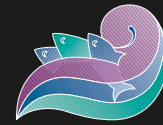


HUI A-TAU

Treaty of Waitangi Fisheries Commission | 24 July 2004



TE OHU KAI MOANA
TREATY OF WAITANGI
FISHERIES COMMISSION

| Te Reo O Te Tini A Tangaroa |

| Pipitea Marae, Wellington |

IN THIS SPECIAL EDITION OF TANGAROA we provide an update of our activities for the current 2003/04 financial year. It has been an exceptionally busy period as the Commission prepares for the enactment of the Maori Fisheries Bill.

Preparing for a new era

Report by Treaty of Waitangi Fisheries Commission Chairman, Shane Jones

IT IS WITH CONSIDERABLE relief that the Treaty of Waitangi Fisheries Commission can report that, after more than a decade, the Maori Fisheries Bill is now before a parliamentary select committee.

The Bill, which was introduced into Parliament in November 2003, contains the legislative framework for the allocation of assets and the distribution of benefits to Iwi and Maori from the full and final Maori fisheries settlement.

Commissioners and staff have paid close attention to the passage of this Bill and taken every opportunity to ensure that the finely balanced model outlined in *He Kawai Amokura* is given full effect. This has been achieved by long and frequent meetings with Crown officials over the technical details in the Bill and our full participation in the select committee process.

The Fisheries and Other Sea-related Legislation Select Committee, which is charged with considering this mammoth piece of legislation, expects to report back to Parliament in August this year. We are still hopeful that the Bill will be enacted prior to the start of the next fishing season on 1 October 2004.

With the legislative wheels in motion, the Commission has spent considerable time and resources in preparing the new entities that will be established under the Act.

A constitutional working group which was set up in the latter half of 2003 has developed constitutions and deeds for all the central entities and corporate trustees that will be established under the Bill. These foundation documents for AFL, Te Putea Whakatupu Trust, Te Wai Maori Trust and Te Ohu Kai Moana Trust have been drafted and made available to Iwi. Final work on the constitutions and deeds cannot be completed until the Maori Fisheries Bill is enacted.

The Commission has also laid the groundwork to ensure that Aotearoa Fisheries Limited (AFL) – the body which will own all the fishing companies currently held by the Commission – is ready to take responsibility for and to operate the Commission's subsidiary companies as soon as the Maori Fisheries Bill is enacted. Once established, AFL will give Maori considerable influence as the owners of one of the largest fishing entities in the New Zealand seafood industry.

In the current financial year, an interim body called AFL Management Limited has set up governance structures, developed systems and processes for Group strategy, established the corporate office and appointed key personnel. The Commission has also worked closely with all the subsidiary and joint venture companies to prepare them for the day when the Bill is enacted. To date, savings of more than \$1.5 million have already been achieved by bringing the companies under the AFL Management structure.

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Former CEO Robin Hapi



CEO Peter Douglas

Culmination of a decade of consultation

By former CEO Robin Hapi

WHILE THIS FINANCIAL year has been hugely significant because of the progress of the Maori Fisheries Bill, the biggest achievement during my time as CEO was the presentation of *He Kawai Amokura* to the Minister of Fisheries on 9 May 2003.

This report represents the culmination of the most extensive consultation process ever undertaken and a finely balanced set of compromises which has support from the majority of Iwi. For all of us who have wrestled with this issue for nearly a decade, the handover of this model to Parliament was a poignant moment.

One of the aspects of the model which has enjoyed overwhelming support is the establishment of Aotearoa Fisheries Ltd (AFL) to manage the fishing companies currently held by the Commission. By holding those assets collectively we are better positioned to maximise the value of those assets and returns to Iwi shareholders. AFL is also well placed to enter into joint venture arrangements with Iwi.

Given the importance of AFL to the entire allocation model I will be giving a presentation on this new entity at this year's Hui a-Tau.

During the current financial year, the Commission has laid the groundwork to ensure that the central organisations to be created under the Maori Fisheries Bill are ready to operate effectively as soon as the Bill is passed. It is essential to the entire allocation process that these organisations, particularly Te Ohu Kai Moana Trust and AFL, are up and running as quickly as possible.

We may well be moving into the most demanding of all phases as we advance the transfer of assets to our 58 Iwi organisations. The Maori Fisheries Bill clears the way for this process to take place but it does not guarantee success. There is still much work to be done.

Dramatic introduction to Fisheries Commission

By CEO Peter Douglas

DURING MY FIRST week in this new job, Commissioners and staff were busy preparing a supplementary submission to the Select Committee on the Maori Fisheries Bill and a hikoi rolled into Wellington. Both of these events provided a dramatic introduction to an organisation that has carried a heavy responsibility on behalf of all Maori.

The presentation of the allocation report *He Kawai Amokura* to the Minister of Fisheries has lifted a heavy weight from the Commission's shoulders. The allocation report represents more than a decade of toil by successive Commissioners and staff including my predecessor Robin Hapi. The next phase of the settlement is to begin soon.

I want to pay tribute to Robin who has led the organisation for nine years through difficult times, both politically and commercially. It is a significant achievement to have withstood the many external challenges and managed the organisation under two very different Chairmen – Sir Tipene O'Regan and the current Chair, Shane Jones. That stewardship has contributed significantly to the improved value of the original Maori fisheries settlement which has increased three-fold during his tenure.

I look forward to working with Robin in his new role as the CEO of Aotearoa Fisheries Limited.

◀ CONTINUED FROM FRONT PAGE

2003/04 has been a tough fishing season for all players in the New Zealand fishing industry.

A strong dollar and pressure on key species such as lobster, paua and hoki caused a general down-turn in the industry. Some pundits, including the CEO of Sealord, have predicted a gloomy future unless companies are able to reduce costs and diversify their products and markets.

