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A Strategy for the Māori Fishing Industry

A Report Prepared for Te Putea Whakatupu Trust Limited

February 2014

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1.0 Executive Summary

Key Findings

The nucleus for a potential Māori Fishing Industry is comprised of 60 organisations that own and manage the assets of the Fisheries Settlement. These organisations do not have an agreed or formal strategy for the Māori Fishing Industry. Because of this, the potential benefits available from the Settlement are not being realised and the durability of the Settlement is compromised.

That strategy must reflect the Māori values underlying the Fisheries Settlement, in particular the values of:

- Rangatiratanga
- Whanaungatanga
- Manaakitanga

The vision of the Māori Fishing Industry is for the preservation of Māori identity by developing a sustainable relationship with fisheries resources that are owned by Māori, managed, harvested, processed and offered to the world in way that expresses and exemplifies manaakitanga.

That vision is not being realised by the default Settlement structures established under the Māori Fisheries Act 2004. After nine years, it is clear that the commercial performance of these default Settlement structures is unsatisfactory and has actually declined over time. Strong and innovative Māori participation in value chains utilising iwi owned Settlement quota has not eventuated and the key issue preventing the emergence of a Māori Fishing Industry is the lack of integration between iwi owned quota and the collectively owned corporate structures of the Settlement. There has also been limited cooperation and coordination between these corporate settlement entities and other entities owned by iwi operating in the same fisheries value chains.

The reasons for this are not simply to do with governance and attitude but are attributable to the legislated decisions about asset ownership. This structural issue must be addressed if a Māori Fishing Industry capable of realising the vision of the Settlement is to be established. The key structural change recommended as the first step in this strategy is to remove quota ownership as an activity of Aotearoa Fisheries Limited by transferring its existing quota portfolio to a new iwi-owned entity or entities with an identical shareholding structure to Aotearoa Fisheries Limited. The future role of Aotearoa Fisheries Limited would be to generate improved sustainable free cash flow from the harvesting, processing and marketing of iwi-owned quota in a way consistent with the values and vision of the Māori Fishing Industry.

Accordingly, the objectives of the Māori Fishing Industry are to:

- Design and implement a new set of collective post-Settlement commercial structures for the effective harvesting, processing and marketing of Settlement quota in a way that ultimately generates satisfactory sustainable earnings to individual iwi.
- Ensure that Māori Settlement values and vision pervade the work practices and culture of those new post-Settlement commercial structures.

- Providing opportunities for iwi owned entities to participate in the fisheries industry in a collaborative environment.
- Increase Māori employment within all aspects of the post-Settlement commercial structures.

The actions required to implement the Strategy are:

- Confirmation and affirmation of Maori values and principles as the underpinning to any new strategy.
- Structural re-organisation of Aotearoa Fisheries Limited and the establishment of new commercial relationships with iwi organisations in order to establish an integrated Māori Fishing Industry as a reality.
- Review of existing value chains to identify opportunities for generating improved sustainable free cash flows.
- Pursue value chain opportunities and fund necessary investment by Aotearoa Fisheries Limited from the rebate stream paid for the use of iwi-owned quota.
- Create a commercial culture of continuous improvement with a greater focus on value chain innovation supported by research and development

It is recommended that Te Putea Whakatupu Trust:

- Endorse the vision and values underpinning the suggested Strategy for the Māori Fisheries Sector.
- Allocate assistance to beneficiaries of the Trust in a manner that will promote the realisation of the suggested Strategy over time.

2.0 Introduction

The title of this report “*A Strategy for the Māori Fishing Industry*” raises two immediate questions and the involvement of Te Putea Whakatupu in the preparation of this report raises a third. The three related questions are:

- i. Is there such a thing as the Māori Fishing Industry?
- ii. Why is the title above worded ‘a strategy’ instead of ‘the strategy’?
- iii. What has any of this to do with an education, training and research organisation (Te Putea Whakatupu)?

An overview of the involvement of Māori in the New Zealand fishing industry is provided below. It is fair to observe that the nature and extent of that Māori involvement in the fishing industry today is largely determined by the Māori Fisheries Settlement negotiated with the Crown between 1986 and 1992 and the subsequent Settlement structures and asset allocations legislated in the Māori Fisheries Act 2004. This legislative framework recognised and endowed 57 Mandated Iwi Organisations (MIOs) with commercial fisheries assets held on behalf of their respective Iwi affiliates. Those MIOs also own 80% of the income shares in Aotearoa Fisheries Limited (AFL) which in turn owns 50% of the shares of Sealord Group Limited (SLG). 20% of the income shares and 100% of the voting shares in AFL are held by Te Ohu Kaimoana Trust Limited (TOKM). Together these 60 organisations comprise the core of the Māori Fishing Industry that is the focus of this report.

For the 60 organisations identified above to have a strategy, they would need to have collective structures or processes aligned around some formally agreed and shared Māori values and objectives. None of these four things currently exist and it is a presumption of this report that they should be established. It is considered imperative for the delivery of the full range of potential benefit to Māori from the Settlement and, indeed for the very durability of that Settlement, that there be greater co-operation around a strategy that pursues a Māori agenda for the Fishing Industry.

These facts answer the first two questions above. Yes, there is a nascent Māori Fishing Industry comprising (at least) 60 organisations but, under the legacy Settlement structures, these organisations do not function as an integrated or even co-operative whole. While there are many common issues that beset possible members of the Māori Fishing Industry, some probable shared values and a few some examples of co-operation, there is no agreed or formal strategy for the sector. This vacuum is a general problem but presents a particular barrier to the effective performance of the statutory role and functions of Te Putea Whakatupu and explains its interest in this subject.

3.0 Background

Te Putea Whakatupu was established under the Māori Fisheries Act 2004. It holds funds on behalf of all beneficiaries of the Fisheries Deed of Settlement *“in order to promote education, training and research, including matters that relate to fisheries, fishing and fisheries-related activities... Section 82 of the Māori Fisheries Act provides that: Of all the entities established by the Māori Fisheries Act, 2004, it has a particular requirement to have regard for the interests of Māori who do not associate with their iwi or do not receive benefits from their iwi”*¹. The directors of Te Putea Whakatupu Trust have determined that funds will be allocated to projects in two areas:

- i. General education purposes, and;
- ii. Industry specific needs.

The policies for this funding are in the process of being developed and this particular project fits into a process (already begun by the Trust) to identify the strategic opportunities for increased Māori participation in industries where Māori have a significant level of asset ownership but a comparatively low level of asset management control or value chain direction and participation. In the case of the fishing industry, policies to prepare Māori for greater participation for the fishing industry must be policies that equip Māori for the future of that industry as opposed to its past or present. In short, a strategy to accelerate Māori social and economic development within the fishing industry requires both an agreed and coherent vision for the Māori Fishing Industry plus a clear general strategy for the realisation of that vision. No such general strategy exists at present.

Accordingly, Te Putea Whakatupu has initiated some substantial research of potential future scenarios for the Māori Fishing Industry through visits to Iceland and Japan in May 2013. These visits have highlighted the low level of fisheries value chain participation by Māori compared with local participation in Iceland and Japan as well as the relatively low levels of technological sophistication,

¹ www.tpwt.Māori

collaboration and long-term planning within the New Zealand seafood sector generally.² The importance of a clear 'line of site' between the production/harvest end of the industry and the market/customer has developed significantly in fisheries and other consumer markets in recent years, but progress for the Māori fisheries industry has been much slower. There is general agreement that far greater fisheries value chain participation by Māori is desirable.

The second related initiative taken by Te Putea Whakatupu was to organise a conference themed *Nga Whetu Hei Whai: Charting Māori Pathways for Māori Industry Futures*. The 2013 conference was held on 2-3 September at Waitangi and presentations and panel discussions further explored the divergent responses to the New Zealand and Icelandic fishing industries in the era following the Global Financial Crisis (GFC) of 2008. These presentations and discussions provide a factual backdrop and a source of inspiration to this exercise.

4.0 Approach and Methodology

The approach employed to develop *A Strategy for the Māori Fishing Industry* is based upon a simple premise that a strategy is what emerges where values meet circumstances. Values determine our preferences and circumstances determine our options. The best strategy is represented by the option most consistent with the expression of our values. The practical difficulties with implementing this methodology are that there can be unresolved conflicts between our various values and that we are poorly informed about our circumstances or opportunities. These difficulties are compounded as we increase the number of people or organisations involved in the formulation of the strategy.

The present circumstances of the Māori Fisheries Sector are shaped by the historical legacy of the Fisheries Settlement. That legacy, in turn, is the product of numerous compromises between Māori and the Crown and within Māoridom. Those compromises were, and remain, highly contentious. Many participants in discussions about "the Sealord deal" remark that the outcome of that process was pragmatic rather than a true reflection of either their values or the asserted values of their respective iwi. The fact of the Settlement cannot be taken as evidence, therefore, that there is clear agreement about the Māori values underlying it.

² In Iceland, 9,000 people are employed in fisheries and fish processing (similar to New Zealand) but an additional 16,000 people are employed in the associated 'ocean cluster' where all future employment growth is anticipated.

The methodology to inform the report was to use publicly available documents as background material. These comprise contemporary annual reports for AFL, TOKMTL and Sanford as well as historical Settlement documents and the Maori Fisheries Act. A number of Maori individuals with strong but diverse views on the Settlement were consulted. These individuals were asked standard questions³ but were free to express any views. This consultation was to inform the views and analysis of the author and the content of this report is not intended to represent faithfully the views of any other person or organisation.

The author drew upon information and experience from over twenty years' experience in senior positions in the New Zealand fisheries sector including Te Ohu Kaimoana, Aotearoa Fisheries Limited, Ngati Mutunga o Wharekauri Asset Holding Company, Port Nicholson Fisheries and Commercial Fisheries Services Limited. He has also provided advice to fisheries companies and organisations both within New Zealand and overseas and the analysis and advice contained within this report is independent.

5.0 Values

Values are subjective and personal. They are the product of the mind of a valuer and therefore comprise the desires, judgements and trade-offs of individual people. When a number of people share a particular value, it can be ascribed to that group. Similarly, a group may be ascribed a set of values such as tikanga Māori. However, this common habit of matching groups with values should not obscure the fact that those 'collective' values are no more than the unstable sum of individual positions. As well as being sensitive to time, the very process of summation is problematic. For instance, we may agree that honesty is an important value but we may be unaware that we have different views on when or where being less than totally truthful is acceptable or even necessary. This problem is particularly important when assertions are made about values attributed to all Māori or even to an Iwi.

³ A strategy is what emerges when values meet circumstances. What Maori values do you see as particularly relevant to the Fisheries Settlement?

What aspects of the Fisheries Settlement have met or exceeded your expectations?

What aspects of the Fisheries Settlement have been disappointing?

What do we know now that we didn't know in 1992 or 2004?

Describe your aspirations for the Maori Seafood Industry?

What critical outcomes would tell us we are on course to achieve those aspirations?

How long will it take to realise these aspirations?

What are the opportunities for the Maori Fishing Industry that we are missing out on?

What are the three biggest threats we should beware of?

What are three actions we should be taking over the next three years to strengthen and develop the Maori Fishing Industry?

As a result, confident sounding assertions about Māori values frequently disintegrate into qualified or relativistic positions under close examination. Let us start with the common assertion that the management of Fisheries Settlement Assets should be conducted according to tikanga Māori, or a set of general behavioural guidelines that reflect a Māori world view. There is very little disagreement with this proposition but at the same time it is not easy to convert it into a detailed sectorial strategy for three reasons. First, much of tikanga Māori is based upon logic and common sense over which there is no Māori monopoly even though the terminology used to explicate those concepts is Māori. Second, the key general concepts of tikanga are shared by all Māori but the practical expression of those concepts on a day to day basis can vary between iwi or even between hapū within an iwi. Third, the fishing industry is an export industry that relies upon satisfying customers whose demand for particular seafood products is often shaped by their own cultural values and world view. Successful product and service specifications will be those that understand and acknowledge those 'foreign' values to some extent. In short, tikanga is not monolithic and rigid, and even if it were, commerce takes place at a dynamic meeting point between the cultures of producers and consumers which is, by necessity, a place of mutual accommodation.

Before returning to this general point, it is helpful to traverse some tikanga Māori values often identified as being applicable within the context of the Fisheries Settlement. This review is not intended to provide a full and nuanced definition of those values – even if that were possible. Rather, the approach taken is highly selective in that it seeks to identify some particular aspects of these values that are most relevant to that Settlement and the future management of Māori fisheries assets.

5.1 Rangatiratanga

The Settlement would not have occurred without an admission by the Crown that it had failed to meet its duties under Article II of the Treaty of Waitangi to secure and guarantee rangatiratanga of Māori over their fisheries. Rangatiratanga (a term with no recorded antecedent before Williams' drafting of the Treaty text) was therefore central to fisheries claims and it was argued logically by many Māori that the Settlement should facilitate the re-assertion of rangatiratanga over fisheries. This raises the problematic question of how a term with a root meaning that relates to the attributes of an individual chief: the many powers, qualities, responsibilities (whether exercised or implicit) of a chief, should be applied at the level of a group, particularly an iwi.

