratios for 'Māori Trusts' with those recorded for other New Zealand industries, as a guide to their respective performance. Table 3 shows the 2005 year comparative financial ratios for Māori trusts, the overall agriculture, forestry and fishing industry, and all industries.

Table 3: Business comparisons for 2005

Financial ratios for the 2005 (provisional data, subject to revision)	Māori	Agriculture forestry and fishing	All industries
Total income per rolling mean employment (RME) ^a	\$176,700	\$227,300	\$262,000
Operating surplus per rolling mean employment (RME) ^b	\$19,800	\$11,800	\$27,600
Current ratio	147.1%	190	82.6%
Quick ratio	109.8%	94	71.0%
Return on Equity ^c	1.8%	2	10.2%
Return on Total Assets ^d	1.2%	1	4.0%
Liabilities structure	69.2%	53	38.8%

a & b Note that in the 2001 estimate, these two statistics were based on Full-Time Equivalent (FTE) and not Rolling Mean Employment (RME). From the AES 2003, the survey design uses a rolling mean employment (RME) count derived from Inland Revenue employer monthly schedule data, instead of full-time equivalents (FTEs) derived from Statistics New Zealand's Annual Frame Update Survey. RME is a 12-month moving average of the monthly employee count figure which replaces the numbers of full-time and part-time employees in the Annual Enterprise Survey.

c Return on Equity refers to operating surplus before tax and salaries and wages paid to working proprietors divided by shareholders funds.

d Return on total assets refers to Operating surplus before tax and salaries and wages paid to working proprietors divided by total assets.

Source: Statistics New Zealand's Annual Enterprise Survey

20. Comparing the respective financial ratios for 'Māori trusts' with those of other industries shows:
- Total income per rolling mean employment (RME) for 'Māori trusts' was



lower than for the overall agriculture, forestry and fishing industry, and also lower than the New Zealand industrial average.

- The return on total assets for 'Māori trusts' was comparable to that recorded for the overall agriculture, forestry and fishing industry, but was much lower than the New Zealand industrial average.

2 Land administered by the Māori Trustee

21. The Māori Trustee presently administers 106,000 hectares of Māori - owned land on behalf of about 130,000 owners, and collects over \$11.5 million in rent and other income each year for these owners. An estimated valuation of the worth of this land asset can be calculated by using figures from Quotable Value New Zealand Ltd on the average sale price (per hectare) of New Zealand farmland. The resulting figure can only be an indicative valuation, because land administered by the Māori Trustee cannot be sold.
22. According to the BERL review, the 2001 estimation of the land administered by the Māori Trustee was an underestimate as all the land was assumed to be used for grazing purposes. Grazing land has a lower average sale price per hectare than dairy land.
23. Data as at May 2007 from the Māori Trustee shows that roughly 9% of the land administered is used for dairy purposes. The average sale price per hectare of dairy farmland in the Jan-Jun 2006 period was \$23,855¹⁴. Multiplying 9% of 106,000 ha by \$23,855 gives an indicative valuation for Māori Trustee administered dairy farmland of \$225 million. We assumed that the remaining land of 96,574 ha is for grazing. The average sale price per hectare for grazing land was \$5,179 for the period Jan-June 2006¹⁵. This sum of the two valuations yields a total value of \$725 million.

¹⁴ Quotable Value Limited, (Half year ended June 2006). 'Rural Property Sales Statistics', Tables D3 and G3.

¹⁵ This was the lowest recorded price for farmland (arable land, dairy, fattening, horticultural farmlands sold for much more per hectare) during Jan-Jun 2006.



3. *Māori Organisations*

24. The following table shows the net assets¹⁶ reported by Māori organisations, which have grown their assets since the last 2001 update. The respective annual reports show total asset ownership of **\$1.5 billion** by these organisations. This figure includes the respective Treaty of Waitangi settlement assets that were provided to Te Ohu Kai Moana, the Waikato Raupatu Lands Trust, and Te Runanga o Ngai Tahu.