Despite this, Sealord has performed remarkably well in the 2003/04 financial year with an end of year result which is forecast to be well up on the previous year. Key factors in achieving this were the strength of Sealord's international sales network, strong internal cost control, improved yield and productivity, a focus on higher returning value added products, an exceptional squid season and foreign exchange policies.



COMMISSION Chairman Shane Jones

Sealord's strong result has enabled it to significantly reduce debt, which the company flagged as a priority in its strategic plan. It has set itself some difficult targets for the years ahead; the outlook for the 2004/05 year is very challenging with a substantial cut expected in the total allowable commercial catch (TACC) for hoki. Hoki currently makes up around one-third of the company's business.

You can read more about Sealord's and our other companies' financial performance – Moana

Pacific Fisheries, Prepared Foods, Chatham Processing and Pacific Marine Farms – for this financial year in the commercial development section of this publication.

It is perhaps appropriate that one of the outstanding issues from the 1992 Maori Fisheries Settlement – the allocation of water space for marine farming – is also set to be resolved in this financial year. On 17 June 2004 the Government announced it would be offering Maori 20 percent of new marine farming space and 20 percent of marine farming space allocated since 1992.

Under the current proposal, the new Te Ohu Kai Moana Trust will receive the 20 percent of marine farming space allocated to Maori and will allocate it to coastal Iwi identified through the Maori Fisheries Bill.

The offer has been welcomed with general approval from Iwi and industry leaders. The deal offers a chance for new employment and wealth creation particularly in some of our coastal communities. It also clears the pathway for the Government to lift the three-year moratorium that has been stifling the aquaculture industry. The Government is committed to lifting the moratorium by December this year which means the proposal to deal with Maori claims to aquaculture space will also be finalised then.

During this current financial year, the Commission has also been embroiled in a number of important fisheries and marine-related reforms which impact on the integrity of the full and final fisheries settlement.

These include a proposed amendment to the Fisheries Act 1996 which would enable highly migratory species, which are mainly caught outside of New Zealand's territorial waters, be introduced into New Zealand's Quota Management System (QMS). Under the 1992 Settlement, Maori are allocated 20 percent of all new species that enter the QMS. Some industry participants have argued that the Deed of Settlement does not apply to highly migratory species. The Commission will strenuously defend any challenges of this nature which threaten to erode the value of the 1992 settlement.

It is timely to reflect on the long period of time that has passed since the Maori negotiators – Sir Tipene O'Regan, Sir Graham Latimer, Sir Robert Mahuta, the Honourable Matiu Rata, Rihari Dargaville, Whatarangi Winiata and Maanu Paul – entered into the 1992 'Sealord' Settlement. It is important that we build our enterprise in such a way that we never forget the great step these people took in committing Maori to the resolution of our fisheries grievances.

We look forward to entering a new era of co-operation between Iwi and the central bodies that will be created under the Maori Fisheries Bill and enhanced participation from Maori in the seafood industry.

NOTE: All attendees at the Hui a-Tau 2004 should also receive a copy of the Annual Report for the Year Ended 30 September 2003. You can view a copy of this report on the Commission's website at www.tokm.co.nz



Maori Fisheries Bill now before Select Committee

THIS CURRENT FINANCIAL YEAR has been very successful for the Commission. On 20 November 2003 the allocation model outlined in *He Kawai Amokura* was introduced into Parliament as the Maori Fisheries Bill. The latter part of 2003 was spent working with officials to ensure that the Maori Fisheries Bill set out accurately in legislation the allocation model agreed to by the vast majority of Iwi.

MUCH ATTENTION WAS given to the detail in the Bill to ensure clarity on the different obligations and accountabilities of all agents mentioned in the Bill. This includes all of the central entities that will be established and the mandated Iwi organisations that will hold and manage assets on behalf of their Iwi members.

There are a number of differences in the Bill which was presented to Parliament on 20 November 2003 from the model outlined in *He Kawai Amokura*. For example, Te Ohu Kai Moana Trust must consult with the National Urban Maori Authority Trust prior to the appointment of directors to Te Putea Whakatupu Trust.



THE PATHWAY TO ALLOCATION: Over a decade in the making these documents have resulted in the allocation model introduced into Parliament in November 2003 as the Maori Fisheries Bill.

The Bill had its first reading on 4 December 2003 and passed easily with 106 votes in favour of the Bill and 13 ACT party votes against. After the Bill's first reading it was referred to the Fisheries and Other Sea-related Legislation Select Committee which was specifically established to consider the Bill.

The Commission requested to participate in the Select Committee as advisors, because of its intimate knowledge of the allocation model, but this request was declined. However the Commission was given the opportunity to open the Select Committee hearings on 30 March 2004 with a short briefing and provide a supplementary report on 4 May 2004. Staff also attended all seven Select Committee hearings conducted around the country during March, April and May of this year.

The main points of the Commission's submissions discussed the legal and policy underpinnings of the Bill and suggested various technical amendments to improve the workability of the Bill. The Commission was also asked by the Committee to respond to particular issues that were raised by submitters. These issues related primarily to Iwi recognition, the voting shares in Aotearoa Fisheries Limited and the accountability mechanisms of AFL and Te Ohu Kai Moana to Iwi.

The Fisheries and Other Sea-related Legislation Select Committee received 72 written submissions on the Bill. The Commission has also responded to requests from the Select Committee for more information on various other aspects of the Bill. The Select Committee is now due to report back to Parliament on 9 August 2004.

Uncertainty over exactly when Parliament will enact the Bill poses some challenges for the Commission and Iwi. The Select Committee was originally expected to report back in June 2004. While the Commission was hoping the Act could be enacted in time for the start of next year's fishing season beginning on 1 October 2004, there is now some doubt about whether this is possible.

Meanwhile, with the assistance of a working group, the Commission developed deeds and constitutions for Te Ohu Kai Moana Trust, Te Wai Maori Trust, Te Putea Whakatupu Trust, their respective corporate trustees and Aotearoa Fisheries Ltd. Each of these entities will have a role in the central management of some of the settlement assets after the Maori Fisheries Bill has been passed.