Rangatiratanga in this report describes both the opportunity and process by which iwi and hapū determine what is right for them; that is, to determine what will enhance their mana. Before returning to mana, this apparently straightforward definition raises six big questions in the context of the Fisheries Settlement:

- i. What groups held rangatiratanga over fisheries (iwi, hapū or whanau)?
- ii. Were all Māori potential claimants/beneficiaries of a Fisheries Settlement?
- iii. Should only groups who traditionally held rangatiratanga and were the original Treaty partner receive any contemporary Settlement?
- iv. How should those Settlement Assets be divided between beneficiaries or groups of beneficiaries?
- v. What organisations have a mandate to represent the beneficiaries of a Fisheries Settlement and to receive Settlement assets on their behalf?
- vi. What are the processes by which those organisations decide 'what is right' for their affiliates collectively?

These questions formed the crux of the allocation debate that took place between 1987 and 2004 but was at its most intense during the 1990s. In summary, the outcome of that debate was to find that all Māori (directly or indirectly) had an interest in fisheries secured by Article II. Those individual interests were not divisible but in the form of common property rights which were mainly exercised at the level of hapū with an iwi over-right. It was considered impractical to identify all hapū and to agree an allocation formula between hapū. Distribution of Settlement assets would therefore be made to iwi (groups mutually recognised as having iwi status at the time of the Settlement) and those iwi were to be represented by mandated organisations with a suitable legal structure that provided for democratic governance by all persons who could establish whakapapa to that iwi.

Every aspect of this outcome was controversial to some degree, but the general consensus was that (in the Fisheries Settlement at least) rangatiratanga was to be exercised at iwi level in the first instance. This did not preclude future amalgamation or subdivision of Settlement assets or benefits but decisions on those matters would have to be made at an iwi level and within the structures and processes established under the Māori Fisheries Act 2004. It was a Crown requirement that those structures and processes should be capable of demonstrating that the Settlement was 'ultimately for the benefit of all Māori'.

This hints at the external pressures on the fisheries allocation debate, notably Crown rhetoric about the potential capacity of the Settlement to improve the socio-economic status of Māori, particularly the most needy, through the creation of employment and the funding of education, training and other assistance with money generated from the Settlement pūtea. Within this rhetoric 'Māori' was a collective racial or ethnic term covering 15% of the New Zealand population who allegedly shared a common suite of problems and there was considerable comment that iwi, or iwi organisations, were not best placed to address those problems and that modern times called for modern social constructs within Māoridom. Those proposed new constructs called for either pan-Māori or regional organisational structures or individualisation of Māori Settlement interests. Although, they did not prevail at the level of the main allocation debate, these concerns were acknowledged as having some substance and were reflected in a minor way within Settlement structures, notably in the form of Te Putea Whakatupu which can target assistance to individual Māori directly. As we have reached the end of this first (allocation) phase, it is apparent that there have been limited socioeconomic benefits compared to what was envisaged by some Maori and some frustration by iwi that, with greater income, they should, and can, be more effective at addressing the socioeconomic needs of their people than government has been.

Ultimately, the consensus allocation view rejected alternatives above and below iwi in favour of the outcome summarised above. The best explanation for this result is that the contemporary exercise of rangatiratanga over fisheries assets was considered to be still intimately bound to tribal identity and the mana of an iwi, as opposed to the mana of an individual or of all Māori. The agreed and legislated structures for the Fisheries Settlement provided a means by which particular groups of people (iwi) whose identity and status remain closely associated with particular places (rohe) could rebuild and maintain a special relationship with the fisheries resources of those places.

The contemporary relationship between iwi and their fisheries resources is shaped significantly by the parameters of the Quota Management System (QMS). However, quota rights have a number of features that parallel customary rights: they are perpetual, have clear geographic limits (Quota Management Area boundaries), they can be subdivided, aggregated and traded. Catch levels and

methods can be regulated by the Crown but the fundamental nature and extent of quota rights could not be changed, except with the consent of Māori, without the Settlement being undermined or invalidated. Proportionately fewer Māori will be economically dependent upon fisheries resources than in pre-European times but a tangible connection with certain fisheries that remains an integral part of tribal identity and mana could be re-established under the allocation formula agreed.

A simple expression of “rangatiratanga” or “mana” would be an iwi owning and operating its own fisheries company, and this was a clear original intention of many iwi. Economic development and associated Maori employment have been recurrent aspirations related to Maori involvement in fisheries, farming, and forestry over many decades. The early results of the fisheries Settlement are that these benefits are not delivered by asset ownership alone but require more active Maori involvement in fisheries value chains. This has not proved easy under existing structures and it may be that new models of collectively owned companies/partnerships such as the Iwi Collective Partnership will play a greater role in a new framework underpinning the strategy. It is an expression of rangatiratanga to change circumstances where they are seen to no longer serve the best interests of iwi.

The allocation process resulted in a position where shares of the two main Settlement commercial entities (Sealord and AFL) and their underlying quota assets have been allocated to iwi ownership on different formulae. Shares are based upon relative population whereas direct allocations of iwi quota were based upon population and coastline factors. Any change to the Settlement structures creates a prima facie opportunity to re-litigate these formulae. However, any such re-litigation risks the collapse of the entire Settlement and this paper therefore takes the position that future structures should reflect the underlying ownership outcomes of the original Settlement as closely as possible unless there is a universal consensus for an alternative. As a result, the future opportunities for iwi to exercise their rangatiratanga over fisheries is (at least in the first instance) regarded as a function of their existing allocations under the 2004 Settlement in this report.

Rangatiratanga also suggests the ability of iwi to make independent decisions about the extent to which – or if at all – they maintain a focus on any particular industry. It may be that individual iwi may decide that – for a wide range of potential reasons – they no longer wish to participate in the fishing industry and may offer up what resources they have through a sale process to other iwi. The first phase of the Fisheries Settlement has allowed participation by all – to varying degrees – through allocation of quota and shares in AFL. It is clear that not all iwi regard these assets as equally important and it is consistent with rangatiratanga that iwi are able to either: increase their focus and involvement in the industry of fisheries (as a very small number have); maintain their current level of ownership and focus on the industry; or withdraw in order to put their resources to better uses in other areas.

Many iwi express some frustration at the constraints placed upon their governance role by the initial Settlement structure. These concerns are amplified when the actions of the entities owned are perceived to be operating without regard for Maori values nor iwi interests. Accordingly, there is considerable feeling that the next phase of the evolution of Maori Fisheries Settlement should evolve into a structure whereby iwi as shareholders have greater opportunity to exercise rangatiratanga over the entities and assets they own.

The extent to which iwi are able to exercise “rangatiratanga” over the fisheries assets they own is a fundamental performance indicator of this strategy for the Maori Fisheries Sector.

5.2 Mana

Rangatiratanga and *Mana* are inextricably related words. *Rangatiratanga* denotes the mana not only to possess what is yours, but to control and manage it in accordance with your own preferences⁴. Under the QMS, rights to ‘control and manage,’ as an expression of rangatiratanga, are not unfettered but adjoin the realm of kawanatanga. The exact boundary between these realms is unclear and a source of continuous tension. Traditionally, the Government has recognised few barriers to the unilateral expansion of kawanatanga which sooner or later leads to a breach of the Treaty. The preservation and enhancement of mana in this environment requires constant vigilance and activity. Mana is demonstrated most effectively in physical possession, particularly the possession of things that are prized (taonga).

Mana operates at a number of levels including: iwi, hapū, tangata, whenua and moana. There are therefore a number of areas where mana could potentially be reflected in the strategy:

- Iwi mana
- Mana moana – By enhancing the ability of iwi to effect and leverage mana over their rohe moana, the mana of the iwi is enhanced.
- Mana tangata – By focussing on employing more iwi members, and ensuring business models and practice reflect this, the mana of individuals is enhanced.

In the fisheries settlement context, there are significant hapu and iwi level considerations that intersect with fisheries management and commercial fisheries, including:

- Kaitiakitanga responsibilities associated with sustainable, long term maintenance of the environment and ecology of the sea (discussed further below under the section on manaakitanga and kaitiakitanga);
- Traditional harvest tikanga, beliefs and values associated with a 1,000+ year history of established settlement and customary practices underpinning a way of being that is integrated with the rhythms, stories, traditional practices, and a reliance on resources of the ocean as an integral part of the existence of tribal communities - hau kainga;
- Ownership rights associated with the foreshore and seabed, as has played out in recent political and legislative arenas since the Fisheries Settlement.

These issues have become more complex as the range of statutory, legislative, policy and operational tools in use by central and local governments continue to expand and include: fisheries management policy; resource and environmental management policy; customary fisheries; recreational fisheries; oceans policy; and a range of planning processes. These various policies and tools are often inconsistent in concept and execution.

The fundamental acknowledgement in this report is that these ‘core’ values must be re-affirmed and provide the basis for decisions about any changes to the Fisheries Settlement arrangements. The hierarchy of values described by one stakeholder who has a long history of involvement in fisheries that reflects this position included, in order of priority:

⁴ Waitangi Tribunal, Motunui-Waitara Report (Wai-6), section 10.2, (1983)

1. Maintaining the kapata kai resource of hapu and iwi for future generations;
2. Provide opportunities for whanau, hapu and iwi to be involved and to work in the fisheries industry.
3. Build a set of strong commercial entities that integrate Maori values and operate towards inter-generational goals that serve to benefit whanau, hapu and iwi.

The mana of whanau, hapu, and iwi are therefore recognised through a strategy that incorporates these values.

5.3 Taonga

The term taonga can be applied to anything considered to be of value. It is perhaps this meaning that fits best with the Māori version of Article II of the Treaty of Waitangi and describing something as a taonga in this sense is quite reconcilable with its sale or trade. However, context sometimes makes clear that the word taonga means something treasured in a more intense sense than for its mere utility or financial value. For instance, taonga tuku iho (something handed down) implies something to be cared for and passed on to future generations. The question that arises is whether Fisheries Settlement assets are taonga in the former sense of the word (a substitute for cash) or taonga in the latter sense (something to be preserved or enhanced to be handed down to mokopuna).

It is, of course, conceivable that fisheries assets could be apportioned to both categories and furthermore that such apportionment could alter over time and between iwi. However, as long as the preservation of iwi identity remains an important facet of the Fisheries Settlement, it is axiomatic that at least some fisheries assets distributed as a result of that Settlement are taonga tuku iho. This is a salient fact with profound implications for the development of any strategy for the Māori Fishing Industry. Indeed, it is arguably the thing that defines membership of the 'Māori Fishing Industry' as opposed to Māori who happen to be participants in the fishing industry at a point in time. An imperative to preserve an asset for future generations has enormous commercial implications that are explored below.

Another perspective, as reported back by Te Putea Whakatupu Trust from the Iceland experience was the manner in which the Icelandic fisheries industry now works to utilise all parts of the fish – an approach that appeared to acknowledge the importance of maximising the benefit of each individual fish while also ensuring a better return. In a sense, this means each fish is treated more like the taonga than is generally the case in the New Zealand industry at present.

5.4 Kaitiakitanga

Kaitiakitanga is a subset of rangatiratanga and in Treaty of Waitangi terms it embodies activities and powers that precede the Treaty and enjoy protection under Article II. Broadly speaking, kaitiaki are the guardians of taonga – whether tangible or intangible. Kaitiaki have explicit roles and responsibilities carried out on behalf of iwi and hapū and the mana of that iwi/hapū is directly affected by the quality of performance of that role.

In recent years, the Crown has sought to conflate kaitiakitanga with a softer concept of stewardship and to constrain its exercise by detailed regulatory frameworks in which kaitiaki are treated as advisers or consultees within Article III processes. A kaitiaki appointed and supported by their iwi is a kaitiaki. A kaitiaki appointed by the Crown or local government authority is not. It is a major issue with the North Island Customary Fishing Regulations that kaitiaki are not appointed by, and

accountable to, the iwi organisations that have a mandate to hold and manage Fisheries Settlement assets in a fashion that perpetuates iwi identity and mana.

Even when the statutory constraints represented by the QMS are taken in to account, Māori aspirations that the Settlement would facilitate the renaissance of kaitiakitanga have so far been unfulfilled. The expression of kaitiakitanga as an adjunct of rangatiratanga, as opposed to its hollow shadow under Article III, remains a legitimate Māori expectation. The realisation of that expectation requires opportunity, structure and capacity. Capacity and, to a lesser extent, structure are matters for Māori to address.

Application of kaitiakitanga as a value within the strategy would therefore require an inter-generational, and therefore sustainable, approach to the way on which goals, objectives and outcomes are set and then mobilised.

5.5 Mauri

Iwi identity is expressed and preserved to some extent by the perpetuation of a direct relationship between particular people and the use and management of particular fisheries resources. This relationship is practical and economic but has a spiritual dimension as well. *It was the old Māori belief that every natural object or aggregate of objects possessed a spiritual essence, a non-material core or life principle (mauri) and to this was due their vitality, even their very existence... In its nature, this mauri was an intangible imponderable essence, impersonal in character, and not to be confused with any idea of an indwelling spirit... Everything in nature, then, had its physical basis and its psychic counterpart; material form and vital essence.*⁵

This perceived spiritual dimension to nature, shaped the traditional Māori approach to the utilisation of natural resources, including fisheries, and utilisation was governed by protocols reinforced by tapu designed to protect mauri. Although science is seen as competing with tapu as the framework for fisheries utilisation and management in New Zealand and the day to day role of tapu has arguably weakened, the underlying attitude of respect for nature remains a clear Māori value. It is evidenced in a general abhorrence of wasteful practices, pollution and avoidable harm to natural organisms. Even in its 21st century manifestation, this particular underlying value is potentially an important point of difference between the Māori Fishing Industry and others.