Table 4: Net Assets reported by major Māori organisations

Māori organisation	Group Net Assets (\$ million)	Annual report
Te Ohu Kai Moana Trust	403.1	30/09/2006
Crown Forestry Rental Trust	520.5	31/03/2006
Waikato Raupatu Lands Trust	165.1	31/03/2006
Te Runanga o Ngai Tahu	411.8	15/09/2006
Poutama Trust	29.5	31/03/2005
Te Whanau o Waipareira Trust	15.1	30/06/2006
Total	1,545.1	

4. *Treaty of Waitangi Settlements*

25. An estimate of the assets owned by the smaller iwi organisations which have received Treaty of Waitangi settlements (other than Waikato/Tainui and Ngai Tahu) can be made by referring to the settlement records. This indicates that at least an additional **\$188 million** can be added to the total for Māori commercial assets. It should be noted that the settlement assets usually consisted of cash grants or the transfer of Crown-owned properties, which are classified as tertiary-sector assets (see the following section on **Industry investment**).

¹⁶ Net assets refers to total assets less total liabilities.



Table 5: Commercial Assets provided in Treaty of Waitangi settlements

Iwi organisation	VALUE OF SETTLEMENT (\$)	YEAR SETTLED
Ngāti Whakaue	5,210,000	1993/94
Ngāti Rangiteaorere	760,000	1993/94
Hauai	715,682	1993/94
Waimakuku	375,000	1995/96
Rotomā	43,931	1996/97
Te Maunga	129,032	1996/97
Ngāti Tūrangitukua	5,000,000	1998/99
Pouakani ¹	2,000,000	1999/00
Te Uri o Hau	15,600,000	1999/00
Ngāti Ruanui	41,000,000	2000/01
Ngāti Tama	14,500,000	2001/02
Ngāti Awa (and ancillaries)	43,390,000	2002/03
Ngāti Tūwharetoa (Bay of Plenty)	10,500,000	2002/03
Ngaa Rauru Kītahi	31,000,000	2003/04
Te Arawa lakes ²	2,700,000	2004/05
Ngāti Mutunga (Taranaki)	14,900,000	2005/06
Total	187,823,645	

1. Includes \$650,000, which was paid in advance of settlement in 1990. Note that in "The Māori Commercial Asset Base", December 2003, this was recorded as \$2,650,000. The correction has been made in this update.

2. Excludes \$170 million each for Waikato-Tainui Raupatu settled in 1994/95, Ngai Tahu settled in 1996/97 and Fisheries settled in 1992/93. These are incorporated in the net assets under the section "Māori organisations".

3. Excludes settlements of \$36 million for Te Arawa in 2006/07 and \$9.5 million for Te Roroa settled in 2005/06. These are excluded because legislation has not been passed and payment has not actually been made at the time of writing this paper. Hence, these settlements cannot form part of Māori commercial asset base.

4. Excludes \$7.3 million paid in to capitalise the annuity Te Arawa received from the Crown and address any remaining annuity issues.

5. Other expenses includes:

- i. the value of gifting for claims that have been settled or part settled, but for which the value of the gifting has not been included in the settlement value (\$21,278,563).
- ii. part settlements including those involving surplus railways properties (\$9,876,820).
- iii. claimant funding for claims which have not yet been settled, and claimant funding where this is separate from total settlement value (\$15,235,403).
- iv. costs associated with the administration of the Ngāi Tahu Ancillary Claims Trust (\$1,769,183).

Source: Office of Treaty Settlements (www.ots.govt.nz)



5. The Māori Trust Boards

26. The Māori Trust Boards operate under statutory authority (the Māori Trust Boards Act 1995, and associated Regulations) to manage tribal assets for their beneficiaries. The most recent audited information available indicates that the 16 Māori Trust Boards administered total assets worth \$355 million as at June 2007. Due to confidentiality guarantees, this report cannot state the asset holdings of individual Trust Boards.