Discussions with the Inland Revenue Department have clarified the tax status of all these entities. IRD has advised the Commission that, based on the draft bill, Te Ohu Kai Moana, Te Putea Whakatupu and Te Wai Maori will all be charitable organisations for tax purposes. Aotearoa Fisheries Limited will be a Maori Authority.

A copy of the draft deeds and constitutions were sent out to all Iwi in December 2004 and posted on the Commission website. This allowed Iwi time to gain an understanding of the intended operating framework for each entity and an opportunity to consider this information when preparing their comments on the Maori Fisheries Bill. This work on the constitutions and deeds for these entities cannot be finalised until after the Bill is passed.

Litigation: challenges to allocation model defended

THE COMMISSION CONTINUED to defend all legal challenges to the allocation model during this financial year. All substantive cases were declined and findings were made in favour of the Commission.

IN NOVEMBER 2003, the Commission defended the substantive proceedings brought by Ngai Tahu, urban Maori groups (UMAs) and individuals in the Auckland High Court.

The Court dismissed all Ngai Tahu's claims against the Commission. It also dismissed allegations made by the UMAs, Whata-Wickliffe and Thompson plaintiffs, including the latter's allegation that the Putea Trust would be inadequately funded.

However Justice McGechan did uphold the UMAs' claim that the purpose of Te Putea Whakatapu Trust, as proposed by the Commission in *He Kawai Amokura*, was too restrictive if the Trust was confined to fishing or fisheries-related objects. At this point, the wording in the Maori Fisheries Bill had already been changed to widen the purpose of Te Putea Whakatapu Trust to education and training scholarships beyond fishing or fisheries-related purposes.

Both the Thompson and the Whata-Wickliffe plaintiffs appealed against the High Court decision.

In respect of the Thompson appeal the Court of Appeal held that it was not able to refer the matter back to the Commission, because it is now a matter for Parliament. The court, by unanimous decision, dismissed the appellant's major challenges to the size control and review of the Putea trust. The Court also made the following key points:

- Given the support of Iwi who were allegedly been adversely affected by the Commission's decision regarding lease and tender rounds, the Commission cannot be faulted for coming to the conclusion that the model was fair.
- The level of consultation and the length of the consultation process, spanning as it did over ten years, has been unprecedented in New Zealand.
- The appellant's argument that the Commission had consulted with a closed mind (because in all its reports it had stated its view that there were no inequities) cannot be sustained.

The Court of Appeal also unanimously dismissed the Whata-Wickliffe appeal on all grounds.

Tuhono: helping link Maori to Iwi

IN FEBRUARY 2004, the Commission approved \$700,000 of funding for the Maori Affiliation Service to assist individuals to connect with their respective Iwi organisations.

One of the four main requirements on Iwi organisations prior to receiving Maori fisheries assets is the need for Iwi registers. The Commission believes the Maori Affiliation Service will be an effective way of bolstering and up-dating the data that Iwi organisations currently hold on their members.

Approval to fund this registration service was given in 1998, subject to appropriate amendments having been made to the Electoral Act and on the basis that a 20 percent uptake of individual Maori electors would favour participation in the service.

The Commission hosted the launch of the national campaign on 2 March 2004 to encourage Maori to register on the Maori Affiliation Service, better known as Tuhono. The publicity campaign had generated a 26 percent return rate from Maori electors by June 2004.

A group including the Commission and Tautoko Maori Trust is evaluating various software packages to assist Iwi organisations in the management of

their Iwi registers. Once this process is complete, the Commission will consider what level and type of software support it can provide Iwi.



IN SUPPORT: All Black Kees Meuus has lent his celebrity muscle to help promote the Tuhono campaign.



Major changes pending to ACE rounds

AS THE COMMISSION'S proposals for the allocation of assets and distribution of benefits to Iwi were not finalised and submitted to the Minister of Fisheries until 9 May 2003 the Commission has conducted two Annual Catch Entitlement (ACE) rounds since the 2002/03 annual report, covering the fishing year which commenced on 1 October 2003 and the fishing years which commenced on 1 February and 1 April 2004.

THE METHODOLOGY applied to both the October 2003 and the April 2004 rounds followed as closely as possible to the allocation model presented to the Minister of Fisheries. This resulted in a number of significant changes including the application of the 25 percent coastline: 75 percent population formula proposed for allotting deepwater stocks.

Access was included in both rounds for new species and fish stocks entering the Quota Management System (QMS) for the first time. In total, access was made available for Maori to a total of almost 75,000 metric tonnes of ACE through these rounds.

Once again ACE charges to Iwi were substantially below the assessed market value of that ACE. Surveys conducted by the Commission following various ACE round distributions show that such ACE rounds have provided significant opportunities to Iwi to develop their expertise and infrastructures for participating effectively in the fishing industry. The profits generated from such activity have been used by Iwi for a variety of social, cultural and economic purposes for the benefit of Iwi members.

Parliamentary delays in enacting the Maori Fisheries Bill mean that a further ACE round, for the fishing year commencing on 1 October 2003, will be necessary. Commissioners discussed the form of that round at their meeting on Friday 23 July. Their decisions will be issued in a panui shortly.

Entry of new species into the QMS

UNDER THE 1992 Maori Fisheries Settlement, Maori will receive a 20 percent quota of all new commercial fish stocks that enter the QMS. The process commenced by the Government in the 2000/01 year - to introduce a further 50 species into the Quota Management System (QMS) - continued apace in the 2003/04 year.

Twelve new species entered the QMS from 1 October 2003 - shortfin and longfin eel fisheries for the Chatham Islands, North Island kina, leatherjacket, and rough and smooth skate.

Surf clams, horse mussels, sea cucumber, spider crab, king crab and red crab were all introduced into the Quota Management System on 1 April 2004. Another 25 species are due to be introduced into the QMS on 1 October 2004 including North Island eels. (See Policy section.)