5.6 Whanaungatanga

Whanaungatanga is defined as *relationship, kinship, sense of family connection – a relationship through shared experiences and working together which provides people with a sense of belonging. It develops as a result of kinship rights and obligations which also serve to strengthen each member of the kin group. It also extends to others to whom one develops a close familial, friendship or reciprocal relationship*⁶. This definition provides an eloquent statement of the vision shared by many of the advocates for allocation of fisheries assets to iwi organisations. Settlement assets would provide an economic base for localised new employment and other individual benefits and opportunities. Under the direction of the iwi, these new fisheries activities would re-ignite a relationship between people and local resources that would strengthen iwi identity and cultural pride.

⁵ Firth, Raymond. Primitive Economics of the New Zealand Māori, page 244.

⁶ <http://www.Maoridictionary.co.nz>

In many cases, this vision has proved to be more ambitious than could be supported by the modest scale of Settlement endowments. With hindsight it is easier to appreciate that individual iwi quota packages were too small to support associated and self-contained iwi harvesting, processing and fish marketing activities. The desire for whanaungatanga applied within an iwi remains strong but the understanding of economies of scale and commercial realities within seafood value chains has improved with (sometimes costly) experience. The implication of this is that it is now better understood that different points in the value chain require participation within broad reciprocal relationships. It is by no means easy for an iwi to identify who those relationships should be with especially as they demand mutual long-term commitments in order to work. A key strategic issue for the Māori Fishing industry is to identify the right relationship partners and structures that will be the homes of the future shared experiences and common endeavour that cultivate whanaungatanga beyond the scale of individual iwi.

Anecdotally, and as would be expected, whanaungatanga is more evident in tribally owned companies – especially those that have a strong emphasis on employing tribal members. Pride in their work is more palpable when they know they are working (directly) for the iwi. It is therefore considered likely that workplaces in the large Maori-owned Settlement commercial entities will also be able to inculcate such a culture of pride when the majority of staff are Maori – an aspirational goal of iwi and Maoridom.

5.7 Kotahitanga

Kotahitanga is a term that has outgrown its usage in the Māori politics of the 19th century. Today it is used to describe anything that seeks to unify Māori on a non-tribal basis. It asserts that there are things that all Māori share in common and it is a term that came to be associated with one of the poles of opinion that opposed allocation of fisheries assets to iwi. Whanaungatanga and kotahitanga can converge on the same outcome. However, whanaungatanga is built by the development and expansion of relationships from the ground up. In contrast, kotahitanga ‘springs’ from a pre-existing common factor, value or principle. Once a group has been formed, kotahitanga can revert to a meaning that draws attention to the unity within that group or organisational structure.

The large Settlement structures have iwi ownership but the existing governance structures do not afford practical opportunities for iwi to engage with each other in a way that fosters kotahitanga. Strong relationships are built by a combination of trust and direct engagement – and both are enhanced by having shared values and goals. There is a widely held view that the long term success of the Fisheries Settlement will rely on greater collaboration and cooperation between iwi. This will allow the exercise of a greater and wider level of rangatiratanga and mana, while also maximising the likelihood that Maori can increase its influence of the fisheries industry in New Zealand as well as fisheries resource management. Creating enhanced structures and opportunities for such co-operation is seen as critical by stakeholders.

5.8 Maramatanga

Maramatanga can be translated into the word ‘understanding’. However, this translation does not properly capture this value as it applies to a strategy for the Māori Fishing Industry because maramatanga also carries an additional connotation of insight or enlightenment whereby technical expertise and Māori culture are combined to generate something greater than the sum of its parts. This elusive enlightened state is, perhaps, the full expression of a Fisheries Settlement vision.

Attempts to articulate its details expose the fact that different people have different dreams. However, there are some recurring themes of how maramatanga would manifest itself. These are:

- World class scientific and technical achievement, commercial success.
- Management structures and processes that are recognisably Māori.
- Products with a marketing proposition based in part upon the fact they are derived from Māori resources, managed, harvested and processed with the respect that entails.

It is not necessary for every detail of this vision to be agreed before maramatanga can be adopted as a value within a strategy. Maramatanga is an aspiration that applies to individuals, iwi and for the Māori fishing industry. It is something forever to be pursued.

5.9 Manaakitanga

Manaakitanga is a word most usually used to refer to hospitality, especially hospitality extended to manuhiri or guests. Its relevance to the Māori Fishing Industry may not therefore be immediately obvious. However, the attitudes and behaviour contained within manaakitanga form one of the most powerful values capable of distinguishing the Māori Fishing Industry from its non-Māori counterparts and providing a unique competitive advantage. Manaakitanga is a verb derived from the noun mana, a concept central to Māori thought.

All tikanga are underpinned by the high value placed upon manaakitanga – nurturing relationships, looking after people, and being very careful about how others are treated. Thus in the tikanga of muru⁷...for the groups of people who come to take away the heirlooms, goods, products of the land, sea and forest, the animals and, in fact, anything moveable, the value of manaakitanga still holds: that is, the principle or standard of behaviour must remain in place. These people are given a meal and are allowed to leave in peace...Aroha is an essential part of manaakitanga and is an expected dimension of whanaungatanga. It cannot be stressed enough that manaakitanga is always important no matter what the circumstances might be.⁸

Manaakitanga in its finest form comprises a combination of resolution and sensitivity that produce a lifelong impact on those who receive it. The resolution is that the recipient of manaakitanga should experience hospitality that exceeds their expectations thereby elevating the esteem of the giver and simultaneously creating a feeling loyalty towards them. Manaakitanga has the power to establish strong and durable relationships. The sensitivity lies in making the guest feel comfortable. This requires an understanding of the guest, what is familiar or unfamiliar to them and what makes them either comfortable or uncomfortable. Manaakitanga can entail the compromise or suspension of things that, although normal to the host, may cause some discomfort to the manuhiri.

The relevance of manaakitanga becomes clearer if the step is made to perceive customers of the Māori Fishing Industry as the fortunate recipients of Māori hospitality. In sharing seafood with them, Māori resolve that the experience of receiving and consuming that fish will be a positive one for the consumer that provides the foundation for an on-going relationship. Customers have received special fish from special people.

⁷ *Muru*; meaning the ritual seizure of goods from parties considered guilty of an offence as redress for that alleged offence.

⁸ Mead, Hirini Moko, *Tikanga Māori: Living by Māori Values*, Huia Publishers, Wellington, 2003, p.29.

6.0 Values and Strategic Planning

Within a strategic plan, the values section is not a comprehensive list of all of the values held by the organisation or group. Rather it seeks to distil the values that set the organisation apart from its rivals and those things that comprise a unique value proposition presented to stakeholders, particularly customers. In some ways, those values will determine what kind of investors wish to fund the group, what kind of people wish to work there and what kinds of people are most likely to align with it in relationships as suppliers or customers.

Some organisations and groups within the Māori Fishing Industry already have statements of values within their existing planning documents.

The Māori Fisheries Industry has clearly different values from the rest of the New Zealand industry, as well as those that could be ascribed to both parts of the industry. A fundamental challenge is the ability to weigh the relative importance of Maori values against the sometimes competing commercial aspirations of Maori owned entities. This balance can only be determined by Maori themselves which, in turn, highlights the necessity of Maori and iwi being in a position to exercise rangatiratanga (decision making) in order to make the choices relating to this balance challenge. These choices range from strategic to structural to operational and, therefore, rangatiratanga must be applied at all levels of the Maori Fisheries Industry.

6.1 Te Ohu Kai Moana Trustee Limited (TOKMTL)

TOKMTL, in its Strategic Plan covering the period 1 October 2006 to 30 September 2012 contains a statement of its Vision, Values and Mission. The five values are:

- **Future focussed:** *Our responsibilities are beyond our lifetimes and those of our children*
- **Providing Leadership:** *Effective, focused and inspiring, to set a standard*
- **People Focussed:** *People achieving their full potential, developing lasting and relevant relationships*
- **Transparency:** *Reporting clearly and inviting scrutiny*
- **Results orientated:** *Effort and activity count for little without results⁹*

6.2 Aotearoa Fisheries Limited (AFL)

The AFL Annual Review contains a section in Te Reo Māori and English titled respectively *Tikanga* and *Our Values*:

Aotearoa Fisheries is an unusual business. On the one hand, it exists, like any business, to provide its shareholders with a solid source of income. On the other hand, we have a deep obligation to act as kaitiaki of the resources we have – even when doing so may seem to limit business opportunities.

Of course any conflict between these two worlds is only visible from a short term point of view. Once we consider future generations of shareholders, nurturing our resources becomes an exceptionally sound business choice.

I raise this point to stress the theme of this year's annual report: tikanga.

⁹ www.teohu.Māori.nz

Yes, Aotearoa Fisheries is a business. We're proud to say so, and proud of our many business achievements. But Aotearoa Fisheries only exists because it serves a profound desire common to all our shareholders to take care of our loved ones, including those not yet born.¹⁰

6.3 Iwi Collective Partnership (ICP)

The ICP now has 15 members and has identified five values and principles that underpin their relationship, objectives and work programme. These are:

Whanaungatanga (Family)

- *Mutual respect and integrity in all we do. Building lasting relationships (Kotahitanga)*

Manaakitanga (looking after our people)

- *Hospitality, support for one another, honest and open communication*

Makohakoha (Expertise)

- *Consistently high levels of achievement through effective and efficient management. Recognition of expertise.*

Kaitiakitanga (Stewardship)

- *Guardians of the resources, responsibility to ensure sustenance us and those to come*

Whakaaronui (Visionary)

- *Vision, creativity, innovative, pro-activeness and initiative.*

6.4 Summary: Suggested Māori Fishing Industry Values

There are three things that clearly distinguish the Māori Fishing Industry from others. These are:

- The role of tribal identity in the asset ownership framework. *Toi tu te kupu, toi tu te mana, toi tu te whenua* (hold fast to language, spirit and land so that the essence of being Māori continues)¹¹. At least some fisheries assets are regarded as taonga tuku iho, to be preserved and handed down to future generations as an important part of the process of preserving iwi identity. This implies an asset retention horizon that is multi-generational (far longer than the non-Māori sector) and a lack of interest in managing assets for capital gains. These notions of identity, control and stewardship can all be linked to the core value of *Rangatiratanga*.
- The necessarily fragmented structure of quota ownership within the asset ownership framework that is the corollary of the role of tribal identity. This fragmentation is both deliberate and intended to be durable and creates a pragmatic requirement to form partnerships above the point of quota ownership with like-minded parties to ensure the levels of cash flow that can guarantee both the on-going ownership and control of fisheries assets that are taonga tuku iho and the ongoing involvement of Māori in the use and management of those assets. Those partnerships will extend beyond an individual iwi and

¹⁰ Aotearoa Fisheries Limited Annual Review 2012, page 7

¹¹ Tiairau of Wanganui

will comprise different sets of partners at different parts of the seafood value chain. The subtlety in the Settlement is that the preservation of individual iwi identity requires Māori to work together in the fisheries value chain, making *Whanaungatanga* a core value.

- The desire to see the establishment of a Māori Fishing Industry with business structures, processes, products and relationships that exhibit a uniquely Māori character and which define success in Māori terms. In this aspirational framework, all stakeholders and customers would be acutely aware of a Māori dimension to their relationship with the Māori Fishing Industry and would feel enriched by the presence of that unique dimension. The core value that guides all behaviour within the Māori Fishing industry and sets it apart from rivals is *Manaakitanga*)

To ascribe a single word to each of these values is not easy but the essence of each is contained within:

- **Rangatiratanga.**
- **Whanaungatanga**
- **Manaakitanga**

Note that, within the particular context of the Māori Fishing Industry, other values can be subsumed within or associated with these three core values. For instance, *kaitiakitanga* is regarded here as a subset of *rangatiratanga*. *Kotahitanga* can describe tight expressions of structures that arose through *whanaungatanga*. The delivery of *manaakitanga*, as referred to here, requires high levels of cultural and technical expertise, competence and innovation (*maramatanga*, *mohiotanga*, *makohakoha*, *whakaaronui*).

7.0 Environmental Scan

The core asset of the Fisheries Settlement is ITQ. Indeed, ITQ has been described as the currency of the Settlement and the 60 entities that comprise the Māori Fishing Industry are, first and foremost, quota owning entities. Accordingly, the core asset of the Māori Fishing Industry is ITQ and an environmental scan must therefore start with a sophisticated understanding of attributes of ITQ, its risks, opportunities and the issues confronting ITQ owners generally. The scan must also identify the additional risks, opportunities and issues confronting Māori quota owners in particular.

7.1 ITQ: General Attributes and Issues

ITQ is a perpetual property right to receive a designated proportion of the Total Allowable Commercial Catch (TACC) in a particular fish stock each year. This Annual Catch Entitlement (ACE) is usually expressed in tonnes. ITQ is tradable, divisible, accepted as collateral and is attenuated by government sustainability measures. As the commercial taking of fish in a quota stock must be covered by ACE (ignoring the deemed value regime), quota owners therefore collectively control commercial harvesting access to quota stocks. ITQ value is the present value of an annuity of expected future ACE revenues. In practice, the price of ACE in a given year usually represents a negotiated division of the harvester's expected gross revenues (usually a port price) between the costs of harvesting (labour, fuel, repairs, consumables, interest costs and return on equity invested in the vessel and gear) and the amount the harvester is willing to pay for a related fishing opportunity (access fee to a designated quota stock).

In the first instance, quota values are a function of the demand for access to a particular fish stock by harvesters (i.e. the scarcity of that ITQ). What is less appreciated is that quotas limit access to fish not only to harvesting businesses, but to associated processing, distribution and marketing businesses as well. Demand for quota is therefore driven by demand for fish or fish products right throughout associated value chains. Without the input of fish, fishing vessels, fish factories and seafood businesses have no revenues and must be valued in another (inferior) use.

