



ANNUAL PLAN  
2015 - 16

Te Ohu Kaimoana

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## Foreword

Kia ora koutou

Here is Te Ohu Kaimoana's annual plan for 2015 – 16.

The priorities for this year's plan are different from previous years. Iwi have resolved to make significant changes to Te Ohu and its relationship to the entities it governs - particularly AFL. These decisions concern developing a new business model for Te Ohu, managing the transfer of Te Ohu's AFL shares to iwi and accompanying governance processes, and creating a simpler process for Maori commercial entities to trade their settlement assets with each other. These all require further policy development, legislative and constitutional changes. Our priority for the coming year is to implement those decisions. The objectives and milestones needed to achieve that are set out under Goal 1.

In light of the changes that will emerge from the implementation of the review, 2015 – 16 will be a transition year. As resources allow, we will maintain our involvement in our core work areas while our longer term priorities are clarified and agreed with iwi. Goals 2 to 4 cover fisheries and aquaculture allocation, protecting and enhancing fisheries and influencing government policies and processes. Te Ohu has begun an engagement process with iwi to clarify what our priorities should be in future. We acknowledge that the core work set out in this plan may change in the longer term depending on the decisions iwi make about Te Ohu's business model.

The objectives we have set out under Goal 5 are intended to ensure that Te Ohu's governance, oversight and resources enable it to operate effectively during 2015 – 16.

We look forward to working with iwi in the year ahead.

Noho ora mai

Matiu Rei  
Chairman

## Goal 1: Implement the resolutions passed by iwi in response to the 2015 review

### Benefits

By achieving this goal, we will:

- ensure Te Ohu Kaimoana (Te Ohu) works on priorities agreed by iwi
- ensure that Te Ohu's shares in AFL can be transferred to iwi with clear governance processes and protections, but without any adverse implications
- create a simpler process for Maori fisheries settlement entities to trade fisheries assets amongst themselves
- provide draft legislation to implement these changes in a manner that enables iwi fisheries development.

### Explanation

The Fisheries Settlement is intended to deliver benefits to all Maori in perpetuity. However the existing governance arrangements were part of a compromise. For that reason provision was made for the governance arrangements to be reviewed 11 years after the enactment of the Maori Fisheries Act ("the Act").

The review was carried out in the latter part of 2014 and early 2015. Following release of the reviewer's final report in March 2015, Te Ohu Kaimoana (Te Ohu) established an Iwi Working group (IWG) to analyse the reviewer's recommendations, identify the implications, inform iwi of their preliminary conclusions and seek their views.

Following a consultative process, the IWG developed resolutions for iwi to consider at the Special General Meeting (SGM) on 4 June 2015.

Te Ohu's immediate priority is to implement the resolutions agreed to by iwi on 4 June 2015. The resolutions, our proposed actions and relevant comments are summarised in Tables 1 – 3.

Figure 1 illustrates the milestones we need to meet to enable us to submit draft Maori Fisheries Act (MFA) amendments to the Government by September 2016. We will engage with iwi between now and then through:

- a. regional meetings with iwi in September to obtain feedback on Te Ohu's future priorities
  - b. a workshop in October to further refine Te Ohu's priorities
  - c. regional meetings with iwi in February/March 2016 to discuss Te Ohu's proposed business model to deliver these priorities, and other measures being developed to implement other resolutions
  - d. a national hui in Wellington to formulate recommendations on Te Ohu's proposed business model for iwi to consider
  - e. consideration by iwi of Te Ohu's business model at the Hui a Tau at the end of March 2016
  - f. consultation with iwi on draft MFA amendments in August 2016.
2. A key part of the implementation programme is developing a new business model for Te Ohu. To develop the model we need to understand the priorities iwi want us to focus on in future.

Table 1: Te Ohu Kaimoana, Te Putea Whakatupu and Te Wai Maori

Resolutions	Actions	Comments
<ul style="list-style-type: none"> <li>• Te Ohu Kai Moana Trust/Te Ohu Kai Moana Trustee Ltd (Te Ohu) should be significantly restructured and work on priorities agreed by iwi to protect and enhance the settlements including undertaking advocacy and policy advice for iwi</li> <li>• An amended funding model for Te Ohu’s operations is to be approved by iwi at the 2016 Hui a Tau following detailed business modelling and consultation with iwi. The model should consider the role (if any) of Te Ohu’s redeemable preference shares and all other funds held in its own right.</li> <li>• TPW/TWM should continue with directors of each increased to a maximum of 5 with a quorum of a majority.</li> </ul>	<p>Develop a business model for Te Ohu Kaimoana that is acceptable to iwi by:</p> <ol style="list-style-type: none"> <li>a. Identifying the services, priorities and objectives that iwi wish Te Ohu to focus on in future (including processes and structures for engagement)</li> <li>b. Developing an appropriate process for the appointment by MIOs of directors to the Board of Te Ohu</li> <li>c. Developing the mechanisms necessary to ensure Te Ohu is accountable to MIOs (including reporting, planning and review)</li> <li>d. Identifying the resources that Te Ohu will need to deliver the services that are priorities for iwi</li> <li>e. Identifying, analysing and proposing a funding mechanism for Te Ohu that will ensure it can deliver the services iwi require on an ongoing basis</li> <li>f. Reviewing legal, accounting and tax implications of restructuring Te Ohu, and taking them into account in amendments to statutory documents (including trust deeds, constitutions and the MFA)</li> </ol>	<ul style="list-style-type: none"> <li>• Iwi agreed that Te Ohu Kaimoana should continue to protect and enhance the fisheries settlement by, amongst other things, providing advocacy and policy advice. The fisheries sector is broad and iwi have commercial and non-commercial interests in all fisheries. With the transfer of its AFL income shares to iwi, the income Te Ohu receives will be reduced. To ensure we can provide relevant services and benefits to iwi, it is necessary to identify what their key priorities will be for the medium to long term (3 – 10 years).</li> <li>• It will also be necessary to develop realistic funding options that mean Te Ohu can deliver what iwi want.</li> <li>• Iwi will appoint the directors of Te Ohu in future. A new appointment process will need to be agreed. Good communications and reporting will also be necessary, along with strong working relationships between Te Ohu and iwi.</li> <li>• Importantly, Te Ohu will need to ensure that any legal, accounting and tax implications of restructuring Te Ohu are addressed to avoid risk to iwi, AFL, Sealord and Te Ohu.</li> <li>• Many of the changes will require amendments to the MFA. Te Ohu intends to deliver draft amendments to the government by September 2016.</li> </ul>

