

JAI689 for reply
please.

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3 December 2007

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The Honourable Minister of Fisheries
Jim Anderton
Parliament Buildings
WELLINGTON

**RE TALLEY'S GROUP MANAGEMENT LIMITED AND TALLEY'S
GROUP – APPLICATION FOR CONSENT TO HOLD ELEPHANT FISH
(ELE) QUOTA IN EXCESS OF AGGREGATION LIMITS – SECTION 59
AND 60 FISHERIES ACT 1996**

1.0 APPLICATION.

- 1.1 This is an application by Talleys to hold Elephant Fish in excess of the quota aggregation limits contained in section 60 of the Fisheries Act 1996.
- 1.2 In metric tonnes the application is to hold a total of 516.443 metric tonnes out of a total New Zealand Elephant fishery of 1213.50 metric tonnes.
- 1.3 The application is to hold the ELE quota in the perpetuity without condition or restriction.
- 1.4 The application if successful, will take Talley's holdings to 42.55%, an increase of 7.55% over the permissible limit.

2.0 BACKGROUND

- 2.1 Talleys Group Management Limited (Talleys) is duly incorporated company having its registered office at Motueka and carrying on business there, and elsewhere, as fish processors.
- 2.2 Talleys and its associated group of companies are significant quota holders of fin fish quota in QMA7 (the Challenger area) and QMA3
- 2.3 Access to quota and thereby supply of product to Talleys processing operations is essential to the operation of its Motueka and other fish processing factories, notably in Timaru as it affects landing of significant quantities of ELE in Area 3.

- 2.4 Talleys are associated with McDonald and Brown Limited and Ocean Products Limited for the purposes of this application. Their holdings are however minimal (see chart below).

3.0 CURRENT ELEPHANT FISH QUOTA HOLDINGS

- 3.1 The Talleys Group, for the purposes of aggregation, is a current holder of ELE quota as follows:

(a)	Talleys Group	379.486 tonnes
(b)	McDonald & Brown Limited	.200 tonnes
(c)	Ocean Products	<u>.400</u> tonnes

Total **380.077 tonnes**

- 3.2 Two additional parcels purchased on 1 October 2007 took the tonnage to 424.72.

- 3.3 The current quota available in New Zealand is 1213.50 metric tonnes. Talleys current holdings are in accordance with the permitted limits.

- 3.4 An appropriate application for consent to hold more than the specified quota holdings of ELE is required for the purchase or acquisition of additional quota, and to allow an additional 10 tonne of headroom.

- 3.5 No purchase or acquisition of quota has taken place to ensure compliance with the legislation. Any purchase arrangements are conditional upon consent being given. Section 60 (4) of the Fisheries Act has therefore been complied with.

4.0 THIS APPLICATION

- 4.1 Talleys Group Management wish to purchase an additional 81.723 metric tonne of ELE quota from existing quota owners in the ELE 3 Fishery.

- 4.2 The purchases represent proposed purchases from:

Raymond Mitchell	19.389metric tonnes
Robert Odey	62.334metric tonnes
Total	<u>81.723</u> metric tonnes

Plus headroom 10.000metric tonnes
TOTAL **91.723metric tonnes**

- 4.3 The acquisition of an additional 81.723 tonnes plus approval for an additional 10 tonnes would take Talleys total holdings to:

Existing	424.72
Plus	91.723
Total	<u>516.443</u> metric tonnes

which represents 42.55% of the total 1213.50 metric tonnes available in New Zealand.