An economic definition of quota is therefore: **a proportional claim over any economic rents within the entire value chain dependent upon access to the quota fishery.** Economic rents are defined as any returns anywhere in the value chain above those needed to cover operating costs and a normal risk-adjusted return on capital employed. Sensible operators in the harvesting and processing sectors will be prepared to give up economic rents rather than lose fish to competitors. At any moment these economic rents are a given (a reflection of the value chain and its inherent performance as is). However, it is also clear from this definition that quota has a positive long-term value only if everyone in the value chain is receiving a satisfactory return on all labour and capital employed. There are many fisheries in the world where this state of affairs does not apply. In other words, it is not automatic that quota is an asset.

In the short term, ACE returns can be considerably higher or lower than their sustainable level. First, if there is an absence of competitiveness at any point in the value chain, the party controlling that step will be able to extract economic rents (super-profits) and to the extent they succeed, ACE revenues will be suppressed. Second, where there is over-capitalisation anywhere in the value chain, there is a short term surplus of demand and ACE sellers can charge premiums while fish users battle with each other for survival.

Sellers of scarce ACE have the power to expropriate, not only super profits, but the 'legitimate' returns of harvesters or other parties in the value chain at any time. However, the consequence of mis-using this market power is to drive necessary capital and expertise out of that value chain, thereby reducing its performance and its capacity to pay for ACE in the medium term. Arguably, this phenomenon describes many New Zealand fisheries in the period since 2004. There are several implications for quota owners from this analysis.

- Quota owners are claimants of the residual value from fisheries value chains. ACE price is often set at the beginning of a year but ACE value is only known at the end. Quota value is not produced in the sea but at every point in the value chain.
- The power of quota comes with far-reaching responsibilities. In the short term, the value chain appears as something to be exploited by quota owners but in the medium term it is something that must be nurtured by quota owners.
- Quota owners with a long term investment horizon have strong incentives to be active participants in the value chain as participation is the surest way of obtaining information about whether returns to participants are too high or too low, ensuring that the value of fish is maximised and that a fair proportion of that value actually gets passed back to quota owners.

7.2 ITQ Value and Financial Performance

The Māori Fishing Industry owns approximately 28% of New Zealand's ITQ¹². Statistics New Zealand valued all ITQ in 2009 at \$4 billion¹³ and so 28% is \$1.12 billion (given the broad nature of Māori quota ownership, a rough pro ration is reasonable). Statistics New Zealand also notes that:

Between the 1996 and 2009 September years:

- *The asset value of the commercial fish resource increased by 47 percent, from \$2.7 billion to \$4.0 billion.*
- *Hoki had the highest average value of all species, at an average of \$662 million.*
- *The number of species covered by the QMS increased from 26 to 96.*
- *In 2009, the top 20 species of fish contributed 91 percent of the value of New Zealand's commercial fish resource.*
- *The asset value for the original 26 QMS species increased 18 percent while the total allowable commercial catch (TACC) for these species reduced by 41 percent¹⁴.*

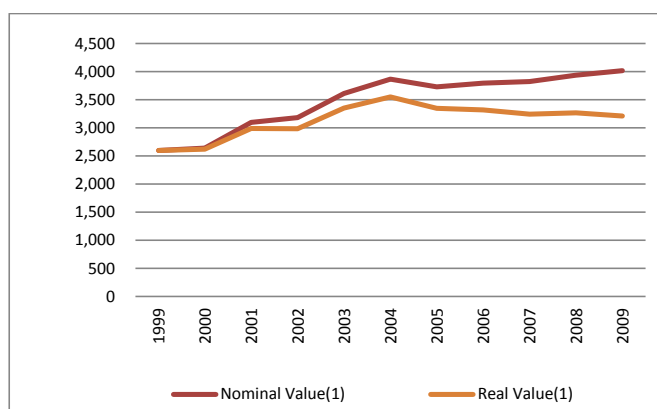


Figure 1. Nominal versus Real Quota Value (\$m) 1999 to 2009¹⁵

Overall, quota has been a good investment in terms of capital gains in the 27 years since its establishment in 1986. However, most of the increase in aggregate quota value occurred prior to 2004 and the passage of the Māori Fisheries Act 2004. Iwi have not been the beneficiaries of general capital gains while those assets have been owned directly by them.

7.3 ITQ: Particular Māori Issues

There are three strategic issues relating to the Māori ownership of quota.

¹² Assuming a 50% economic interest in the quota committed to Sealord through Kura

¹³ Statistics New Zealand (2010), *Fish Monetary Stock Account 1996-2009*. Wellington: Statistics New Zealand

¹⁴ Ibid.

¹⁵ Source, Statistics New Zealand

- i. For many entities comprising the Māori Fishing Industry that do not intend to sell ITQ, capital gains on ITQ are irrelevant except as an additional source of collateral. Historically, quota has been quite a good passive investment (capital gains of 60% in the five years from 1999 to 2004). Much of this particular increase was driven by falling interest rates which inflated the value of many capital assets, including land over this period.
- ii. Current cash returns on ITQ are poor and since 2004 have declined in real terms. Quota values are maintained by the perception that ‘someone’ can improve future free cash flows from quota value chains. Māori are interested in actual free cash flow from their quota but current New Zealand Industry and Fisheries Settlement structures and strategies are not oriented towards this objective.
- iii. The two major Māori entities active in the value chain (AFL and Sealord) are failing to add value to iwi owned quota. Earnings from Sealord have fallen steadily and AFL earnings are static. The reasons for this are complex and include problems with structure, governance, values, vision and human capability.

Note that the three general issues above also apply to the Māori ownership of land. Ultimately, they lead to the same conclusion which is that Māori must be active in both the productive utilisation of their land and quota and within the various value chains dependent upon those resources in order to secure long term ownership and control of land and ITQ respectively. Simply, any successful Māori strategy for asset retention requires active value chain participation, leadership and innovation in order to maximise sustainable free cash flow from ITQ. Successful Māori innovation that improves free cash flow will inevitably generate ‘irrelevant’ capital gains to Māori and equivalent ‘welcome’ capital gains for all other quota owners. This suggests that one non-Māori strategy would be to leave the risk and effort of innovation to others and to reap the rewards of any Māori successes in the form of ‘un-earned’ capital gains.

Ironically, a strategy with the objective of accumulating ‘un-earned’ capital gains best describes the past behaviour of many entities comprising the Māori Fishing Industry – hence the caricature of ‘Ngāti Flick’. This strategy was eminently sensible in the period prior to 2004, when iwi endowments were uncertain. To a lesser extent it was also necessary or prudent while the new iwi asset holding companies were finding their feet immediately after asset transfer. However, looking forward, it is a strategy that will increase the prospect of commercial failure and re-alienation of Māori fisheries assets. The implementation of an alternative strategy invites consideration of the best organisational framework for participation in seafood value chains.

In summary, ITQ is a residual value derived from the entire value chain. ITQ value is only sustainable if every operation in the value chain above the level of quota is receiving a fair return on mobile resources of capital and labour. Ensuring the sustainability of quota value therefore requires the ability of Māori to influence the configuration and performance of the entire value chain. The key performance measure for Māori is not capital gains or quota value *per se* but the generation of free cash flow from the Māori Fishing Industry sufficient to meet the responsibilities of quota ownership including the costs of value chain intervention and investment where considered necessary.

8.0 New Zealand Fishing Industry Value Chains

8.1 Overview

New Zealand Seafood Industry¹⁶	(2012)
Size of EEZ (km²)	4,400,000
Total Landings (tonnes)	446,945
Landings: kg/km²	101.578
Aquaculture Area (hectares)	4,468 (excluding spat catching)
Aquaculture (tonnes)	153,923 (green weight)
Non-food use (tonnes)	85,017
Local Consumption (tonnes)	113,055
Exports (tonnes)	304,708
Fish exports FOB (\$)	\$1.57b
Fish imports (\$)	\$0.10b
Exports (Average \$/kilogram)	\$5.15

8.2 Deep water

Deep water fisheries account for 63% of New Zealand Fish production. This category contains hoki, the largest fishery by volume (130,000 tonnes) which is, strictly speaking, a mid-water trawl fishery. “Deep water” is therefore a term that encompasses true deep water species (orange roughy, cardinal, alfonsino and oreo dory), middle depth fisheries (hoki, hake, ling, barracouta and warehou) and squid. These species are generally caught by large, company owned or charter vessels and frozen.

8.3 Inshore

Inshore fisheries are located on the continental shelf, generally at depths of less than 200 metres. Species include snapper, blue cod, red cod, bluenose, terakihi, gurnard, rig, moki, hapūka, flat fish, monkfish, warehou and trevally. These species are largely caught by small independently owned vessels and landed fresh.

8.4 Lobster

In spite of accounting for less than half of 1% of fish production by volume, lobsters (koura) are New Zealand’s most valuable export fish species. Production in 2012 was 2,800 tonnes of which approximately 2,500 tonnes are exported to Hong Kong and China for \$223m. Māori own several successful lobster exporting business: AFL (Moana Pacific), Ngāi Tahu Seafoods and Port Nicholson Fisheries. Together these companies account for approximately 50% of crayfish exports. An attempt to unite all Māori lobster exporters under a single strategy in 2011 (Koura Inc.) foundered as a result of resistance from AFL and Ngāi Tahu.

¹⁶ Source, www.seafoodnewzealand.org.nz/

8.5 Pāua

Although only 900 tonnes in green weight production, the Pāua fishery is New Zealand's eighth most valuable (\$46m in 2012). AFL (Prepared Foods Limited) is the largest processor (canner) of pāua for export and the largest pāua quota owner. The principle pāua quota owning iwi (Ngāi Tahu, Ngāti Mutunga and Moriori) are PFL suppliers.

8.6 Pelagic

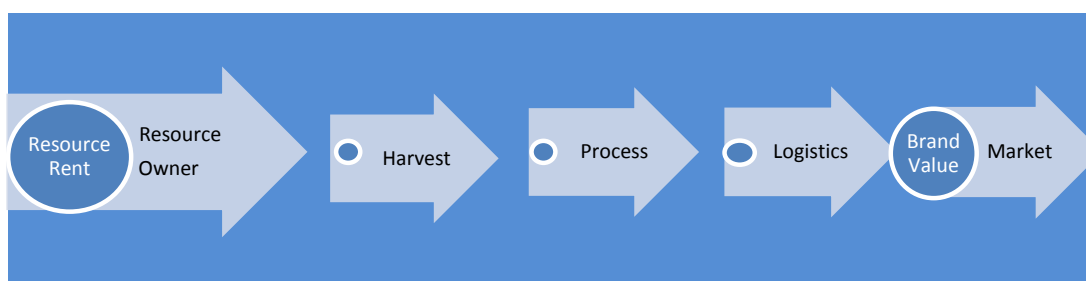
Pelagic (surface dwelling) species include tunas, kahawai and mackerals. The most important species are albacore tuna (currently outside of the quota management system) and southern Bluefin tuna. The Māori Fishing Industry has little presence in the pelagic sector.

8.7 Aquaculture

Aquaculture is subject to a separate Settlement with the Government. Unlike the Fisheries Settlement, many iwi do not have a distinct Settlement entitlement or aquaculture interest. Both AFL and Sealord have significant interests in aquaculture but the differences in underlying iwi ownership mean that the Māori Fishing Industry should be defined separately from the Māori Aquaculture Industry (if there is such a thing). Moreover, the distinct history of the Aquaculture Settlement means that it cannot be assumed that the values underlying the two Settlements are identical.

8.8 Fisheries Value Chain Dynamics

As ACE sellers, iwi are not receiving a satisfactory rate of return on their respective quota investments. This is surprising because quota should be a repository for economic rents created within fisheries value chains. Indeed, there are only two points in most primary production value chains where 'super profits' can be reliably expected are at the beginning (scarce natural resources) and the end (relationships with loyal customers).



All other assets between these points are not fundamentally scarce. 'Super' profits in the sense used here simply means any surplus return to a factor of production or an enterprise over the level needed to just (and only just) support sustainable economic production or ownership of that factor. This surplus is also called an economic rent and is a signal that either higher production volumes or a higher price will be supported by the market.

In contrast, the value chain in 1986 (immediately after the introduction of the quota management system) would have looked quite different. Harvesters, processors and providers of logistical services would have had more opportunity to make super profits and the value chain was generally less efficient. Those inefficiencies were substantially reduced and converted into quota values in the early years of the QMS. Much of this phenomenon had already occurred before the "Sealord Deal" in 1992. However, the rapidity of this change encouraged people to assume that the rates of return

on harvesting and processing activities in the late eighties were still possible in the nineties. Furthermore, the rates of gain in quota value (as the repository of efficiency gain benefits) could not be maintained as the easy efficiency gains were exhausted.

Indeed, since 2004, quota has performed poorly as an asset. There are several possible explanations for the current poor performance of iwi quota as an investment:

- i. The value chain is inefficient (producing negative rents in total). There are operators who are not getting risk adjusted returns on their investments in harvesting, processing, logistics or marketing. In aggregate, the cost of bringing fish to market is rising faster than market returns and therefore demand for ACE is weakening.
- ii. The value chain is efficient but all super profits are being captured by the entity controlling the other fundamentally scarce resource (the customer relationship). Resource owners are weak sellers.
- iii. The value chain is distorted by artificial scarcity in the supply of harvesting, processing and logistical services. Middle-men enjoy some form of protection that allow them to capture some of the rents that should be available to the resource owner or the marketer.