Scampi

THE ENTRY OF the scampi fishery was again delayed, this time by the Parliamentary Select Committee and State Service Commission inquiries. The delay meant scampi was not introduced, as previously planned, into the QMS for the 1 October 2003 fishing season.

With the inquiries completed, the Commission looks forward to the entry of scampi into the QMS on 1 October 2004. Its introduction will provide greater certainty for those companies which have already invested in scampi, plus new opportunities for Iwi.

Kingfish

IN JUNE 2003 the Commission signalled to Iwi that the Ministry of Fisheries intended to change the way that some species (eg kingfish) were brought into the QMS. The proposed changes could have serious consequences for the Fisheries Settlement and would effectively provide a priority for recreational fishers over and above Article II Treaty rights.

The Commission prepared, and assisted Iwi to prepare, submissions in response to this change. Subsequent to this the Minister, acting on Ministry advice, did not proceed with this proposal.



ABOVE: Big Eye Tuna

BELOW: Spider Crab



Crown cost recovery levies

FISHERIES LEGISLATION WAS introduced into Parliament in December 2003 to confirm the settlement of a long-standing issue that will see \$24.6 million returned to the fishing industry through a reduction in future levies.

A joint working group made up of fishing industry representatives, the Fisheries Commission and the Ministry of Fisheries recommended that the over-recovery of fisheries and conservation service charges be returned to the industry by reductions in future stock levies.

To provide early relief for levy payers, the Minister of Fisheries agreed to cancel levy charges for the October 2003 to March 2004 period. That cancellation occurred after the Commission had recovered from Iwi a full year's levies at the original rates.

At its November 2003 Board meeting, the Commission agreed to review the position once new Crown levy rates had been set for the six months from 1 April 2004. A review of the April rates revealed Iwi overpayments of approximately \$1.9 million for the October 2003 ACE round. At their meeting on 23 July, Commissioners decided the overpayments should be returned to Iwi as credits against their October 2004 ACE round invoices.

ACE round dispute funds held in trust

FUNDS IN TRUST arising from ongoing disputes between Iwi relating to the annual access distribution or previous lease rounds continue to escalate. The amount increased from \$3.1 to \$3.7 million in the 2002/03 financial year and is now \$5.2 million.

Where disputes arise the ACE is tendered by the Commission and the resulting proceeds, after allowing for costs associated with tendering and administration, are placed in trust in the names of the disputing parties. Some of the funds have been held in trust by the Commission for many years with little or no progress being achieved towards resolution by the disputing parties.

The imminent introduction of the new Maori Authorities tax regime has prompted a new round of negotiations, facilitated by the Commission, between disputing parties. If parties are unable to resolve their dispute by the end of September 2004 those funds will be reduced by 25 percent under the new Maori Authorities taxation rules.

ACEtrader

DURING THE 2002/03 year the Commission identified a need for a system to better enable Iwi recipients under the Commission's ACE distribution rounds to trade the ACE distributed to them.

Key requirements of a system were transparency, ease of use and low cost, accompanied by the ability to maximise price received by attracting the widest possible market. The project received approval at the July 2003 board meeting.

An internet company with experience in developing trading websites created ACEtrader at www.acetrader.maori.nz in time for its successful launch on 1 October 2003.

Since the beginning of the October 2003 fishing season, more than 145 FishServe users have registered as buyers and sellers for ACEtrader. More than 2725 tonnes of commercial fish stocks ACE changed hands in the first six months of operation. This equates to around \$1.5 million dollars' worth of stock.

The success of the site will ultimately depend on its ability to attract buyers and sellers from a broad spectrum of the ACE market. The introduction of this type of new technology to the industry demonstrates the Commission's continuing efforts to see Maori participating at the forefront of developments in the fishing industry.



Seafood: The state of the industry

THE KEY INFLUENCES on the New Zealand Seafood sector in the short to medium term are likely to be the continued strength of the Kiwi dollar relative to 10-year average cross-rates and reduced harvest levels of key species particularly hoki. Currently the New Zealand dollar is trading at around US \$0.65 cents and AUD \$0.91. While this is considerably weaker than the peak of US \$0.7168 in September 2003, it is still approximately 15 percent stronger than 10 year average cross rates with the United States greenback. The peak strength of the Kiwi dollar coincided with a period of relatively weak demand for commodities. Average export prices for fish for the year ending March 2004 were approximately 14 percent lower than the year before.

THESE DIFFICULT TRADING conditions have required a strong focus on cost savings and improved efficiency within the New Zealand seafood sector. The search for such efficiencies was an important motivation behind preliminary merger discussions that took place between Sanford and Sealord in early 2004. While the merger did not proceed, it did indicate the presence of economies of scale in the sector that hold some potential for better financial performance through mergers or commercial co-operation.

Looking ahead, some improvement in trading conditions can be expected. All of our main trading partners are expecting moderate to healthy GDP growth in 2004. The Japanese economy is growing after a protracted period of stagnation. Demand for commodities is currently firm and the outlook is for modest rises in US interest rates. Although interest rates in New Zealand are also likely to rise, the overall expectation is that New Zealand and US cash rates will converge over time.

The New Zealand and Australian economies are both performing well and strong demand in this 'domestic' market can be expected for fresh fish.

Key species under pressure

Hoki: The hoki fishery has been affected by an extended period of below average recruitment. In recognition of this issue, the 2003 TACC was reduced to 180,000 tonnes (the historical average catch in this fishery is approximately 220,000 tonnes). However, it appears unlikely that this TACC will be caught and a further reduction to around 120,000 tonnes is expected for 2004/05. The majority of this catch will be taken in July to September 2005. These very low projected catch levels will require a significant reduction in the size of the hoki fleet and also have implications for processing requirements. Low hoki availability is likely to strengthen white fish buyer dependence on pollack in the short term.