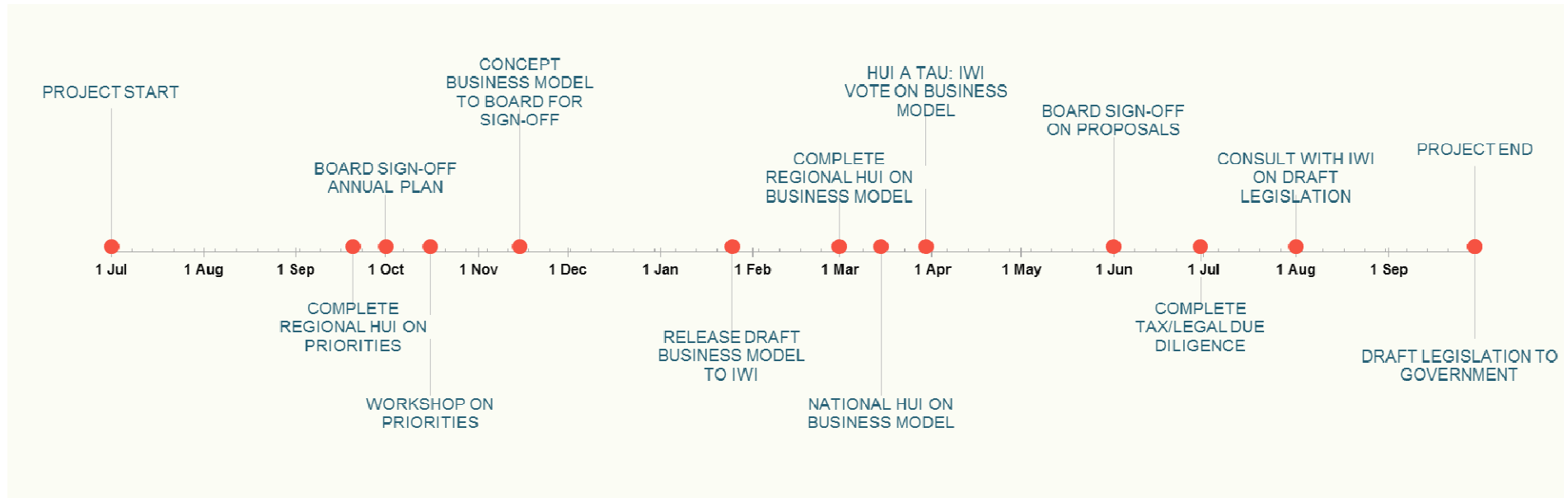
Table 2: Aotearoa Fisheries Ltd

Resolutions	Actions	Comments
<ul style="list-style-type: none"> <li>• Iwi will hold all AFL voting and income shares</li> <li>• Special resolutions for major transactions for AFL will require at least a 75% voting threshold</li> <li>• AFL should continue to work with iwi, Sealord and Chatham’s iwi to develop and implement policies on collaboration.</li> </ul>	<p>In the transition from governance of AFL by Te Ohu Kaimoana to governance by AHCs, collaborate with AFL to:</p> <ol style="list-style-type: none"> <li>a. Identify all legal and taxation issues and ensure they are managed in a way that avoids or minimises any negative consequences to iwi, AFL, Sealord and Te Ohu</li> <li>b. Develop a preferred option for the future of redeemable preference shares</li> <li>c. Develop a preferred option for managing major and material transactions</li> <li>d. Develop policies relating to reporting and collaboration with iwi and Sealord</li> <li>e. Develop appointment processes for the boards of AFL and Kura</li> <li>f. Develop provisions for iwi to have a right of first refusal over any proposal by AFL to sell its assets</li> <li>g. Review and draft amendments to statutory documents and the MFA.</li> </ol>	<ul style="list-style-type: none"> <li>• Iwi voted unanimously that the voting and income shares held by Te Ohu should be transferred to them. To prepare to carry out that transfer, Te Ohu must work with AFL to ensure that any constitutional, legal and taxation issues that could have adverse implications for AFL, Sealord and iwi are identified and addressed.</li> <li>• Te Ohu will work closely with AFL to analyse the consequences of any proposed changes to the redeemable preference shares (RPS).</li> <li>• Te Ohu will collaborate with AFL on other matters including policies for collaboration with iwi and Sealord, Board appointment processes and so on.</li> <li>• As many of the changes agreed to by iwi require amendments to the MFA, Te Ohu will review and draft the necessary amendments.</li> <li>• Amendments will also be required in constitutional documents to reflect the changes.</li> </ul>

Table 3: Restrictions on the sale of Settlement assets

Resolutions	Actions	Comments
<ul style="list-style-type: none"> <li>• The disposal restrictions on the MFA for settlement quota and income shares should remain but a simpler trading processes should be developed for iwi wishing to sell some of their assets to willing buyers within the iwi/Te Ohu Kaimoana Group pool.</li> <li>• The current restrictions on the sale of ACE should be increased from 5 to 15 years.</li> </ul>	<ul style="list-style-type: none"> <li>a. Simplify the process for the sale of settlement assets by Maori Fisheries Settlement entities by:               <ul style="list-style-type: none"> <li>i. Identifying options and implications</li> <li>ii. Developing a preferred option for consultation with iwi</li> <li>iii. Reviewing and amending the Maori Fisheries Act to implement the option preferred by iwi.</li> </ul> </li> <li>b. Provide greater flexibility in the provisions for the sale of ACE by AHCs by:               <ul style="list-style-type: none"> <li>a. Identifying the implications of changes (including enabling longer time commitments) and strategies to address them</li> <li>b. Reviewing and amending the Maori Fisheries Act to implement the option preferred by iwi.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The current process for trading fisheries settlement assets is complex. Iwi have agreed they wish to have something simpler and more efficient. Te Ohu will review the current processes and ensure that any unforeseen consequences of simplifying the process are identified and addressed.</li> <li>• As with the other changes, Te Ohu will draft amendments to the MFA to implement changes to the sales process.</li> </ul>

Figure 1: Review Implementation Project Timeline



Note this project ends with the delivery to the Minister for Primary Industries of recommended amendments to the MFA. Te Ohu will develop a new project plan to support the passage of these amendments through Parliament.



## Goal 2: allocate and transfer settlement assets

### Benefits

By achieving this goal, we will:

- enable iwi to realise benefits from owning their fisheries and aquaculture assets
- meet our statutory responsibilities under the Maori Fisheries Act (the Act) and Maori Commercial Aquaculture Claims Settlement Act (the Aquaculture Act).

### Explanation

Section 34 of the Act sets out the duties Te Ohu must carry out in relation to the administration, allocation and transfer of fisheries assets. These activities include assisting iwi to meet the requirements for allocation, and managing their fisheries assets until those requirements are met.

Iwi gain benefits in two ways. The first is by having access to annual catch entitlement (ACE) where we still hold their assets.

The second is by having the ownership of the fisheries assets in their hands – giving greater flexibility in the choices they can make.

Section 38 of the Maori Commercial Aquaculture (Claims Settlement) Act (“the Aquaculture Act”) sets out duties that Te Ohu must carry out in relation to the administration, allocation and transfer of aquaculture assets including facilitating steps by iwi organisations to reach agreement about the allocation and transfer of aquaculture settlement assets.

### A: Fisheries objectives

1. MIO recognition:
  - a. Assist MIOs to transition their post settlement governance entity (PSGE) to a new MIO where required
  - b. Assist Ngati Tama (Taranaki) to establish a MIO.
2. To have transferred, by 30 September 2016:
  - a. North Island eels (LFE/SFE quota) to iwi in accordance with an agreement reached between iwi or under section 148
  - b. South Island eels (ANG11, 12 and 16) to iwi in accordance with agreement or under section 148
  - c. 93% of coastline based settlement quota to iwi.
3. Provide information to the Maori Land Court to assist it to make decisions on cases related to MIOs and coastline agreements.
4. Manage the April and October ACE rounds for iwi who have yet to be allocated settlement quota.

## Commentary

Many iwi have established Post Settlement Governance Entities (PSGEs) to hold the assets received from the Crown in compensation for historical breaches of the Treaty of Waitangi. Most iwi wish to combine their existing MIO with the new PSGE (essentially creating a new MIO) which means that Te Ohu needs to confirm that the new entity complies with the Act and approve the entity as the new MIO. The resourcing required to assist iwi wishing to transfer MIO status to PSGEs may impede progress on other matters.

It is possible that there will be some disagreement amongst iwi about how freshwater fisheries should be allocated. The Act provides a default mechanism where iwi don't reach agreement. This default is based on the 2001 Census resident iwi population figures. We will consider using that approach where iwi cannot agree an alternative.

The majority of fisheries settlement assets has been allocated and transferred to iwi. Te Whanau a Apanui will be the last of 57 iwi yet to establish a MIO, and there are a number of areas within which iwi have yet to finalise coastline agreements.

It is unlikely Te Whanau a Apanui will establish a MIO during the year. Te Ohu wishes to ensure that Te Whanau a Apanui's neighbours are not prevented from receiving all their settlement assets because Te Whanau a Apanui has no MIO/IAO with whom they can reach agreement. Te Ohu will use the tools in the Act to minimise the delay in transferring coastline settlement assets to neighbouring iwi, at the latest by 2018.

There is some risk that iwi will fail to reach agreement on outstanding coastline claims, and that some will appeal to the Maori Land Court to resolve the issue. The plan allows some resourcing of Te Ohu assisting the Court.

## B: Aquaculture

1. To assist iwi to reach new space regional aquaculture agreements (“new space agreements”) with the Crown, and regional allocation agreements (“allocation agreements”) with one another:
  - a. by November 2015, a new space agreement with the Crown, and an allocation agreement and transfer to iwi in Canterbury
  - b. by December 2015, a new space allocation agreement and the transfer of assets to iwi in Tasman
  - c. by March 2016, an allocation agreement and transfer of assets to iwi in Marlborough
  - d. by March 2016, a new space agreement with the Crown, and an allocation agreement and transfer to iwi in Southland
  - e. by June 2016 an allocation agreement and transfer of the remaining assets in Auckland to iwi
  - f. by June 2016, an allocation agreement (or partial allocation agreement) for iwi in Northland
  - g. by September 2016, an allocation agreement and transfer of assets for iwi in Waikato East.
  