It is likely that all three of these problems exist (inefficiency, weak selling, and market distortion) but without active participation in the value chain, Māori have no ability to diagnose or address these issues.

Overlaying an efficient fishing operation onto quota ownership is only a first step towards securing long term economic security. That requires commercial arrangements where the owners of the two points in the value chain where scarcity is fundamental to work together in order to ensure that the points in between are competitive and efficient (i.e. deliver their owners and operators normal rates of return – but not more than that – over time). This is a mutually beneficial partnership. The primary fear of someone with a customer base is the inability to secure scarce resources to satisfy customer demand. The primary fear of someone with scarce resources to supply is the inability to secure a fair price for them.

Provided Māori owners have control over sufficient production capacity (quota) to attract the attention of successful businesses with a customer base at the end of the value chain, it should be theoretically possible to achieve this goal without either the marketer or Māori having to invest in processing and distribution businesses. Of course, Māori may determine that direct investment (or at least co-investment) at selected steps in the value chain is necessary in order to ensure that the core value of manaakitanga pervades the value chain and its products. These shared Māori investments above the level of quota ownership are the realm where whanaungatanga can, or must, flourish.

9.0 Māori Fishing Industry: Financial Position

For this purpose, the three key components of the Māori Fishing Industry are Sealord, AFL, and the Pre-Settlement quota, now mostly transferred to iwi. There has been no survey of the use of quota by iwi since 2004. Projections about its current value are based on general quota valuation trends applied to the schedule of iwi quota shares contained in *He Kawai Amokura* (See **Appendix 1**).

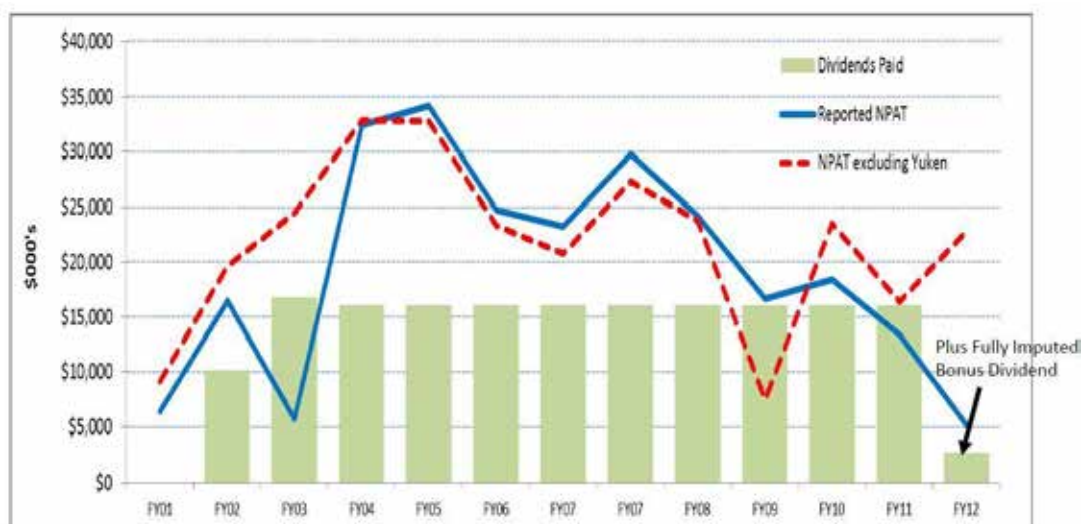
9.1 Sealord

The financial performance of Sealord since 2004 has been dreadful. Return on assets (ROA) has fallen steadily over the period 2005 to 2012 from 5.9% to 0.7%. Indications are that this trend will not reverse in 2013.

SEALORD	FY 05 \$m	FY 06 \$m	FY 07 \$m	FY 08 \$m	FY 09 \$m	FY 10 \$m	FY 11 \$m	FY 12 \$m
Capital employed				628.3	688.1	714.5	686.7	703.4
CE=E+IBD*	511.8	573.4	575.8	594.9	650.3	696.7	653.3	664.0
NPAT	34.2	24.8	29.8	24.3	16.6	18.4	20.6	5.2
EBIT	68.6	51.4	44.4	30.0	33.0	24.3	41.5	28.1
Total Assets	575.2	645.0	640.5	660.2	729.5	760.6	723.6	752.7
Interest Bearing Debt	83.4	135.2	130.3	149.4	189.2	235.3	211.9	244.5
Total Liabilities	146.8	206.8	195.0	214.7	268.4	299.2	282.2	333.2
Total Equity	428.4	438.2	445.5	445.5	461.1	461.4	441.4	419.5
Cost of Capital				8.6%	7.4%	7.7%	7.2%	7.0%
ROCE				4.8%	4.8%	3.4%	6.0%	4.0%
ROCE*	13.4%	9.0%	7.7%	5.0%	5.1%	3.5%	6.4%	4.2%
ROA	5.9%	3.8%	4.7%	3.7%	2.3%	2.4%	2.8%	0.7%

*Note: Sealord's 2011 financial year represents 15 months of performance

Over this period, an increasing proportion of earnings have been paid out as a dividend to AFL and Nissui (see below). Financing of performance improvement investments has largely been from the sale of assets and increased debt. As seen above, debt has risen from \$83.4m to \$244.5m. This new debt has not resulted in an increase in free cash flow which presumably was intended.



Sealord Earnings and Dividends 2001 to 2012

Over the same period, Sanford (a company broadly similar to Sealord) has also shown a general downward trend in return on assets. This suggests that both companies are facing some common

issues. The indications are that Sanford has faced them a little more successfully than Sealord. Sanford returns on capital are higher, the decline in performance less and Sanford debt levels are fairly stable. The owners of either company have little cause for celebration.

9.2 Sanford Comparison

SANFORD	FY 05 \$m	FY 06 \$m	FY 07 \$m	FY 08 \$m	FY 09 \$m	FY 10 \$m	FY 11 \$m	FY 12 \$m
Capital employed				526.4	548.5	552.2	549.5	555.9
NPAT	30.4	26.1	19.7	53.4	39.1	25.03	22.3	20.9
EBIT	46.5	40.0	24.6	68.7	55.0	37.8	30.0	32.6
Total Assets	687.1	691.9	683.4	664.4	720.9	719.3	779.7	774.3
Interest Bearing Debt	164.5	157.2	146.9	90.6	133.9	125.8	185.4	166.8
Total Liabilities	191.5	187.1	179.0	138.0	172.4	167.1	230.2	218.4
Total Equity	495.6	504.8	504.5	526.4	548.5	552.2	549.5	555.9
Cost of Capital								
ROCE				13.1%	10.0%	6.8%	5.5%	5.9%
ROA	4.4%	3.8%	2.9%	8.0%	5.4%	3.5%	2.9%	2.7%

9.3 Aotearoa Fisheries Limited

AFL	FY 05 \$m	FY 06 \$m	FY 07 \$m	FY 08 \$m	FY 09 \$m	FY 10 \$m	FY 11 \$m	FY 12 \$m
Capital employed				221.7	262.9	287.4	277.5	287.0
NPAT	13.5	16.5	23.0	19.0	19.2	18.9	22.8	17.1
EBIT			12.5	12.1	16.6	19.5	18.7	17.0
Total Assets	371.3	387.3	427.5	440.9	514.9	512.4	502.6	499.0
Interest Bearing Debt	41.8	38.0	45.9	44.0	95.4	78.0	63.0	50.7
Total Liabilities	50.8	50.3	81.3	81.1	128.7	119.6	108.7	94.9
Total Equity	320.5	337.0	346.2	359.8	386.2	392.8	393.9	404.1
Cost of Capital				8.6%	7.4%	7.7%	7.2%	7.0%
ROCE				5.5%	6.3%	6.8%	6.7%	5.9%
ROA	3.6%	4.3%	5.4%	4.3%	3.7%	3.7%	4.5%	3.4%

From a modest beginning, AFL performance has outstripped both Sealord and Sanford so that today the gap between its return on capital and its cost of capital is the narrowest of the three. Much of this performance improvement occurred between 2005 and 2008 after which results have stagnated and ROA has stalled at an unsatisfactory 3.4%. The total assets and interest bearing debt lines above reflect the mandate that AFL had immediately after its creation to acquire assets (particularly quota) on behalf of iwi shareholders who (in many cases) were yet to be transferred assets and therefore not in a position to be active in quota markets individually.

AFL made a number of acquisitions between 2005 and 2008 notably OPC, Kia Ora Oysters and Ocean Ranch. These purchases were funded out of retained earnings and debt which peaked at \$95.4m in 2009 after the Ocean Ranch purchase. The satisfactory performance of these investments is indicated by the reduction of debt in subsequent years even after the instigation of dividend payments to shareholders.

9.4 Iwi Quota Ownership

Little data is available on the status and performance of iwi fishing businesses. Quota is the primary asset of iwi fishing businesses and their primary source of revenue is from the sale of Annual Catch Entitlements (ACE). TOKMTL¹⁷ estimate that the theoretical value of ACE revenue from total iwi Settlement ACE (whether transferred to iwi or not) has declined since 2004.

- The average value (two quota brokers and the August blue book ACE values) of the quota weight equivalent of the quota shares (to be allocated to iwi) in 2004 was approximately \$37m.
- The average value (two quota brokers and the August blue book values) of the quota weight equivalent of the quota shares in 2013 is approximately \$34m.

Notwithstanding the caveats that TOKMTL place on this analysis, the conclusion that potential ACE revenues have declined in nominal terms by approximately 10% is reasonable. The decline in real terms is even greater and it is likely that the individual ACE selling activities of iwi have not actually achieved the theoretical aggregate ACE revenue streams above.

During the 1990s, several iwi established companies or joint ventures to utilise iwi quota. Some of these were described in *"Iwi Fishing, The Real Story"*¹⁸. This catalogued the problems of insecure quota allocations and the difficulties of participating in value chains from a foundation of small and highly fragmented quota portfolios. Those problems remain prominent post 2004.

Today the main surviving vertically integrated iwi fishing companies are:

- Ngāi Tahu Fisheries Limited (Especially crayfish and bluff oysters)
- Port Nicholson Fisheries Limited (Crayfish processing and exporting)
- Ngāti Porou Fisheries Limited (Fish processing and retailing, lobster depot)
- Whānau ā Apanui (Lobster depot)

10.1 Māori Fishing Industry: Financial Performance

The financial information above on AFL and Sealord indicate that they have generally failed to add value to quota under their direct control. Returns from these vertically integrated businesses are actually lower than would be expected from a quota owning business alone. Quota and non-quota assets have quite different risk profiles. Given the recent capital gains performance of quota as an investment (zero to negative capital growth) target returns for individual stocks probably lie mainly in the range of 5% to 12% with an average of around 8% ROA per year. Non-quota assets are generally riskier, with target ROAs probably ranging from 8% to 25% with an average somewhere between 10 and 15% depending on the appetite for risk and innovation within the company concerned. AFL and Sealord lie towards the lower end of this risk/innovation spectrum, let us say 10%. AFL and Sealord balance sheets are both dominated by quota assets (say 75% quota and 25% non-quota assets). On that basis, target ROA should be $(0.75 \times 8\% + 0.25 \times 10\%)$ or 8.5%.

Actual results are shown above and the issue becomes immediately obvious. A Return on Assets (ROA) rate of 4% across a balance sheet comprising 75% quota and 25% non-quota assets means

¹⁷ TOKMTL note that in this analysis of raw data, it has not made any adjustments to the valuations for any increases in TACCs, 28N rights, new stocks introduced into the QMS or amalgamation of fish stocks.

¹⁸ (Treaty Tribes Coalition), 2002, 44 pages.

that if target ROA (10%) is being achieved on the non-quota assets then return on quota is negligible. Herein lies the problem – or rather the consolidated outcome of a raft of problems. Not only are current ROAs a sub-par return on the quota owned by AFL and Sealord, those low returns mean that the ability of those companies to purchase independent ACE, including ACE from iwi is very weak. To the extent that competitive ACE prices are offered by AFL and Sealord, the suspicion would be that these are ‘subsidised’ by compromised returns on owned quota given the bottom-line results of these companies. The figures above indicate that there is currently no headroom within AFL or Sealord to finance such a ‘subsidy’.

A key question that arises from this analysis of AFL and Sealord by their Māori owners relates to the cause of this unsatisfactory ROA performance and whether the ownership of quota by those entities adds to or detracts from their performance. In their defence, it is likely that AFL and Sealord executives and directors will dispute the ROA analysis above on the grounds that underlying quota valuations are inflated and therefore iwi expectations of returns are inflated. The thin nature of quota markets make this assertion difficult to dismiss entirely but there are several problems with such a line of defence:

- i. Such trades that are observed support AFL and Sealord book values. A variant of the defence concedes this point but then disparages quota buyers as ‘mugs’.
- ii. The tables above show a strong downward trend across the NPAT and EBIT lines for Sealord and essentially flat lines for AFL after their initial rise. This suggests a problem with earnings, not book valuation of assets.
- iii. The defence also characterises Sealord and AFL executives and directors as powerless to either increase earnings or to prevent the erosion of asset values in their balance sheet on their watch.

This professed impotence certainly cannot be attributed to being starved of capital by shareholders. The main reason why this defence should be dismissed is that it implies that every value chain opportunity is currently being effectively exploited or pursued, the financial results from these efforts are therefore simply what they are and if that translates to a feeble ROA, asset values should be written down to fit. If this approach was applied to Sealord, current ROA would require asset values to be written down to zero or lower. This is not credible.

