



The Chatham Islands (New Zealand): economic forces and governance

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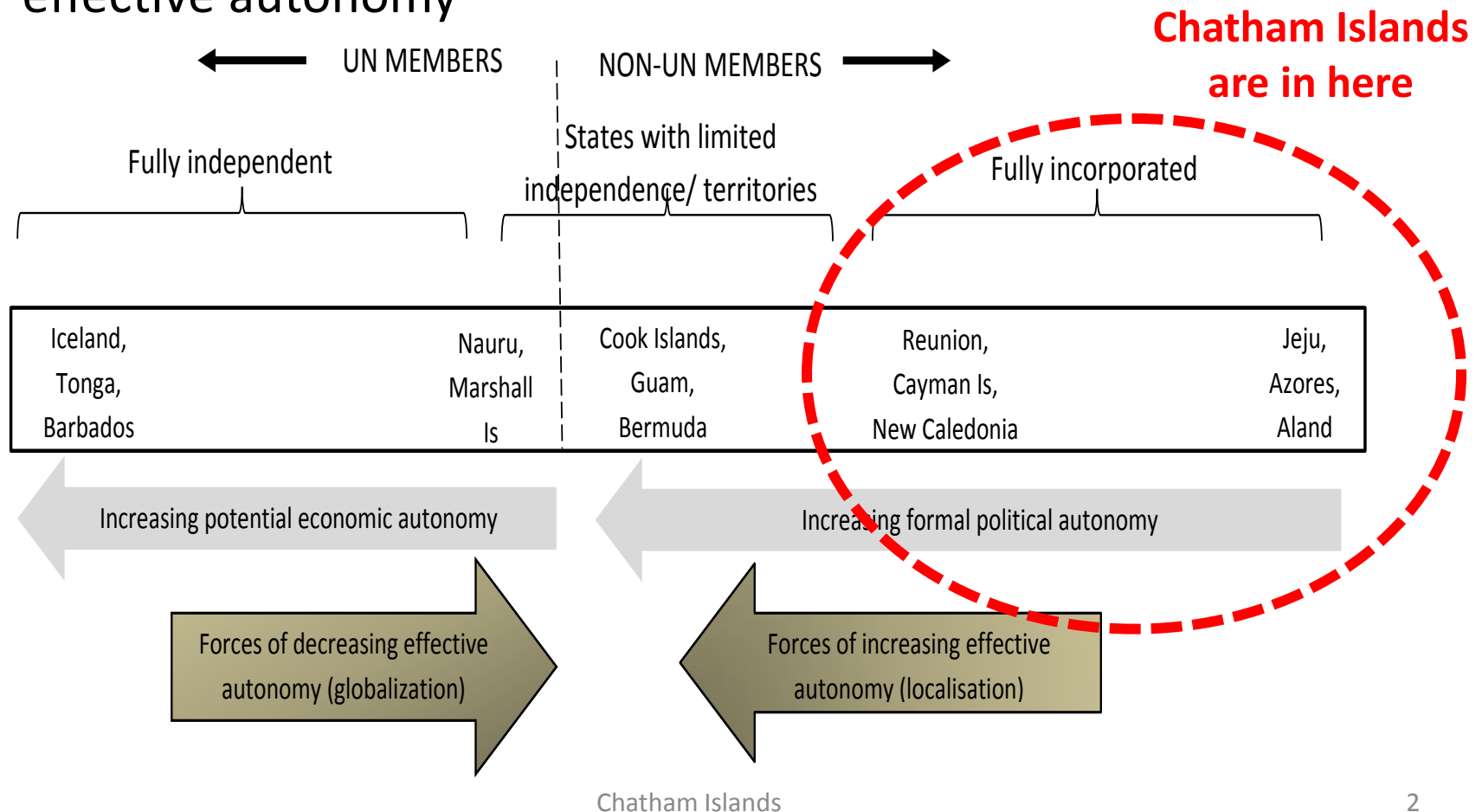
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“Autonomy without sovereignty”

- Concept from Baldacchino’s *Island Enclaves* (2010) Chapter 1
- Islands analysed as “sites of agency”
- No simple correlation between formal sovereignty and effective autonomy

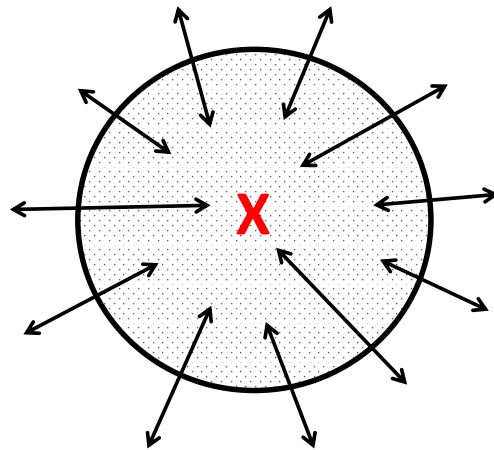


Baldacchino and Bertram 2009, “Beak of the Finch”

- Speciation
- Adaptation
- Flexibility
- Negotiated extent of local agency
- Historically, look for how long-run changes happen in
 - Effective power balance between centre and periphery
 - Shifting sectoral structure of the island economy
 - Sources of the external funding without which material living standards on small islands cannot be sustained

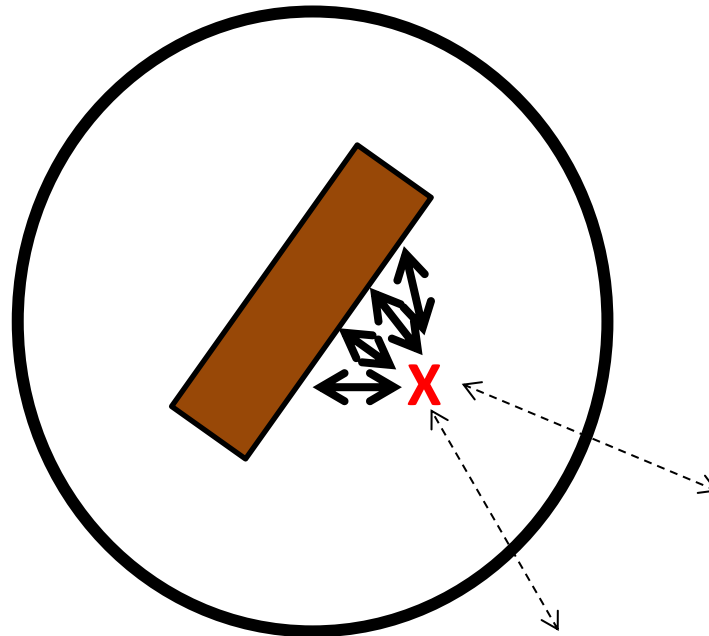
Bertram 2017: Small islands' location in political and economic force fields

- In centrifugal force fields, political and economic linkages run out of the region and local linkages are weak:



- Think Reunion and Mauritius in the Indian Ocean; American Samoa and French Polynesia in the Pacific; Falkland Islands and Bermuda in the Atlantic; many more

- In centripetal force fields the small island lies within the strong gravitational pull of a larger territory close by, with only weak direct links if any to the outside world:



- Think of Terschelling, Prince Edward Island, Labuan (in Malaysia) – and the Chatham Islands of New Zealand



Chatham Islands

Chatham Islands dialectics of location

- Far offshore: 650 km from nearest point on mainland New Zealand
 - But firmly gravitationally linked in terms of economic, political, ethnic and and migration ties
- Relative isolation => autonomy is logical
 - But rich resource endowment => autonomy is circumscribed by Wellington's lock on fishery rents
- Fully politically integrated into New Zealand
 - But attempts at direct rule from Wellington flounder (distance, impersonal bureaucracy, lack of local knowledge)

Sovereignty has never been an option since 1842

- Originally annexed to block a German colonisation project
- Thereafter fully integrated into New Zealand legal system
- Customs office installed 1850s to stop smuggling
- Since 1922 incorporated into New Zealand parliamentary electorates
- Since the 1970s, far too valuable to let go because of rich fishery resources within the EEZ
- In any case, 600 population is surely too small to sustain independence!

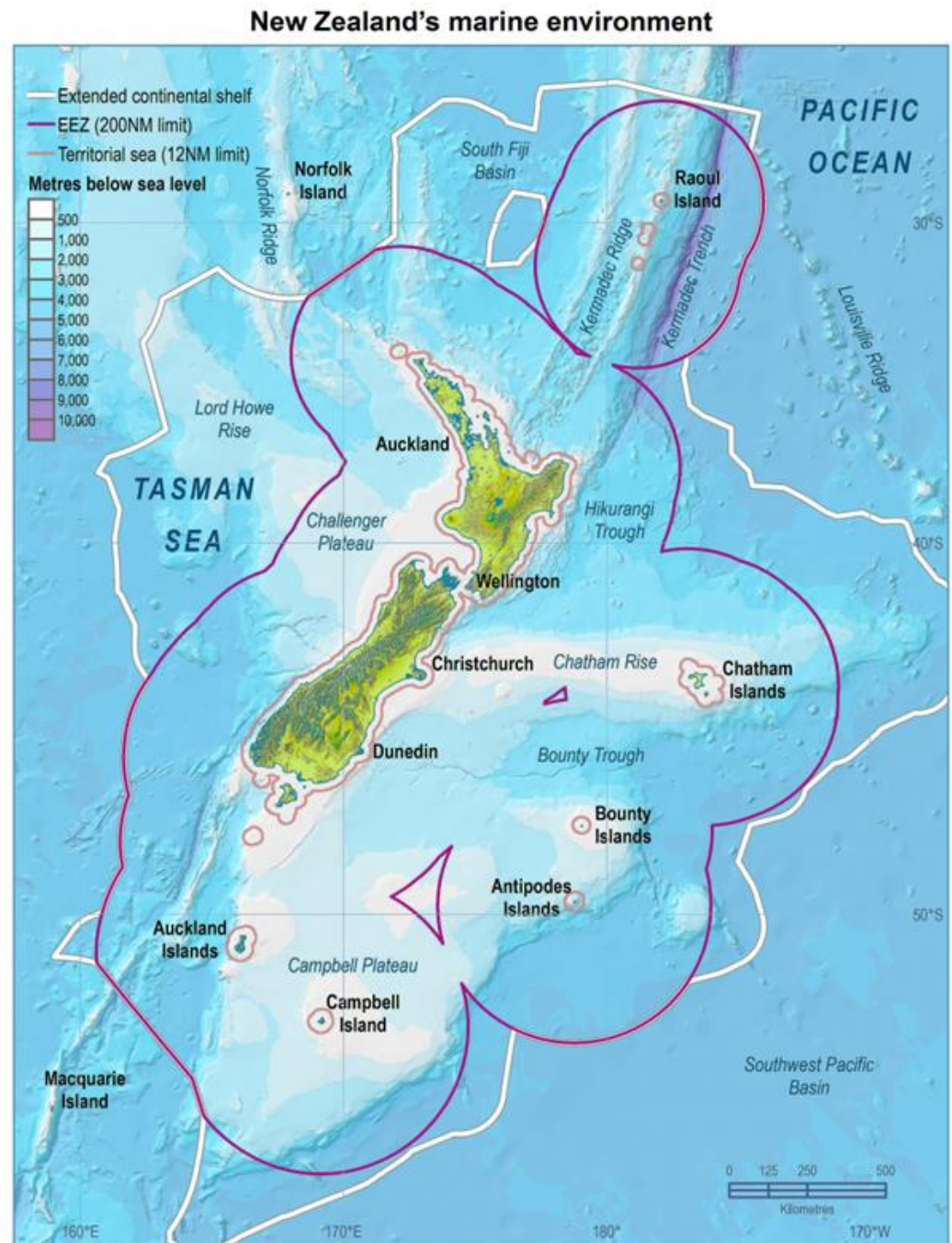
New Zealand's Exclusive Economic Zone is 15 times the area of the country

At least half of it is attributable to six outlying island groups

Of these only the Chatham Islands are inhabited

Without that population, all New Zealand's resource claims would remain secure

So for Wellington, those people are a liability as well as an asset



Fall and rise of negotiated local agency

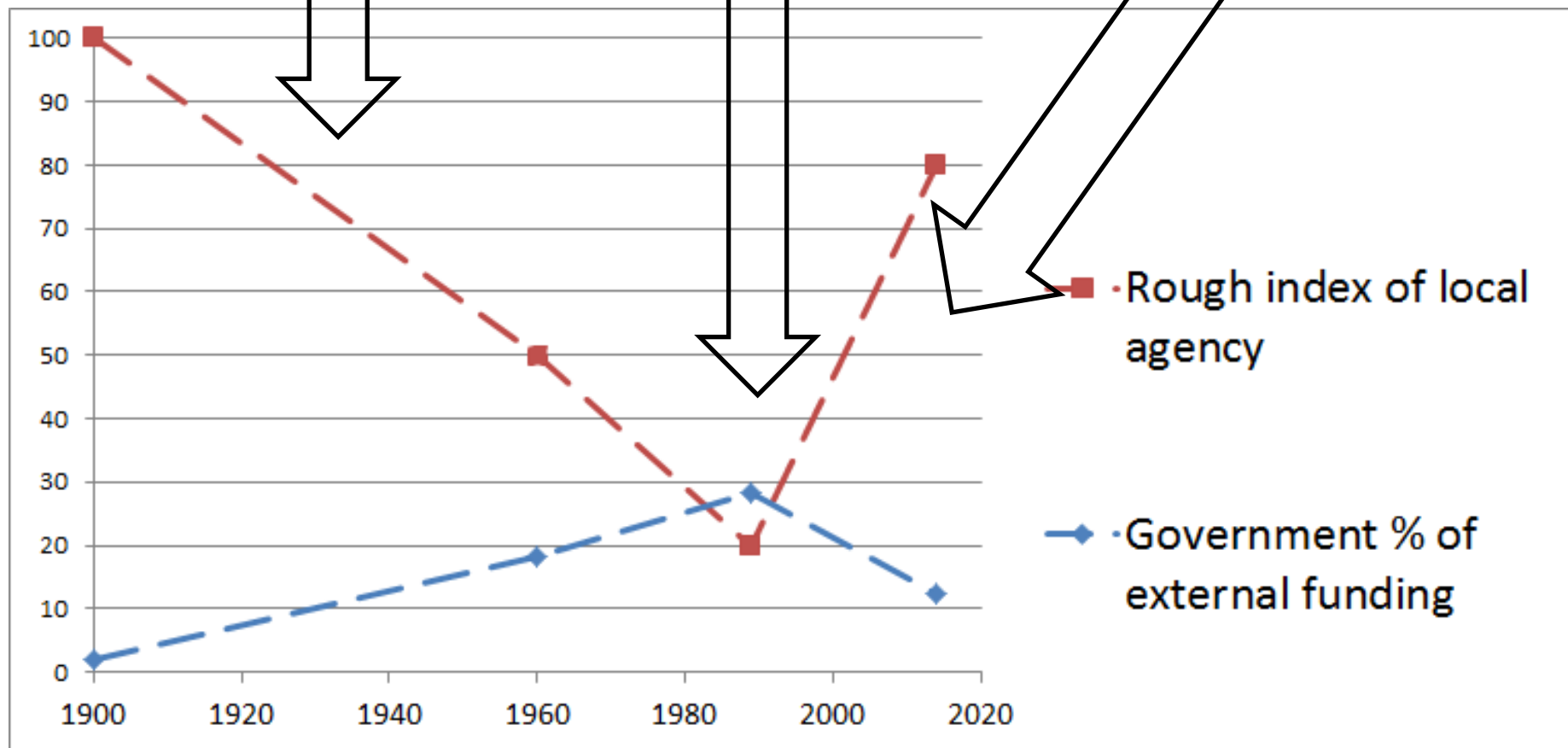
- Historical trajectory from virtual independence c1900 to abject political dependency 1980s to a vigorous exercise in local self-government since 1990
- Today, a community of 500-600 people who
 - Own their own airline
 - Own their own shipping line
 - Own and operate their own electricity system, port and airport
 - Have a thriving farming and fishing export economy
 - Share New Zealand's standard of living
 - Provide me with a nice case study