2. To assist iwi to reach agreement on outstanding pre-commencement space aquaculture agreements (“pre-commencement agreements”) with the Crown, and allocation agreements with one another:
  - a. by March 2016, value all outstanding pre-commencement assets, finalise an allocation agreement and transfer all pre-commencement assets in Marlborough to iwi
  - b. by June 2016, gain agreements for specified harbours with the Crown, an allocation agreement between iwi and transfer of the assets in Northland to iwi
  - c. by June 2016, gain a regional agreement with the Crown, and an allocation agreement between iwi in Wellington and transfer of these assets to iwi
  - d. by September 2016, develop a partial allocation agreement between iwi in Bay of Plenty, or an agreement of the processes to take this forward for resolution.
  
3. To assist iwi secure interim space agreements with applicants and allocation agreements with one another:
  - a. by June 2016, gain agreement with the applicants on the representative 20% settlement space in each Interim AMA in Tasman
  - b. by September 2016, an allocation agreement and transfer of these assets to iwi in Waikato East.
  
4. To participate in a review of the Minister’s New Space Plan by March 2016 to ensure future reviews of the Minister’s New Space Plan align in time with the reconciliation processes set down in Regional New Space Aquaculture Agreements.
  
5. To monitor and update the register of approvals of pre-commencement space with MPI and take any subsequent needed action to ensure the pre-commencement agreements are delivered (ongoing).
  
6. To establish, monitor and audit the register of approvals of new space with MPI and take any subsequent needed action to ensure the New Space agreements are delivered.
  
7. To maintain the iwi aquaculture register (ongoing).

## Commentary

Te Ohu has been undertaking the analysis and supporting iwi in their negotiations to reach “new space regional agreements’ with the Crown. These agreements provide an “up-front” settlement of the entitlement that iwi have to 20% of new space for mussels, salmon and oysters in their regions to 2035. They are based on a forecast of the aquaculture space that is likely to be developed in different regions across the country over the next 20 years.

The Regional Agreements signed with the Crown provide for 5 yearly reconciliation of the amount of new space developed compared with that provided under the Agreement and measures to address any gap. The Minister is also required under the legislation to review his New Space Plan every 5 years and amend the long-term forecast if development suggests that is needed. Under the plan the Minister must also decide whether additional actions are needed. In order to minimise the number of processes and confusion, it is proposed to align the timing of the review of the Minister’s New Space Plan with the reconciliation timetable for the Agreements. The method to achieve this is to undertake a review of the Minister’s plan in early 2016, rather than in 2017.

In the case of pre-commencement space,<sup>1</sup> the Crown provides offers to iwi of the relevant region that are an equivalent of 20% of that space. All iwi in a region need to accept these offers before the Crown can transfer the assets to the Takutai Trust for allocation to iwi. The Crown’s offer is fixed in value until all relevant iwi accept it. Once accepted, the Crown will transfer assets to the Takutai Trust for allocation to iwi. Once held by the Trust, the money can be invested and accrue interest. Te Ohu will actively encourage iwi to accept these offers so that they can increase in value while allocation agreements are achieved.

With Regional Agreements signed and the aquaculture assets transferred to Te Ohu, the focus in 2015-16 will be on gaining agreement by all iwi in each region to allocation of those assets. These assets can only be transferred to iwi within the first year of Te Ohu receiving the assets where all iwi in the region agree a scheme of allocation

Under the aquaculture legislation regime operating between 1 January 2005 and 30 September 2011, aquaculture was prohibited except where Councils or private applicants made changes to the relevant regional coastal plan to allow for aquaculture in specific areas called Aquaculture Management Areas (AMA). Under this interim regime, authorisations for a representative 20% of the AMA space are provided to iwi through Te Ohu. To assist aquaculture development proceeding while maintaining opportunities for iwi, the legislation provides that Te Ohu can work with the Council, applicants and iwi to identify that representative 20% of AMA space.

New space and pre-commencement space needs to be tracked to ensure that iwi gain all space they are entitled to under the Aquaculture Settlement. Te Ohu will collaborate with MPI to ensure that the new and pre-commencement space registers are up-to-date.

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<sup>1</sup> Space approved under the aquaculture regime that was in place before January 2005

## Goal 3: Protect fisheries, aquaculture and marine space

### Benefits

By achieving this goal, we will:

- ensure iwi realise benefits from owning their fisheries and aquaculture assets
- meet our statutory responsibilities under the Maori Fisheries Act and the Aquaculture Act.

### Explanation

Te Ohu's functions include *"to protect and enhance the interests of iwi and Māori in relation to fisheries, fishing and fisheries-related activities"* (section 35 (b), the Act). As a result of the Fisheries Settlement, Maori have a major stake in New Zealand's fisheries. Their interests, based on recognition of a Treaty right, include:

- a significant share in the commercial sector (which has a total export value of around \$1.5 billion)<sup>2</sup>
- customary non-commercial rights that can be exercised across all fisheries for communal purposes
- participation as recreational fishermen providing food for their whanau
- kaitiaki responsibilities for the fisheries and ecosystems they are part of.

The Settlement was a political settlement between the Crown and Maori and the allocation of fisheries assets amongst the iwi was also political. Most iwi receive too small an income from fisheries to employ fisheries specialists. This was recognised as part of the development of the allocation model and Te Ohu was established among other functions to be the "eyes, ears and often the mouthpiece" for iwi in fisheries and wider marine management. Iwi confirmed at the Special General Meeting (SGM) on 4 June 2015 that they wish to retain Te Ohu to continue in this kind of role.

As part of our work on the review, we need to identify the priorities iwi wish us to focus on in future. While we clarify these priorities, there are activities we propose we should continue to do in the short term to protect the interests of iwi in the Fisheries Settlement. These concern:

- sustainability of key species including deepwater, rock lobster, paua, finfish and freshwater fisheries
- strategies to strengthen the relationship between Te Ohu, iwi and industry organisations
- policies or proposals likely to threaten on-going access by iwi to their commercial and non-commercial fisheries resources over the next year and
- protecting the interests of iwi in aquaculture.

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<sup>2</sup> In 2013 total exports were \$1.52 billion. Source "Economic review of the seafood industry" (Seafood NZ), Edition 8, June 2014.

## A: Protect fisheries

### ➤ Deepwater Fisheries

1. To protect the interests of iwi and Maori fisheries settlement entities in deepwater fisheries by assisting iwi to review and respond to management proposals for deepwater stocks.

#### Commentary

All iwi have an interest in all deepwater fisheries. These include species such as hoki and orange roughy, which are top seafood export earners.

Iwi have commercial relationships (such as ACE agreements or joint ventures) with different fishing companies, whose commercial strategies will influence their approaches to managing key stocks such as hoki. Te Ohu considers it important that iwi obtain good information and advice on the sustainability of these key stocks, and the consequences of taking different management options.

As is the case with all stocks, Te Ohu considers sustainability is paramount. In practical terms, stock sizes can vary according to harvesting pressure, recruitment and environmental factors. Ideally, sensible management targets should be agreed to avoid large “ups and downs” in catch limits. This is as much about enabling companies to better manage the market pricing based on consistent delivery of quantity and quality of fish and sensibly delivering their operations in light of fluctuations in the fishery as looking after the fishery itself.

Te Ohu currently participates as a director in the Deepwater Group (DWG), along with fishing companies that have an interest in deepwater stocks. While some iwi are represented directly on the DWG, and others belong to it, membership is voluntary and the majority of iwi are not members. The DWG works in partnership with MPI to manage deepwater stocks. It is important that iwi views are well represented on the DWG and that they are well informed of the decisions and choices that need to be made. Te Ohu will work with iwi to gain a mandate to represent their collective interests in the DWG, and more broadly.

### ➤ Inshore Fisheries

#### Rock lobster

2. To protect the interests of iwi and Maori fisheries settlement entities in rock lobster by:
  - a. Providing advice to iwi on the review of CRA5, 7 and 8.
  - b. Participating in the review of CRA5 and 9 catch data
  - c. Supporting iwi in the CRA3 industry concession review.
  - d. Reviewing representation of iwi customary interests on the National Rock Lobster Management Group (NRLMG).

## Commentary

Rock lobster is the top seafood export earner. All iwi with coastline have an interest in rock lobster with their interests concentrated regionally within particular quota management areas.

