

A Powerful Moment: Raising Living Standards with Tangata Whenua

Speech delivered by Vicky Robertson,
Deputy Chief Executive to the Treasury

Te Pae Roa Hui Taumata Commemoration

2 September 2014

Kei nga mana – kei nga reo – kei te iwi e tau nei – kei nga rangatira – koutou katoa ra
– tena koutou tena koutou tena tatou katoa!

Tena koe Rawiri, tena koe Charles.

I am privileged and grateful to be here among you all, to acknowledge the leadership that has led us to this point, the gains that have been made, and the insights that will enable us to build on the hui taumata legacy together. I acknowledge your leadership as we again look ahead in our journey.

I stand here as a descendant of Ngāi Tahu. It was not long ago that I discovered this part of my heritage, my whakapapa, and I'm still finding out what it means. My personal journey is one of discovery, of uncovering and seeking out the treasures of my hidden ancestry. I am considering what it means to be Māori alongside other parts of my identity which also matter dearly to me.

I also stand here as the Deputy Chief Executive of the Treasury. This is an identity that I know well – I have been a public servant for over 20 years. And while I am still exploring the Māori part of my identity, I can say confidently that there is much we share in our hopes and dreams for Aotearoa, as Māori, as New Zealanders, as public servants, as private citizens.

I can tell you that at the heart of government, we treasure what New Zealanders treasure. Good jobs. Profitable businesses. A growing economy. Great health and education for our kids. A clean environment. And an inclusive society where everyone has a chance to succeed. We call this our living standards framework.

Our vision is to raise living standards for New Zealanders, and today I want to talk about how we can work together to make our shared aspirations a reality.

We are living in a powerful moment

Our sense at the Treasury is that we are living in a powerful moment.

As the global economy changes shape, we're in the right place, with the right products and services on offer. China's middle class is growing quickly, and more countries are adopting a western-style diet. They have a taste for New Zealand milk, beef, lamb, seafood and wine.

Apart from the well-known emerging economies, new markets are rising quickly. Countries like Malaysia, Brunei, Kazakhstan and Azerbaijan are becoming attractive new markets for our primary products.

We have a rich resource base from which to cater to these rising markets. We have plentiful, clean water; clean air; fertile soil and a climate well-suited to people, trees, livestock, and horticulture. We have long coastlines and significant aquaculture resources; significant mineral and petroleum reserves; and extraordinary biodiversity.

And we have a tremendous cultural advantage. New Zealanders are humble, resourceful, open-minded, creative, and have a can-do attitude that you just don't find in many parts of the world.

Running through our national culture and identity like a bright and strong thread is Māori culture, which in itself is a rich economic treasure. Māori culture prizes people, relationships and connectedness. It is a culture which understands the values of the East deeply and intuitively. Strong relationships are the foundation of a thriving economy and are the key to unlocking the commercial opportunities in front of us, as companies like Miraka and Maraeroa C have shown. He aha te mea nui o te ao? He tangata! He tangata! He tangata!

I also have a sense that something powerful is stirring in our society more broadly. As we move into the post-settlement era, the spirit of reconciliation is giving way to the spirit of possibility. We are moving away from relationships which are adversarial, compromising and trading value, to relationships which are diverse, inclusive, cooperative, life-giving and value-creating.

Last month I went to Stanford University in the United States with a group of leaders, Māori and non-Māori, from our primary sector. People from farming, forestry and

fishery industries went to talk about the future, the risks and the opportunities. The vision and the ambition and the will to do things differently and create a more prosperous New Zealand was huge. There is so much opportunity in front of us.

But we can't be complacent

As a small nation, New Zealand's success still depends very much on the global economy, and internationally the recovery is still fragile. The scope for growth is still limited and there are ongoing risks to the global financial system, especially in Europe. Just a few weeks ago the IMF downgraded its growth forecasts for the global economy, based on weaker growth in the United States, Russia and developing economies.

Closer to home, New Zealand still has one of the largest net negative international investment positions in the OECD. Household debt levels and domestic credit rose sharply in the years leading up to the Global Financial Crisis in 2008. Although they have fallen somewhat in recent years, our high level of private debt and dependence on world markets leaves us vulnerable.

Several decades of low private saving and high levels of consumption have also put upward pressure on interest and exchange rates, making it harder for exporters.

On top of the shaky global environment, we need to face up to some stark realities about our own economic foundations.

For some time our economic growth has been supported by a growing population. But there's been a consistent flow of skilled workers departing for other countries, and when Australia gets back on its feet – and it will – we can reasonably expect to see the exodus resume.