A process driven from both centre and periphery:

1900 – 1960s: Increasing government services and support were welcomed

1970s-80s: Rent-seeking by outsiders + bureaucratic dead hand produced crisis of legitimacy

1990-now: local people resume control, helped by outside change agents



- At 1900 the islands had a squatter-settler grazing economy with eight large estates, a local population in a state of affluent subsistence, and no intrusion of central government authority
- Not even a local-government institution
- Graphic contemporary description:

“[T]here was no suffrage exercised down there – no female suffrage nor any other kind of suffrage, and no voting by ballot or otherwise for anything. There is no electoral roll, or any other kind of roll, no road boards [because no roads] or county councils or local boards of any sort, and no rating on improved or unimproved values, for there are no rates or taxes levied, not even a dog tax, and the land tax is not collected. The census ... does reach here, and the Magistrate acts as enumerator, and this it would appear is the only Governmental interference that does.

The whole concern is run by a Resident Magistrate and three Justices of the Peace.

The islanders talk just as though Chatham and Pitt Islands did not form a part of New Zealand As though the island was a foreign land

They have no poverty, no criminals, no neglected children amongst them.... There is no larrikinism, and but little drinking... There are two old-age pensioners ... There are no clergymen and no police to keep the islanders on their good behaviour, but there is that most useful official – a postmaster, and he is policeman and parson as well.

Although there are few of the islanders who have not been to New Zealand, still they seem to prefer the simple life they lead here... In Chatham the people not only get their livings direct from the land, but the land is cheap, and the opportunities and bounties of nature are to a very large extent open to all. ”

By 1960 the NZ Government was becoming a dominant force

- Heavy reliance of the local County Council (established 1926) on central government funding for roads etc
- Local affairs controlled by Department of Island Territories, which also ran the Cook Islands, Niue, Tokelau and Samoa
- Concern in Wellington that the Resident Commissioner was not effective enough in coordinating government-run or subsidised road-building, education and health services, shipping and air services
- 1961 officials' committee inquiry recommended stronger direct control from Wellington

1961 officials' report:

“ [D]istance from the Mainland tends to make the local Council and others feel that they have very little say in things which concern them...

We are conscious of the financial burden that the dues impose on this small community, but we feel that the general principle that the costs of local services and amenities should be met locally should apply in the Chatham Islands as elsewhere in NZ

[U]nlike the residents of [Cook Islands and Niue], the Chatham Islanders are subject to the same taxation and other laws as apply to the mainland. They should therefore be governed in the same manner

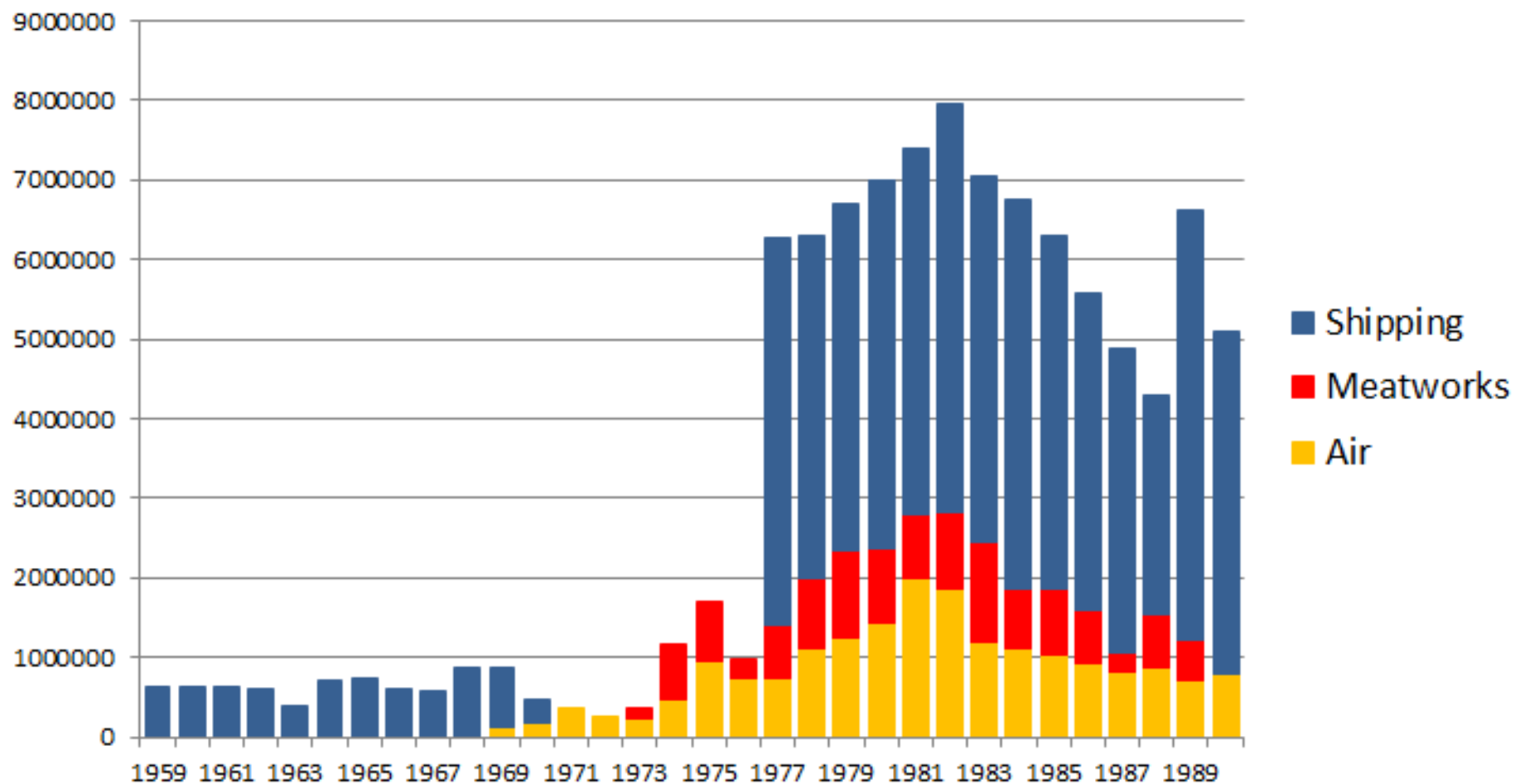
[The amount of Government spending] belies the suggestion made from time to time that the Chatham Islands are a neglected part of NZ. It indicates that the measure of Government activity in this isolated area is not inconsiderable.

”

Department of Internal Affairs control 1962-1989

- Steady reduction of local autonomy under a distant, impersonal and out-of-touch bureaucracy
- Perennial financial crises for the local Council meant reliance on bailouts, grants, loans from Wellington
- Government subsidies to air service, shipping, local meatworks, electricity supply, roading, port works => inefficiency, rent-seeking behaviour by outside providers
- General disillusionment in Wellington as well as the islands, simmering local discontent

Subsidies to Chatham Islands air service, shipping and meatworks, real 2017 dollars



Situation in 1980s described by the key change agent:

“The Chatham Islands ... had become a bottomless pit into which governments poured more and more taxpayers' money. The islanders weren't grateful. They felt themselves to be patronised and disempowered by Wellington officials making decisions about their lives and livelihoods without adequate consultation with them. Moreover, they could see the money being squandered.

The subsidised [air] service was so poor ...that politicians and officials shunned it. Whenever they visited the Chathams, they would fly in on Air Force VIP aircraft. .. Each special Air Force flight, burning up thousands of taxpayers' bucks, reminded the islanders of what they weren't getting from the thousands of taxpayers' bucks being poured into the Safeair flights: an air service.

Throughout the 1980s, thousands more bucks were poured into finding solutions to island problems. There were meetings of official committees, and a 1985 review team, and an officials' and islanders' review of the report by the 1985 review team, and the establishment of a special cabinet sub-committee. After five years of meetings, musings, examinings and reconsiderings, no acceptable result had emerged and the county council ... became sidelined in the local government reform process.”

Hugh Rennie QC interviewed in *The Independent* (Auckland) 7 April 1995

“The more the Crown pumped in the money and the bureaucrats, the more the relationship between Crown and Chathams became marred by bitterness and frustration. The government was despairing at how voraciously taxpayers money was gobbled up; the islanders regarded help from Wellington as well-intentioned, maybe, but wasteful and patronising, destroying their personal power and their pride.

The relationship degenerated to the point where islanders - cut out of the decision-making and bemused by obvious signs of waste - gave up suggesting practical solutions. Their self-reliance was being eroded and they were becoming prisoners of Wellington-based decisions and a "dependency" mentality.”

1989-90: emancipation

- Consultants' report recommended
 - A new locally-controlled trading enterprise to take over services
 - Fix the Council's financial troubles
 - End subsidies, but provide seed capital to the new trading entity (eventually set up 1990 as the Chatham Islands Enterprise Trust, CIET)

The turnaround 1990

- Chatham Islands Enterprise Trust set up as a trading entity to take over meatworks, air service, shipping, port, airport, electricity
 - Spun these off to a series of companies entirely run by locals
 - Took control of a growing chunk of fishery quota to be leased to local fishermen
 - Bailed out and reorganised the local Council (which still looks after roading)
 - \$8 million capital endowment as buffer; subsidies ended
- Waitangi Tribunal “Rekohu” hearings and report helped along a cultural renaissance of Maori and Moriori

Putting that process in context

- First, review some history
- Then some standard small-island economic measures:
 - Migratory demographic equilibrium
 - Booms and busts of export sectors
 - External funding and autonomy
- Then some conclusions

New Zealand's national borders and its offshore island portfolio have shifted over time

- Prior to 1840 all territories were under indigenous control but with Europeans increasingly present
- Chatham Islands settled by Moriori from mainland in 12th-14th century, thereafter isolated till rediscovered 1791
- 1835 *He Wakaputanga o te Rangatiratanga o Nu Tireni* declared New Zealand a sovereign independent state under the rule of the chiefs. That year the Chatham Islands were conquered by Maori from mainland, becoming part of the sovereign independent Maori state
- 1840 Treaty of Waitangi established British sovereignty over mainland New Zealand with promises of Maori autonomy
- 1842 Britain belatedly added the Chatham Islands to the new colony

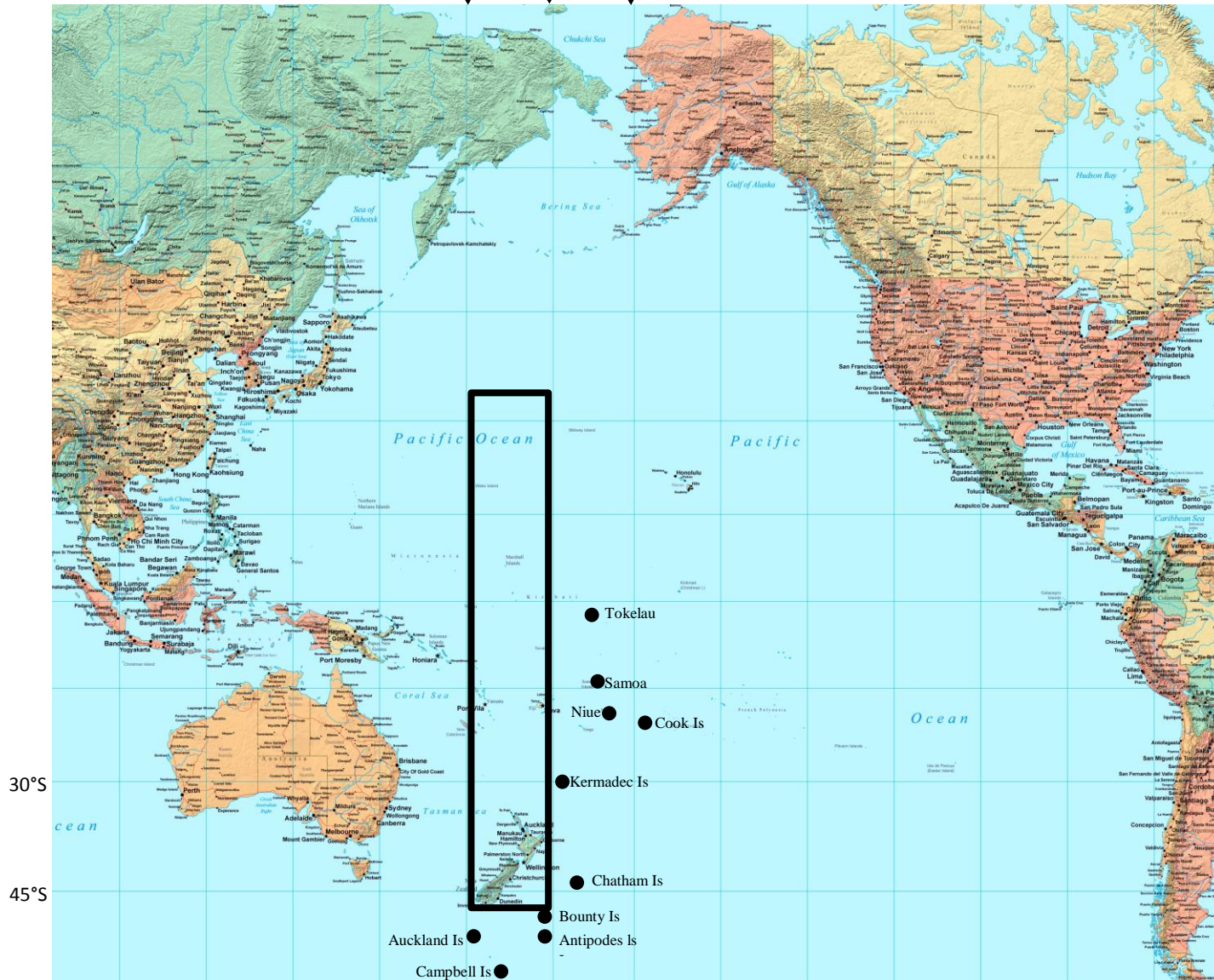
Evolution of New Zealand's borders 1840-2018