Squid: The decline in hoki catch in 2003/04 has been somewhat compensated for by the best squid season in New Zealand waters since 1994/95. According to the New Zealand Squid Fishery Company, catches in the first three months of 2004 were 103 percent greater by volume and 120 percent greater by value than for the entire previous season. Overall catch figures are expected to be approximately 80,000 tonnes for the 2004 year.

Paua and Lobster: The CRA3 and PAU7 fisheries are subject to industry shelving arrangements reflecting the perceptions of quota owners about the state of these fish stocks. In both

cases, it is

thought that illegal harvesting in these fisheries is an important contributor to harvesting pressure. This highlights the situation that supply of some of our most valuable and accessible fisheries is under threat from poaching at present.

Mussels: The current aquaculture moratorium has been extended to the end of 2004. Even when the moratorium is lifted, any significant expansion of aquaculture is likely to require the identification and gazetting of suitable Aquaculture Management Areas by regional councils.

In conclusion, the anticipated general improvement in trading conditions through the remainder of 2004 is expected to be dampened by a reduction in hoki supply, a return to more normal squid catches and continued constraints on the availability of lobster, paua and mussels.



commercial development

THE RISING KIWI DOLLAR and pressure on key species such as lobster and hoki has created a tough environment for the Commission's five fishing companies. Each entity gives their view on business during the current financial year and the outlook for the future.



SEALORD GROUP

NELSON-BASED SEALORD GROUP operates on a 30 June year-end and the financial results for 2003/04 are near completion.

The bottom line trading result for 2003/04 is forecast to be well up on 2002/03.

This will be achieved despite difficulties in trading conditions brought about by a strengthening NZ dollar against our major trading currencies, lower industry-wide hoki catches, continuing low international mussel returns and higher fuel prices.

The improved result has been achieved largely due to:

- The company's foreign exchange hedging programme, which has provided insulation against the impacts of the strengthening NZ dollar.
- Benefits arising from the cost reduction and operational improvement programme, which were signalled in last year's strategic plan.
- An unexpectedly good industry-wide squid catch, together with solid international demand and returns for this product.

As a result of the good bottom line trading result and tight control over capital expenditure, strong cash flows have been generated. These are continuing to be channelled towards the reduction of debt.

The outlook for the year ahead is very challenging with a cut expected in the hoki TAC for the 2004/05 fishing year to between 100,000 and 140,000 metric tonnes (current TAC 180,000mt). This, together with the expectation that the NZ dollar spot exchange rates will be running well above long-term averages will make achievement of Sealord's profit and growth targets for the new year a challenge.

The priorities for the year ahead include:

- A continuation of the cost and productivity focus which yielded considerable benefits in the past year. This will be even more imperative as impacts from the expected hoki TAC reductions begin to eventuate.
- Consolidation and growth in the domestic New Zealand and Australian markets. This was identified last year as a key priority. The Australian canned retail launch which commenced in late 2003 has had pleasing results so far, with a good initial foothold established in that market.
- A greater emphasis on growing the profit contribution from externally supplied product (ie non-NZ caught), via our Australia/NZ, European, US and Asian market channels.
- Achieving debt levels and return on operating asset

targets which are consistent with the improvements which were laid out in our strategic plan.

In conclusion, the outlook for 2004/05 is once again for a potentially volatile year where the vagaries of the international markets, exchange rates and catch volumes will continue to create uncertainty. At the same time there is realistic optimism that the short- and medium-term efficiency, profitability and growth targets as laid out in our strategic plan will be achieved.



MOANA PACIFIC FISHERIES LTD

TRADING ACTIVITIES FOR the current financial year which ends 30 September 2004 will be significantly impacted by the NZ dollar exchange rate which has been and is still well above 10-year averages against the AUS and US dollar.

On a positive note, reasonable prices have been obtained from the Australian, US and Asian markets for most of Moana Pacific's key species. Despite the fact that these returns are diminished when converted into NZ dollars, solid international pricing is a promising indicator of the health of our key markets and customers.

Good progress was made during the year in streamlining the company's overhead structure, with significant reductions in administrative and overhead expenditure.

The forecast for 2003/04 operating earnings projects a modest improvement when compared with last year's result. Despite this forecast improvement, Moana Pacific will continue working to increase future operating returns.

Looking beyond this financial year the major influences on Moana Pacific's performance will be the strength of the NZ dollar and the uncertainty around the stocks of some of our key species, including lobster.

The key initiatives which the company is focusing on in order to improve operating earnings include:

- Securing benefits from greater co-operation and co-ordination with other Commission Group companies once the proposed AFL structure has been legislated and formalised. Progress has already been made with benefits accruing from Chatham Processing Limited distributing its lobster and wetfish products through the Moana networks.
- Securing new sources of supply for the company's fresh/chilled wetfish business. Some success has already been achieved with new supply contracts expected to increase fish volumes landed into Moana Pacific this year.

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commercial development

- Developing a stronger relationship with Iwi quota holders will be a primary focus for Moana for the new year. As a 100 percent Iwi-owned fishing company with a sound processing infrastructure, a well established distribution network and access to key international markets, further mutually beneficial commercial arrangements with Iwi quota owners must be achievable.
- A continued focus on improving efficiencies in the areas of overhead support, processing and distribution of products to markets.

The company predicts it will be a demanding year with the exchange rate likely to be a major factor again. Moana remains focused on obtaining earnings growth through securing new sources of fish supply, developing beneficial commercial relationships with Iwi and good cost control.



CHATHAM PROCESSING LIMITED

AS IS THE case for all export-oriented businesses, the current 2003/04 year has had its difficulties, mainly due to the strength of the NZ dollar particularly against our major trading currency, the US dollar.

Low lobster landings for the first six months of the financial year have also affected all participants involved in the Chatham fishery. The low catches appear to be driven, at least in part, by unusual wind patterns. The new fishing season recently commenced in May with some improvement evident in lobster catches.