Te Ohu sits on the National Rock lobster Management Group (NRLMG), which advises the Minister on the review and management of rock lobster. The NRLMG consists of representatives from the commercial, recreational and customary sector. In the coming year, the NRLMG will be reviewing the management of rock lobster in CRA5, 7 and 8. In addition the industry will be reviewing the management of CRA5 and CRA9 because of the poor catch data in these QMAs. If not improved, the poor data could lead to a reduction in the total allowable commercial catch (TACC) for each stock. The industry will also review the existing concession in CRA3, which gives the commercial sector the ability to harvest under the minimum size at certain times of the year. Te Ohu will work closely with iwi in CRA 3, 5, 7 and 9 to ensure their interests are addressed.

An additional matter that must be addressed is succession planning to ensure that those on the NRLMG who represent iwi interests have the skills and networks they need to work with iwi. Te Ohu will work with iwi to develop and implement a succession plan. Te Ohu can continue to play a key role in supporting iwi and developing advice on rock lobster across the country.

## Paua

3. To protect the interests of iwi and Maori fisheries settlement entities in paua by:
  - a. assisting iwi to review and contribute information to the PAU7 stock assessment
  - b. continuing to support iwi in considering the PAU2 subdivision proposal.

## Commentary

All iwi with coastline have interests in paua and as with rock lobster, their interests are concentrated regionally within particular quota management areas. There are lessons to be learnt from management of particular paua stocks that can be applied in other areas.

All iwi in the South Island have an interest in PAU7. This stock is not in good shape and an up-to-date stock assessment is needed. It will be important to ensure that good information is used in the stock assessment so that sound decisions about the TAC/TACC can be made. Te Ohu will participate in relevant science working group sessions and work with iwi to ensure they are all well informed.

The paua industry wishes to progress its proposal to subdivide PAU2. At least 20 iwi in the lower North Island have an interest in PAU2 quota. Te Ohu will work with iwi and industry to ensure the iwi benefit from the proposal, that their collective position is not compromised and they do not lose opportunities to gain value.

## Inshore finfish

4. To protect the interests of iwi and Maori fisheries settlement entities in inshore finfish by:
  - a. contributing to the SNA1 management plan to fully inform participants about the fisheries and aquaculture settlements and to minimise adverse impacts on the ability of iwi to exercise their fishing rights while encouraging all sectors to undertake collaborative efforts for better information and nimble management.

- b. working with iwi, other quota owners and Fisheries Inshore New Zealand (FINZ) to agree and implement cost-effective management and monitoring plans for key fishstocks for each region
- c. assisting iwi to review and respond to management proposals for other inshore stocks
- d. collaborate with FINZ, quota owners, fishers and iwi to develop more coherent measures that improve the information available and incentives on all participants to ensure long-term sustainability in the management of inshore fisheries.

## Commentary

Inshore fin-fisheries are made up of many species including snapper, kahawai, john dory, tarakihi, bluenose, gurnard, kingfish, flatfish – and many others. Iwi interests are regionally based within quota management areas. Given the multiple interests of iwi and hapu in these fisheries, it is important that their views are well represented within industry, and to government.

Management of inshore fisheries presents different challenges from deepwater fisheries, rock lobster and paua. Inshore fisheries include 239 fishstocks with a total combined TACC of around 60,000 tonnes harvested by 1000 boats (unlike deepwater fisheries in which around 350,000 tonnes is harvested by 40 vessels). A much greater level of coordination and agreement between participants is required to address important matters such as funding of research, harvesting technology and so on.

SNA1 is a “shared fishery” in which the commercial, recreational and customary non-commercial sectors have an interest. It is the largest most valuable inshore fin fishery. In 2013, the Government established a working group including representatives of all sectors to develop management options for snapper 1 (SNA1). Key issues include how the fishery should be rebuilt and how it should be shared between the sectors. Te Ohu is a member of the group. There is a risk the outcome of this process will be driven by politics (for example resulting in establishment of recreational fishing areas, or an increase in the share of the recreational allowance) rather than good science and information, or incentives for all sectors to promote good management. Te Ohu will collaborate with iwi and industry to ensure robust analysis is used in the process.

Te Ohu also considers it important to ensure that iwi are involved in industry organisations that represent the interests of quota owners. We consider it a priority for the short to medium term to ensure that iwi interests are well represented and supported in relevant inshore industry organisations. We will continue to advocate and promote innovation in science and management for inshore fisheries as well as looking to use technology in a smart way to gain better information and better incentives to management our inshore fisheries sustainably.

### ➤ Freshwater fisheries

- 5. To protect the interests of iwi in freshwater fisheries (particularly eels) by:
  - a. assisting iwi to respond to management proposals for eels
  - b. working collaboratively with iwi, Te Wai Maori and AFL to build good working relationships between iwi and industry bodies.



## Commentary

The eel fishery is significant for iwi in many respects. Under the Fisheries Settlement, iwi have customary commercial and non-commercial rights in this fishery. Many iwi are concerned about the sustainability of the fishery.

Te Ohu has worked closely with the Eel Enhancement Company (EECo) which represents the interests of North Island quota owners, [and the South Island Eel Association] to improve management of this fishery. Te Wai Maori and AFL have also taken a keen interest in building good working relationships between the customary commercial and non-commercial sectors to develop tools to better manage the fishery. Te Ohu will continue to work closely with iwi, Wai Maori and AFL to ensure that iwi benefit from well managed eel fisheries in the longer term.

### ➤ Government reforms and processes, and social licence

6. In relation to the Government's marine protected areas (MPA) policy:
  - a. advocate for an MPA policy that is based on sound science and suitably protects iwi interests in the fisheries and aquaculture settlements
  - b. ensure that adequate redress is provided for any restrictions on the use of fisheries and aquaculture assets caused by the policy
  - c. provide support to iwi as the policy is implemented.
7. In the Government's review of the Fisheries Management System/Fisheries Act, promote changes that protect and enhance iwi Fisheries Settlement interests, provide certainty and encourage innovation and responsibility in fisheries management.
8. Contribute to the Hauraki Gulf SeaChange and other spatial planning processes to protect fisheries and aquaculture settlement interests from adverse effects of spatial planning options by informing participants about the fisheries and aquaculture settlements and minimising any adverse impacts on the ability of iwi to use fisheries and aquaculture assets.
9. Represent the overall Fisheries Settlement interests of iwi in the EPA decision-making process to ensure:
  - a. the EPA understands the impact of Trans-Tasman Resources' new application to mine iron-sands in the South Taranaki Bight
  - b. the EPA makes decisions that will not negatively affect those interests.
10. In relation to the effects of fishing on marine mammals, seabirds and the wider environment:
  - a. advocate options for managing the effects of fishing on marine mammals and seabirds that are based on sound science
  - b. contribute to the development of harvesting technology that increases the ability of fishers to harvest efficiently and provide better information on its fishing activities.

## Commentary

The Government is developing a revised policy on Marine Protected Areas (MPAs) which it has yet to release. The policy is highly likely to lead to legislative change. The Government, along with Auckland and Waikato Regional Council, is also supporting the development of a spatial plan for the Hauraki Gulf, through a process called "SeaChange". Each of these processes may broaden restrictions on the ability of iwi to access their fisheries and aquaculture assets. There is a risk that

the outcome of each will be driven by politics based on perception rather than robust science, good information or good incentives for all fisheries interests to promote sound fisheries management.

The MPA policy will have implications for the whole country. However while SeaChange applies to the Hauraki Gulf, it has potential to create a precedent that will be applied elsewhere. It is important to ensure any adverse consequences for the Fisheries Settlement are minimised. In each case Te Ohu will collaborate with iwi and industry to ensure robust analysis is used in these processes. Te Ohu will also help improve fisheries management in Hawke's Bay to assist social licence and access by all Treaty interests in these fisheries.

The Government is also reviewing the fisheries management system. The Fisheries Act and the Quota Management System have been in place for 20 and 30 years respectively. MPI states that the purpose for the review is to build on the current system and future proof it and through that deliver greater benefit to all sectors while enhancing sustainability recognising that technology has changed considerably since the QMS was introduced. We will be engaging with iwi and wider industry over this opportunity.

In 2013, Trans-Tasman Resources' (TTR's) application to mine iron-sands in the South Taranaki Bight was declined by the Environmental Protection Agency. TTR appealed the decision but withdrew their appeal and decided to resubmit their application after gathering additional information. The EEZ Act is new. Te Ohu has joined in the early consent processes to ensure the EPA addresses iwi concerns. Given the legislation is relatively new, we consider it important to continue to be involved in TTR's new application to support iwi and see the process through.