6. Māori Owned businesses

27. An approximate estimate of the total assets owned by Māori businesses can be calculated by using data from the 2006 Census, and comparing this with information from the Annual Enterprise Survey financial results reported by industries for the 2005 year. The estimation is undertaken at an ANZSIC 1¹⁷ industry level. For each industry we calculate the value of Māori owned assets as the product of:
- Estimated assets per employee count¹⁸;
 - Estimated employee count in businesses operated by self-employed Māori; and
 - The ratio of incomes earned by self-employed Māori to the incomes of self-employed persons in the industry as a whole.
28. From the Annual Enterprise Survey carried out by Statistics New Zealand for the 2005/06 financial year, aggregate data was extracted on total assets and employee count for each of the 15 major commercial industry categories (i.e. not including 'Government Administration and Defence'). The results are shown in Table 9 of Appendix 2. For each industry the total assets per employee count was derived.
29. Specific 2006 Census data was commissioned using an industry group classification (ANZSIC 1) conforming to the Annual Enterprise Survey classifications. This gave the following information:
- The number of self-employed Māori (no employees);
 - The number of self-employed Māori (employer of others);
 - The median income of self-employed Māori (no employees);

¹⁷ The Australia and New Zealand Standard Industrial Classification (ANZSIC) has been developed for use in Australia and New Zealand for the production and analysis of industry statistics. The Annual Enterprise Survey has been designed using the ANZSIC classification, with some subdivisions and groups re-aggregated to reflect New Zealand operations. The ANZSIC 1996 industry classification includes the following divisions: Agriculture, Forestry & Fishing, Mining, Manufacturing, Electricity, Gas & Water supply, Construction, Wholesale trade, Retail trade, Accommodation, cafes & restaurants, Transport, storage & communication, Finance & Insurance, Property & Business Services, Education, Health & Community Services, Cultural & Recreational Services, and Personal & other services.

¹⁸ Note that in Te Puni Kōkiri, December 2003, this was based on full-time equivalent (FTE) instead of employee count (also referred to as rolling mean employment or RME). In the 2005/06 update, estimated assets per employee count is used. From the AES 2003, the survey design uses a rolling mean employment (RME) count derived from Inland Revenue employer monthly schedule data, instead of full-time equivalents (FTEs) derived from Statistics New Zealand's Annual Frame Update Survey.



- The median income of self-employed Māori (employer of others); and
- The median income of all self-employed and employers.

This is shown in Tables 10 and 11.

30. For each industry the number of persons engaged in businesses operated by self-employed Māori, was then estimated as the sum of the number of self-employed Māori (no employees) plus an assumed total of 3 employees for each self-employed Māori who reported that they also employed others¹⁹.
31. For each industry the average income of self-employed Māori was expressed as a ratio of the average income of all self-employed persons in that industry. These ratios were then used to scale the average asset value per employee count, as derived from the 2005 Annual Enterprise Survey, to give estimates of average asset values per employee count in Māori businesses.
32. The two exceptions to this calculation method were the exclusion of the 'Government Administration and Defence' industry sector, and the assumption that Māori self-employed individuals and employers did not own any sizeable bank or insurance providers operating in New Zealand. Consequently, the assumed asset value per employee count for the 306 Māori self-employed/employers operating in the 'Finance and Insurance' industry was limited to 10 times their median income. This figure is based on the (unverifiable) assumption that their median income represented a 10 percent return on their business assets.
33. For each industry the three factors were then combined (value of assets per employee count multiplied by the number of employee count multiplied by the income ratio²⁰), to give an estimate of the value of assets used in businesses operated by self employed Māori and Māori employers. The resulting calculations produced 'total assets' estimates of **\$4.41 billion** for Māori self-employed individuals (and without employees), and **\$6.05 billion** for Māori employers.