5.0 TALLEYS GROUP MANAGEMENT LIMITED

- 5.1 Talleys wet fishing processing operations are largely undertaken through its Motueka base, but the relevant quota being Area 3 quota, is more likely to be landed in to Timaru and processed there.
- 5.2 Talley's involvement with fishermen who have traditionally been involved in the fishery go back over a period of 25 years.
- 5.3 Talleys do not now own any inshore fishing boats that participate in any fishing activity involving Elephant Fish.
- 5.4 All quota owned by Talleys Group Limited is made available to fishermen to catch by way of ACE fishing arrangements.
- 5.5 It is by that means that Talleys ensures that its quota is utilised for the benefits of both commercial fishermen who supply product to Talleys, and at the same time guarantees the supply of product to the processing factory as an essential and integral part of Talleys processing operations.
- 5.6 It is also by this means of quota ownership, and release back through the ACE process to local fishers in the area where quota is owned, that Talleys are able to actively maintain the interest of local fishermen in the fishery and to ensure the spread around of ACE and fishing activities on the East Coast of the South Island.
- 5.7 Essentially the requirements of the export market and the processing requirements of the factory also require continuity of supply to make sure that export orders can be met, and to ensure continuity of employment for staff. Quota ownership is essential to meet those requirements.

6.0 THE CURRENT STATE OF THE ELEPHANT FISHERY

- 6.1 Because of the current down turn in fishing in general, there are a number of parties that have quota for sale, and who, because of the low returns at the moment wish now to sell that quota. The need to reduce debt is often a compelling factor.

- 6.2 Talleys is acutely aware of the need to maintain the viability of the fishery, and to ensure that quota available, is readily able to be sold and to maintain confidence in the fishery.
- 6.3 Accordingly, Talleys has conditionally agreed to purchase 81.273 metric tonnes of ELE quota to enable those sellers who want to sell, to continue to sell quota in the market place.
- 6.4 The additional availability of that quota will also assist Talleys, and maintain a continuity of supply of fish through the processing factories and thereby enabling Talleys to meet its export commitments.
- 6.5 The additional 10 tonne is necessary to meet contingencies and will avoid repeat applications for exemptions.

7.0 THE SECTION 60 LEGAL REQUIREMENTS

- 7.1 The provisions of Section 60 of the Fisheries Act 1996 control the procedures by which the Minister considers applications for exemption from the aggregation provisions of the Fisheries Act 1996.
- 7.2 The primary legal matters that must be taken into account are set out in Section 60 (3) of the Act.
- 7.3 The requirements of Section 60 (1) of the Act require consultation, and the Ministry will no doubt advise who must now be consulted in relation to the application.
- 7.4 It should be noted from the outset, that in accordance with Section 60 (2) that the application is sought without conditions or restrictions i.e. it is an application to own the quota shares in perpetuity without restriction.

8.0 REQUIREMENTS OF SECTION 60(3)(a) OF THE FISHERIES ACT 1996 - THE WILLINGNESS AND ABILITY OF OTHER MEMBERS OF THE NEW ZEALAND FISHING INDUSTRY TO ACQUIRE QUOTA OF THE RELEVANT SPECIES

- 8.1 Talleys is a wholly owned New Zealand company. While it is difficult to specifically comment upon the ability or willingness of other members of the fishing industry to acquire the relevant quota, the fact of the matter is that with the current state of wet fishing, it remains important to ensure the quota sale can free up needed

capital for a fisher and at the same time allow them to continue to fish by ACE arrangements.

- 8.2 If the consent is granted, Talleys will purchase the quota, and will continue to ensure that the quota is made available to local fishers, and more particularly here, the sellers.

9.0 THE LIKELY EFFECT OF THE GRANTING OR WITHHOLDING OF THE CONSENT SECTION 60 (3) (b)

9.1 This sub-section is split into five different sub-sections and deals with the likely effect of the granting or withholding of the consent on:

- (i) The development of any new or existing stock or species,
- (ii) Other quota owners or commercial fishers.
- (iii) The process and marketing of that stock or species.
- (iv) The ability to take any other stock or species.
- (v) The efficiency of the New Zealand Fishing Industry or any person engaged in New Zealand Fishing Industry.

THE DEVELOPMENT OF ANY NEW OR EXISTING STOCK OF SPECIES, (SECTION 60 (3) b (i))

9.2 The development of the fishery, or any new, is unlikely to be effected in any way by the granting or the withholding of the consent.