Island territories with historic links to New Zealand



November 1840

160°E 180°E 160°W
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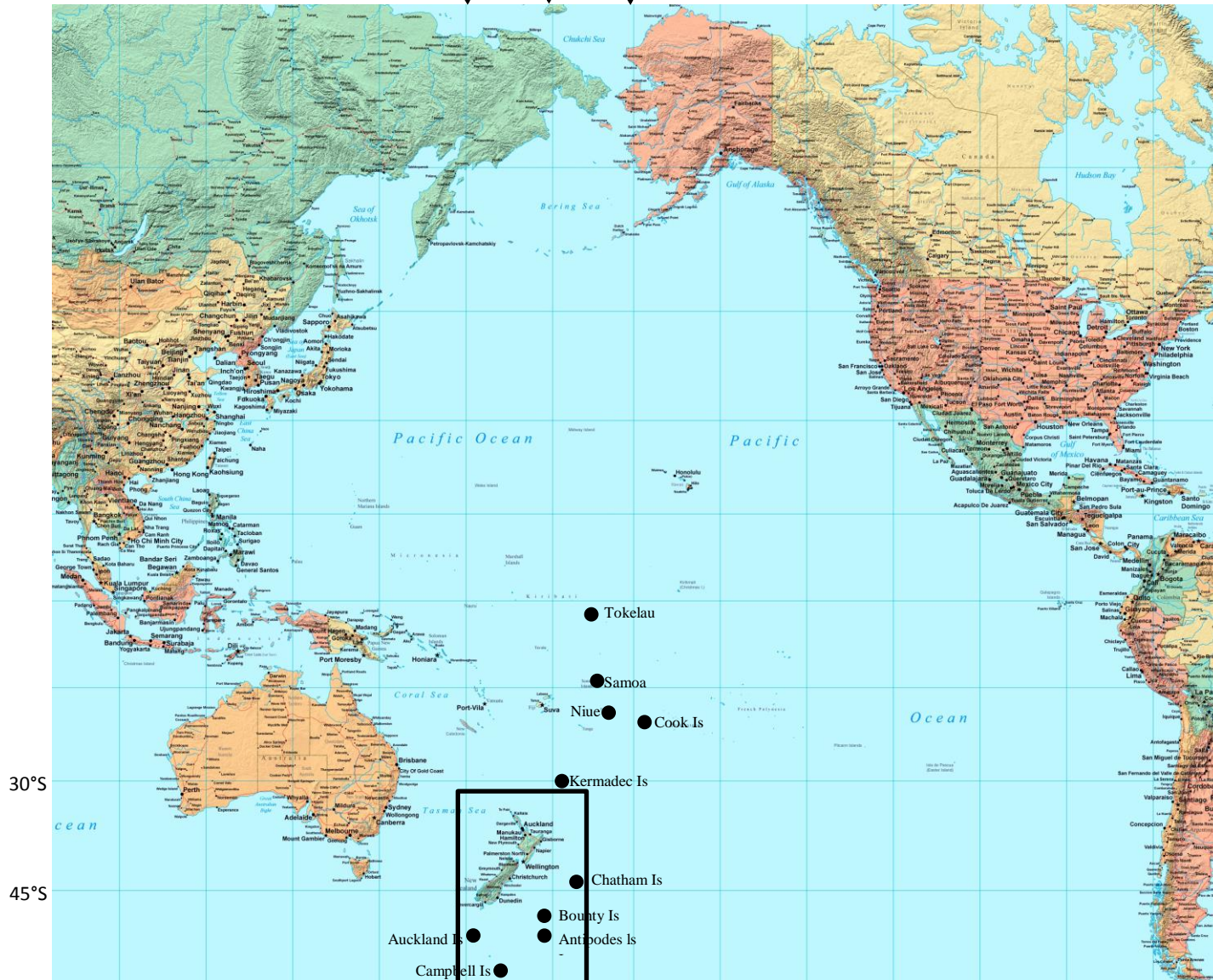


Chatham Islands

April 1842

160°E 180°E 160°W

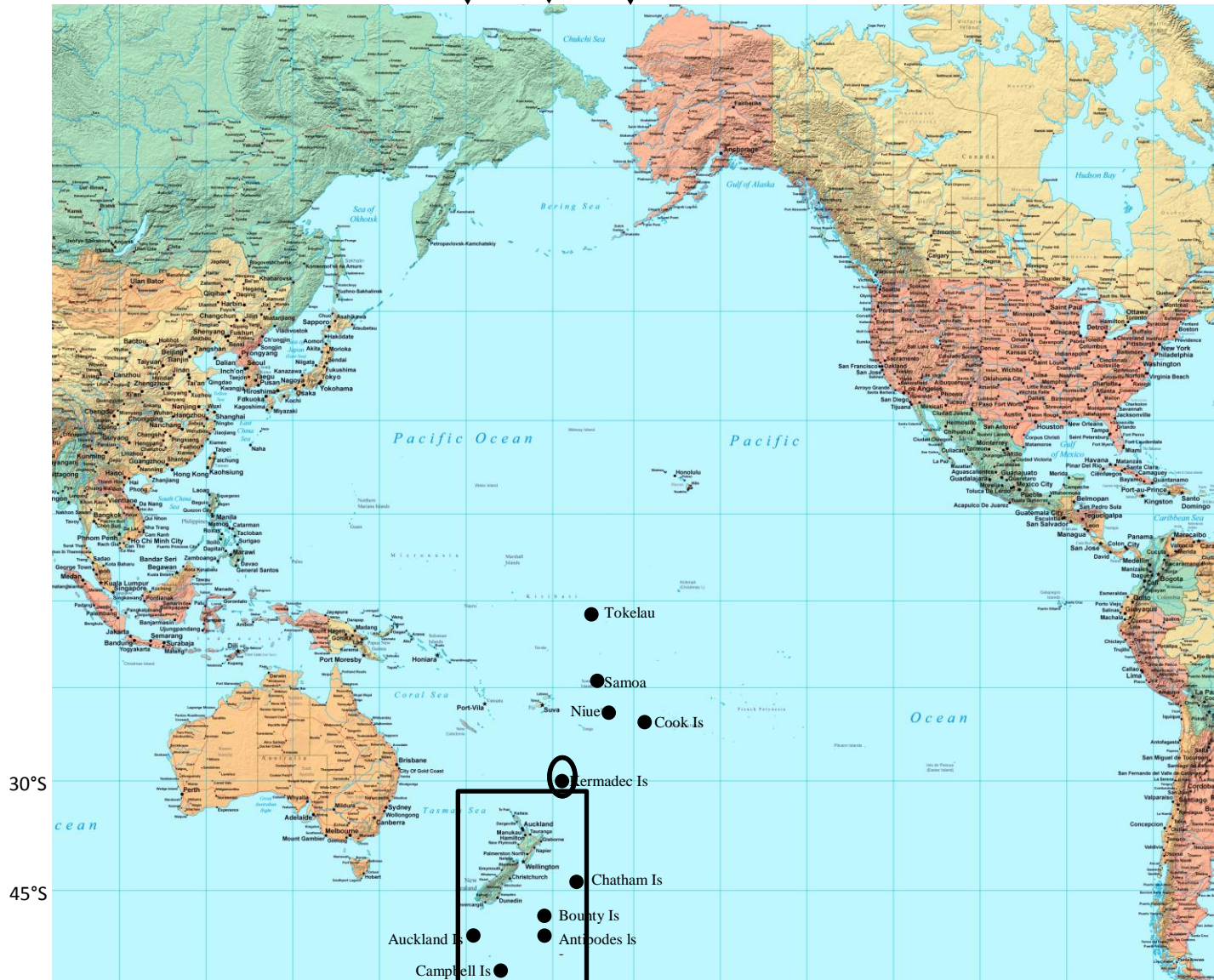
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Chatham Islands

August 1887

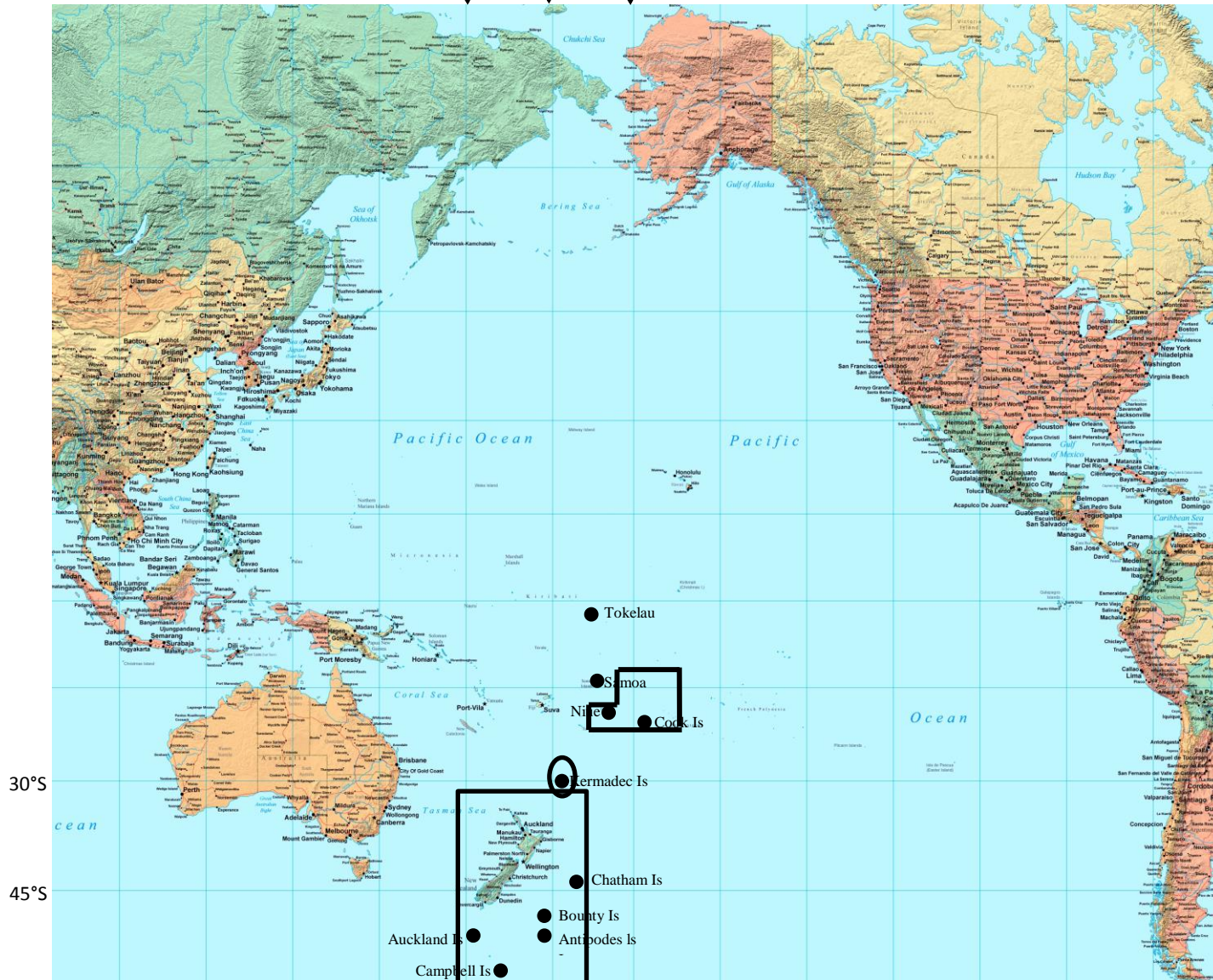
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Chatham Islands