¹⁹ This was the same assumption made in the Te Puni Kōkiri, December 2003 and the Business and Economic Research Ltd (BERL) and the Federation of Māori Authorities (FoMA), February 1997 reports.

²⁰ The income ratio for Māori and total New Zealand businesses is needed because the median incomes of Māori are different to those recorded for the total population.



Industry Investment

34. A key question which follows from the estimate of Māori commercial assets is the extent to which these assets are invested in different industries, such as farming, manufacturing, or wholesale and retail trade. Due to the reliance on industry classifications used for the 2005 Annual Enterprise Survey, it is only possible to give an accurate breakdown by 'primary' (i.e. agriculture, forestry, fishing and mining); 'secondary' (including manufacturing and construction); and 'tertiary' (e.g. property, business services) sectors. This is similar to what was reported in the 2001 estimate.
35. Table 6 shows that the available information on Māori Trust assets, Māori Trustee land assets and the assets owned by the Trust Boards are mainly invested in the primary sector. The particular business interests of the group of Māori organisations can be gauged from their published annual reports. The industry profiles of Māori business people are allocated according to the 2006 census records on their employment (see Tables 10 and 11).

Table 6: Māori assets and sector of capital investment – 2005/06

	Primary (\$ m)	Secondary (\$ m)	Tertiary (\$ m)	Total Assets (\$ million)
1. Māori Trusts	3,177			3,177
2. Māori Trustee land assets	725			725
3. Māori organisations	568		977	1,545
4. Iwi Treaty settlements			188	188
5. Māori Trust Boards	355			355
6. Māori businesses	3,688	1,271	5,501	10,460
Total Assets (\$ million)	8,513	1,271	6,666	16,450
Proportions	52%	8%	40%	100%

Primary industries include agriculture, forestry and fishing; and mining.

Secondary industries include manufacturing; electricity, gas and water; and construction.

Tertiary industries include wholesale and retail trade; accommodation, cafes and restaurants; transport, storage and communication; finance and insurance; property and business services; education; health and community services; cultural and recreational services.

36. Similar to the December 2003 update, this apportionment indicates that 52 percent of Māori commercial assets were invested in the primary sector as at 2005/06. This estimate is markedly lower than the finding of the 1997 BERL/FoMA report, which indicated that 86 percent of Māori commercial assets were invested in agriculture, forestry and fishing. In addition, in October 2006, FoMA and Te Puni Kōkiri produced a report²¹ that analysed thirty case studies between 2003-2005 to ascertain core Māori business characteristics. More than 80% of the businesses studied are involved in property holdings, agriculture, horticulture, forestry and aquaculture.
37. An immediate objection to this overall estimate is that it assumes all assets owned by Māori Trusts are invested in the primary industries. This is factually incorrect, as it is well known that a number of Māori Trusts have assets which are invested in commercial and residential property — and, in at least one example, a major geothermal electricity generation project

²¹ Federation of Maori Authorities (FoMA) & Te Puni Kōkiri, (October 2006b). 'Investigating Key Maori Business Characteristics for Future Measures: Thinking Paper ', page 16.



owned by the Tuaropaki Trust at Mokai. The October 2006 FoMA/Te Puni Kōkiri case study analysis also points out that there is a movement of Māori businesses diversifying their assets. The case study found 24% of Māori businesses studied had investments in property²².

38. However, until a reliable survey method is developed to measure the particular industry investment of the various businesses owned by Māori Trusts, it is reasonable to maintain a 'consistent error' assumption that their assets are based on the primary sector. This assumption is based on current knowledge and past research findings on the nature of Māori collectively-owned assets.
39. The change in the sectoral composition of assets of Māori businesses can be noted by the increase in the number of Māori who indicated being either self-employed or being an employer. Table 7 shows an increase in the number of Māori businesses from 16,701 in 1996 to 21,069 in 2006 or an increase of 26%. These businesses were largely invested in tertiary assets. Treaty settlement compensation since 1997 has also largely involved tertiary sector assets (e.g. property).