THE EFFECT OF GRANTING OR WITHHOLDING CONSENT ON OTHER QUOTA OWNERS (SECTION 60 (3)(b)(ii))

9.3 The impact of granting the consent, it is suggested, is minimal. The fish will continue to be caught by local fishers. It is important to retain control of the quota locally, as it is near impossible to fish in Area 3 without catching Elephant fish. If local fishers are denied access, significant deemed value problems arise.

THE EFFECT OF GRANTING OR WITHHOLDING CONSENT ON THE PROCESSING AND MARKETING OF FISH 60 (3)(b)(iii)

9.4 Talleys have invested a considerable amount of time and money in processing plants, including a Timaru plant, with a view to producing high quality products for local and overseas markets.

9.5 It takes a number of years to build up a viable market and the ability to service and supply that market is of considerable concern to

Talleys as a processor. It is essential that a proper and viable quota base is available to ensure the continued economic and commercial viability of the processing factory, and thus the ability to provide high quality product to the overseas market.

- 9.6 The last thing that Talleys want in all the circumstances is quota being left uncaught. Local factories employ local people, and continuity of supply is critical.

THE EFFECT OF THE GRANTING OR WITHHOLDING OF CONSENT OR THE ABILITY OF THE APPLICANT TO TAKE OTHER SPECIES OR CLASS OF FISH (S.60(b)(iv))

- 9.7 While Talleys have fin-fish processing operations largely based in Motueka, it has fishing interests in Takaka, Westport, Greymouth and Timaru, all of which provide valuable employment opportunities in those areas.
- 9.8 While Talleys owns quota in other species of fish, other than Elephant fish, Elephant fish quota is largely made available to fishers within the Timaru area to ensure participation of local industry in the taking of that fish.
- 9.9 Additionally, it is important to maintain a sufficient through flow of product to the processing factory. If product is absent or reduced, it is more difficult to obtain or retain skilled processing staff.

THE EFFECT OF THE GRANTING OR WITHHOLDING OF CONSENT ON THE EFFICIENCY OF THE NEW ZEALAND FISHING INDUSTRY OR OTHER PERSONS ENGAGED IN THE NEW ZEALAND FISHING INDUSTRY.

- 9.10 The granting of the consent will not impact on the efficiency of fishing, catching or processing in the scallop fishery or other fisheries.

10.0 OTHER MATTERS THE MINISTER CONSIDERS RELEVANT (S.60 (3) (c))

- 10.1 The fishery provides significant social and economic benefits to the people of Timaru. The retention of the quota base within the area effectively guarantees the availability of quota to local fishers and the ongoing benefits of employment in the fishing industry. This is particularly important given the current state of the inshore fishing.
- 10.2 Likewise, a need for a sound commercial quota base ensures adequacy of supply and employment of persons working in the processing factory.

10.3 In essence, the social and economic benefits to the area are substantial, and it is suggested, an extremely important matter that the Minister should consider when dealing with this application.

11.0 THE CONSENT SOUGHT

11.1 As outlined above, the consent may be given subject to such conditions as the Minister may consider appropriate and be given for any specified year or years generally.

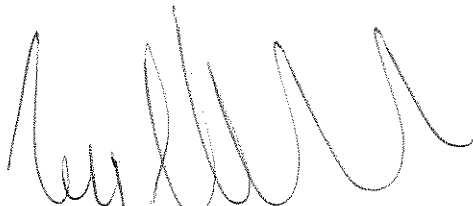
11.2 The application sought is for the unconditional ability to own 42.55% of Elephant fish quota shares in New Zealand waters

12.0 SUMMARY

12.1 Once the Minister advises the organisations with whom consultation needs to take place, copies of this letter will be forthwith forwarded to them.

12.2 If there is any additional information that is required, we would be pleased to forward it to you.

Yours faithfully
STALLARD HUNTER

A handwritten signature in black ink, appearing to read 'Tony Stallard', written over a faint, illegible stamp or watermark.

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