In order to provide an alternative revenue stream from the US dollar denominated lobster business, Chatham Processing commenced a programme in the current year to promote and increase its chilled blue cod business into mainland New Zealand. This has met with initial success which the company expects to develop further.

Progress has been made on bedding-in new distribution arrangements for Chatham products via fellow Commission company Moana Pacific Fisheries, with consequent benefits to profitability.

The earnings outlook for year-end will be very dependent on the level of catches achieved and the exchange rate for the remainder of the year.



PACIFIC MARINE FARMS LTD

THE CURRENT FINANCIAL year ending 30 September 2004 got off to quite a slow start. However a recovery in sales over the April to June period has resulted in year to date oyster sales volumes running ahead of plan.

Price returns from major markets have been reasonably firm. However of particular concern in recent months has been the steady appreciation in the NZ dollar against the AUS dollar. Australia is the company's biggest single export destination.

The new season's harvesting normally starts around June, with farm harvest volumes looking promising at this point. Problems with water quality, particularly in Northern harbours, is an ongoing concern posing major potential problems for our supply base. To partially address this exposure, expansion into other South Island areas is envisaged, which has been signalled previously. Opportunities have been identified and progress is being made although acquisitions are still to be made at this stage.

The outlook for the year ending September 2004 is for an improved operating result on last year, which was seriously affected by the SARS outbreak and the subsequent effects on tourism and demand in major markets.



PREPARED FOODS GROUP

THE PREPARED FOODS Group continues to operate well in the current 2003/04 financial year, considering the difficulties faced by the export sector brought about by the strength of the NZ dollar.

The company is forecasting that it will maintain its paua sales volumes this year. Price returns however are somewhat sluggish, although still quite close to plan levels. Once again Prepared Foods continues to place a strong emphasis on maintaining valuable long-term customer relationships in our key export markets.

Of increasing concern in recent times is the prevalence of poaching throughout New Zealand's paua fisheries. As part of the Commission Group, which has the biggest single stake in these valuable fisheries, it is of benefit to all key stakeholders to be as vigilant and proactive as possible in addressing this serious problem.

The non-Abalone business of the Prepared Foods Group comprises mainly shelf stable pouched food products, sold mainly to Australian and New Zealand Defence Forces. This remains an important component of the overall business. New product research and development is ongoing with the company hopeful of growing this segment of the business in the upcoming year.

The forecast earnings for the current year are expected to be close but marginally down on last years result.

A year of intense activity in policy reform

THE CURRENT 2003/04 year has been an intense year for the Commission's policy team, who have responded to a raft of important fisheries and marine-related reforms.

While the 1992 Deed of Settlement settled customary fisheries claims, both in the commercial and non-commercial sense, the Crown has an ongoing role to ensure that fisheries are managed in a way that protects the integrity of the Settlement.

The Government has undertaken a range of significant reforms that have the potential to affect the integrity of the Settlement. The Commission has actively participated in these reforms and has provided advice and assistance to Iwi.

Aquaculture

ON 17 JUNE 2004, the Commission, along with members of the Iwi Aquaculture Steering Group, attended a meeting with the Minister of Fisheries who informed us that the Government had a proposal to deal with Maori interests in aquaculture.

The Government's proposal includes the provision of 20 percent of marine farming space (space allocated since 1992, plus new space) to Iwi via Te Ohu Kai Moana Trustee Ltd. The announcement has been welcomed with general approval from the aquaculture industry, and Iwi have stated that it represents a good start.

This announcement comes after an ongoing involvement by the Commission with the aquaculture reforms.

The Treaty of Waitangi Fisheries Commission participated in the Waitangi Tribunal claim (WAI 953) in late 2002 as an interested party on the basis that it was consistent with one of the Commission's key roles, which is to assist Maori into the business and activity of fishing.

The claim lodged by a number of Iwi including Ngati Whatua, Ngati Kahungunu, Ngai Tahu, Ngati Koata, Te Ati Awa and Ngati Kuia sought recognition of Maori interests in the coastal marine area, including an interest in aquaculture.

In December 2002, the Tribunal found that Maori have a broad relationship with the coastal marine area and that as a result of that relationship they have an interest in aquaculture, or more particularly marine farming. Amongst other things, the Tribunal stated that the Commission is an ideal body to help facilitate a process of consultation and negotiation between Maori and the Crown.

As a result of the claim, the Commission assisted Iwi and hapu, through the Iwi Aquaculture Steering Group, to develop an options paper intended to assist their participation in a process of consultation and negotiation with the Crown. Options set out in the paper were put forward at 11 consultation hui held by the Crown in April and May, and provided to the Government as a written submission. The Commission also made its own submission.

Following the recent announcement of the Government's aquaculture proposal, a small working group made up of members from the Iwi Aquaculture Steering Group was formed to develop a draft paper to assist in providing feedback to Ministers. The working group has also discussed a number of technical details with officials to better understand the Government's proposals.

The Commission will be looking to promote ongoing dialogue between ourselves, Iwi and the Government through the drafting and select committee process. The Government plans to pass legislation on the aquaculture deal by December this year.



TASTE OF SUCCESS: Ngahiwi Tomoana tries the product of New Zealand's largest mussel farm to be set up at Waipatiki Beach.



Foreshore and seabed issue

THE COMMISSION HAS continued to support Iwi in gaining recognition of their customary rights to coastal areas. During this financial year, this has primarily involved assisting Iwi to formulate alternative options to the Government's current foreshore and seabed legislation as a result of the Court of Appeal's decision, released in June 2003.

Since 1997, as a result of difficulties regarding access to marine farming permits, the Treaty of Waitangi Fisheries Commission has provided financial and legal support for Te Tau Ihu Iwi to pursue litigation concerning the title to the Marlborough Sounds foreshore and seabed.