There is concern about the broader environmental effects of fishing. Quota owners, including iwi, have been levied to fund a great deal of science to measure these impacts. Te Ohu is collaborating with others to fund and investigate options to reduce these impacts and improve industry's social license. Options include:

- exploring enhancements to fishing methods that avoid unwanted catch – of both non-targeted fisheries and birds and marine mammals
- assessing the feasibility of user friendly reporting systems that help fishers record more comprehensively on their fishing activity.

## B: Protect Aquaculture

1. Protect the interests of iwi in aquaculture by collaborating with iwi, the aquaculture industry and government to identify and address any threats to aquaculture (including policy proposals and biosecurity threats).

### Commentary

As trustee for the Aquaculture Settlement, Te Ohu considers that iwi should have every opportunity to utilise their aquaculture assets – even at some future time – and that laws and policies should not place unnecessary barriers on aquaculture development by iwi (or broader industry).

Te Ohu has a director on Aquaculture New Zealand (AQNZ) – the body that represents the aquaculture industry. Iwi also have a representative. Te Ohu is also a member of an aquaculture forum involving the Ministry for Primary Industries, Department of Conservation, Regional Councils and industry including AQNZ. Being involved in these fora gives Te Ohu the ability to keep an eye on and respond quickly to policy issues including regional council policies such as monitoring of consents, ability to undertake experimental aquaculture, coastal occupation charges and bonds and advocate on whether these would be better advanced through individual regional council policy settings or in a more consistent manner across the country.

In the coming year, both fora will consider how best to provide certainty over these issues and whether there should be proposals arising in response to the RMA King Salmon decision – in which the Environment Court confirmed certain environmental “bottom lines” that could not be breached by aquaculture, that would assure high environmental performance but still provide positive options for investment in aquaculture for both renewal of existing resource consents and approval of new space. If the collective decision is that national consistency is important, the working groups involved will make recommendations on possible national measures including:

- legislative change
- use of the regulation making provisions of the RMA (sections 360A-C)
- National Policy Statements under the RMA
- National Environmental Standards under the RMA
- national guidance for regional implementation and advocacy for best practice.

Te Ohu will continue to work with iwi to develop positive working relationships with government officials and senior regional council staff.

## Goal 4: Enhance the value iwi obtain from their fisheries assets

### Benefits

By achieving this goal, we will:

- enable iwi to realise greater benefits from their fisheries assets including settlement quota and income shares;
- enable iwi, hapu and kaitiaki to exercise their customary non-commercial rights;
- develop good working relationships between iwi, hapu and kaitiaki so that kaitiaki have the support they need to manage non-commercial customary fishing
- Create opportunities for individuals and iwi to upskill.

### Explanation

While much of the work we propose to protect the settlement is intended to retain its value and ensure fisheries are sustainable, our proposals in relation to “enhancing the interests of iwi and Maori” aim to increase its value.

### A: Enhance fisheries

#### ➤ Commercial fisheries

1. To support iwi develop the surf clam fishery by:
  - a. assisting iwi, AFL and Cloudy Bay Clams to identify a suitable business structure for a JV on these species
  - b. assisting iwi to do additional feasibility investigations
  - c. assisting in the operationalising of any collective JV involving iwi.
2. Continue to support iwi in SCACS (Coromandel) and SCA 1 (Northland) to develop a collective approach to managing their commercial interests in scallops.
3. Investigate options to increase the value of low-value or small parcels of ACE generated from settlement quota
4. Collaborate with iwi and industry to ensure government levies are soundly based.

#### Commentary

Most iwi have received small parcels of many fish stocks in the quota management system (QMS) as part of their fisheries assets. Some of the stocks have potential to increase in value, but only if iwi work together to get the scale they need to make development worthwhile. Even then just the transaction costs for any one iwi are too high for it to take the initiative to encourage other quota owners to work collaboratively..

Te Ohu has been working with AFL and iwi in FMAs 2 and 8 to investigate whether they would benefit from a joint investment with other quota owners including Cloudy Bay Clams. These investigations will continue into 2015 – 16. Various options need to be considered including a Limited Liability Partnership, established in such a way that iwi from additional quota management areas are able to join and participate as those areas are developed. Such a model

would help iwi to collaborate and participate in all parts of the value chain, and increase their returns from surf clams.

Over the last few years Te Ohu has assisted iwi and industry in the Coromandel Scallop fishery to trial collective management of the fishery. The industry has developed rules to control harvesting within acceptable limits, and collectively controls the harvesting of ACE. There are lessons to be taken from this fishery that can be applied in other fisheries, including the Northland Scallop fishery.

Some iwi have requested that Te Ohu investigate whether there are options to increase the value of low-value or small parcels of quota shares. Te Ohu will work with iwi and the wider Te Ohu Group to determine whether there are opportunities through collective sales and/or reducing costs through reductions in government and industry levies to increase value.

### ➤ Customary non-commercial fisheries

5. Enable iwi and kaitiaki to better exercise their customary non-commercial fishing rights by:
  - continuing to support iwi that are using or preparing to use IkaNet for fisheries management and pataka.
  - implementing IkaNet in 4 new iwi / iwi collectives, including Tainui, Ngati Whatua, Ngati Awa and the Deepwater pataka.
  - facilitating the development of customary pataka systems by iwi
  - securing external funding to support iwi to work with their kaitiaki to implement the IkaNet system and develop further system enhancements.
  - Develop mobile apps to provide user friendly cost effective access for kaitiaki.
  - Trialling the use of e-authorisations in partnership with iwi and MPI.

### Commentary

The ability of kaitiaki to protect their fisheries can be enhanced if they have access to good information on levels and location of customary catch. Iwi can help their kaitiaki to improve information on customary fishing in their rohe by providing support for them to report the location and levels of harvest by electronic means. Te Ohu Kaimoana has invested in developing the IkaNET system – a web-based tool - specifically for iwi to help kaitiaki administer customary fishing authorisations, gather and analyse fishing information, and work collectively to better manage harvesting of local fishing grounds. To make gains from this system, it needs to be used by more iwi and kaitiaki.

Iwi customary non-commercial and commercial interests are typically managed separately but considerable benefit can be realised by the two interests working together. Te Ohu Kaimoana is supporting iwi to establish and run pataka/whata programmes to allow non-commercial kaimoana to be harvested, processed and stored by commercial operators, and be made available to marae and iwi members when needed for tangi and other important occasions. Te Ohu Kaimoana is working with iwi to provide such a system for all the iwi involved in the Ihu To Mai partnership with Sealord. Central to the successful operation of a pataka/whata programme is Te Ohu's IkaNet system, which is used to manage the supply, storage and distribution of Kaimoana.

For iwi actively using the system, particularly those operating a pataka, the IkaNet system is demonstrating that it offers considerable benefit to iwi and their members. These benefits are

being increasingly recognised resulting in considerable interest from iwi in operating a pataka. Use of the kaitiaki customary fisheries management tool is also increasing as iwi look to implement systems that offer greater efficiency and protection for the iwi, staff and kaitiaki exercising legal responsibilities whilst improving the information available to manage their fisheries.

Our priority is to continue working with those iwi that are currently actively using the system or have approached us to do so and have committed resources to work with their kaitiaki and Te Ohu. Our work to date has illustrated that implementation of the IkaNet system is most successful where iwi-kaitiaki links are strongest and kaitiaki are well supported and working collectively. To support our implementation work we are developing a business proposal to secure funding for additional resources to support iwi to implement the system.

In addition to working with iwi, we will be developing a number of system enhancements. These include:

- Enhancing the usability and reduce costs for users through introducing mobile Apps that interface with the existing IkaNet system.
- Introducing security tools in preparation to trial the use of electron authorisations.
- Introduce new data reporting tools that offer greater flexibility to managers to tailor reports.
- Refine pataka inventory tracking tools to improve the accuracy of information available to users.

#### ➤ Fisheries initiatives

6. Assist iwi to improve management of their fisheries assets through CE management planning and reporting.

#### Commentary

Te Ohu has received feedback from some iwi who propose we develop simple tools to help them manage their fisheries assets. For those individuals who are new to fisheries management, ACE management plans and reporting templates would provide a useful guide.