End of 1901

160°E 180°E 160°W
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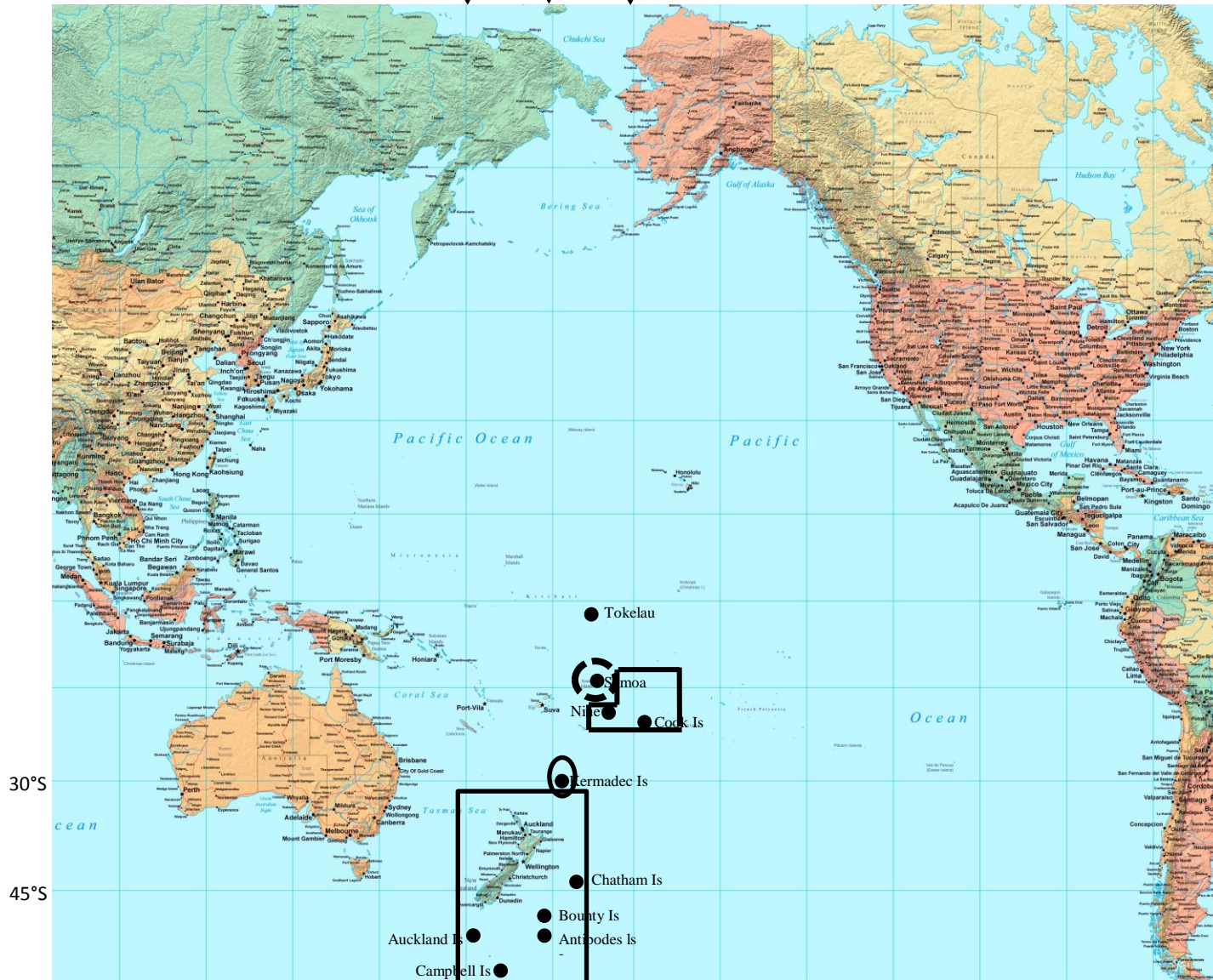


Chatham Islands

1919

160°E 180°E 160°W

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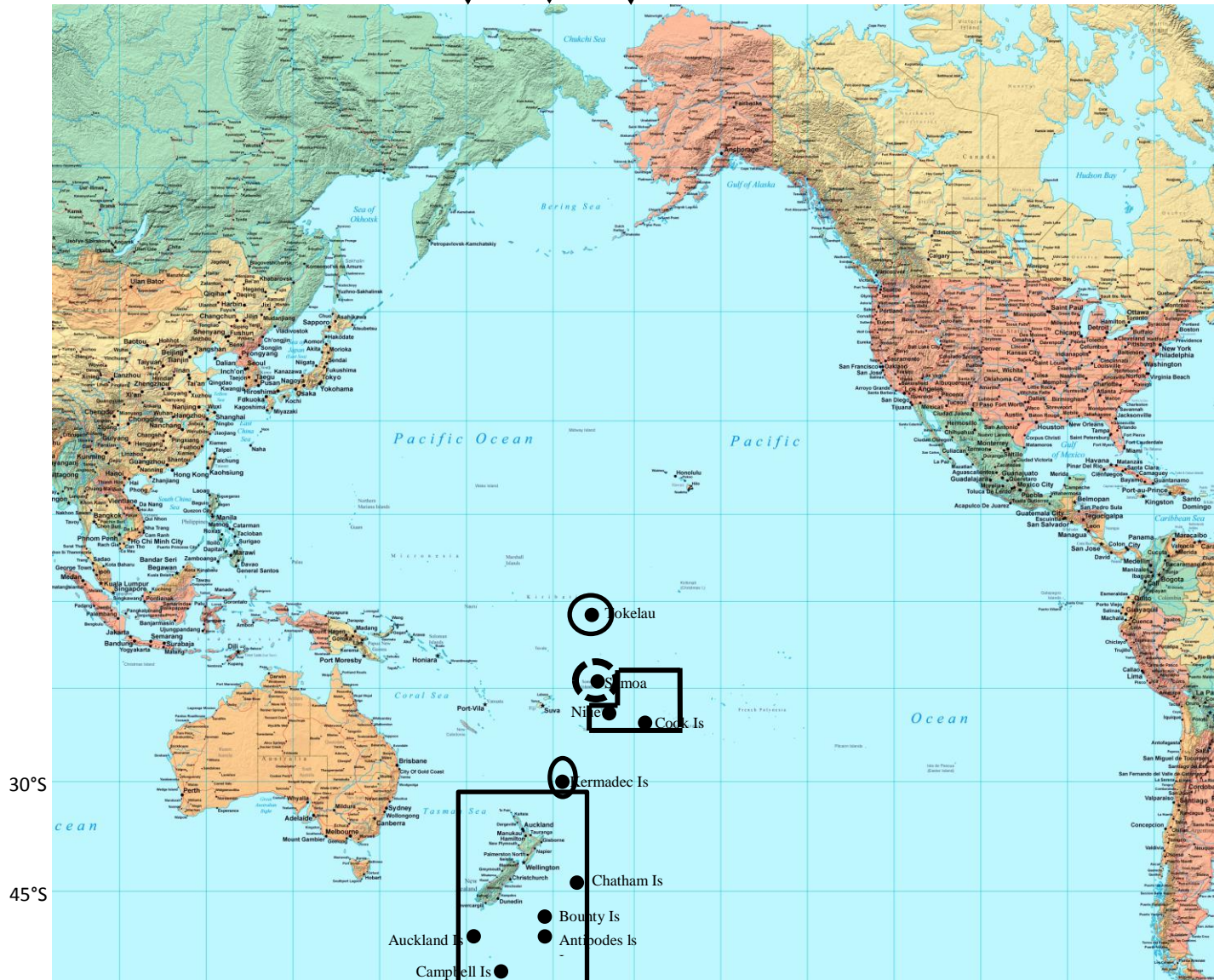


Chatham Islands

1948

160°E 180°E 160°W

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Chatham Islands

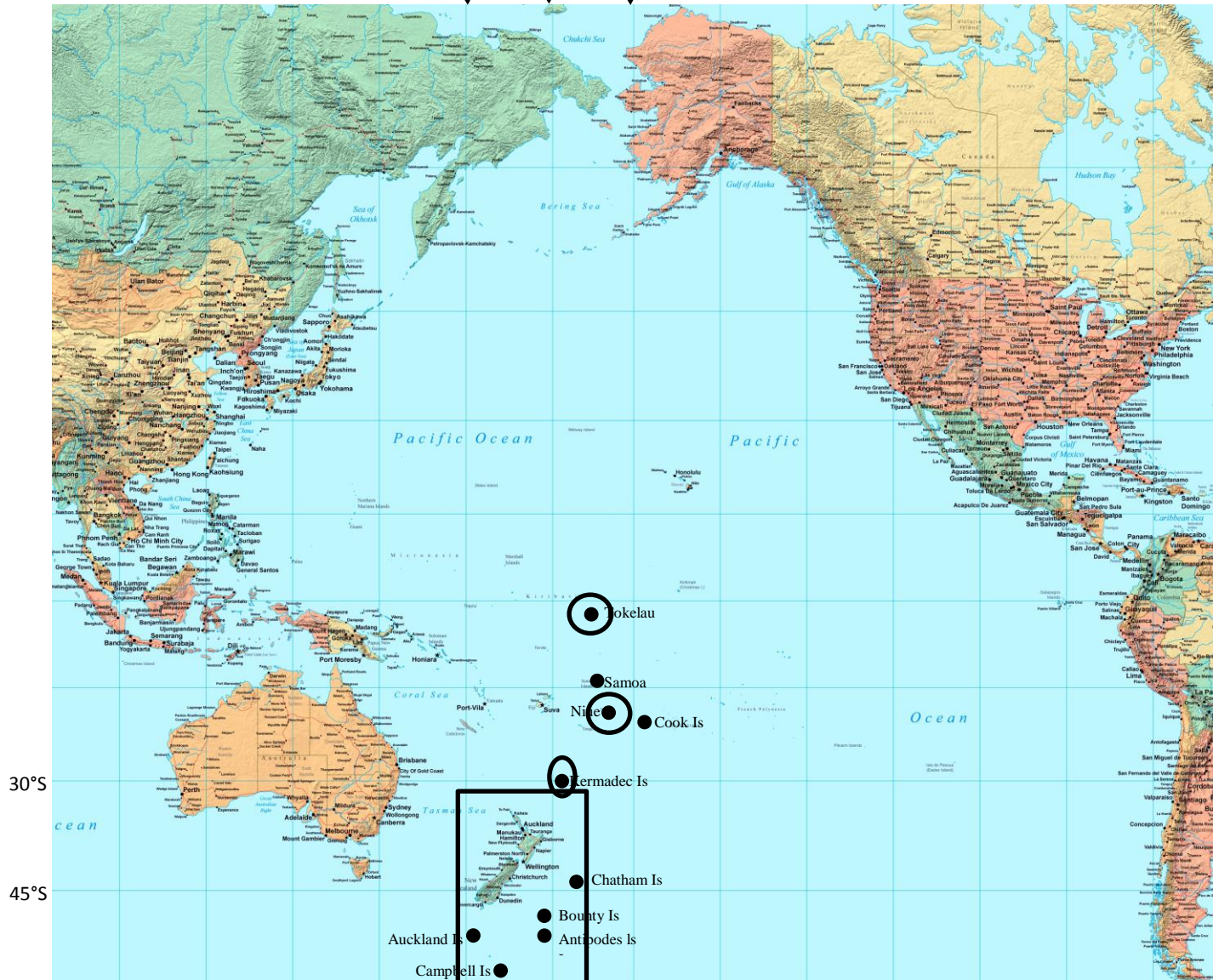
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1966