The Court of Appeal decision was significant in that it stated that the Maori Land Court had the jurisdiction to determine whether the foreshore and seabed was Maori customary land under Te Ture Whenua Maori Act 1993.

After the Court of Appeal released its decision in July 2003, the Government announced its intention to:

- Introduce legislation to alter the scope of the Maori Land Court's jurisdiction (including removing its ability to issue freehold title).
- Ensure that the foreshore and seabed become public domain, with open access and use for all New Zealanders.

The Government embarked on a round of consultation hui with Iwi in August to September 2003 where an overwhelming majority of Maori voiced their opposition to the Government's intentions.



ON THE BEACHES: Dr Margaret Mutu (pictured at Matai Bay in Northland) provided information to beach-users on the relationship, uses and practises of local Iwi as the foreshore and seabed debate gained momentum during the summer of 2003-4.

In response to concerns expressed by Iwi about the effect of the proposed changes on their customary rights, the Commission supported three further national hui to discuss the implications of the Government's proposals for Maori customary rights in Rotorua, Kapiti and Auckland. These hui have provided important opportunities for Iwi to debate the issues thoroughly and consider alternative options to the current proposal.

In December 2003, the Government re-affirmed its original position but continued to discuss its policy with Iwi and Maori groups. In May 2004, the Foreshore and Seabed Bill was introduced, with no significant changes, into Parliament.

The Fisheries and Other Sea-related Legislation Select Committee has received more than a thousand submissions on the Bill. The issue has also ignited an unprecedented national debate on legal rights and Treaty rights.

The Treaty of Waitangi Fisheries Commission believes the following issues are significant:

- The effect of the Bill on the right of Maori as citizens to have access to due legal process.
- The constraints the Bill places on the ability of Maori to benefit from economic development based on their customary rights.
- The inconsistency between the management regime 'recognised customary rights', provided for in the Bill and integrated resource management.
- The potentially negative effect of Ancestral Connection Orders on relationships within and between Iwi.

The Select Committee is due to hear oral submissions on the Foreshore and Seabed Bill in August 2004. The Government hopes to pass legislation by December 2004.



THE BIG DEBATE: Iwi line up at one of the national foreshore and seabed hui. This one at Omaka Marae, Blenheim in August 2003.

DURING THE CURRENT financial year, a number of important policy reforms by the Government have effectively come to a stand-still. Some of these, such as the Oceans Policy and Marine Reserve reforms, were put on hold pending the outcome of the foreshore and seabed issues. Other key areas such as fisheries plans and recreational fishing have ground to a halt. Of particular concern to the Commission is the lack of progress being made on the customary fishing regulations.

Customary fishing regulations

TO DATE, IMPLEMENTATION of the customary fishing provisions has been slow. The reasons identified for this include both the lack of capacity for uptake (both by tangata whenua and the Ministry of Fisheries) as well as technical problems with the regulations themselves.

The Commission has recommended on many occasions, through various submissions over the last three years and during the course of the 2002/03 year that the regulations and their implementation strategies should be reviewed as the current conditions mean that implementation will not occur.

This gap is significant because the ongoing implementation of other policies, eg. marine reserves and aquaculture, means that if and when customary management can take place, the space and resources available will be substantially crowded out. While there have been indications from Parliament and government agencies that they acknowledge a problem exists, to date no formal process has commenced.

Seafood Industry Charter

IN 2003 THE COMMISSION, along with other industry participants, endorsed the New Zealand Seafood Industry Charter. The Charter commits all parties who sign up to pursue a number of objectives and principles, including sound environmental management practices, supplying quality products to all customers and respecting the rights, interests and opportunities of all those with a stake in the marine environment.

The Commission has continued to work with stakeholders and other interested parties to develop tools to help the industry to implement the objectives and principles contained in the Charter. These tools include a guide to help fishing companies address fisheries sustainability issues, due for release in 2004.

Fisheries Amendment Bill

THE COMMISSION WELCOMES an amendment that proposes to lift the long-standing moratorium on new fishing permits on 1 October 2004 and to update the approach to the entry of other fish species to the Quota Management System.

The Commission made its submission on proposed changes to the Fisheries Act 1996 in May 2004. The submission covered these key areas:

- **QMS as the preferred management option**

It is proposed that where fisheries require active management, they be managed under the QMS. If not, they will be subject to the normal monitoring and reporting requirements under an open access regime.

The Commission supports this approach and notes that monitoring and reporting will be crucial to its success. We also support removal of the moratorium for species outside the QMS that are not subject to a sustainability risk.

- **Move away from catch-history**

Aside from the obligation on the Crown to allocate 20 percent of new species to Iwi through the Commission, the Bill provides for a transition away from allocation of remaining quota on the basis of catch history.

The Commission has supported this approach subject to transitional arrangements to recognise eligible catch history.

- **Highly migratory species**

One of the most contentious issues raised by submitters has involved the proposal to extend the QMS beyond New Zealand fisheries waters, to enable Highly Migratory Species to be introduced into the Quota Management System.

Some industry participants argued that the 1992 Deed of Settlement does not apply outside New Zealand fisheries waters.

The Commission emphasised the evolving nature of the QMS and the assumption inherent in the Deed that Maori would obtain 20 percent of any quota issued when species are introduced into the QMS regardless of where it applies.

- **Green-lipped mussels/mussel spat (GLM)**

The Bill provides a transitional arrangement for the introduction of green-lipped mussels, including spat in GLM9. (Note that the QMS will not include spat caught on structures in the water.)

The transition would mean that two different allocations would be made for commercial harvest (one would be managed as an allowance for 'other sources of mortality' and the other under a Total Allowable Catch.)

The Commission recognises that provision needs to be made to effect a transition from current spat catching permits and proposed an alternative to that set out in the Bill that would enable all commercial catch limit to be brought under a Total Allowable Commercial harvest, of which Iwi would obtain 20 percent.

