

# OI Assessment Report 202400406 – Maruha (N.Z.) Corporation Limited

**Ki / To:** Anneke Turton, Leader  
Assessment

**Rā / Date:** 2 December 2024

**Mai / From** Phil Anderson, Senior Customer  
Regulatory Specialist

**Rā Mutunga/  
Deadline** 20 December 2024

## Pūtake/Purpose

We seek your decision on an application for consent to acquire an interest in fishing quota under the Fisheries Act 1996 (**Act**) and the Overseas Investment Act 2005 (**OIA**).

## Summary

<b>Applicant</b>	<b>Maruha (N.Z.) Corporation Limited</b> Japan 100%
<b>Vendors</b>	<b>Unknown fishing quota holders</b> Various 100%
<b>Fishing Quota transaction</b>	1) Acquisition of Annual Catch Entitlement ( <b>New ACE</b> ) of up to 21,000mt of certain fish species 2) Acquisition of Individual Transferrable Quota ( <b>New Quota</b> ) of up to 1,000mt of any species
<b>Consideration</b>	1) approximately \$3,000,000 per annum for ACE 2) To be determined at time of sale
<b>Relevant tests</b>	Criteria for overseas investments in fishing quota in s57G of the Act

The Applicant is a New Zealand fisheries company which is 100% owned by a publicly listed Japanese owned company which heads one of the world's largest seafood group of companies.

The Applicant has been operating in the New Zealand fishing industry since the 1950s, and is a repeat investor, having made five applications for consent since 2000 (two of which it continues to report upon annually to LINZ).

The Applicant currently operates two deep sea fishing vessels, and is seeking consent to acquire New ACE and New Quota to enable it to better safeguard its fishing operation in New Zealand.

In undertaking our assessment, we consulted with the Ministry of Primary Industries (**MPI**).

## Timing

A decision is required by **22 January 2025** to comply with the expectation in the *Ministerial Directive Letter*<sup>1</sup> that the majority of consent decisions are made within half the prescribed assessment timeframe.<sup>2</sup> The Applicant has requested a decision date of no later than **20 December 2024** for commercial reasons<sup>3</sup>.

## Decision

1. I have determined that, for the reasons set out in this report:
  - the relevant overseas person(s) and individuals with control are as set out in the report<sup>4</sup>;
  - the investor test has been met<sup>5</sup>;
  - the benefit test is met<sup>6</sup>;
  - the interest in fishing quota is capable of being registered in the Quota Register or the Annual Catch Entitlement Register<sup>7</sup>.
2. I note that the transaction is not considered to be a transaction of national interest.
3. I therefore **grant consent** subject to the conditions in **Attachment 1**.

s9(2)(a)

**Anneke Turton**

Leader Assessment

Overseas Investment - LINZ

Date: 2 / 12 / 2024

<sup>1</sup> Dated 6 June 2024.

<sup>2</sup> The assessment timeframe for this application is 200 working days.

<sup>3</sup> In particular, the decision outcome will be instrumental in the Applicant's decision whether to extend the charter of one of its two fishing vessels which is due to expire on [REDACTED].

<sup>4</sup> as determined under section 57F of the Act

<sup>5</sup> as required under section 57G(a) of the Act and section 18A of the OIA

<sup>6</sup> as required under section 57G(b) of the Act

<sup>7</sup> as required by section 57G(f) of the Act

## A. Background and proposed transactions

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4. Maruha (N.Z.) Corporation Limited (**Applicant**) is a New Zealand fishing company which is seeking to acquire "fishing quota" under the Act (**Investment**).
5. The Applicant is making the Investment in order to be able to continue to operate its two deep sea fishing vessels (**Vessels**). If the Investment is unable to be made, one of these Vessels will most likely discontinue operations in the near future, [REDACTED]

### The Quota Management System

6. The Quota Management System (**QMS**) is a method by which New Zealand's fisheries are managed to protect the sustainability of fisheries.
7. Every year, the Minister of Fisheries sets New Zealand's Total Allowable Catch (**TAC**) and after allowing for recreational and Māori customary rights, a limit is placed on commercial fishers, which is the Total Allowable Commercial Catch (**TACC**). In most cases, the fishing season runs from 1 October to 30 September in the following year.
8. Commercial fishers hold<sup>8</sup> **Quota**<sup>9</sup> in certain species. Quota conveys property rights over a share of the fishery. The total number of Quota shares for a fish stock is always 100m.
9. Quota holders are allocated **ACE** based upon the TACC for that species and the number of Quota shares they hold.
10. Quota holders are free to apply the ACE generated from their holdings against their own catch or sell ACE for a fee usually on season-by-season basis. Similarly, Quota holders are also free to sell their Quota. An overseas person such as the Applicant requires consent to acquire both Quota and ACE.
11. Commercial fishers who catch more fish than the ACE they hold entitles them to catch, may be charged the 'deemed value' of the extra catch. This value is a rate set by Fisheries New Zealand for each fish stock in the QMS. Deemed values are higher than the cost of buying ACE. This encourages commercial fishers to use ACE to balance their catch. The deemed values system is seen as a way to disincentivise participants from overfishing.