160°E 180°E 160°W

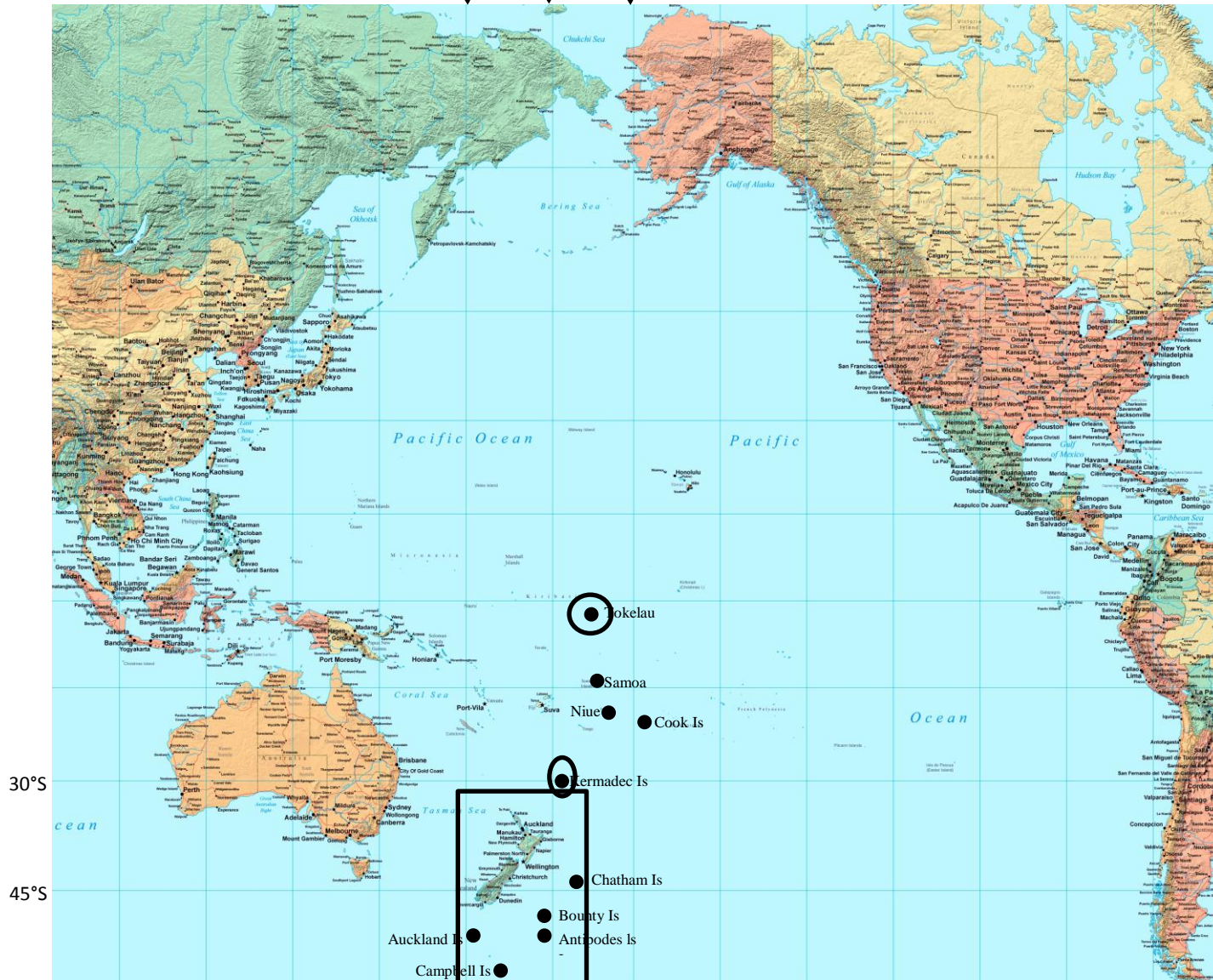


Chatham Islands

1974-2018

160°E 180°E 160°W

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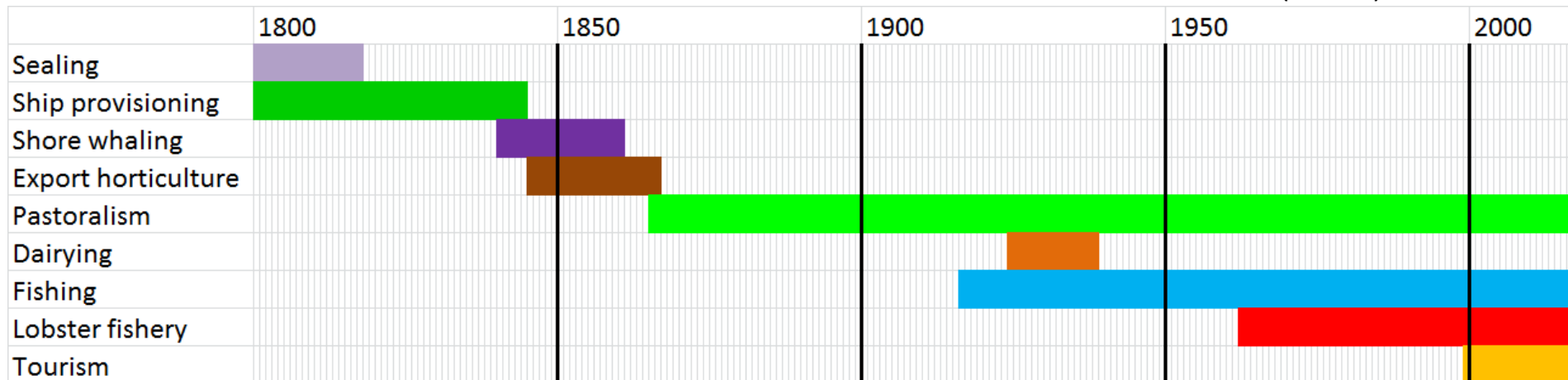
Chatham Islands

Chatham Islands economy 1791-2018

- Classic primary commodity export economy
- Booms and busts:
 - Sealing 1801-1830
 - Shore whaling boom/bust 1840's
 - Conquest =>slave economy with horticulture exports 1835-1860
 - Big-estate sheep grazing with wool exports 1865-1910
 - Diversified livestock-and-fishing economy 1910-1960s
 - Rock lobster boom and bust 1965-1972
 - Fish/lobster/shellfish + livestock export economy 1972-present

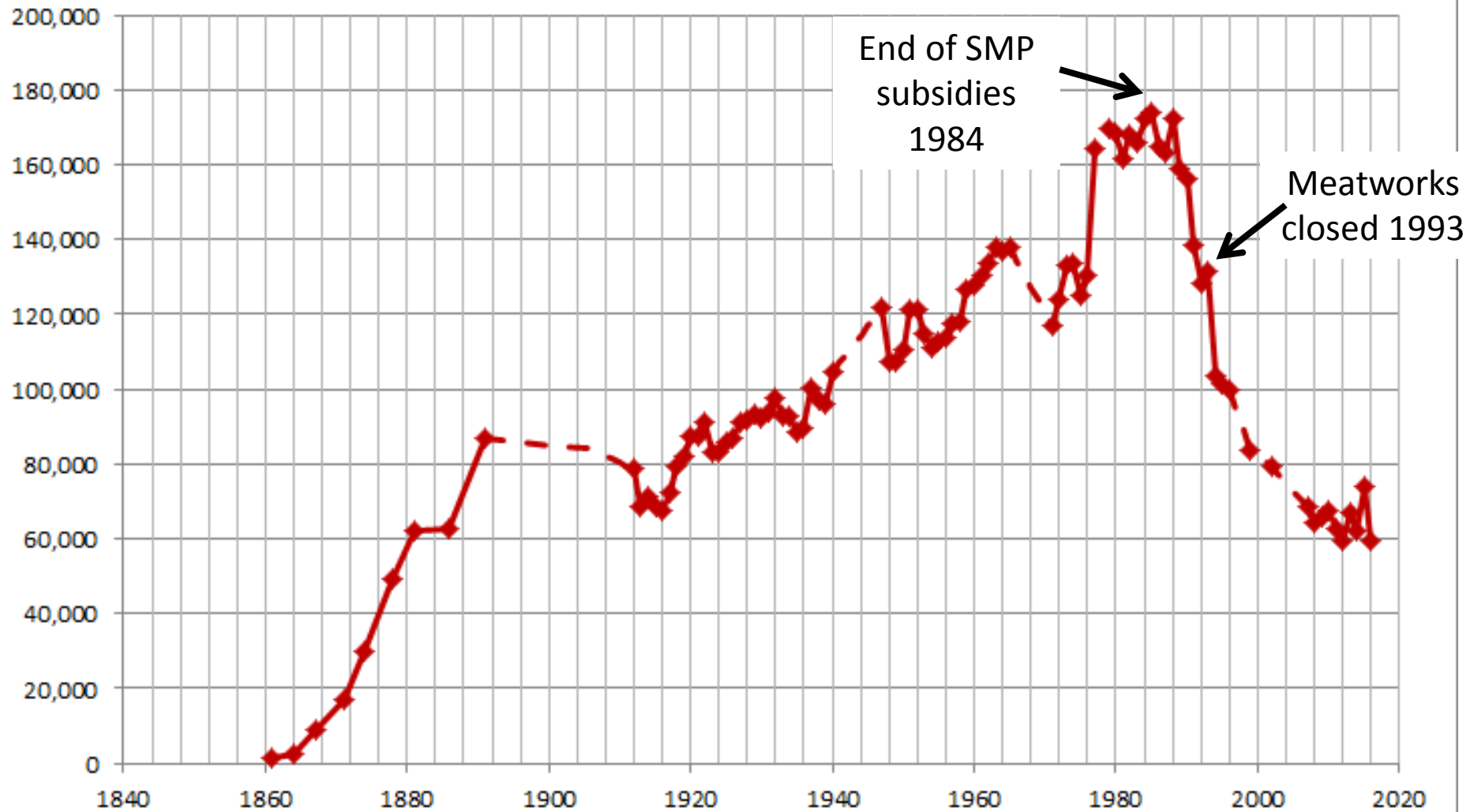
Evolution of the export economy

Two-thirds
of GDP from
fisheries by
1989
(Easton)