#### ➤ Supporting skill development

7. In relation to the Global Fisheries Scholarship (GFS):
  - a. Provide general support to the 2016 scholar to ensure their objectives (and those of Te Ohu) are met and the integrity of the scholarship is upheld
  - b. Advertise for and appoint a scholar for 2017
  - c. Arrange post-scholarship opportunities and experience for GFS graduates as far as possible.
8. Place up to 10 Maori at the Westport Fishing School, subject to receiving income for this purpose from Te Putea Whakatupu.

## Goal 5: Corporate – provide governance, oversight and resources to enable the organisation to operate effectively

### Benefits

Objectives developed under this goal aim to provide all the support necessary to enable the strategic and annual plan objectives to be realised.

### Explanation

The Corporate section is divided into the following service areas:

- Governance of the Fisheries Settlement entities
- Relationship building and reporting
- Investment and portfolio management.
- Corporate resources and infrastructure

Each of these sections contributes a significant resource or service to enable the activities of Te Ohu to be achieved. The sections have been divided in a way that enables the capturing of costs and or activities of a similar nature into one area. It is intended that it will also enable reporting against objectives and activities to be much clearer. Once the plan has been approved and the projects and objectives for the next year agreed by the Board, corporate resources and infrastructure costs will be spread across work areas on an appropriate basis, recognising the focus of particular roles within the organisation.

The classification of these sections also enables the identification of costs that are attributable to the services provided to MPI as part of the activities associated with the Takutai Trust and the aquaculture settlements generally.

## A: Governance of the Fisheries Settlement entities

### Benefits

Effective governance will:

- set the strategic direction of Te Ohu for the future and provide leadership to guide the organisation
- provide appropriate governance and oversight to Te Ohu's subsidiaries and associates
- contribute to the economic growth of the settlement assets and distribution of benefits to iwi and other beneficiaries of the settlement
- meet our obligations under all relevant legislation and regulations.

### Explanation

The Directors of Te Ohu provide the strategic direction and objectives of the organisation, monitor the performance of the organisation against those strategic objectives and provide governance oversight of Te Ohu and the subsidiary entities.

Governance oversight includes the appointment of directors to the boards of AFL, Te Putea Whakatupu Trustee Limited and Te Wai Maori Trustee Limited

Directors meet every two months.

During 2015 – 16, Te Ohu will develop a business model for approval by iwi in March 2016 that will set out the strategic direction of the organisation and how it will be resourced and delivered.

### Objectives for 2015 – 16

1. Set clear priorities so the organisation can achieve its objectives
2. Align, as far as practical, strategic goals within the Te Ohu Kaimoana group. The Te Ohu Kaimoana Group includes AFL, Te Wai Maori and Te Putea Whakatupu: the goals for these organisations must be consistent and aligned with the collective interests of iwi.
3. Meet our statutory obligations under the Act in relation to the governance of AFL, Te Wai Maori and Te Putea Whakatupu
4. Appoint directors to serve on subsidiary entities
5. Ensure sufficient Board time is given to strategic debate, listening to external views and the opportunity for new options to generate long-term value for the beneficiaries of the settlements
6. Ensure processes are in place to mitigate risks that Te Ohu may be exposed to.



## B: Relationship building and reporting

### Benefits

Effective relationship building and good reporting will ensure that:

- iwi, industry and other stakeholders are well-informed on important matters concerning the work of Te Ohu, Takutai and Wai Māori and the place the Treaty holds within New Zealand's commercial and non-commercial fishing/ marine environment;
- the relevance and benefits of our work to iwi and stakeholders is demonstrated accordingly;
- Te Ohu is seen, by the many different stakeholders, as an effective organisation providing significant benefits through its expertise in relation to all aspects of its operations and the interests of its beneficiaries.
- statutory reporting obligations are met in a timely manner.

### Explanation

To facilitate and enable the organisation to perform its role effectively and achieve its objectives it needs to build and maintain good relationships with government, industry, iwi, subsidiaries and other stakeholders.

There is a need to provide a repository of information for both reporting purposes and as an information resource. Providing clear, concise and appropriate communications to stakeholders assists the effectiveness of the organisation in achieving all of its objectives.

The organisation needs to maintain an awareness of the priorities of iwi and thus needs to provide opportunities within appropriate forums for those priorities to be discussed.

### Objectives for 2015 – 16

1. Provide regular updates to iwi and other stakeholders on the work of Te Ohu and subsidiaries
2. Provide opportunities for iwi to feedback their views on priorities and projects
3. Build and maintain effective relationships with iwi and other stakeholders
4. Promote good relationships throughout industry and government
5. Promote Te Ohu as a source of expert advice and information
6. Comply with reporting responsibilities outlined within the Act by publishing an annual plan and annual report within appropriate timeframes.
7. Host a successful Hui-a-tau and annual Māori Fisheries Conference.

## C: Investment and portfolio management

### Benefits

Generate the funds necessary to pay for operational activities and maintain or grow modestly the financial investment assets of the Trust, in real terms, to ensure that Te Ohu is able to meet its objectives and the needs of its stakeholders for the foreseeable future.

### Explanation

Te Ohu has limited sources of income to pay for its operating expenditure. As part of the resolutions from the 4 June 2015 special general meeting, Te Ohu is required to prepare a business model with appropriate funding options for agreement by iwi at the March 2016 Hui-a-Tau. Apart from ACE income, which is expected to decrease to zero over the next 2 years, the income sources, in order of magnitude are:

- returns generated by the joint investment portfolio;
- AFL dividend;
- payment from MPI for services provided to Takutai Trust;
- recoveries of overheads for services provided to subsidiary trusts and others.

Following the transfer of the shares held in AFL (expected in the 2017 calendar year), Te Ohu will no longer receive dividends from AFL.

This section deals with the costs of administering the joint investment portfolio and other associated investment activities that deliver income. The direct costs incurred in relation to the portfolio are shared on a pro rata basis between the participating trusts.

### Objectives for 2015 – 16

1. Target return for the portfolio is 4.5% plus CPI after all management fees but not including advisor fees.
2. Annual drawdowns for operational expenditure are targeted to be no more than an average of 4% of the previous 3 years of the total portfolio investment fund attributable to Te Ohu.
3. Complete transition to the diversified portfolio agreed under the Statement of Investment Objectives and Policies.
4. Short term funds are managed to maximise returns, within acceptable risk parameters, for the period they are held.
5. Manage available cash flows to meet the needs of the organisation.

## D: Corporate resources and infrastructure

### Benefits

Corporate resources and infrastructure:

- provides the resources and the environment to enable the organisation to meet the goals and objectives that have been agreed.
- contributes to providing a place where people will want to work and be motivated and productive employees

### Explanation

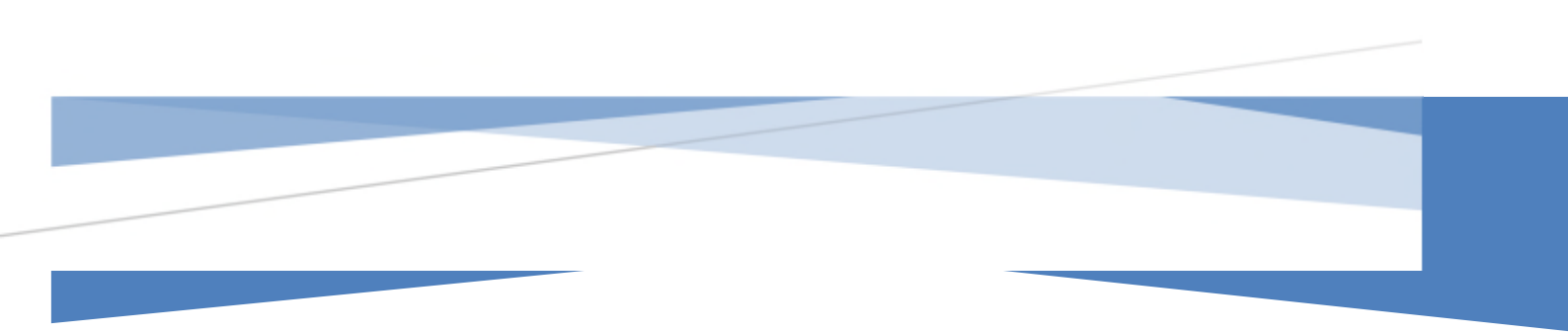
The organisation relies on the quality and effectiveness of the people it employs. To ensure the resources we have can work effectively, Te Ohu needs to provide an environment that is conducive to high achievement.