The Primary Production Select Committee is due to report back on all aspects of this Bill in August this year.



Putting people in the business of fishing

THE TREATY OF WAITANGI FISHERIES COMMISSION continues to invest \$1million per annum in developing the skills of Maori who wish to participate in the seafood industry. The scholarship programme remains open throughout the year making it accessible to any Maori who is wanting to undertake or is already in training to apply for one of the many scholarships available through the Te Ohu Kai Moana Charitable Trust.

Up to 30 June 2004 103 Maori students have been awarded grants through the Te Ohu Kai Moana Charitable Trust Scholarship programme. The Commission is confident of reaching its target of approving 280 scholarships for the year. The trend over the last three years is that students tend to seek financial assistance in the second part of the academic year. It is highly likely that this trend will continue due to the rise of course fees and cost of living.

The 2004 scholarship programme is focused on three core streams of training that cover tertiary studies, management courses and technical training.

Tertiary-level courses

FIFTY STUDENTS ARE being supported to complete a range of key qualifications from food technology through to marine biology and aquaculture. Five of these students are completing doctoral studies with the remainder of students in this category completing diplomas, undergraduate and masterate qualifications.

Through the scholarship programme Commission-sponsored students are able to attend learning institutions throughout New Zealand as well as overseas. For some, this would not have been possible had it not been for grants awarded through this programme. We are also starting to see the benefits of the programme through the critical mass of food technologists, marine biologists and scientists who have completed their studies.

Management courses

THE CO-SPONSORSHIP POLICY with Iwi for all management scholarships has been in operation since 1997. The Treaty of Waitangi Fisheries Commission matches Iwi financial contributions on a dollar for dollar basis up to and including a maximum of \$5000.

So far, six students are receiving scholarships in 2004. They are completing a range of management qualifications from Diplomas through to Masters in Business Administration.

Technical training

THIRTEEN STUDENTS HAVE attended courses in seafood processing and deep-sea fishing at the Westport Deep Sea Fishing School with further courses to commence shortly while another 22 students are undertaking marine and maritime qualifications at the Bay of Plenty Polytechnic in Tauranga and in a satellite programme based in Mahia.

A further 12 scholarships have been awarded to Maori to successfully complete statutory marine qualifications from deckhand certificates and engineering qualifications through to local launch masters certificates, mates and skippers qualifications. This number will continue to increase as more Maori seek these sought-after qualifications for fishing at sea.

Strategic relationships

FURTHERMORE, THE TREATY of Waitangi Fisheries Commission has continued to forge key relationships with organisations to enhance and consolidate access for Maori to excellent training and funding.

These relationships include:

- Working with the Seafood Industry Training Organisation (SITO) to provide training in vessel operations, office management and administration, compliance and quota management training including governance and management.
- Ongoing involvement with the Nelson Seafood Cluster, a regional initiative that is aimed at creating a regional seafood centre of education that brings together tertiary providers, local business and government agencies.

training & development

- Training/Tertiary Provider relationships to assist in streamlining their programmes to meet the needs of the Commission's scholarship recipients.
- Training relationships with different Iwi groups to assist them in developing their members through the co-sponsorship programme.
- Cultivating relationships with Iwi, businesses and government agencies to consider joint venture programmes for the ongoing development of specific business and science skills for Maori to participate effectively in the seafood industry.

He Ture Pumau

THE HE TURE PUMAU scholarship is a joint venture with Hamish Fletcher Lawyers (formerly of Fletcher Vautier Moore Barristers and Solicitors), a Nelson based legal firm that specialises in fisheries and maritime law.

The scholarship supports a Maori law graduate or new lawyer to gain high-level qualifications in fisheries and maritime law. The first recipient of the scholarship is now in his second year of study and another student is now on secondment to the Fisheries Commission for 12 months.

A recent review of the scholarship was undertaken following notification from the Tertiary Provider that the length of the programme had been extended from a two-year programme to 3.5 years. The outcomes of the review was that the amount of the scholarship for each individual would be increased. More funding would be provided for travel to cover the extra courses that need to be completed and that only three rather than four scholarships will be offered.

One more scholarship remains for this programme and this will be advertised in October 2004 so the successful applicant can commence in 2005.

Global Fisheries Scholarship

THIS PRESTIGIOUS SCHOLARSHIP gives two Maori students every year the opportunity to gain international business training with Sealord's co-owner, Nippon Suisan Kaisha Limited (Nissui) in Japan. The students can specialise in a range of disciplines including research and development, marketing, management, sales, technology and marine biology.

Four Maori students have already undertaken the joint venture programme and all of them have been employed by Sealord Group Limited on their return. One graduate has now moved on to further her own career by becoming a consultant in quality assurance and training to the industry.

The two recipients for the 2004/05 programme will be announced at this year's Hui a-Tau. Applications for the 2005 programme will be advertised in August 2004.



GLOBAL GRADUATES: Commissioner Naida Glavish and former CEO Robin Hapi attended the graduation ceremony in Tokyo for the 2003 Scholars Tina Chase and Jason Ashford.



HUI A-TAU

Treaty of Waitangi Fisheries Commission | 24 July 2004



TE OHU KAI MOANA

TREATY OF WAITANGI
FISHERIES COMMISSION

| Pipitea Marae, Wellington |

HUI A-TAU 2004

To be held at Pipitea Marae, Thorndon Quay,
Wellington on Saturday, 24 July 2004

AGENDA

9.00am	Pohiri
9.30am	Chairman's report
	Discussion
10.00am	Morning Tea
10.30am	Financial report
	Discussion
11.30am	Minister of Fisheries David Benson-Pope
12.00am	Lunch
1.00pm	Aotearoa Fisheries Limited presentation
1.30pm	Global Fisheries Scholarship recipients announced
1.45pm	Discussion
3.00pm	Poroporoaki



TE OHU KAI MOANA

TREATY OF WAITANGI
FISHERIES COMMISSION