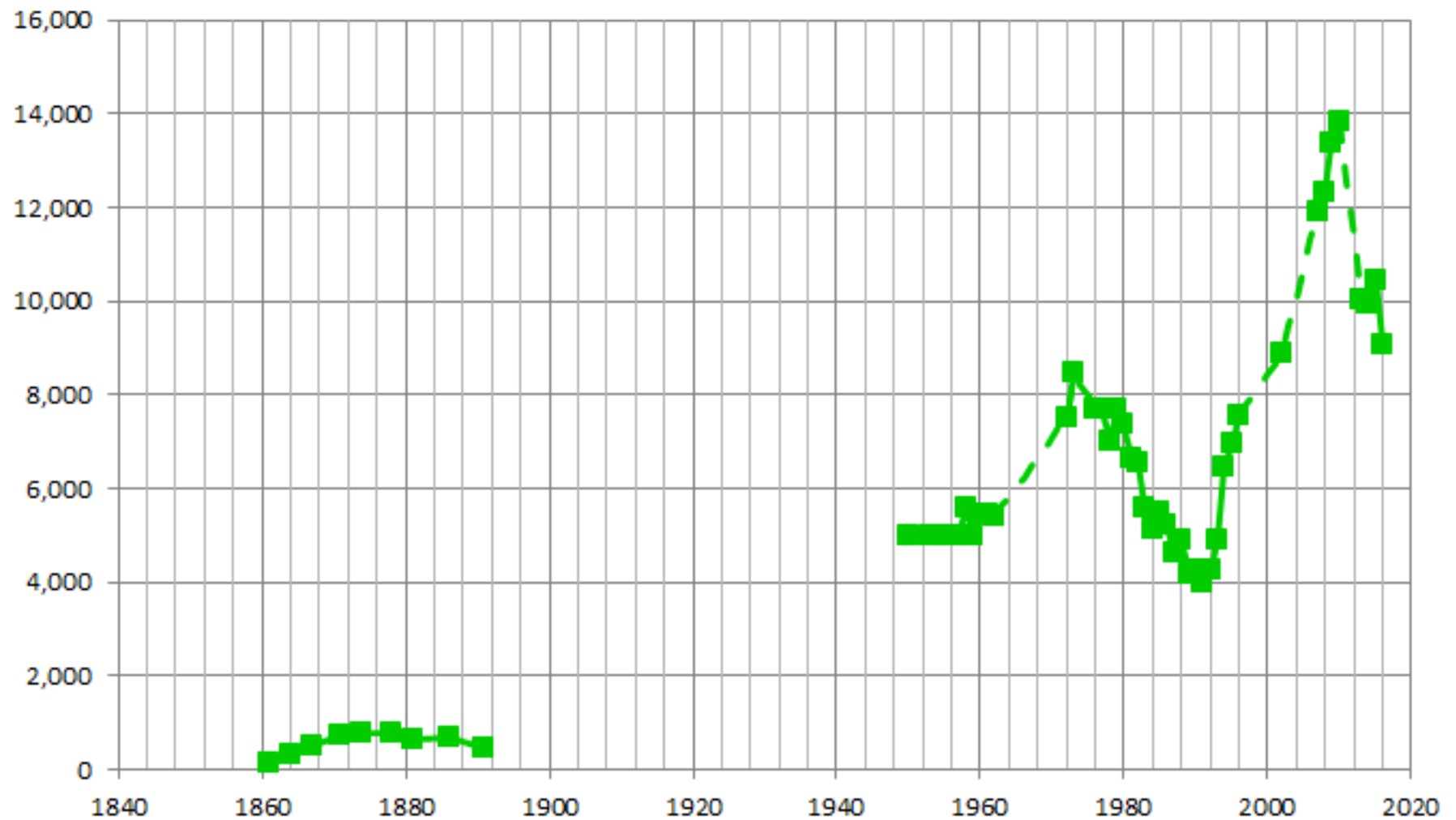


More diversified base –
but still only sustains
population around 600

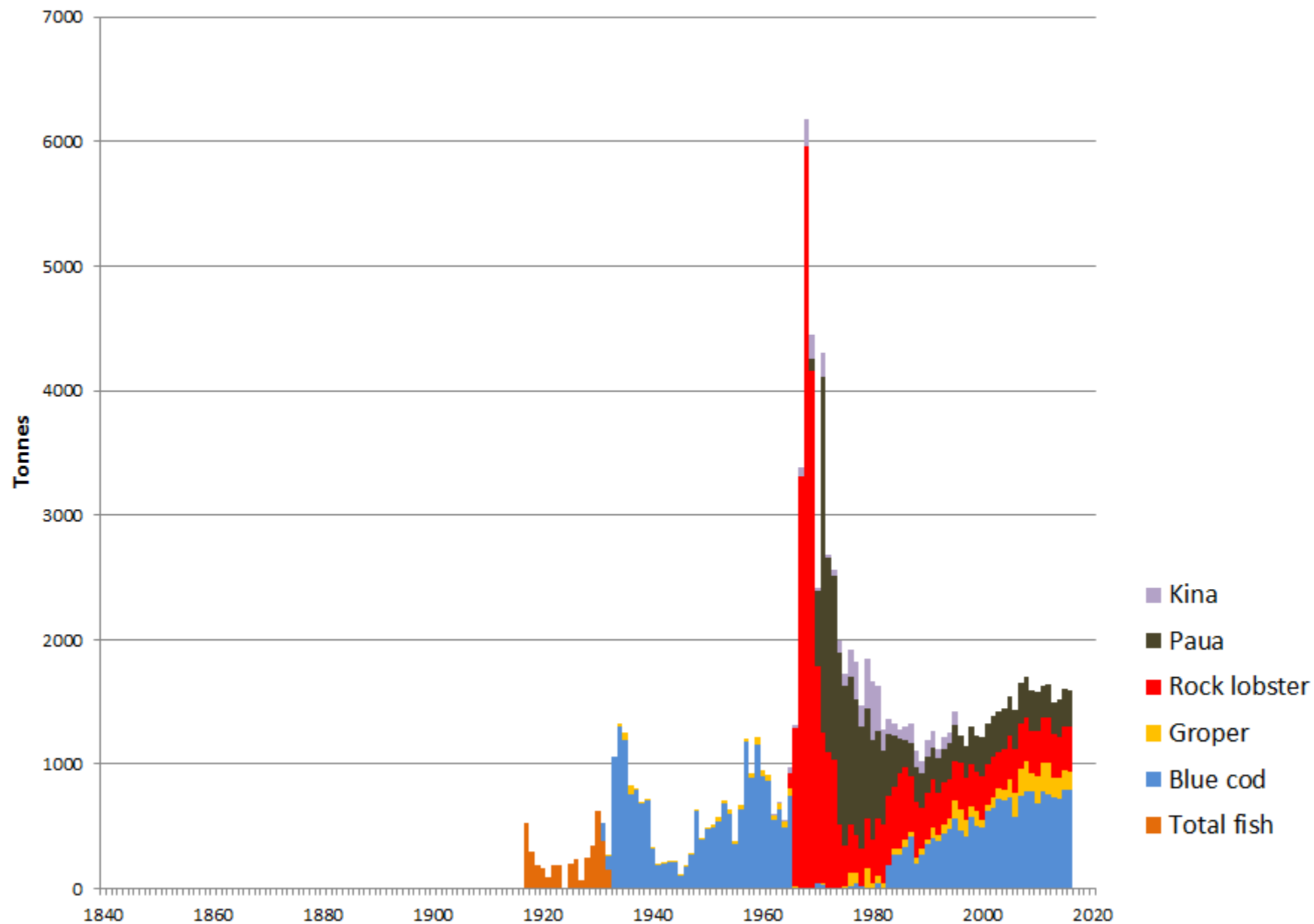
Chatham Islands sheep numbers 1861-2016



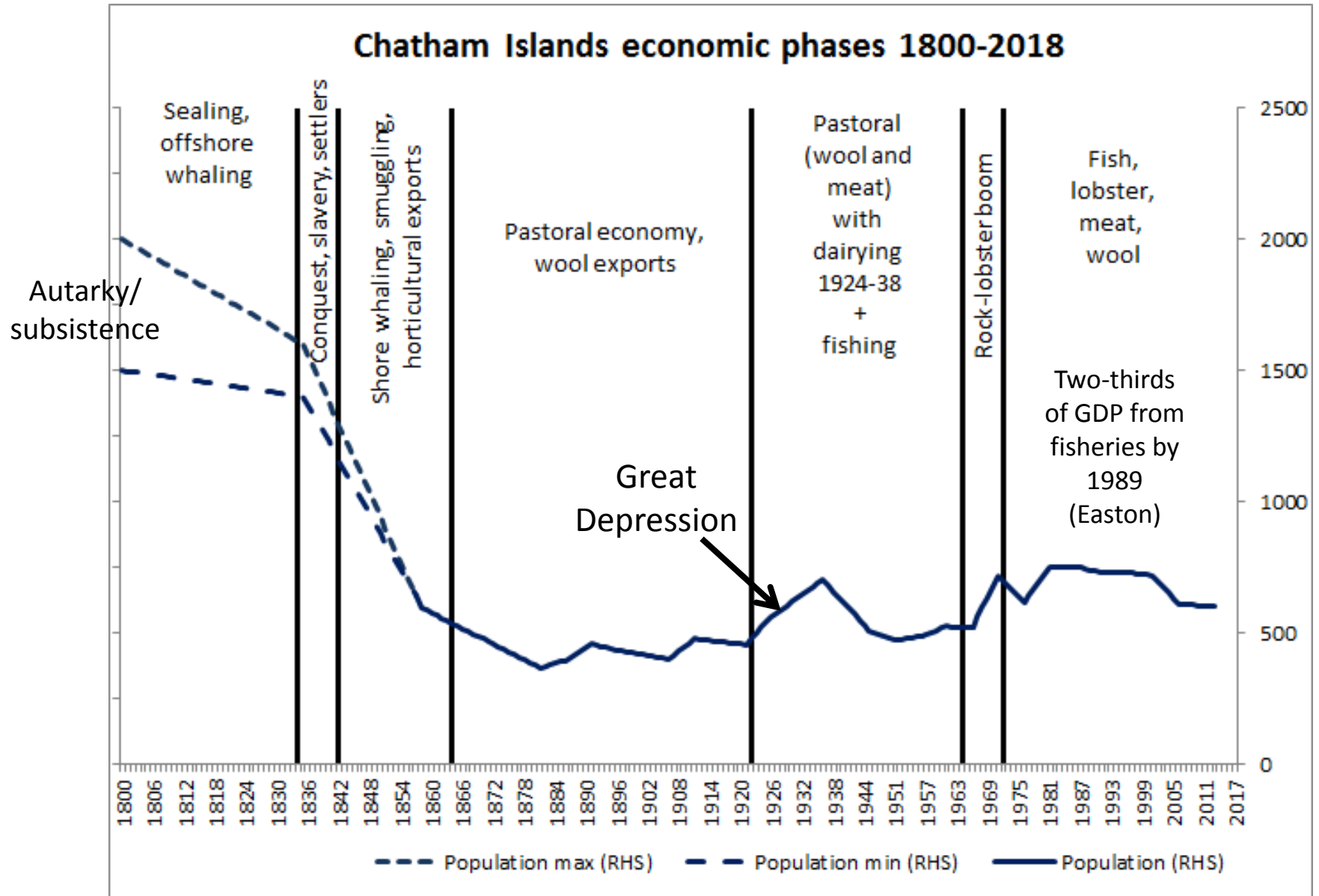
Chatham Islands beef cattle numbers



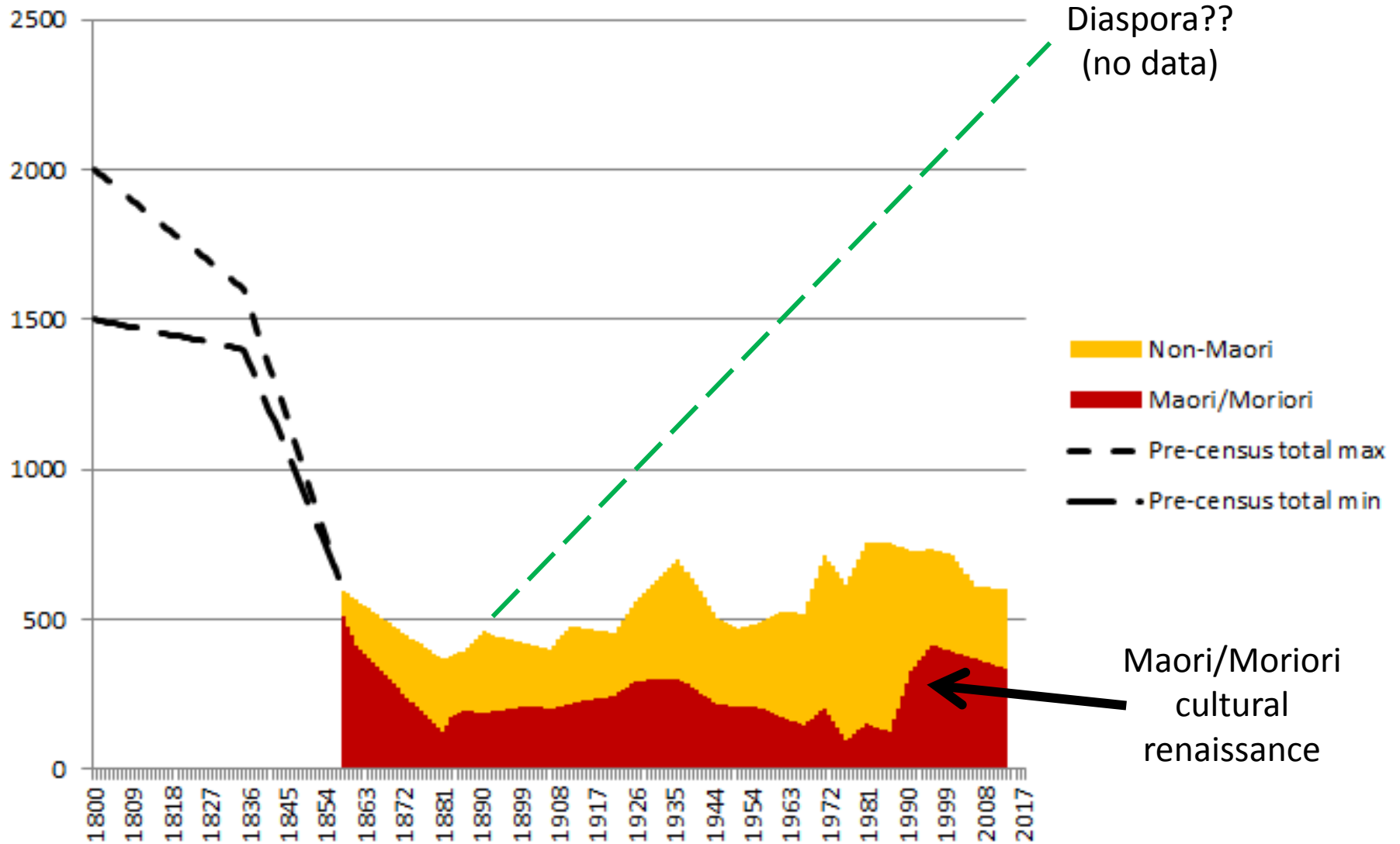
Chatham Islands commercial fish landings



Migratory population equilibrium: 600 ± 100 for 180 years

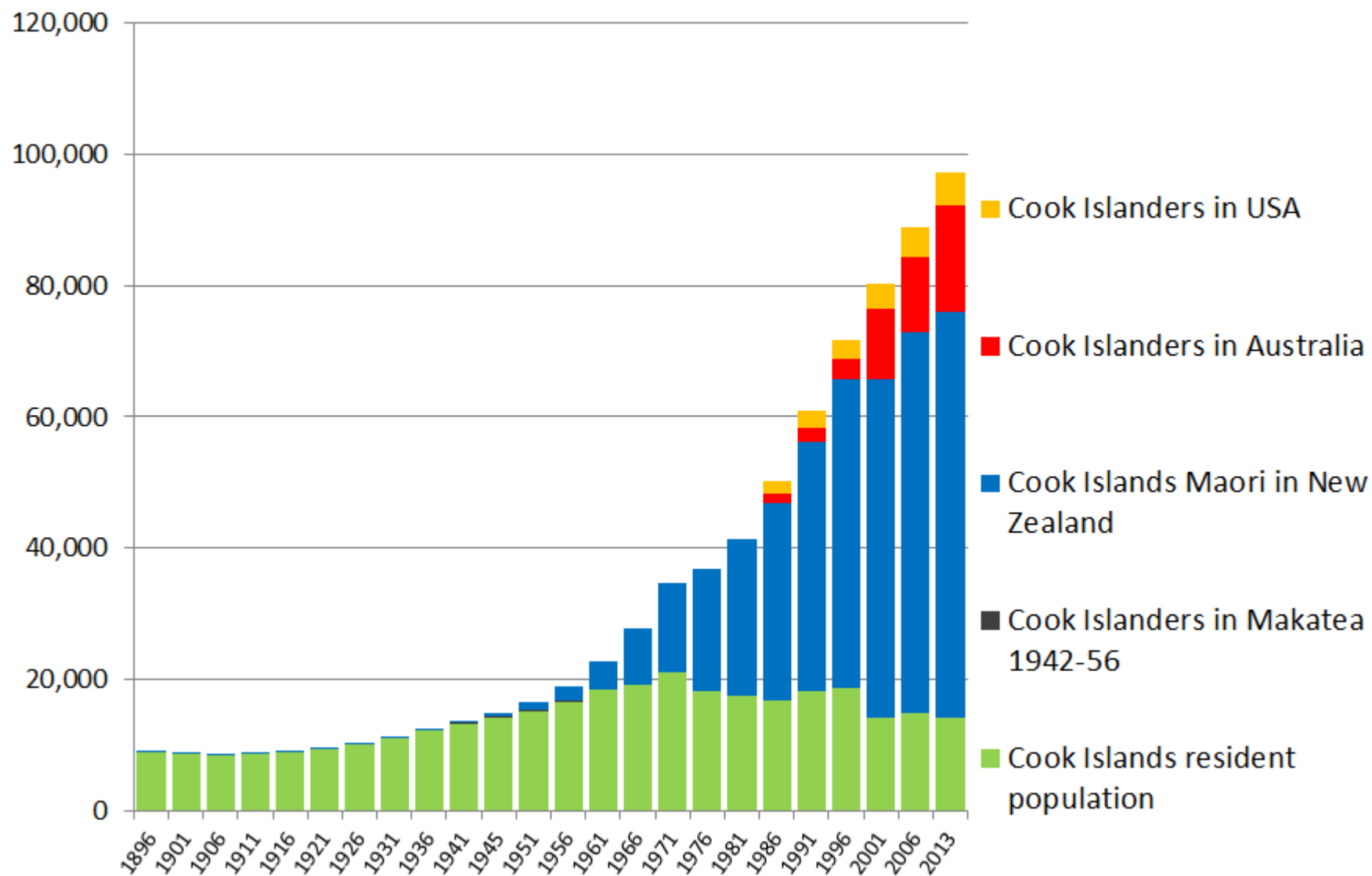


Chatham Islands population 1800-2013

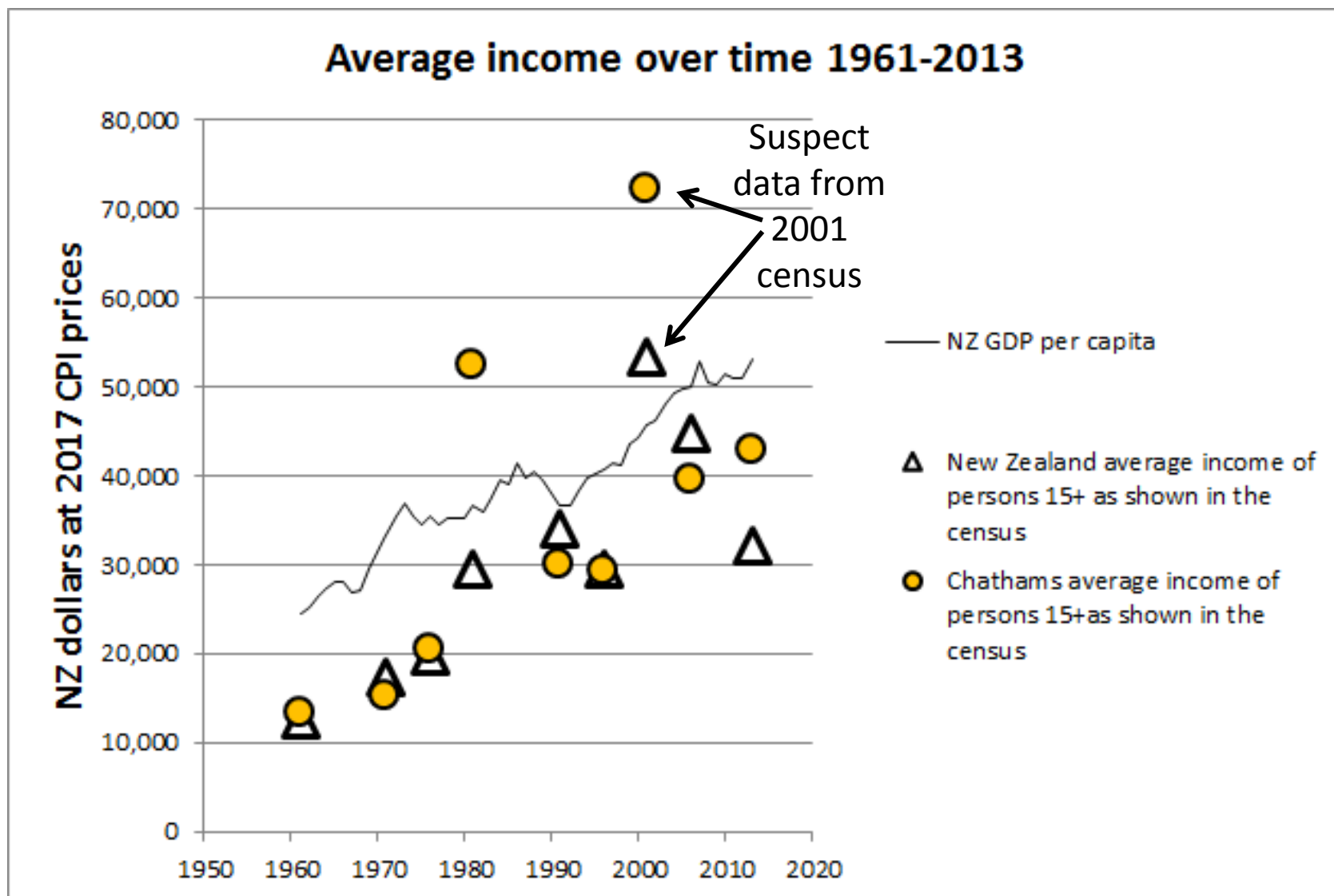


Compare with Cook Islands:

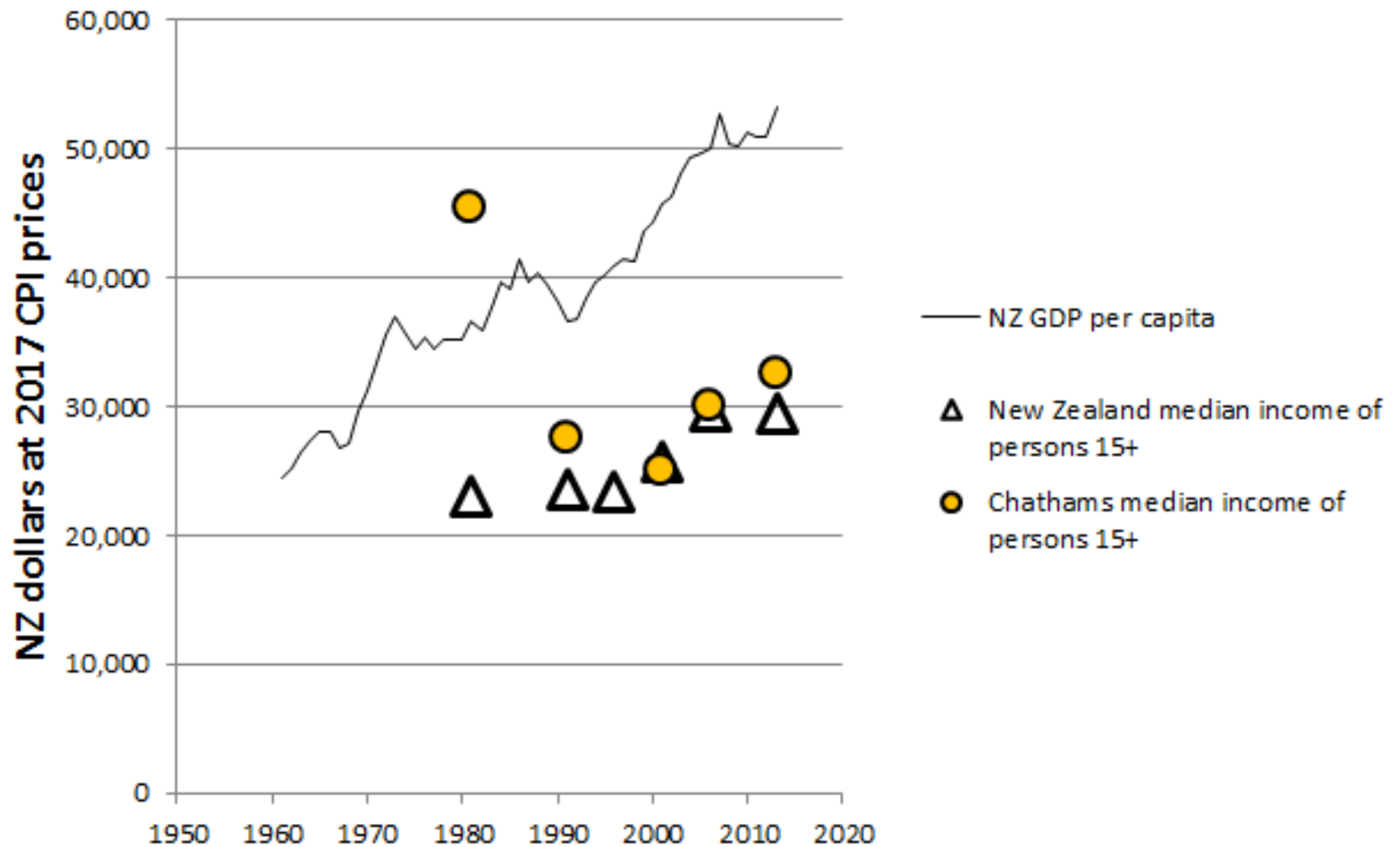
The transnational Cook Islander population



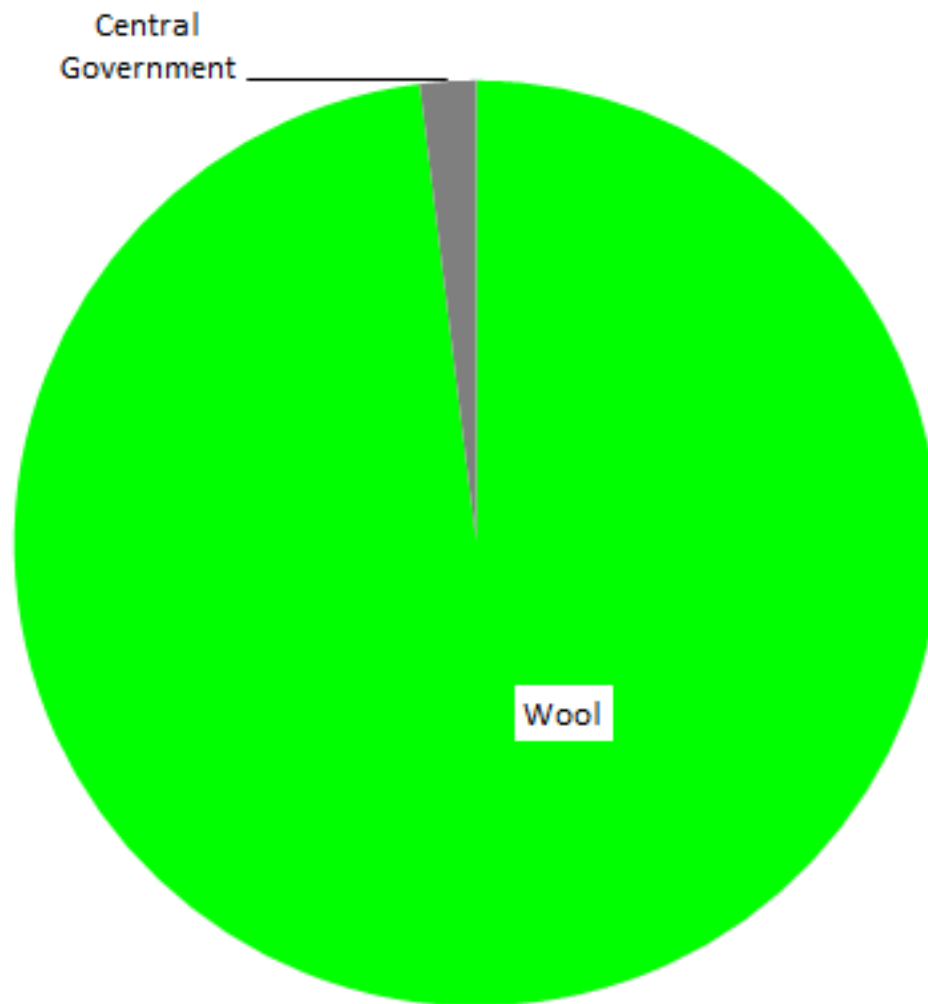
Per capita income in long run is tied to mainland level



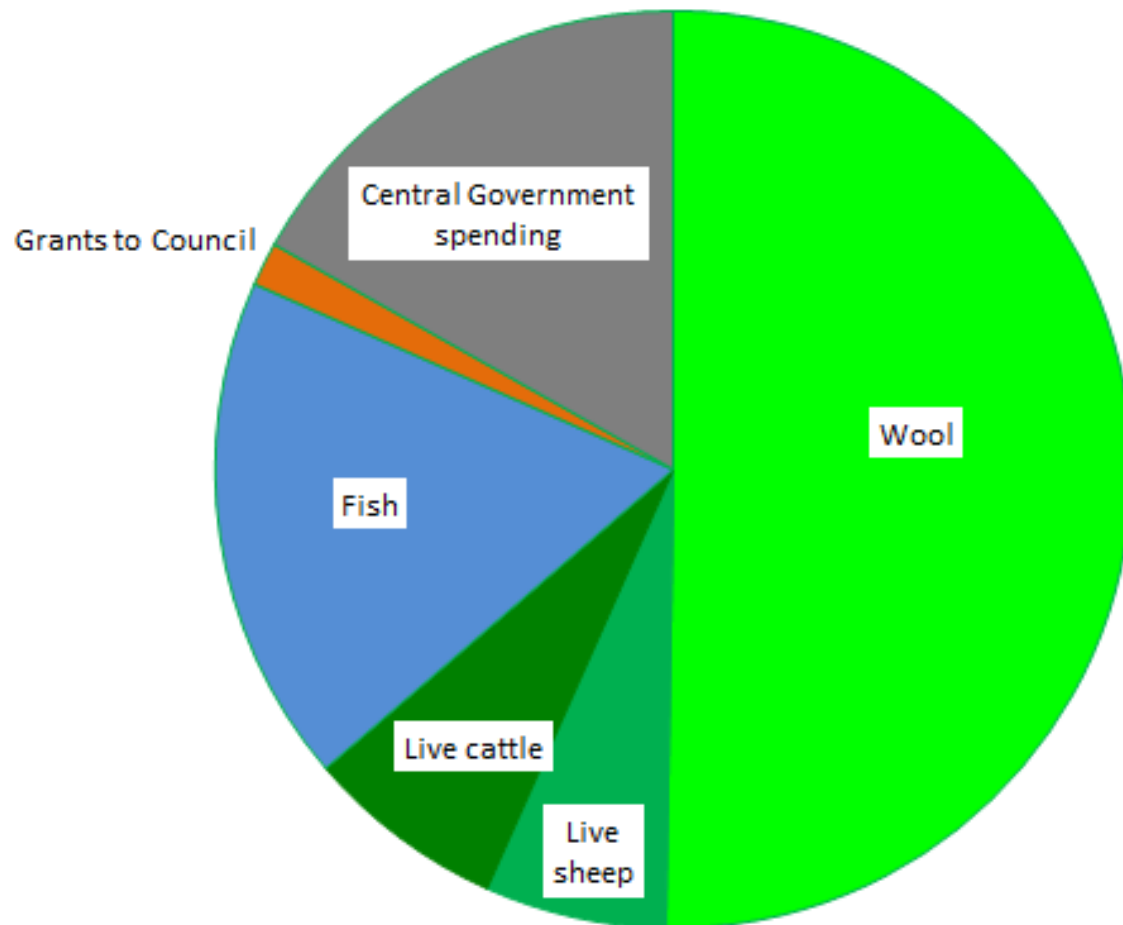
Median income over time 1961-2013



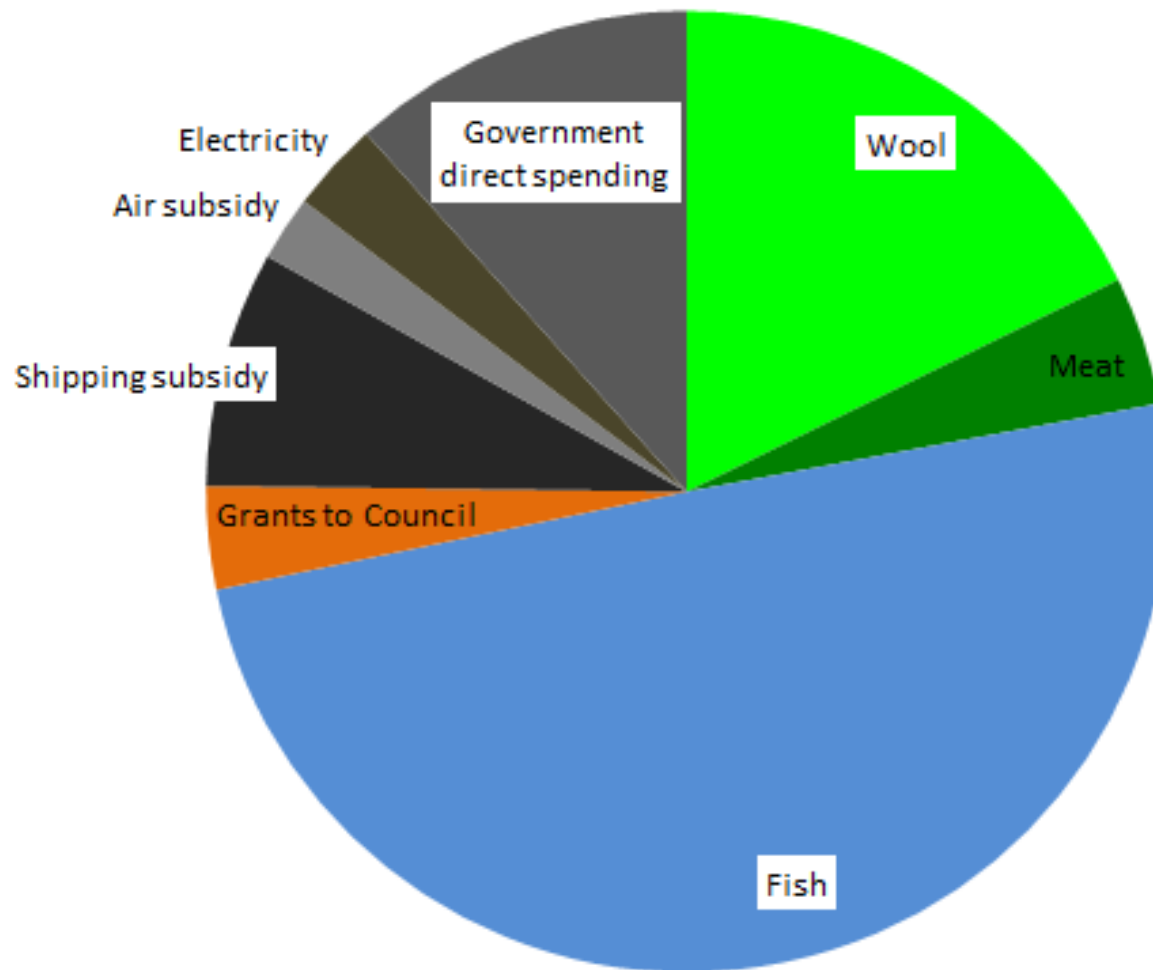
Chatham Islands external funding sources about 1900