A debate about ‘real’ quota values is actually a red herring to both iwi and AFL/Sealord but its existence highlights an important problem in the current structure of the putative Māori Fishing Industry. Iwi are not concerned about ‘real’ quota values if they have no intention of selling quota. Iwi should be concerned with sustainable cash flows and, no doubt the higher these are, the better. For their part, AFL and Sealord should not be concerned about ‘real’ quota values either. They should be concerned with maximising the profitability of using quota. The higher the price paid for harvesting rights to fish (ACE) and the less secure that access, the less profitable AFL and Sealord will be.

There is a real conflict of interest between independent quota owners and value chain operators. ACE price is revenue to quota owners and a cost to everyone else. This conflict can be avoided where iwi are the suppliers of ACE to value chain businesses that they own and (most importantly) control. In that case, all of the costs in the value chain (including the cost of ACE) become their costs and all of the revenues in the value chain become their revenues. All internal conflicts are a ‘wash’ and the only commercial objective remaining is to maximise profits by the most efficient integration

and operation of the whole value chain from quota supply to fish product sale. The successful internalisation of this potential conflict is a key design factor in this proposed strategy for the Maori Fishing Industry.

In theory, the effective integration of quota and value chain within the Māori Fishing Industry could be achieved in two ways:

- i. Transfer all iwi quota to AFL so that access to fisheries is no longer an annual cash cost to those businesses. Iwi income would consist solely of dividends from this Māori corporate or joint venture.
- ii. Transfer all AFL quota to new iwi controlled quota holding entities that sit on par with existing iwi quota holding entities. Collectively, these would supply AFL with secure (but revocable) quota access in exchange for rebates linked to the quantity and type of quota supplied. Ideally all AFL returns would be returned to iwi in the form of such rebates, rather than dividends as at present.

There are two very powerful reasons why the first option should be rejected. The most compelling is that the transfer of iwi quota ownership would negate Settlement values associated with the fostering of iwi identity. This is an incalculable cost but it is also a cost that is unnecessary. The second reason relates to the incentives applying to AFL and Sealord executives and personnel. Ownership of quota severely weakens their incentives to exemplify the values and levels of commercial performance desired by iwi. If this were not so, AFL and Sealord performance would look radically different from what has been summarised above.

10.1 Māori Fishing Industry: Structural Issues

The Structure of the Māori Fishing Industry illustrated below is essentially one of distinct silos with low levels of co-operation between silos (note that the diagram is not to scale). The iwi processing and marketing columns (yellow) are actually very thin in terms of the volume of quota they service.

Māori Fishing Industry Structure (Current) (Silos)

							TOKMTL Governance			
Marketing										Nissui Global Links
Processing	Whanau a Ananui	Ngāti Porou	Ngāi Tahu S.L	Port Nicholson	Fiordland	Amaltal	Sanford	PFL	Moana (Fish)	Moana (Lobster)
Harvesting	Iwi Affiliates (100?)									Sealord Group
Quota	57 Iwi						AFL			Pupuri Taonga

Generally these silos are incomplete in the sense that it is rare for any Māori organisation to be active at every step in the value chain for a product or suite of products. AFL is not active in the harvesting sector and Sealord is now reliant upon Nissui for the sale of its products in Europe, North America and Asia. Sealord shows little interest in entering into broad deep-water ACE relationships with iwi and AFL shows selective interest only in iwi ACE already generally in strong demand. As a consequence, iwi feel that they are individually in a weak position within the ACE market and ICP is (to some extent) an effort to mitigate this weakness through collective bargaining with ACE buyers.

The financial information on Sanford and Sealord above indicates that fragmentation is not the most important issue behind increasingly soft demand for iwi ACE. Rather, it is a primarily a symptom of a lack-lustre general performance by the New Zealand fishing industry. That poor performance has been variously attributed to hoki and orange roughy TACC cuts, the effects of the global financial crisis and the strong New Zealand dollar. This does not explain why other similar soft commodity businesses (such as the dairy sector) have done well over the same period. What is striking about the New Zealand fishing industry generally is the run-down state of harvesting and processing infrastructure and the dearth of product and market innovation and associated investment in

comparison to Iceland. In short, iwi ACE sellers have their wagon currently hitched to a horse that is not going anywhere and does not look full of running.

The diagram above highlights some important structural issues with the Māori Fishing Industry:

- i. Sealord and AFL are rivals in the same quota market as iwi.
- ii. Sealord and AFL processing and marketing activities are primarily oriented to servicing their own quota bases, not those of the 57 iwi.
- iii. In many cases iwi find it more rewarding or even necessary to enter into ACE arrangements with non-Māori fishing businesses. This is particularly the case with deep water quota parcels.
- iv. Sealord is now largely dependent upon Nissui for European, North American and Asian sales. Māori no longer 'own' customers in these market segments.
- v. Māori presence in the harvesting sector is surprisingly weak. The deep water sector is quite dependent upon foreign charter vessels and Moana Pacific harvesting is done primarily by non-Māori contract fishers.
- vi. There are few vertically integrated iwi owned fishing businesses. Those that exist are rather small and compete directly with AFL, a company iwi own but do not control.

In summary, the diagram (which is not comprehensive) illustrates the serious lack of co-operation and integration within the Māori Fishing Industry. This lack of integration creates a barrier to establishing Māori reach across the value chain to high quality customers as well as imposing significant cost inefficiencies. Fragmentation and rivalry have other costs in the form of dissipation of political influence within the wider industry and with Government.

11.0 Māori Fishing Industry: Vision

Ki te kahore he whakakitenga ka ngaro te iwi (without foresight or vision the people will be lost)¹⁹. The vision for the Māori Fisheries Sector is inseparable from the vision for the Fisheries Settlement itself. To the extent that it is a vision connected to the perpetuation of Iwi identity, it is a very long term vision indeed. The vision is not simply one of long-term asset retention but encompasses the associated benefits that may grow out of that base. These benefits include financial returns and employment but also the satisfaction of achieving international success with a distinctly Māori face (manaakitanga). There is also the prospect that the whanaungatanga underpinning that success can be broadened to include, or at least provide inspiration for, Māori co-operation in other primary sectors. This vision is not easy to capture in a single sentence.

The vision of the Māori Fishing Industry is for the preservation of Māori identity by developing a sustainable relationship with fisheries resources that are owned by Māori, managed, harvested, processed and offered to the world in way that expresses and exemplifies manaakitanga.

12.0 Māori Fishing Industry: Objectives

Objectives can be defined in both the positive and the negative. Sometimes it is easier to tell that we have lost our way than whether we are still broadly on course. It is too harsh to say that the

¹⁹ King Tawhiao Potatau te Wherowhero

Settlement has lost its way, but it has undoubtedly lost momentum and when you are becalmed, it becomes more difficult to keep the course you are on clearly in view. The Fisheries Settlement is a long term process, that can be seen (especially with the advantage of hindsight) to have had some very distinct phases. These phases have a necessary order and it is not actually practical to implement a particular phase without completing its fore-runners or pre-requisites. The phases are:

- i. The fisheries claims
- ii. Negotiation of the Settlement
- iii. Implementation of the Settlement (legislation and transfer of Settlement Assets from the Crown to TOKM)
- iv. Negotiation of the allocation formula
- v. Implementation of the allocation formula (legislation and transfer of Settlement Assets from TOKM to iwi)

These five phases dealt with the steps necessary to clarify the agreed ownership of Settlement assets and to effect transfer of asset ownership to the owners (agreed to be iwi). Together these five phases form the first chapter of the Fisheries Settlement. The second chapter will deal with the use of those assets by their owners. It is a chapter that has yet to be written although the framework for its first phase was legislated within the Māori Fisheries Act 2004. Since 2004, it has become increasingly clear that the initial legislative Settlement configuration is acting as a barrier to the emergence of a strong and united Māori Fishing Industry. This lack of co-operation is sometimes blamed upon allocation of quota to iwi, but the real explanation lies in the disjunction between that quota base and the collectively owned Māori fishing companies; AFL and Sealord. The overall objective must be to turn disjunction into conjunction.

Under the precepts of the Settlement, Māori quota ownership will remain a function of whakapapa. However, Māori quota use and Māori fisheries value chain participation must be a function of commercial pragmatism. **Quota ownership will remain disaggregated. Quota use must be a sphere of co-operation and collective action.** Both the structure and processes for that co-operation must support whanaungatanga and deliver manaakitanga.

The objectives of the Māori Fishing Industry are to:

- ***Design and implement a new set of collective post-Settlement commercial structures for the effective harvesting, processing and marketing of Settlement quota in a way that ultimately generates satisfactory sustainable earnings to individual iwi.***
- ***Ensure that Māori Settlement values and vision pervade the work practices and culture of those new post-Settlement commercial structures.***
- ***Increase Māori employment within all aspects of the post-Settlement commercial structures.***
- ***Generate sufficient free cash flow to support the costs of quota ownership, value chain management and value chain innovation.***

In summary the objectives are that the Māori Fishing Industry has to be actually created as a real structure, with a real culture employing real people. That structure must have the capacity to re-invent and refine the value chain as necessary and a critical part of that capacity is comprised of

Māori working together in the business in a more co-operative way than has been achieved to date. The challenge for Te Putea Whakatupu is to identify the best form of training for Māori intended to populate a structure that does not yet exist in the form required.

13.0 Māori Fishing Industry: Opportunities

There is no doubt that the Māori Fisheries Sector has an opportunity to do better but really it has an imperative to do better. The current situation is not one where the sector is doing well but could make some marginal improvements. Rather, the current level and mode of commercial performance is a threat to both the fundamental values of the Settlement and its durability. Fortunately, the Statutory Review of Māori Fisheries Settlement Structures scheduled to commence in 2014 (and which must be completed no later than the end of the 11th year after the commencement of the Māori Fisheries Act 2004²⁰) provides a formal opportunity to design and implement a refined set of post-Settlement commercial structures that meet the needs of iwi, now that those needs are better understood and the performance and cultural issues with the current arrangements have been revealed.

Sealord is only indirectly subject to this review through its 50% ownership by AFL. However, the review can encompass the structure, role and culture of AFL and TOKMTL and the relationship between these entities and MIOs. The analysis contained in this Environmental Scan suggests that all four of these factors require adjustment if a successful strategy for a Māori Fishing Industry is to be implemented.

The broad opportunities opened up by the Review are:

- i. **Structural re-organisation to create a better co-ordinated Māori Fishing Industry.**
- ii. **Establishment of new and consistent values throughout the Māori Fishing Industry that cement relationships between quota owners and quota users.**
- iii. **Review of existing value chains, customers and product lines**
- iv. **Value chain investments to pursue opportunities identified in the review**
- v. **Continuous improvement of processes and innovation to maximise sustainable free cash flow from iwi owned fisheries resources.**

Each opportunity requires its own set of actions. There is a natural phasing to these actions which parallel the first chapter of the Fisheries Settlement. Like the first chapter, it may well take 20 years before these phased actions are completely implemented and delivering their full benefits as contained in the Vision statement above.

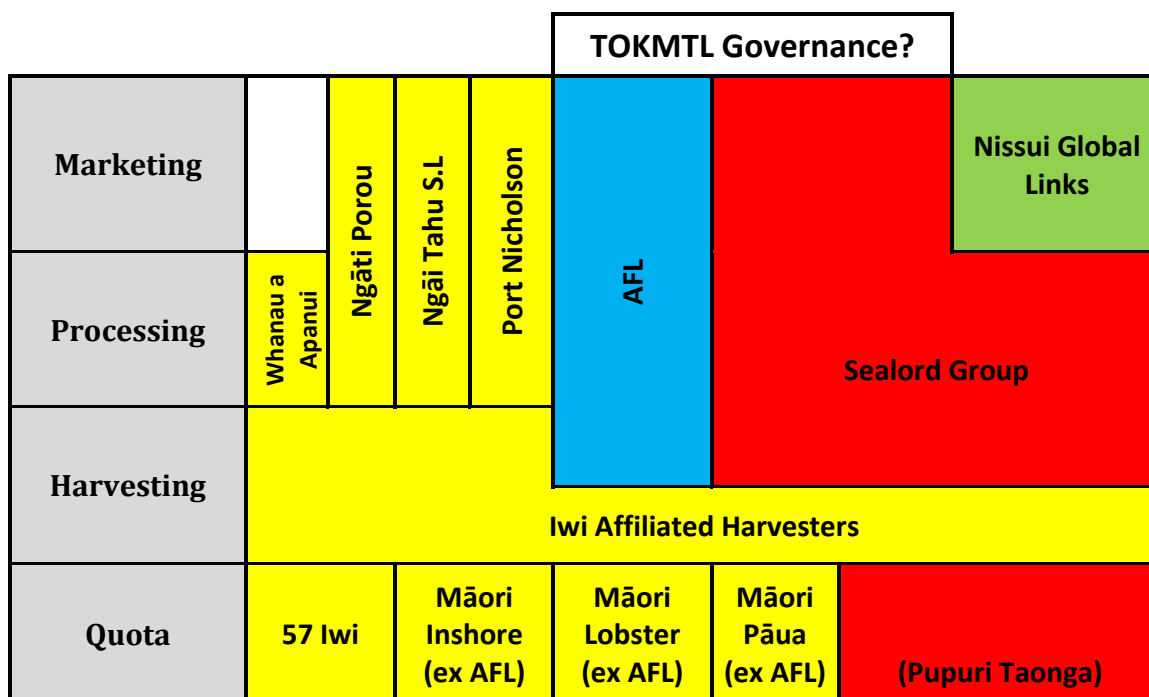
14.0 Māori Fishing Industry: Actions

The key actions required to implement this suggested strategy are collective or co-operative. It is a paradox that effective collective action requires strong and persuasive leadership. The history of the Settlement to date is arguably one where the governance structures established have exhibited effective levels of democracy but lower levels of strong and visionary leadership.