Table 7: Number of Māori self-employed (without employees) and Māori employers

	1991	1996	2001	2006
Employer	3,474	5,964	5,526	7,062
self-employed (without employees)	6,702	10,737	11,568	14,007
Total	10,176	16,701	17,094	21,069

Note: Māori employers and self-employed in the 'Government Administration and Defence' is included in Table 7.

Source: Censuses of Population and Dwellings, Statistics New Zealand

²² Property includes commercial and residential leases/rentals and housing schemes.



Information Limitations

40. This analysis relies on figures for 'Total Assets' reported through the Statistics New Zealand's Annual Enterprise Survey, and published annual reports from a selection of major Māori organisations. The 'Total Assets' figures were used in order to maintain consistency of accounting analysis when using the various data sources; to give an overall figure for all Māori-owned commercial assets (fixed assets, cash, stocks, loans, other); and to ensure comparability with the respective industry Total Assets figures stated in Statistics New Zealand's Annual Enterprise Survey.
41. The same method was used in the 2005/06 update as in the 2001 estimate. However, the Annual Enterprise Survey list of Māori trusts and incorporations was extracted from an entirely different Inland Revenue database in 2001 compared to 2005/06. In 2001, the Annual Enterprise Survey data was extracted from the Inland Revenue database of companies registering for GST. In 2005, the Annual Enterprise Survey list of Māori trusts and incorporations was extracted from Inland Revenue's list of Māori authorities after changes to the tax rules in 2004. These included provisions for enterprises to elect whether or not to be a Māori authority for tax purposes. As a result of this difference, although the same methodology was used in the two Te Puni Kōkiri estimates, one cannot directly compare them.
42. It should be noted that a different method was used in the 1997 BERL/FoMA report as the latter was based on 'fixed assets' figures (i.e. \$4.6 billion in 1997). The reader should exercise caution as the 1997, 2001 and 2005/06 estimates are not directly comparable.
43. The various sources of information cannot give an accurate view of the Māori commercial asset base, partly because of the lack of national statistical information collected on Māori-owned businesses. It is likely, therefore, that section 6 - "Māori owned businesses" may underestimate the actual level of assets owned by Māori business people, i.e. the figures calculated for Māori businesses do not include the total assets of any specific and sizeable private companies, for example: Tamaki Tours, Whalewatch Kaikoura, or Team Logistics Ltd. The estimated asset figures also do not include the 'undefined' industry involvement of 1,539 Māori business people. For the Annual Enterprise Survey, information is sought of the enterprise selected, and excludes consolidated or information relating to its subsidiaries or associates.
44. Another source of under-estimation will result from section 4 - "Treaty of Waitangi Settlements", recording the original Treaty of Waitangi settlement assets provided to eleven iwi organisations from 1993 to 2005/06. It is reasonable to assume that the asset bases of these iwi organisations will have changed since receipt of their particular settlements. Future analyses should include a request for copies of the latest annual financial statements from these organisations.
45. A problem with adding the total assets figures for major Māori organisations (section 3 - Māori organisations ") to the 'Māori Trusts' information from the Annual Enterprise Survey (section 1 – Māori Trusts), is the potential for double-counting. This is because we do not know – due to Inland Revenue and Statistics NZ confidentiality requirements – which particular Māori trusts and incorporations were among the 434 surveyed



for the 2005 year. It may be that the results of organisations such as Te Runanga o Ngai Tahu were already included in the Annual Enterprise Survey findings. This risk of double-counting is the reason why particularly large Māori land trusts and incorporations (e.g. such as the Lake Taupo Forest Trust, Wakatu Incorporation, and Taharoa C Block) were not specifically included in the list of major Māori organisations (section 3 – Māori organisations).