### The New Zealand deepwater fishing industry

12. Commercial fishing is divided between in-shore (up to 12 nautical miles (**NM**) from shore) and deepwater (12 to 200 NM from shore) fishing. Deepwater vessels over 46 metres are excluded from operating in inshore fisheries.

<sup>8</sup> The original allocation of Quota was determined in proportion to the Quota holder's share of that fishery at the outset of the QMS. Since the QMS has been in force, Quota has been traded on the open market.

<sup>9</sup> The technical term is **Individual Transferrable Quota**, also referred to as **ITQ**.

13. This application relates to interests in deepwater species. Within this group are species of high value (eg Snapper and Orange Roughy), medium value (eg Hoki) and low value (eg Jack mackerel)<sup>10</sup>.
14. Although there are 22 deepwater trawlers in total operating in the NZEEZ<sup>11</sup>, most of these target higher value species, often by smaller vessels mainly locally crewed, which allow for further processing being carried out in factories on land. The higher value species are usually caught near to the maximum of their TACC.
15. Targeting of lower value deepwater species over the last three decades has mostly been by large deepwater foreign-crewed vessels. These vessels belong to the **BATM**<sup>12</sup> class - six of which are currently in New Zealand, two operated by the Applicant (**the Vessels**) and four by Sealord Group<sup>13</sup>. They are all foreign crewed with around 80 officers and crew (and a MPI fisheries officer observer). The six BATM class vessels catch approximately 85% of low value species, plus around 26% of the more valuable Hoki. There is also one smaller (81m) Sealord vessel which targets both low and high value deep water species.
16. BATM vessels are well placed to target low value species because they have lower operating costs than other deepwater trawlers. Smaller deepwater vessels are not fast enough, nor are they capable of processing large volumes of low value species.
17. MPI has recently<sup>14</sup> (June 2024) reported on the outlook for seafood and is predicting a growth in exports due to favourable prices etc, whilst noting high input costs are proving a challenge. The Applicant submits, and we agree, that it is important that NZ retains as much catching capacity as possible to help achieve the growth in export receipts projected by MPI.
18. The Applicant has also provided data which shows that, in most instances, there has been unutilised ACE for most of its target species during the last three seasons during which it has been operating<sup>15</sup>.

<sup>10</sup> The deemed \$/kg value of these vary from Snapper (\$8) and Orange Roughy (\$5), down to \$0.9 for Hoki to just \$0.09 for some Jack mackerell.

<sup>11</sup> New Zealand Exclusive Economic Zone

<sup>12</sup> BATM means Big Autonomous Trawler Reefer

<sup>13</sup> Recently (February 2024) Sealord completed the purchase of Independent Fisheries deepwater fishing operations which included 3 BATM vessels.

<sup>14</sup> <https://www.mpi.govt.nz/dmsdocument/62637-Situation-and-Outlook-for-Primary-Industries-SOPI-June-2024>

<sup>15</sup> MPI has provided data for 10 species in particular areas showing that, over the last five years of completed fishing, only BAR4 (once) and BAR5 (once) have exceeded the ACE available to purchase. In all other cases there was spare ACE available.



### Fishing Quota sought

19. The "interests in fishing quota" sought in this case are<sup>16</sup>:

- **New ACE - up to 21,000mt of ACE of mixed fish species for a period of 10 years**
- **New Quota - up to 1,000mt of Quota of any species**

as set out in the following table:

Species	New ACE Maximum tonnage	New Quota Maximum tonnage
██████████	████	
██████████████████	████	
████	████	
████	████	
██████████	████	
Any species (including those above)	████	1,000
<b>Maximum across all species</b>	<b>21,000</b>	<b>1,000</b>