²⁰ Māori Fisheries Act 2004, section 114 (2).

14.1 Structural Re-organisation

Māori Fishing Industry Structure (Proposed) (Co-operation)



By far the largest proportions of the AFL and Sealord balance sheets comprise ITQ or rights to ITQ. Consequently, it is not at all surprising that the primary concern of company managers is to ensure that these 'owned' assets are seen to be used to good effect. Ensuring the effective utilisation of quota owned by others (even iwi) is secondary. This approach is understandable but fatal to the emergence of a Māori Fishing Industry as a reality. MIOs and their associated Asset Holding Companies (the owners of Settlement assets on behalf of their affiliates) do not need AFL and Sealord to be the owners of quota. That is a role that MIOs have been carefully designed and mandated for. Iwi and their affiliates expect AFL and Sealord to be successful operators within fisheries the value chains that use quota. AFL and Sealord are expected to be experts in harvesting, processing and marketing of fish – activities where individual iwi lack the necessary scale and expertise to compete successfully, not only today but in the foreseeable future.

AFL and Sealord executives and directors may argue that their credibility with customers within fisheries value chains rests upon the knowledge that the market offerings of Sealord and AFL are underpinned by secure access to sufficient volumes of quota. There is undoubtedly truth in this argument but 'secure access' does not require quota ownership. Indeed, when the value chain operator and the quota holding entity are separate but owned by the same parties, the commitment of quota from one to the other should be fairly routine – unless there is a performance issue with the value chain operator. In an efficient value chain, every participant should receive quota (or fish,

or fish products) on the basis of their commercial performance or merit. Any other arrangement will impair the returns available to quota and ultimately weaken the ability of its owners to sustain their ownership.

The diagram above outlines a new set of relationships. In any restructuring, a large amount of detailed planning is required which is beyond the scope of this Strategic Plan. However, the key concepts are summarised below:

Iwi, individually and collectively will own and control all Settlement quota currently owned by AFL. Boards of these quota owning entities would be elected directly by iwi shareholders (AHCs). Shareholding in the new quota owning entities that received the ex-AFL quota would be identical to AFL shareholding. Existing AFL debt could be pro-rated between AFL and the new quota holding entity. However, a preferable arrangement would be to transfer all debt to the new quota owning companies which (along with their existing sister AHCs) would clearly be the suppliers of all future capital to AFL:

- AFL would then be a value chain 'cost centre' for the quota entities below.
- All surplus returns after AFL costs (including capital charges) would be returned to the quota owning entities as a rebate linked to the supply of ACE. AFL would not pay dividends.
- AFL's balance sheet would contain only value chain related capital assets such as processing infrastructure, plant and brands. It could remain under the existing governance structure. A separate governance framework for quota use and quota owning entities would promote open and arm's length debate about the terms of the quota access arrangement, the structure of the rebate formula, capital investments and research and development funding to ensure the sustainable evolution of the Māori Fishing Industry.
- All quota from the same fish stocks supplied to AFL by iwi organisations would be eligible for the same rebate payment per kilogram. AFL would be entitled to procure ACE from non-iwi sources on flexible terms. However, the expectation would be that such procurement would not displace any available iwi ACE from use and would have a positive effect on rebates.
- As AFL becomes more proficient as a value chain operator, it is expected that the amount of innovation would increase, along with its appetite for risk and the capital charge on investments of this kind would be adjusted accordingly.

The history of the Settlement since 2004 has made many iwi highly sceptical of increasing their operational ties with (and dependence on) AFL and they may favour alternative avenues for their future value chain involvement. Sadly, the review of performance to date supports this view but there are only three main alternative avenues available:

- i. 'Go it alone'. (Vertical integration from an individual iwi quota portfolio). This has a very poor track record because of insufficient scale to achieve cost efficiencies or to support quality expertise.
- ii. 'Rely on others'. (Notably existing non-Māori companies). This leads to a very exposed commercial position through lack of cost and price information and inability to influence value chain operations that ultimately determine the value of iwi quota.
- iii. 'Club together'. (Work together with like-minded iwi). This is really only feasible in some specialised fisheries where economies of scale are not a significant factor. A good example is Port Nicholson Fisheries (PNF), a crayfish business. However, the disadvantage is that the

iwi participants in PNF (ICP, Paraninihi ki Waitotara and Ngāti Mutunga o Wharekauri) are locked into a shareholding in AFL- a business rival.

What is proposed above is a variant of ‘club together’ which recognises that all iwi already have shares in AFL. A ready-made platform exists for co-operation and rather than demolish it, AFL should be better focussed on the role that arguably it was originally intended for. The advantage of the structure above is that, while there is a presumption that AFL would be supported by iwi owned quota, it does not have a monopoly over that quota and AFL would be subject to actual or potential competition over the medium term). For instance, individual iwi would be free to support existing arrangements if they are more beneficial than the prospect of AFL rebates. The durability and scale of AFL will be a function of its future value chain performance and its ability to deliver the vision above. The advantage of the structural organisation above is that it significantly reduces the quantity of Settlement assets irrevocably locked into the success or otherwise of that performance.

14.2 Sealord

In some ways, Sealord appears to provide a template for the re-organisation suggested for AFL. All quota is held within Pupuri Taonga which is 100% owned by AFL, and thereby owned by iwi. Sealord therefore has the appearance of a joint venture value chain company accessing iwi owned quota through a quota use agreement. Unfortunately, the terms of that quota use agreement are such that Sealord is effectively the owner of that quota. This is evidenced by the facts that the quota is made available for as long as Sealord want it for a ‘peppercorn’ fee and that the Pupuri Taonga quota is currently being used as collateral for Sealord loans. In the event of the forced or voluntary sale of Pupuri Taonga quota, Nissui would be entitled to 50% of the net proceeds. Consultations reveal that the full implications of the Sealord quota use agreement do not seem to be well understood by Maori. There seems little short term prospect of achieving the same re-organisation of Sealord as proposed for AFL. The prospects in Sealord for the establishment of the new values, new objectives and new relationships with iwi suggested in this strategy are therefore more difficult to realise.

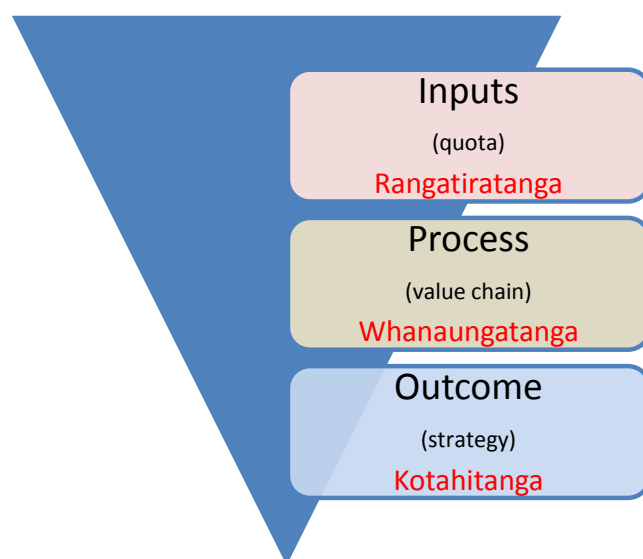
The second important structural reason why Sealord is unlikely to be an effective contributor to the realisation of the Vision for the Māori Fishing Industry has been mentioned above. The Sealord value chain no longer extends into the markets of Europe, North America and Asia. It has been displaced from those sectors by Nissui (with the support of AFL appointed directors). Strong and direct customer relationships are fundamental to the strategy of the Māori Fishing Industry and there is little short term prospect that Nissui will relinquish its existing relationships in the markets where it is strong and the dynamic of a 50:50 relationship assists whichever party wishes to maintain the status quo. The opportunity is available for Sealord to increase its presence in Australia – a market of low apparent priority with Nissui. AFL appointed Sealord directors could support Australian initiatives by Sealord only to the extent that they do not conflict in any way with the aspirations of AFL in that market.

14.3 Establish New Values and Objectives

The restructuring above could be carried out with little immediate impact on the organisational structure and staff numbers of AFL. However, the restructuring of the AFL balance sheet is only a necessary precursor of a profound change to the culture of that organisation. It would be expected to adopt and demonstrate the values of whanaungatanga and manaakitanga and this will present a considerable challenge for some individuals. In the first instance these values will be displayed

towards each other, suppliers (including iwi ACE suppliers) and customers. The values will also influence the future shape of the industry by the expansion of relationships that are based on those values and the withering or deletion of relationship that are not.

Note that the values also have an important role in the implementation of the strategy itself. The vision or outcome of the strategy must be a realm of kotahitanga, the process of re-inventing the value chain is a realm of whanaungatanga but the critical iwi owned inputs to that value chain (ITQ) remain in the realm of rangatiratanga.



14.4 Review Existing Value Chains

Immediately following the restructuring and the introduction of new organisational values, a comprehensive review of existing AFL supply chains, customers, suppliers, products and processes would be undertaken. The purpose of the Review is to identify those aspects of AFL that are meeting the objectives of the Māori Fishing Industry (above) and those which require modification. At the same time, the Review would seek to catalogue a list of value creating propositions. These propositions would cover the entire value chain – even into sectors where AFL is not currently active. It is probable that many of these propositions will be mutually exclusive, or at least belong to mutually exclusive groups of propositions.

The Review would seek to prioritise these bundles of propositions and to formalise them in to work and capital investment programmes. The run-down nature of the harvesting and processing sectors of the Māori Fishing Industry provide a helpful context for the review. The biggest commercial mistake possible would be to re-invest in these sectors without carefully examining whether the status quo value chain is the best future use of iwi quota. For instance, the decision to renew a freezer vessel signals a long term commitment to frozen products. This sort of commitment carries the potential to compromise the returns on quota assets worth many times the value of the vessel itself.

The Review is an opportunity to introduce a new perspective on value chain investment by Māori which is that there is nothing that will not be changed or replaced if that change will better meet the agreed objectives of the Māori Fishing Industry.

It is likely that many value propositions emerging from the Review will fall in to four categories:

- i. **Increased fish product quality.** Generally this means migrating along the spectrum of products from frozen to live. The value and use opportunities for a fish are at a maximum at the moment when the fish is landed live and unmarked.
- ii. **Improved customer service.** This includes traceability, rapid logistics, rapid response to any quality or service issues.
- iii. **Added value.** Compared with Iceland, for instance, New Zealand fishing companies utilise a small proportion of the fish (often around 35%). The remaining 65% can produce valuable by-products, such as omega 3 oils, triglycerides, leather and gelatine. Added value in this context does not mean greater revenue from AFL sales but larger rebates/ kg of ACE to iwi after all AFL operating and capital costs have been met.
- iv. **Cost savings.** Once a value chain has a clear shape, the opportunity arises to pursue on-going time and cost efficiencies. These may be technical efficiencies delivering higher fillet recovery rates or lower water or energy consumption. Sometimes they may involve mechanisation of some aspect of fish handling better design of processes. Often these changes appear minor individually but a culture where all people receive practical support when they identify better ways of doing their job is likely to create more value than a competitor without this culture.

14.5 Pursue Value Chain Opportunities

The purpose of the review is to provide the concrete steps that would make up the business plan of the Māori Fishing Industry for, say, the next 3 years. These steps are likely to involve a substantial re-organisation of AFL and possibly some quite large capital expenditure to pursue the value opportunities identified in the review as initial priorities. The assumption in this strategy is that AFL would present these capital expenditure proposals to the Boards of iwi owned quota entities. Capital funding under this proposed structure is essentially a cost deducted from budgeted rebate streams. As it is assumed that all value propositions would (by definition) generate risk adjusted returns greater than the cost of capital, support for well researched and presented proposals by iwi should be strong.

There is still the prospect that rebates will be compromised in the short term until the investment starts to generate cash flow. Furthermore, it is inevitable that some value propositions will fail to produce the hoped-for returns. Assumptions about 'strike rate' would be built into the iwi requirements for hurdle rates and it is also assumed that at least a dozen of these value propositions would be pursued at any time. Iwi should bear in mind that this proposal assumes that 100% of all free cash flow would be remitted to iwi quota owners as a rebate on the supply of ACE, rather than the 40% of net profit paid as a dividend under section 76 of the Māori Fisheries Act 2004. All of the Sealord dividend paid to AFL could be remitted to iwi in proportion to their AFL shareholding.

The financing cost of the capital expenditure required to convert the Māori Fishing Industry into a co-ordinated pyramid comprising individual iwi owned quota owning entities and collective iwi

owned quota using entities would fall back on to the quota ownership tier of the pyramid. This is not a new burden on iwi. Rather, it clarifies the current situation which is that iwi carry the ultimate burden of commercial risk under the Settlement, either in their capacity as quota owners or AFL shareholders. It is appropriate that decisions about value chain investments be made by the parties which carry the associated risk.