Appendix 1: Māori Trusts

Table 8: Māori Trusts information from the Statistics NZ Annual Enterprise Survey (AES)

Financial Item ⁽¹⁾	2001 (N=436)	2002 (N=454)	2003 (N=464)	2004 ⁽²⁾ (N=423)	2005 ⁽²⁾ (N=434)
Financial Performance \$(million)					
Total Income	292	305	351	341	351
Sales of Goods and Services	228	228	253	236	225
Interest, Dividends and Donations	26	26	39	43	46
Government Funding, Grants and Subsidies	32	47	56	58	85
Non-operating Income	6	4	3	10	21
Total Expenditure	242	263	293	318	312
Interest and Donations	50	47	57	19	22
Indirect Taxes	2	3	3	..C	4
Depreciation	9	10	11	11	12
Salaries and Wages Paid to Employees	38	40	51	47	45
Redundancy and Severance	-	-	-	-	-
Salaries and Wages to Self Employed	-	-	-	-	-
Commission Agents	-	-	-	-	-
Salaries and Wages to Working Proprietors (SW to WPs)	-	-	-	-	1
Purchases and Other Operating Expenses	140	161	166	223	223
Non-operating Expenses	2	1	4	..C	6
Opening Stocks	125	143	141	128	141
Closing Stocks	125	144	100	118	131
Operating Surplus Before Income Tax	51	42	58	24	39
Financial Position					
Total Assets	1,498	1,911	2,325	2,372	3,177
Current Assets	439	278	347	392	518
Fixed Tangible Assets	679	983	1,029	1,060	1,423
Additions to Fixed Assets	144	223	159	130	275
Disposals of Fixed Assets	35	16	41	8	44
Other Assets	380	650	949	920	1,236
Total Equity and Liabilities	1,498	1,911	2,325	2,372	3,177
Shareholders Funds or Owners Equity	1,002	1,277	1,704	1,868	2,199
Current Liabilities	285	314	329	329	352
Other Liabilities	211	320	293	175	626
Financial Ratios⁽¹⁾					
Total Income per full-time equivalent (FTE) ⁽⁵⁾	\$214,900	\$208,900
Total Income per rolling- mean employment (RME) ⁽⁵⁾	\$141,900	\$144,200	\$176,700
Operating Surplus per full-time equivalent (FTE) ⁽⁵⁾	\$37,200	\$29,100
Operating Surplus per rolling- mean employment (RME) ⁽⁵⁾	\$23,600	\$10,100	\$19,800
Current Ratio	154.2%	88.5%	105.6%	119.2%	147.1%
Quick Ratio	110.4%	42.6%	75.0%	83.2%	109.8%
Return on Equity	5.1%	3.3%	3.4%	1.3%	1.8%
Return on Total Assets	3.4%	2.2%	2.5%	1.0%	1.2%
Liabilities Structure	66.9%	66.8%	73.3%	78.8%	69.2%

(1) Refer to 'Definitions' in the Technical Notes for definitions of Financial Items and Ratios.

(2) These figures are provisional.

(3) This industry data is at a lower level than designed industry groupings. Because sample sizes and weights are designed at a higher level, sample error at lower levels is not controlled for, and year on year data movements should be interpreted in the context of possible changing sample sizes.

(4) Māori Units have been identified by matching to an Inland Revenue indicator for the February month of the corresponding AES year. The Inland Revenue indicator is subject to ongoing revision.

(5) Refer to 'Definitions' in the Technical Notes for definitions of FTEs and RMEs.

Symbol:

... not applicable

Source: Statistics New Zealand's Annual Enterprise Survey.



Appendix 1: Māori Trusts Information limitations

The source from which the list of Māori trusts and incorporations in the AES was extracted by Statistics NZ was different in 2001 compared to 2005. In 2001, Statistics NZ extracted the list of Māori trusts and incorporations from the Inland Revenue database of companies registering for GST. However, in 2005, Statistics NZ extracted the list of Māori trusts and incorporations from a list of Māori authorities for tax purposes. Changes to the tax rules in 2004 included provisions for enterprises to elect whether or not to be a Māori authority for tax purposes. Hence, it is important for the reader to note that although the methodology in 2005/06 is similar to the methodology used in 2001, and the source data and method for extraction are the same, the results from these estimates cannot be directly compared. This is because it is not clear what impact the change in the tax rules has had on the numbers that elect (or not) to be a Māori authority for tax purposes.