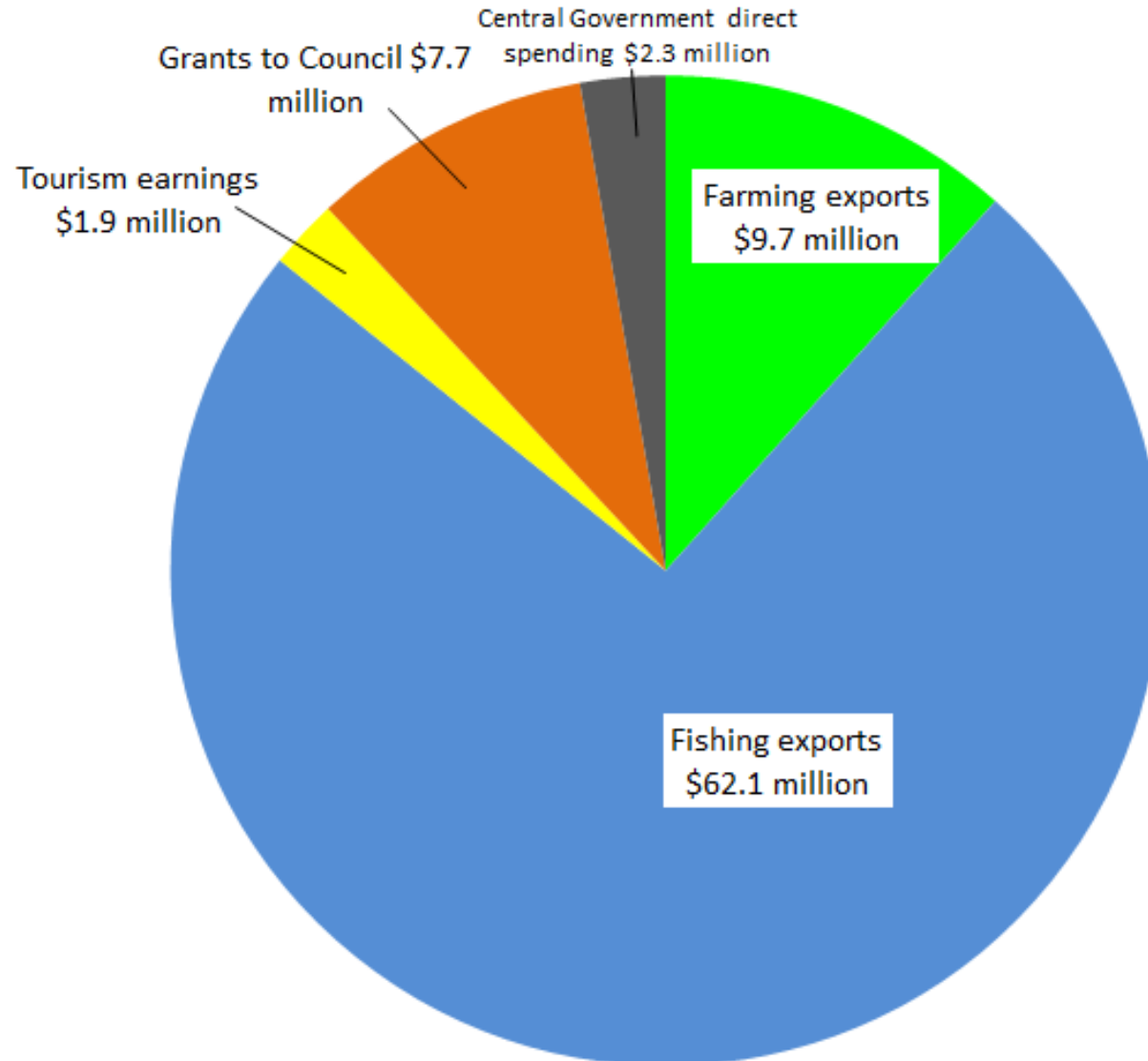
Chatham Islands external funding sources about 1960



Chatham Islands external funding around 1989



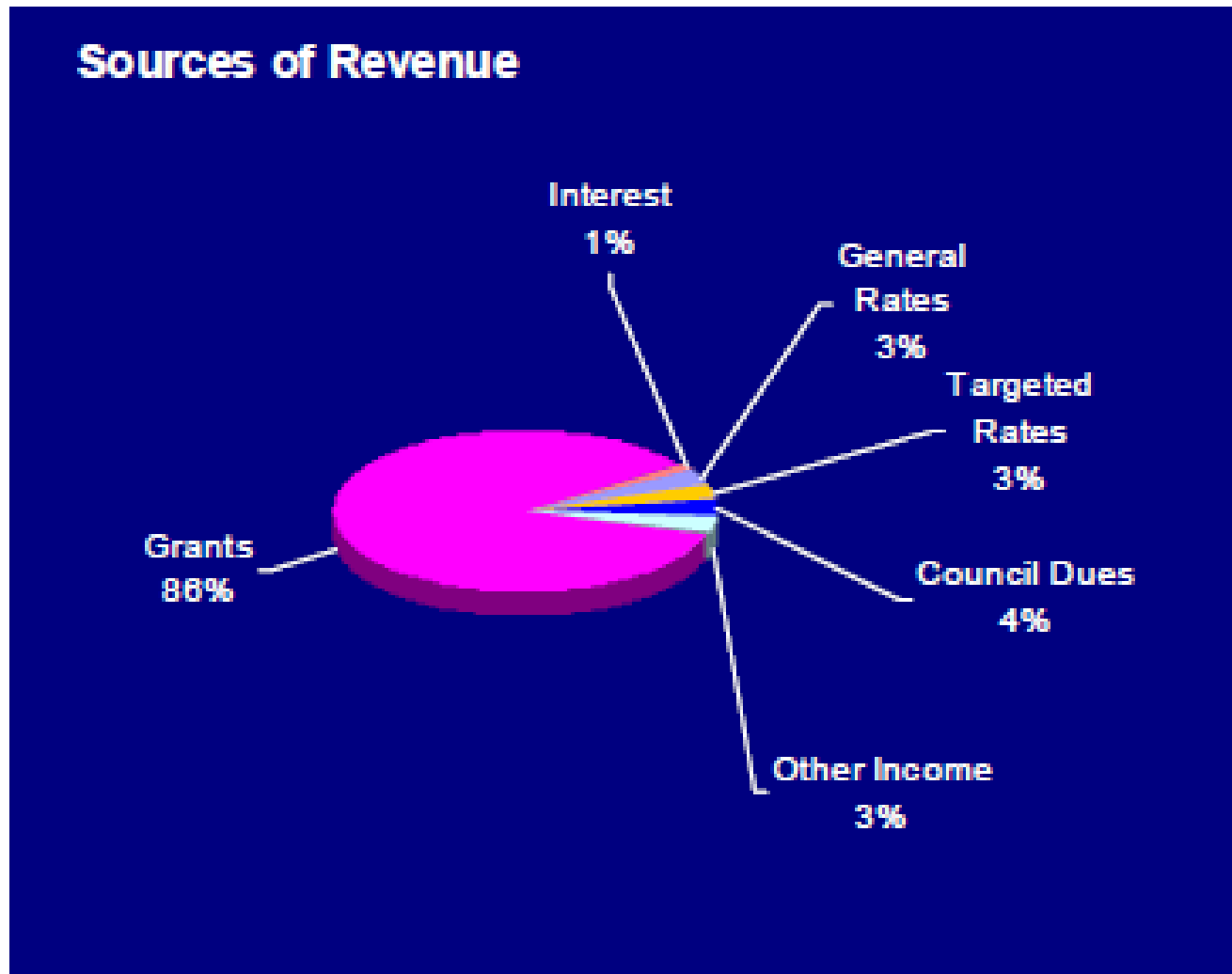
Chatham Islands economy's external funding sources around 2014



The new regime seems to be a genuine centre-periphery partnership

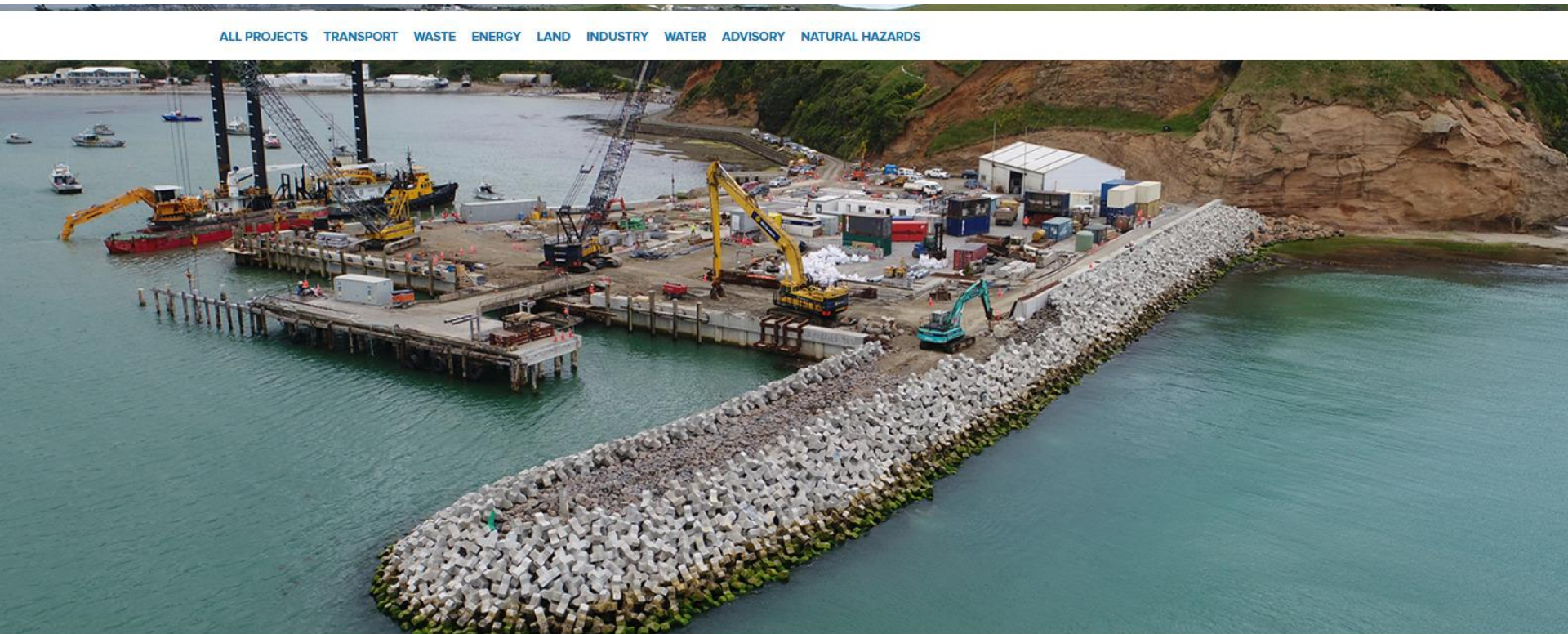
- Government and locals share an interest in restricting rent-seeking by outsiders
- Local initiative and knowledge have proved an effective way to get value for money in infrastructure spending
- The Chatham Islands' base population of 500-600 aren't going anywhere

Funding from Central Government is still key to Council finances:



And large infrastructure investment is still a central responsibility

- New \$50 million wharf at Waitangi opened March 2018:



But successful resource development is a key bargaining chip:

“A primary sector economy focused on fishing, agriculture and tourism, the Chatham Islands recorded \$45.7million in GDP and \$69 million worth of exports (Department of Internal Affairs, 2013). Chatham Island exports are 150 percent of their GDP, well above the current national level of 30 percent and the New Zealand Government’s economic growth target of 40 percent.”

<https://www.tonkintaylor.co.nz/waitangi-wharf-upgrade-a-lifeline-for-the-chatham-islands/>

“Mayor Alfred Preece said mainlanders hundreds of kilometres to the west had been quick to ask how the Chathams could get \$52m for a wharf. The question overlooked the "hundreds of millions" the Chathams had created for New Zealand in fishing returns, like crayfish sales, he said”

<http://i.stuff.co.nz/business/budget-2015/68764980/new-chatham-islands-wharf-a-52m-payback>

Deputy Prime Minister Winston Peters' speech
at opening of the new wharf:

“If you have the crayfish, we’re listening”

<https://www.tvnz.co.nz/one-news/new-zealand/take-look-new-50-million-wharf-chatham-islands-mammoth-logistic-effort>