The more direct input into investment decision making by iwi is likely to lead to a longer term perspective on the generation of sustainable free cash flow (rebates). As long as iwi are convinced that all appropriate steps are being made to improve sustainable rebates, the calculation of these rebates as a ROA is largely academic provided quota is regarded as taonga tuku iho. No doubt, some iwi will look at the ROA on quota and decide that it compares unfavourably with alternative uses for the capital tied up in the form of quota. It is their prerogative under the Settlement to sell quota that they see as an unsatisfactory investment (provided the statutory process for sale is followed). In these circumstances, such an iwi would presumably have placed a lower value of the 'identity' elements of the Settlement than some others.

14.6 Continuous Improvement

The restructuring and implementation of new values and objectives for AFL as a quota using entity collectively owned by iwi is intended to create a context for the pursuit of continuous improvement of value chain performance. The value chains concerned include all conceivable values and revenues that can be extracted by the harvesting (or non-harvesting) of quota. Observations from Iceland by Te Putea Whakatupu indicate the unexploited breadth of these opportunities. Some of these require extensive consolidation of effort or presence in the value chain. However, Iceland is experiencing a burgeoning of small entrepreneurial companies creating niche products or selling into niche markets. This suggests ample room for commercial relationships between AFL and small entrepreneurial Māori companies who share the overall values and objectives of the Māori Fishing Industry.

AFL is a means to an end. It provides collective use solutions in quota value chains unavailable (in economic form) to individual iwi. It is a certainty that the required nature of these solutions will change over time.

15.0 Implementation Challenges

The key challenge is to convert "A Strategy for the Māori Fisheries Sector" into "The Strategy for the Māori Fisheries Sector".

There is little disagreement that the desired relationships between iwi on one hand and AFL/Sealord on the other have not developed in the nine years since the passage of the Māori Fisheries Act 2004. There is not even much evidence to suggest that such a relationship is emerging after a slow start. On the contrary, there is more evidence that iwi are focussed on modest bottom-up co-operation such as Port Nicholson Fisheries that bypass existing Māori owned entities like AFL which opposed Koura Inc. and is perceived as being unresponsive to iwi aspirations. These relationship difficulties are often attributed to personality conflicts, cultural differences or ignorance and weak governance. Without discounting these factors, there is another obvious and powerful explanation why AFL and Sealord tend to act as competitors to, rather than servants of, iwi. That is because they are and that competition explains much of the observed disjunction.

The process of turning disjunction into conjunction is likely to meet with some predictable sources of opposition:

- Executives and directors of AFL
- Te Ohu Kai Moana Trust Limited
- Iwi
- The non-Māori Fishing Industry

In order to ensure an integrated approach, the Strategy also needs to be developed at a number of levels:

1. A Settlement level strategy that evaluates the various imperatives associated with customary fisheries, core Maori values along with fisheries management requirements, kaitiakitanga and sustainability, commercial requirements and relationship management.
2. A strategy to achieve cooperation between all of the existing Maori owned fisheries industry commercial entities over the 'next steps' with respect to the Fisheries Settlement in the context of the statutory review process.
3. A strategy that addresses the opportunities and challenges associated with the main Fisheries Settlement structure in present or modified form (i.e. the Strategy for the Maori Fisheries Sector).

15.1 Executives and Directors of AFL

By far the largest proportions of the AFL and Sealord balance sheets comprise ITQ or rights to ITQ. Consequently, it is not at all surprising that the primary concern of company managers is to ensure that these 'owned' assets are seen to be used to good effect. Ensuring the effective utilisation of quota owned by others (even iwi) is secondary. This approach is understandable but fatal to the emergence of a Māori Fishing Industry as a reality. Efforts to change this situation are likely to meet with resistance from managers who will feel that their status will have been diminished in proportion with their company balance sheets. This is not so.

The acquisition of capital assets on behalf of nascent iwi organisations was an appropriate role for AFL immediately after 2004. Some notable successes were achieved but this temporary role has run its course and ironically, the expanded size of the AFL balance sheet is now arguably a distraction from what has always been its intended role – the generation of earnings from within the value chain from harvesting to market.

The proposal above makes AFL value chain performance far more transparent, it requires much closer engagement with iwi quota owning entities to source ACE. All capital expenditure would have to be negotiated with iwi as part of ACE supply/rebate agreements. Finally, the values and objectives of AFL would be more 'Māori'. All of these changes constitute fresh challenges to AFL personnel that may be a source of discomfort.

15.2 Te Ohu Kai Moana Trust Limited

The restructuring of AFL could be regarded as threatening to the current status of Te Ohu Kai Moana Trust Limited (TOKMTL). Although this strategy proposes no change to the process by which TOKMTL trustees are appointed or current powers to appoint AFL directors, the extent of that influence over the entire Settlement will be modified by the change to AFL. For instance capital

investment would have to be negotiated with iwi to a much greater degree because there will be no automatic right to retain surplus earnings and a much smaller balance sheet to support borrowing.

In these circumstances, a new funding arrangement for TOKM seems appropriate and the redeemable preference shares would be more logically held by the new iwi-owned quota owning entity or simply cancelled.

Against these (perhaps unwelcome) changes some exciting potential roles emerge for TOKMTL. First, a more integrated Māori Fishing Industry as envisaged raises the opportunity for a much more effective Māori representative role united around the values, vision and objectives above. This representation has significant economies of scale, whether at Government policy, fisheries management process or industry level. Second, a more integrated Māori Fishing Industry has much greater appetite for innovation, research and development. The co-ordination of such research and development and its leveraged funding is a possible role for TOKMTL.

15.3 Iwi

Any change to Settlement structures invites a renegotiation of Settlement shares by iwi or other Māori interests. Attempts to re-open the allocation debate would be unwise, but cannot be ruled out on this ground alone. This strategy is based upon the presumption that the allocation formula agreed represented a legitimate compromise and the respective quota shares and shareholdings in AFL are similarly legitimate. This proposal therefore accepts the ownership pattern bequeathed by the Settlement as a given but seeks to build a voluntary structure of collective quota use and value chain participation within these constraints. The benefits of better co-operation are certain to outweigh the benefits or re-litigation, not only in aggregate, but at the level of individual iwi.

15.4 Non-Māori Fishing Industry

Another way of describing the relative weakness of Māori participation in fisheries value chains is to view it as a relative dominance by the non-Māori sector. A future commitment of increasing volumes of Māori ACE to Māori owned ACE using entities must be at a cost to the non-Māori sector in terms of revenue and profit. Furthermore, to the extent that a marketing strategy for the Māori Fishing Sector is built around the value of manaakitanga, that is a value which cannot be replicated by others.

To the extent that the business plans and operations of the Māori Fishing Industry generate a stronger sustainable free cash flow than its rivals, they will face increasing pressures to commit ACE to it and to be more passive owners of quota. Ironically, this is the pressure that Māori are under today.

16.0 Recommendations for Te Putea Whakatupu

That Te Putea Whakatupu Trust:

- 1. Endorse** the vision and values underpinning the suggested Strategy for the Māori Fishing Industry.
- 2. Allocate assistance** to beneficiaries of the Trust in a manner that will promote the realisation of the suggested Strategy over time.

Indicative Iwi Entitlements

Allocation Outcomes for Iwi by Income Bands
(Based on Table 3 of Appendix 1 of Aha Whakamau)

Category	Income Band	Number of Beneficiaries	Estimated Total Asset Value	Estimated Income	Estimated Iwi Entitlement
Māori Trusts	0-10,000	1,234	12,345,678	1,234,567	123,456
	10,000-20,000	2,345	23,456,789	2,345,678	234,567
	20,000-30,000	3,456	34,567,890	3,456,789	345,678
	30,000-40,000	4,567	45,678,901	4,567,890	456,789
	40,000-50,000	5,678	56,789,012	5,678,901	567,890
	50,000-60,000	6,789	67,890,123	6,789,012	678,901
	60,000-70,000	7,890	78,901,234	7,890,123	789,012
	70,000-80,000	8,901	89,012,345	8,901,234	890,123
	80,000-90,000	9,012	90,123,456	9,012,345	901,234
	90,000-100,000	10,123	101,234,567	10,123,456	1,012,345
Iwi Trusts	0-10,000	1,345	13,456,789	1,345,678	134,567
	10,000-20,000	2,456	24,567,890	2,456,789	245,678
	20,000-30,000	3,567	35,678,901	3,567,890	356,789
	30,000-40,000	4,678	46,789,012	4,678,901	467,890
	40,000-50,000	5,789	57,890,123	5,789,012	578,901
	50,000-60,000	6,890	68,901,234	6,890,123	689,012
	60,000-70,000	7,901	79,012,345	7,901,234	790,123
	70,000-80,000	8,012	80,123,456	8,012,345	801,234
	80,000-90,000	9,123	91,234,567	9,123,456	912,345
	90,000-100,000	10,234	102,345,678	10,234,567	1,023,456
Whānau Trusts	0-10,000	1,456	14,567,890	1,456,789	145,678
	10,000-20,000	2,567	25,678,901	2,567,890	256,789
	20,000-30,000	3,678	36,789,012	3,678,901	367,890
	30,000-40,000	4,789	47,890,123	4,789,012	478,901
	40,000-50,000	5,890	58,901,234	5,890,123	589,012
	50,000-60,000	6,901	69,012,345	6,901,234	690,123
	60,000-70,000	7,012	70,123,456	7,012,345	701,234
	70,000-80,000	8,123	81,234,567	8,123,456	812,345
	80,000-90,000	9,234	92,345,678	9,234,567	923,456
	90,000-100,000	10,345	103,456,789	10,345,678	1,034,567
Other Trusts	0-10,000	1,567	15,678,901	1,567,890	156,789
	10,000-20,000	2,678	26,789,012	2,678,901	267,890
	20,000-30,000	3,789	37,890,123	3,789,012	378,901
	30,000-40,000	4,890	48,901,234	4,890,123	489,012
	40,000-50,000	5,901	59,012,345	5,901,234	590,123
	50,000-60,000	6,012	60,123,456	6,012,345	601,234
	60,000-70,000	7,123	71,234,567	7,123,456	712,345
	70,000-80,000	8,234	82,345,678	8,234,567	823,456
	80,000-90,000	9,345	93,456,789	9,345,678	934,567
	90,000-100,000	10,456	104,567,890	10,456,789	1,045,678
TOTAL					

Category	Income Band	ESTIMATED ASSET VALUE		ESTIMATED INCOME TO IWI	
		Estimated Total Asset Value	Estimated Income	Estimated Total Asset Value	Estimated Income
Māori Trusts	0-10,000	12,345,678	1,234,567	12,345,678	1,234,567
	10,000-20,000	23,456,789	2,345,678	23,456,789	2,345,678
	20,000-30,000	34,567,890	3,456,789	34,567,890	3,456,789
	30,000-40,000	45,678,901	4,567,890	45,678,901	4,567,890
	40,000-50,000	56,789,012	5,678,901	56,789,012	5,678,901
	50,000-60,000	67,890,123	6,789,012	67,890,123	6,789,012
	60,000-70,000	78,901,234	7,890,123	78,901,234	7,890,123
	70,000-80,000	89,012,345	8,901,234	89,012,345	8,901,234
	80,000-90,000	90,123,456	9,012,345	90,123,456	9,012,345
	90,000-100,000	101,234,567	10,123,456	101,234,567	10,123,456
Iwi Trusts	0-10,000	13,456,789	1,345,678	13,456,789	1,345,678
	10,000-20,000	24,567,890	2,456,789	24,567,890	2,456,789
	20,000-30,000	35,678,901	3,567,890	35,678,901	3,567,890
	30,000-40,000	46,789,012	4,678,901	46,789,012	4,678,901
	40,000-50,000	57,890,123	5,789,012	57,890,123	5,789,012
	50,000-60,000	68,901,234	6,890,123	68,901,234	6,890,123
	60,000-70,000	79,012,345	7,901,234	79,012,345	7,901,234
	70,000-80,000	80,123,456	8,012,345	80,123,456	8,012,345
	80,000-90,000	91,234,567	9,123,456	91,234,567	9,123,456
	90,000-100,000	102,345,678	10,234,567	102,345,678	10,234,567
Whānau Trusts	0-10,000	14,567,890	1,456,789	14,567,890	1,456,789
	10,000-20,000	25,678,901	2,567,890	25,678,901	2,567,890
	20,000-30,000	36,789,012	3,678,901	36,789,012	3,678,901
	30,000-40,000	47,890,123	4,789,012	47,890,123	4,789,012
	40,000-50,000	58,901,234	5,890,123	58,901,234	5,890,123
	50,000-60,000	69,012,345	6,901,234	69,012,345	6,901,234
	60,000-70,000	70,123,456	7,012,345	70,123,456	7,012,345
	70,000-80,000	81,234,567	8,123,456	81,234,567	8,123,456
	80,000-90,000	92,345,678	9,234,567	92,345,678	9,234,567
	90,000-100,000	103,456,789	10,345,678	103,456,789	10,345,678
Other Trusts	0-10,000	15,678,901	1,567,890	15,678,901	1,567,890
	10,000-20,000	26,789,012	2,678,901	26,789,012	2,678,901
	20,000-30,000	37,890,123	3,789,012	37,890,123	3,789,012
	30,000-40,000	48,901,234	4,890,123	48,901,234	4,890,123
	40,000-50,000	59,012,345	5,901,234	59,012,345	5,901,234
	50,000-60,000	60,123,456	6,012,345	60,123,456	6,012,345
	60,000-70,000	71,234,567	7,123,456	71,234,567	7,123,456
	70,000-80,000	82,345,678	8,234,567	82,345,678	8,234,567
	80,000-90,000	93,456,789	9,345,678	93,456,789	9,345,678
	90,000-100,000	104,567,890	10,456,789	104,567,890	10,456,789
TOTAL					