In 2005, 4,298 enterprises were identified as Māori authorities for tax purposes. These enterprises constituted the total Māori authority population. Only 591 of these enterprises (barely 14 per cent) were economically significant (see below the criteria used by Statistics NZ to determine what an economically significant business is) and listed on the Business Frame. It is from the Business Frame that Statistics NZ draws samples for business surveys. Hence, 3,707 Māori authorities were considered “out of scope” for sampling purposes.

Apart from this, the following limitations should be noted of the AES data:

- The coverage of Māori authorities in the AES was comparatively low – in 2005 the response rate for Māori authorities sampled in AES was 68 percent compared to 90 percent for all enterprises; and
- The 2005 AES data is a weighted estimate of those enterprises that are economically significant and elected to be a Māori authority for tax purposes as defined in the Income Tax Act 2004. The data excludes:
 - a. any subsidiaries, associated businesses, and, divisions that operate entirely outside of New Zealand;
 - b. enterprises that are economically significant, meet the Inland Revenue eligibility criteria but did not elect to be a Māori authority for tax purposes; and
 - c. enterprises that elect to be a Māori authority for tax purposes but were not economically significant.

The following criteria were used by Statistics NZ to decide if a business is economically significant:

- has greater than \$30,000 annual GST expenses or sales;
- has RMEs greater than two;
- is in a GST-exempt industry (except residential property leasing and rental);
- is part of a group of enterprises;
- is a new GST registration that is compulsory, special or forced;
- is registered for GST and is involved in agriculture or forestry.



Appendix 2 Annual Enterprise Survey, 2005 financial year

Table 9: Annual Enterprise Survey information for 2005

Industry (Note: Data is provisional)	Total Assets (\$ million)	Employee count ^a	Total Assets per employee count (\$)
All industries^b	1,105,939	1,674,112	660,612
Agriculture, Forestry & Fishing	96,265	108,898	883,992
Mining	9,335	4,072	2,292,485
Manufacturing	58,694	262,168	223,879
Electricity, Gas & Water supply	33,111	6,564	5,044,333
Construction	10,423	103,843	100,373
Wholesale trade	29,558	103,475	285,654
Retail trade	14,759	220,995	66,784
Accommodation, cafes & restaurants	6,491	103,962	62,436
Transport, storage & communication	30,881	95,823	322,271
Finance & Insurance	626,559	51,676	12,124,758
Property & Business Services	158,166	206,646	765,396
Education	9,832	146,124	67,285
Health & Community Services	10,856	175,676	61,796
Cultural & Recreational Services	8,035	47,276	169,959
Personal & other services	2,974	36,914	80,566

a 'Employee count' was calculated by dividing the stated figures on 'Total Income' by 'Total Income per employee count'.

b Table excludes the 'Government Administration and Defence'. This is not considered to be an industry sector where commercial assets can be invested.

Source: Statistics New Zealand, Annual Enterprise Survey - 2005 financial year (www.stats.govt.nz)

Table 10: Māori self-employed (without employees) incomes and estimated assets, by industry