The greater workforce participation we've seen in recent times is also a bit of a double-edged sword, in that it's masking a stubborn productivity problem. And while people have been working for longer, the baby boomers will eventually retire, and our workforce will get proportionally smaller.

Finally, although the global centre of economic gravity is getting closer, size and distance still matter. Auckland is still not much closer to cities in Asia than cities in Europe are. Being a bit removed from the world also makes it more difficult to tap into innovation, and potential productivity gains.

Where to from here?

The question for us today is what will we do, collectively, as Māori and New Zealanders? How do we develop the Māori economy? And what should the relationship between Māori and the Crown be like in this new era?

For the rest of my time today I'd like to talk about:

- what success looks like
- what excites us about the Māori economy
- what worries us, and
- how we forge ahead.

So what does success look like?

So what does success look like? Success will be better outcomes – not policy advice, strategies or statements. Success will be more young people with good qualifications; healthy whanau; warm, dry houses; better jobs; flourishing Māori businesses taking on the world; and Māori-owned assets managed in a way that's consistent with Māori aspirations for people, for the land, for rivers, for the sea.

We have made progress since the last Hui Taumata. There are difficulties with statistics, because of how we define what it is for a person or a business or a commercial entity to be Māori, but we can be encouraged by some broad trends. For example in the 2013 census, 36,000 Māori stated that they had a bachelor's degree or higher as their highest qualification. That's a 56 percent increase over 2006. This is especially heartening because education is a platform for future prosperity.

Of course there are still challenges. Māori educational outcomes are still behind those for non-Māori for example, and Māori health issues are well known. But we absolutely believe the opportunities outweigh the challenges.

What's important is that we take full advantage of the opportunity presented to us right now in the form of the changing global economy. Because what we are seeing is not a once-in-a-lifetime change. It is a once-ever change. We have to pursue our ambition relentlessly and intelligently.

What excites us about the Māori economy

At the Treasury we are excited about the Māori economy.

We're excited about active iwi investment in growth companies and infrastructure. For example this includes recent joint investments by Ngāi Tahu and Tainui in Go Bus, the nationwide transport operator, and Waikato Milking Systems, a technology provider in the dairy industry. The bus deal is a nice example of the rising economic power of iwi corporations – the total value of the deal was \$171 million dollars, the same amount as Tainui's Treaty settlement in 1995.

We're also excited about investments in social projects to raise living standards. For example, this includes the Waimahia Housing Project, an initiative between a collective of tribes in Tamaki Makaurau, the Māori Trustee and charitable organisations.

We are excited about the long-term approach Māori enterprises bring to their investments. Last week I met with Parininihi ki Waitotara, who are investing in sustainable dairy farming in the heart of Taranaki. They are balancing growth with careful nutrient management and protection of waterways. Solar-powered cowsheds – ka pai!

We're excited about Māori innovation, international connections and cultural advantage. Earlier I mentioned Miraka and Maraeroa C. Miraka is attracting investment from Vietnam and building a strong market presence because its approach to business is distinctly Māori. Its philosophy resonates deeply with funders. Maraeroa C is succeeding in the Chinese market for the same reason.

And when we look across all of this activity, we are excited about the sharp commercial focus of Māori innovators, entrepreneurs and executives.

What worries us

But just as there are risks for the New Zealand economy as a whole, we see specific risks for the Māori economy.

While we're excited about growth investments, we're worried about overconcentration. Māori enterprises appear to have invested heavily in commercial property, for example. If there's one thing the Global Financial Crisis taught us, it's to be wary of a real estate market that looks too good to be true.

We're also concerned about overexposure to volatile global markets for New Zealand's commodities.

On the supply side, we are exposed to price swings caused by climatic conditions around the globe. We've just seen the 2015 milk price cut heavily in the face of strong global production.

And while we're excited about prospects for New Zealand's high quality food products, demand growth isn't a given. Consumer preferences could shift and product innovations could change the game. Recently someone invented eggless eggs – could the world get a taste for milkless milk or beefless beef?

We love the long-term focus Māori businesses are bringing to their investments. But we're worried about who will lead tomorrow. How is your governance and succession planning? Is the right kind of talent being nurtured?

And although we're excited about your sharp commercial focus, we're worried that other outcomes, especially social outcomes, might get sidelined or forgotten.

So what comes next? Forging ahead

So how do we respond? How do we grow the economy to take advantage of our strengths and the opportunities, while protecting ourselves from the vulnerabilities?

The Māori economic development strategy, He Kai Kei Aku Ringa talks about a "Māori-led, government-enabled" approach. What does that mean?