Corporate resources include the human resources and associated costs and benefits. Infrastructure refers to all of the physical assets, processes and systems, including information technology, that are used in undertaking the activities of Te Ohu.

### Objectives for 2014 – 15

1. Provide the resources and the environment to enable the organisation to meet the goals and objectives that have been agreed.
2. Provide a safe work environment that meets legal obligations including the new Health & Safety Act currently before Parliament.
3. Put in place a process to cover the succession planning of particular at-risk roles and skill sets
4. Complete a review of human resource policies and procedures and implement any recommendations.
5. Negotiate a lease for premises that are appropriate for the size and operations of the organisation to commence 1 October 2016
6. Undertake reviews of contracts with suppliers to ensure supplies are economic and appropriate.

## Budget Information



**BUDGET**  
**2015 - 16**  
**Te Ohu Kaimoana**

# TE OHU KAI MOANA TRUSTEE LTD

## Te Ohu Annual Plan and Budget 2015 – 2016

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### Summary

The annual plan sets out the goals and objectives for Te Ohu Kaimoana for the financial year ending 30 September 2016.

The budget shows the financial resources required to fund the activities enabling those goals and objectives to be achieved.

The budget covers the income and expenditure for the trusts and entities directly controlled by Te Ohu Kai Moana Trustee Limited. It includes the activities of Takutai Trust, the Global Fisheries Scholarship Trust (GFS), the funds held in trust arising from ACE round disputes and the assets held within Charisma Developments Limited (Charisma). Comparisons have been provided to the 2015 year end forecast and are subject to completion of the final year end position for September 2015.

Te Ohu Kai Moana Budget Summary		
	2016 Budget	2015 Forecast
Income	\$'000	\$'000
Portfolio Income	4,643	6,093
ACE Income	575	995
Takutai Income	635	919
AFL Dividend	-	1,216
Other	592	703
<b>Total Income</b>	<b>6,445</b>	<b>9,926</b>
<b>Expenses</b>	<b>5,595</b>	<b>6,007</b>
<b>Operating Surplus / (Deficit)</b>	<b>850</b>	<b>3,919</b>
<b>Transfer to reserves to maintain real value of portfolio</b>	<b>1,495</b>	<b>2,305</b>
<b>Net Surplus / (Deficit)</b>	<b>(645)</b>	<b>1,614</b>

### Income

Income from assets that Te Ohu Kaimoana currently holds all of the beneficial interests in, prior to allocation and transfer to iwi or Te Wai Maori Trust, is included in this budget. Costs recovered from Te Wai Maori Trust, Te Putea Whakatupu Trust, the Global Fisheries Scholarship and MPI for services provided to them are also included. Revenue streams that pass through Te Ohu Kaimoana to the MFA reserves or funds held on trust, are not included as this income is not available to Te Ohu Kaimoana.

The AFL dividend, projected to be declared for the 2015 financial year, has been included in the 2015 forecast, although the physical cash will not be received until December 2015. No dividend has been included for the 2015-2016 financial year as the AFL budget had not been received at the time of writing.

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# TE OHU KAI MOANA TRUSTEE LTD

## Te Ohu Annual Plan and Budget 2015 – 2016

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### **Investment Income**

The portfolio targets an investment return of 4.5% plus CPI. The target return for the total portfolio and the amount attributable to Te Ohu Kaimoana is as follows:

Portfolio	2016	
	Total Portfolio \$'000	Te Ohu Share \$'000
Target Return	7,366	4,643
Retained in portfolio to maintain real value	2,372	1,495
<b>Available for operating expenses and distributions</b>	<b>4,994</b>	<b>3,148</b>

### **ACE Income**

This includes government and industry levies and administration overhead recoveries related to the quota expected to be held within Te Ohu Kaimoana during the financial year.

### **Takutai Trust income received from MPI**

The level of income is calculated based on the services expected to be provided to MPI to enable the program set out in the annual plan to be achieved

### **Global Fisheries Scholarship (GFS)**

The GFS share of the portfolio income contributes to the costs incurred on the scholarships. Only direct scholarship costs come out of the trust fund. All support and administration costs are covered by Te Ohu.

### **Maori Fisheries Conference (MFC)**

The budget for the Maori fisheries conference assumes all expenses will be met out of registration and sponsorship income.

### **Subsidiary Cost Recoveries**

Te Ohu Kaimoana recovers costs from the subsidiary trusts for services it provides by way of administration and contract or staff resources. The subsidiary trusts also contribute towards the costs of the portfolio investment adviser, based on the proportion of their investment in the portfolio.

Te Putea Whakatupu contributes towards the costs of providing the Westport Deep Sea Fishing School scholarships.

Proceeds from disputes, relating to ACE rounds, held in trust by Te Ohu Kaimoana are charged 1.5% pa, of the amount of the funds held at balance date, as a contribution towards the costs of administering the trusts.

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# TE OHU KAI MOANA TRUSTEE LTD

## Te Ohu Annual Plan and Budget 2015 – 2016

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### **Maori Authority Tax Credits (MATCs)**

The Trust receives Maori authority tax credits, attached to dividends received from AFL. They are treated as income in the year they are received, not when the refund is received from Inland Revenue.

### **Expenditure**

All items shown are gross amounts, depicting the total liability for Te Ohu Kai Moana Trustee Limited, with any recoveries from associated entities shown as income.

Significant resources, both staff and infrastructure, are being used within the review implementation project – approximately 15% of all expenditure

Staff resources for Te Ohu are estimated to be 15.5 full-time equivalents (FTE). FTEs have been estimated for each of the key objectives. All directly incurred expenditure (e.g. consultants and travel etc.) is charged to the relevant objective. A portion of HR, other resources and infrastructure costs are spread across the key objectives based on the estimated FTEs in each area.

### **Directors' Fees**

Apart from the main Board for Te Ohu Kai Moana Trustee Limited, there are 2 board sub-committees and a separate board that manages the joint investment portfolio. The following Directors' fees apply for the Board and board sub-committees for the 2015 – 2016 financial year:

DIRECTORS FEES	Te Ohu main board \$'000	Remuneration & Appointments Committee \$'000	Audit & Risk Committee \$'000	Portfolio Management Services Ltd \$'000
Chair	90	5	9	6
Deputy Chair	50	-	-	-
Member	40	3	5	6
Alternate	12	-	-	-

### **Capital Expenditure**

Capital expenditure has been provided to upgrade the IT systems to ensure we are able to continue to operate following a disaster and also to enhance the remote working capability. The current systems are outdated and the server operating system will soon no longer be

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# TE OHU KAI MOANA TRUSTEE LTD

## Te Ohu Annual Plan and Budget 2015 – 2016

supported by Microsoft. An upgrade of the telephone system is expected to pay for itself with lower costs over the year.

### Budget Surplus / (Deficit)

The budget shows a deficit of \$645k for the 2016 year after allowing for the transfer of investment income, over and above the 4% agreed to be drawn down for operational expenditure, to reserves to maintain the real future value of the investment portfolio. It does not include any dividend from AFL for the 2015 – 2016 financial year.

### Balance Sheet

The projected balance sheet for September 2016 shows trust capital and retained earnings to be \$177.7 million after accumulation of all investment earnings. This translates into a net Te Ohu residual capital base of \$75.2 million at the end of 2016. See the chart below:

Te Ohu Kai Moana Trust Capital and Retained Earnings as 30 September		
	2016	2015
	\$'000	\$'000
Te Ohu	75.2	74.3
Shares held in AFL	82.5	82.5
Redeemable Preference Shares	20.0	20.0
<b>Total</b>	<b>177.7</b>	<b>176.8</b>

Note that no profit from AFL operations for the year ended 2015 or 2016 has been attributed to Te Ohu Kaimoana within the budget.

### Income Generation by Asset Group

The diagram below shows the groups of assets that make up the Te Ohu Kai Moana Trust balance sheet and the income generated and available for the trust to use in its operations.

Te Ohu relies on the returns that can be generated from the investment portfolio and the dividend stream from AFL for the vast majority of its income. The agreement for services with MPI is also very important, allowing some sharing of infrastructure and HR resources.

Income generated from the annual ACE rounds is principally used to pay levies and other quota ownership charges plus a contribution for Te Ohu to cover the costs associated with managing the quota and ACE rounds. This income ceases once the quota is transferred to iwi.