Industry	Māori self-Employed (N)	Māori median Income (\$)	Total median Income (\$)	Māori income ratio (%)	Māori business Assets ^a (\$)
All industries^b	13,851	32,500	32,700	99.4	
Agriculture, Forestry & Fishing	1,470	30,000	31,400	95.5	1,241,530,166
Mining	12	45,000	51,800	86.9	23,898,492
Manufacturing	816	33,100	30,500	108.5	198,258,434
Electricity, Gas & Water supply	18	60,000	50,200	119.5	108,523,499
Construction	2,433	36,900	37,300	98.9	241,588,662
Wholesale trade	369	35,800	35,900	99.7	105,112,715
Retail trade	960	25,600	23,700	108.0	69,252,472
Accommodation, cafes & restaurants	297	21,100	21,900	96.3	17,866,104
Transport, storage & communication	978	37,100	33,300	111.4	351,147,643
Finance & Insurance ^c	225	44,400	54,300	81.8	99,900,000
Property & Business Services	2,400	38,700	42,100	91.9	1,688,598,111
Education	423	31,000	24,000	129.2	36,762,842
Health & Community Services	621	29,000	33,800	85.8	32,925,567
Cultural & Recreational Services	768	32,200	32,100	100.3	130,935,143
Personal & other services	849	23,700	24,100	98.3	67,265,255
Not elsewhere included	1,212	22,500	24,100	93.4	
Total assets					4,413,565,105

a Method: 'Māori business assets' figures were calculated by (Māori self-employed in each industry) multiplied by (Total Assets per employee count) multiplied by (Māori income ratio).

b 'Government Administration and Defence' is not included in the table, as this is not considered to be an industry sector where commercial assets can be invested.

c Given that individual entrepreneurs are not believed to own sizeable bank or insurance businesses, then their median income is assumed to represent a 10% return on financial



assets employed; therefore, average assets per self-employed Māori entrepreneur = \$44,400*10=\$444,000. Hence, Māori business assets in the Finance and Insurance sector is estimated as \$444,000*225=\$99,900,000.

Source: 2006 Census, Statistics New Zealand.

Table 11: Māori employer incomes and estimated assets, by industry

Industry	Māori Employers (N)	Māori median Income (\$)	Total median Income (\$)	Māori income ratio (%)	Māori business assets (\$) ^a
All industries^b	7,044	44,400	51,000	87.1	
Agriculture, Forestry & Fishing	924	42,400	43,600	97.2	2,382,983,881
Mining	6	60,000	63,000	95.2	39,299,747
Manufacturing	456	46,000	53,500	86.0	263,332,325
Electricity, Gas & Water supply	3	85,000	52,500	161.9	73,503,134
Construction	1,422	48,300	53,600	90.1	385,850,177
Wholesale trade	228	55,600	60,700	91.6	178,970,649
Retail trade	909	37,300	39,600	94.2	171,543,106
Accommodation, cafes & restaurants	441	31,500	32,900	95.7	79,088,162
Transport, storage & communication	432	45,500	47,400	96.0	400,921,779
Finance & Insurance ^c	81	82,900	100,000	82.9	201,447,000
Property & Business Services	969	61,500	82,600	74.5	1,656,632,696
Education	144	42,100	45,700	92.1	26,777,496
Health & Community Services	207	61,400	93,100	66.0	25,308,575
Cultural & Recreational Services	180	41,000	43,200	94.9	87,104,186
Personal & other services	315	35,500	36,900	96.2	73,245,956
Not elsewhere included	327	23,500	39,200	59.9	
Total Assets					6,046,008,869

- a Method: 'Māori business assets' figures were calculated by (Māori employers in each industry*3) multiplied by (Total Assets per employee count) multiplied by (Māori income ratio). The calculation for 'Māori business assets' assumes each Māori employer employs (on average) 3 FTE staff. The same assumption was used for the Māori commercial asset base, December 2003 and the 1997 BERL/FoMA report.
- b 'Government Administration and Defence' is not included in the table, as this is not considered to be an industry sector where commercial assets can be invested.
- c Given that individual entrepreneurs are not believed to own sizeable bank or insurance businesses, then their median income is assumed to represent a 10% return on financial assets employed; therefore average assets per Māori employer = \$82,900*10=\$829,000. Hence, Māori business assets in the Finance and Insurance sector is estimated as \$829,000*81*3=\$201,447,000.

Source: 2006 Census, Statistics New Zealand.



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