



7 October 2011

Paul Swain
Panel Chair
Ministerial Inquiry into Foreign Charter Vessels
C/o Jenny Wood, MAF
P O Box 1020
WELLINGTON 6140.

By email: jenny.wood@fish.govt.nz

Dear Mr Swain

RE: SUBMISSION ON BEHALF OF SOUTHERN STORM FISHING (2007) LTD TO MINISTERIAL INQUIRY INTO FOREIGN CHARTER VESSELS

A Background of submitter

1. Southern Storm Fishing (2007) Ltd¹ has been involved in chartering foreign vessels for the purposes of fishing within New Zealand's EEZ for more than 10 years.
2. The company has a close working relationship with its charter partner, Sajo Oyang Corporation of Korea. Southern Storm was initially formed as a joint venture arrangement between Mr Hyun Choi, a New Zealand citizen, and the Oyang Corporation of Korea. Mr Choi owned 75.1% of Southern Storm Fishing Ltd and Oyang Corporation owned the remainder.
3. Mr Choi perceived there to be an economic benefit in forming a company of this kind (i.e. a joint venture), as there were significant amounts of Annual Catch Entitlement (ACE) available in New Zealand that was effectively underutilised. The establishment of a joint venture with a Korean company, using Korean flagged vessels to catch the fish, enabled direct access to the growing domestic market of the Republic of Korea, without attracting the normal level of duties that are imposed on imported fish products.
4. Mr Choi was particularly confident that the Oyang Corporation was an appropriate partner given the presence of that company's vessels in the New Zealand fishing industry since the 1980's. During that period, the Oyang Corporation and its vessels had never been the subject of a Ministry of Fisheries prosecution, a record which very few companies, whether foreign or New Zealand owned, could boast.
5. In late 2006, however, the Oyang Corporation of Korea encountered financial difficulties in Korea and the company was purchased by Sajo Industries, a division of a large Korean corporation. Oyang Corporation's name was changed to Sajo Oyang, with the new company having completely different shareholders and directors. As part of the changes introduced by Sajo Industries, the nature of the New Zealand operation changed from being a joint venture to straight forward commercial chartering and

¹ including its predecessor, Southern Storm Fishing Ltd

purchasing arrangements. Southern Storm Fishing (2007) Ltd was set up reflecting these changes. The company was, until recently, wholly-owned by Mr Choi and he was the sole director. Recently, Mr Choi restructured his shareholding arrangements and the company is now owned by a family trust with a trustee director. Mr Choi is no longer involved with Southern Storm.

6. Following the establishment of Southern Storm in 2000, the company (and its successor) have successfully operated up to three Oyang vessels under charter at any one time. The vessels have caught well in excess of 40,000 tonnes of fish. The company has generated exports to Korea and other locations in excess of NZ\$250 million. In addition, all of the Oyang vessels are regularly serviced in New Zealand ports by local engineering and supply firms. The company spends on average NZ\$5 million per annum on these services. A substantial portion of the food and products consumed by the crew on these vessels is also locally sourced. On average, the company annually spends in the region of NZ\$1 million on locally sourced products and services related to crew.
7. As part of its operating arrangements, the company employs local knowledge and expertise in overseeing the vessels' operations in New Zealand waters and their compliance with various aspects of New Zealand laws. Fisheries Consultancy (NZ) Ltd (FishCon) is operated by Mr Pete Dawson, a person who has considerable expertise in overseeing the operation of deep water fishing vessels in New Zealand, having previously been the fleet manager for Independent Fisheries Ltd. FishCon is contracted to Southern Storm to provide both compliance and vessel management services. That company in turn employs four people within the Lyttelton area to undertake these services. The company also utilises the services of Solutions Multiplier in Kaikoura for preparing and filing fisheries returns.
8. Following the sinking of the Oyang 70, Sajo Oyang has heavily invested in the future of the New Zealand fishing industry through the acquisition of the Oyang 75 which is a modern stern trawler with an insured value of NZ\$13 million. This vessel is of a standard comparable to any operated by other New Zealand companies. It is one of the most modern vessels in the New Zealand fishing fleet.
9. Overall, the company makes a significant contribution to the New Zealand economy and has done so for many years in a responsible and compliant manner. It has, however, recently found itself at the centre of attention as a result of the tragic sinking of the Oyang 70 in August 2010 and subsequent attempts by parties with broader political agendas to exploit that sinking as part of an ongoing campaign to exclude foreign vessels from New Zealand fisheries waters.

B Current regime and terms of reference

10. Southern Storm understands that the inquiry's terms of reference are broad in nature, with the principal objective being to ensure the operation of foreign owned and flagged vessels chartered by New Zealand fishing companies support the government objectives of:
 1. Protecting New Zealand's international reputation and trade access;
 2. Maximising the economic return to New Zealand from our fisheries resources; and
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