Te Ohu is able to utilise the income earned on the balance of the trust capital held awaiting transfer to Te Wai Maori. Te Ohu is required to transfer \$1 million each year to Te Wai Maori until the full \$20 million has been transferred. As at September 2016 there is \$4 million remaining to be transferred.

# TE OHU KAI MOANA TRUSTEE LTD

## Te Ohu Annual Plan and Budget 2015 – 2016

Following the completion of allocation, Te Ohu becomes entirely reliant on investment returns from the portfolio and the recovery of costs for services provided to subsidiary and associated entities and MPI.

Refer to the commentary above for further details on each of the income streams.

	TE OHU	AFL	MFA RESERVE	DISPUTE	GFS	TAKUTAI	SERVICE
ASSET	Portfolio \$74.3m	Income Shares & RPS \$102.5m	Quota, Cash & TWM Equity \$39.3m	Cash & Investments \$3.7m	Investments \$1m	No Assets	No Assets
INCOME	Investment Return	Dividends + MATCs	ACE + Investment Return	Admin Fee 1.5%	Investment Return & Drawdown	MPI Services	Subsidiary Recoveries
TE OHU	\$4.35m	\$1.2m + \$213k	\$575k + \$236k	\$55k	\$61k	\$635k	\$279k

## INCOME GENERATION

BUDGET 2016

Attached are schedules showing budget income and expenditure and balance sheet for the year ending 30 September 2016.

TE OHU KAI MOANA TRUST BUDGETED INCOME & EXPENDITURE FINANCIAL YEAR ENDING 30 SEPTEMBER									
	BUDGET 2016	IMPLEMENTATION	ALLOCATION & TRANSFER		PROTECT		ENHANCE	CORPORATE	FORECAST 2015
INCOME			FISHERIES	TAKUTAI	FISHERIES	TAKUTAI			
Portfolio Income	4,642,891	-	-	-	-	-	60,896	4,581,995	6,093,230
ACE Income	575,011	-	575,011	-	-	-	-	-	995,290
Takutai Funding from MPI	635,137	-	-	402,616	-	232,521	-	-	919,034
Maori Fisheries Conference	100,000	-	-	-	-	-	-	100,000	101,700
Subsidiary cost recoveries	278,893	-	-	-	-	-	43,617	235,276	228,194
AFL Dividend	-	-	-	-	-	-	-	-	1,216,000
MATC's	212,800	-	-	-	-	-	-	212,800	372,599
<b>TOTAL INCOME</b>	<b>6,444,732</b>	<b>-</b>	<b>575,011</b>	<b>402,616</b>	<b>-</b>	<b>232,521</b>	<b>104,513</b>	<b>5,130,071</b>	<b>9,926,046</b>
<b>EXPENSES</b>									
Travel and Accommodation	451,404	97,250	6,220	43,250	92,250	7,200	46,393	158,841	437,943
Consultants	1,202,469	345,000	133,500	45,000	127,800	126,700	119,000	305,469	1,427,440
Directors Fees and Insurance	454,820	-	-	-	-	-	-	454,820	446,785
Te Kawai Taumata Fees and Travel	32,000	-	-	-	-	-	-	32,000	8,600
Scholarships	130,300	-	-	-	-	-	130,300	-	105,920
Sponsorships/Koha	47,290	-	-	-	-	-	-	47,290	24,239
Quota Related Fees & Levies	265,611	-	265,611	-	-	-	-	-	509,196
National Hui	166,269	22,000	-	-	26,000	7,500	6,520	104,249	110,888
Facilities, HR, Website, Publications	2,844,412	397,395	159,461	314,366	337,146	91,121	364,482	1,180,441	2,936,006
<b>TOTAL EXPENSES</b>	<b>5,594,575</b>	<b>861,645</b>	<b>564,792</b>	<b>402,616</b>	<b>583,196</b>	<b>232,521</b>	<b>666,695</b>	<b>2,283,110</b>	<b>6,007,017</b>
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>850,156</b>	<b>(861,645)</b>	<b>10,219</b>	<b>-</b>	<b>(583,196)</b>	<b>-</b>	<b>(562,183)</b>	<b>2,846,961</b>	<b>3,919,029</b>
<b>TRANSFER TO RESERVES - PORTFOLIO INCOME OVER 4% <sup>Note 1</sup></b>	<b>1,495,168</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,495,168</b>	<b>2,305,221</b>
<b>SURPLUS/(DEFICIT)</b>	<b>(645,012)</b>	<b>(861,645)</b>	<b>10,219</b>	<b>-</b>	<b>(583,196)</b>	<b>-</b>	<b>(562,183)</b>	<b>1,351,793</b>	<b>1,613,808</b>

**Note 1**

Portfolio statement of investment policies and objectives (SIPO) allows for maintenance of real value of portfolio by restricting use of funds available for operating expenditure to an average of 4% of funds invested in the portfolio. The portfolio targets a long term return of 4.5% plus CPI.

**TE OHU KAI MOANA TRUST  
BUDGETED BALANCE SHEET  
AS AT 30 SEPTEMBER**

Actual 30-Sep 2014 \$		Budget 30 Sept 2016 \$	Forecast 30 Sept 2015 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
5,068,000	Cash and cash equivalents	5,860,821	8,053,301
27,082,000	Takutai Term Deposits	3,892,394	48,169,905
5,564,369	Receivables & prepayments	-	1,216,000
20,000,000	Redeemable preference shares (AFL)	20,000,000	20,000,000
<b>57,714,369</b>	<b>Total Current Assets</b>	<b>29,753,215</b>	<b>77,439,207</b>
<b>Non Current Assets</b>			
28,450	Property, plant & equipment	99,450	34,322
73,771,351	Investment Portfolio	79,983,259	79,490,369
82,542,831	Aotearoa Fisheries Ltd Income Shares	82,542,631	82,542,631
5,501,685	Aotearoa Fisheries Ltd income shares held in trust for iwi	4,916,267	5,500,671
42,316,199	Quota	14,764,616	26,782,944
<b>204,160,516</b>	<b>Total Non Current Assets</b>	<b>182,306,223</b>	<b>194,350,937</b>
<b>261,874,885</b>	<b>TOTAL ASSETS</b>	<b>212,059,438</b>	<b>271,790,144</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
2,229,284	Payables and accruals	536,301	536,301
27,082,000	Takutai funds held for distribution to iwi	3,892,394	50,397,980
<b>29,311,284</b>	<b>Total Current Liabilities</b>	<b>4,428,695</b>	<b>50,934,280</b>
<b>232,563,600</b>	<b>NET ASSETS</b>	<b>207,630,743</b>	<b>220,855,863</b>
<b>FUNDED BY:</b>			
<b>Trust Capital and Retained Earnings</b>			
168,287,162	Trust Capital	176,805,467	172,886,438
4,599,276	Retained Earnings - current	850,156	3,919,029
<b>172,886,438</b>	<b>Total Trust Capital and Retained Earnings</b> <sup>Note 2</sup>	<b>177,655,623</b>	<b>176,805,467</b>
<b>Maori Fisheries Act &amp; Other Reserves</b>			
42,132,227	Quota to be Allocated	14,580,616	26,598,972
5,501,685	AFL Shares Held in Trust for Iwi	4,916,267	5,500,671
429,992	AFL Dividends held in Trust	384,286	429,842
477,730	Maori Authority Tax credits - non transferred AFL shares	427,449	477,730
1,165,587	Cash Top Up for Quota Shortfall	435,201	741,283
569,177	Cash To Iwi	525,066	587,046
6,000,000	Te Wai Maori Trust Capital	4,000,000	5,000,000
1,032,130	Global Fisheries Scholarship Trust	1,023,513	1,032,130
2,368,634	ACE Round Dispute Funds Held in Trust	3,682,722	3,682,722
<b>59,677,162</b>	<b>Total Maori Fisheries Act and Other Reserves</b>	<b>29,975,119</b>	<b>44,050,396</b>
<b>232,563,600</b>	<b>TOTAL FUNDING</b>	<b>207,630,743</b>	<b>220,855,863</b>

**Note 2**

Total Trust Capital and Retained Earnings can be divided as follows:

Te Ohu Kai Moana Trust Residual Capital	75,112,992
Value of AFL Income Shares	82,542,631
Redeemable Preference Shares	20,000,000
Total	<u>177,655,623</u>

The above balances assume AFL will pay a dividend of \$1.2 million in December 2015 and the investment portfolio performs as forecast. The final result may be less than that forecast