I think it means a number of things.

In some cases, it means Māori pursuing their ambition, and government getting out of the way.

In some cases it means government clearing road blocks to growth.

In some cases it means partnership.

In some cases it means government helping Māori to develop the capability needed to realise their aspirations.

Education will continue to be one of the Treasury's priorities, just as it was at Hui Taumata in 2005. Our job is to make sure the education system works well for all New Zealanders, so that regardless of your social, ethnic, or cultural background, you can get a relevant qualification that enables you to participate fully in the economy and society. But for this to really work we will need to create opportunities for local hapu and whanau to be involved.

The same applies in areas like housing. The Waimahia development is a good example of a new way of working, and we are exploring how government can work more closely with community housing providers, including iwi, more broadly.

We also need to keep clearing away the blockages to the development of Māori land, through effective regulation that balances growth and sustainability.

In the governance space, we will continue to look for opportunities for Māori representation on the boards of the many State entities we oversee. The Treasury alone oversees 49 government-owned enterprises that have full or partial commercial objectives. Collectively these enterprises employ over 40,000 people and, as at 30 June 2013, held assets of around \$125 billion.

This is an area where we can create value for everyone. Boards will be strengthened through diversity of perspectives and a stronger understanding of Māori stakeholder interests. This will generate greater value for the organisation and ultimately all New Zealanders as taxpayers and customers of those entities. Māori and non-Māori directors alike will also strengthen the experience they can bring to Māori organisations.

The key theme underlying all of these things is the free flow of people, culture and ideas, with a focus on finding solutions that work. It's the power of diversity and collaboration to create value for everyone. As an organisation, the Treasury is finding its way here – we're meeting with more people to find new perspectives on tough problems. We don't have a preconceived idea about how things should be done – we just want better results.

In that spirit, I'd like to invite you to contribute to our work. Some members of the Treasury team are now handing out a small postcard. On the front it says: Nau te rourou, naku te rourou. Ka ora ai te iwi! This is our belief: that our success lies in working together. On the back of the postcard, I'd like to invite you to write down one thing that we – meaning "we" collectively – should be focusing on to raise living standards for New Zealanders. Of course there will be many things, but what's the one thing you think matters most? At the back of the room there are some boxes where you can drop your completed postcard – we would be very grateful for your thoughts.

Finishing up: Eyes on the prize

To finish, the key question I'd like to come back to is: what will success look like? We need to keep our eyes on the prize, which is much more than economic growth. Economic growth is a means to an end, and that end is better living standards for all New Zealanders.

At the Treasury we use a Living Standards Framework to keep our focus right. What's your picture of success? How will you evaluate your decisions? Have you set clear

goals for your social outcomes, to hold you true to your aspirations as you navigate the world of commerce?

I would like to offer five thoughts you could consider to help chart the way:

1. The first is that **we need to create clear pathways for young people**. To build strong technical, management and governance capability for the future, and to give our young people hope and ambition, the opportunities to advance and succeed in our organisations need to be laid out clearly. Opportunity and succession go hand in hand.
2. The second thought is **to think laterally about how you can grow and manage risk**. Where are the opportunities to invest together with others, to combine your strength, reduce risk, and develop deeper expertise? Where are the smart partnerships? Are they with other Māori enterprises? Or with private equity? Let's discern who shares your values and who has the skills needed.
3. The third thought is to **support active ownership**. How will you make your growth, your aspirations, your successes and your failures inclusive? Keeping connected to whanau will help you to stay focused on what really matters.
4. The fourth thought is to **strengthen as you grow**. This is about building resilience. While building scale, don't forget to invest in efficiency and productivity. Invest in your people and processes. Watch your balance sheet carefully, so that you can withstand unexpected shocks.
5. And the fifth thought is **to build relationships with the wider community**. This is about your license to operate, at home and abroad. New Zealand is becoming a better place because we're taking the time to talk to each other, and to find new ways to work together. And as I mentioned earlier, Māori culture and relationship values are already opening doors to new markets and investment opportunities internationally. I encourage you to continue in this spirit of whanaungatanga.

I introduced myself today as a descendant of Ngāi Tahu, re-discovering who I am. But I am not the only one on a journey. He waka eke noa. Like the Polynesian and European voyagers who made their way to this corner of the South Pacific many years ago, all New Zealanders are on a voyage of discovery. The waters ahead are teeming with life and rich with possibility. We are leaving behind the burden of the past and pursuing the bounty of the future. We are discovering a land that to all of us is both ancient and new at the same time. We are charting a course for our country, Aotearoa New Zealand.