Figure 1 – updated tonnage of interests in fishing quota sought

20. At times, one or more species cannot be caught at expected levels, and the Applicant needs the ability to catch other species (or the same species in other fishing areas) without having to pay punitive deemed values. The Applicant is therefore seeking a consent that individually caps its main target species. It, however, does not wish to break down those caps between fishing areas for each of those species as there is a risk that it could run out of ACE if fishing conditions alter unexpectedly.
21. The requested tonnages are supported by the Applicant's current requirements (along with some flexibility to cater for the unpredictability of future catches). The Applicant submits that the tonnages requested are relatively conservative noting that there were examples of catch levels being above what is being requested.
22. Owning Quota provides much more certainty of having ACE available rather than having to rely on obtaining ACE (noting however that it is very rare for Quota of any species that may be of use to the Applicant's fishing operations to be for sale, as Quota is tightly held, and income

<sup>16</sup> The requested tonnages of individual species (though not the overall amount) changed during the processing of this application. This was primarily in response to the Minister of Fisheries increasing the TACC limit (following lodgement of the application) for Jack mackerell 7, which has not been fully utilised, by 9% from 1 October 2024. The amount of ██████████ requested by the Applicant consequently increased from ██████████ tonnes (and as a result, ██████████ all reduced by 500 tonnes to stay within the 21,000 overall tonnage requested).

can be obtained from leasing it out as ACE). Acquiring Quota will reduce the business risk associated with being almost totally reliant on finding spare ACE from a willing seller.

23. It makes no commercial sense for the Applicant to hold ACE in species it cannot catch, or more than what it conceivably requires, as unused ACE is a waste of money and gets cancelled at the end of the season (other than a 10% uncaught allowance that carries over).
24. The Applicant is seeking a 10 year timeframe for the acquisition of Quota, based upon how long it took for it to acquire its existing Quota. It is also seeking to be able to acquire ACE for a period of 10 years, to provide certainty of operation, particularly around investing in repairs and ongoing upgrades to its vessels, or replacements. We consider that this is a reasonable period to request.
25. MPI has confirmed that the requested tonnages are reasonable, though expressed some concerns about not having limits to particular areas for ACE and "Various" species not being identified. We note however that the allocation of Quota (and ACE) is governed by a separate regulatory system<sup>17</sup>, and is subject to market availability, and that the Applicant has stated that *"Although the species is not listed, the Applicant will only purchase that which will be useful for its fishing operation. Thus, that will be more low value target species or by-catch."*<sup>18</sup>
26. We also note that the amount of New Quota being sought constitutes approximately 0.2% of total TACC.

## **B. Application of the Act**

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27. The following criteria for an investment in Fishing Quota apply to this application:<sup>19</sup>
  - the investor test<sup>20</sup>;
  - the benefit to New Zealand test<sup>21</sup>;
  - if the overseas investment in fishing quota is a transaction of national interest, the Minister has not declined consent to the transaction<sup>22</sup>.
  - the interest in fishing quota must be capable of being registered in the Quota Register or the Annual Catch Entitlement Register<sup>23</sup>.
28. We note that the New Quota and New ACE sought by the Applicant are capable of being registered, and accordingly note that this part of the criteria is met.

<sup>17</sup> We note that the current *Ministerial Directive Letter* directs that if a risk is identified that is addressed by another regulatory regime, that risk should be considered sufficiently mitigated unless there is compelling evidence to the contrary. We do not consider that there is such compelling evidence in this case.

<sup>18</sup> We also note that, as set out in a following footnote, the Applicant's prior consents provided for unspecified "various management areas" and "various" species, and the Applicant continues to report on these to LINZ.

<sup>19</sup> Set out in section 16(1) of the Act.

<sup>20</sup> as required under section 57G(a) of the Act and section 18A of the OIA

<sup>21</sup> as required under section 16A(1A) of the OIA and section 57H of the Act

<sup>22</sup> as required under section 57G(c) of the Act

<sup>23</sup> as required under section 57G(d) of the Act

29. We assess the investor test in **Part C**, the benefit to New Zealand test in **Part D**, and national interest matters in **Part E**.

### C. Applicant and investor test

30. This section describes the Applicant and assesses whether the investor test is met.

#### Ownership and control

31. The Applicant is solely owned by Maruha Nichiro Corporation (**MNC**), a Tokyo based and stock exchange listed company which heads one of the world's largest seafood group of companies. It has over 78,000 shareholders, its largest being The Master Trust Bank of Japan (13%) whilst one other shareholder holds over 5%.
32. Decisions to acquire New ACE are made daily by senior management of the Applicant, as would decisions to acquire any New Quota. It is unlikely that the Board of MNC will be involved in making decisions about New ACE and any New Quota acquisition. However, if the acquisition of New Quota was particularly expensive some MNC board members may be consulted.
33. A diagram of the intended ownership structure is in **Attachment 2**.

#### Relevant overseas person and individuals with control

34. We recommend that the '**relevant overseas person**' is (collectively):

Relevant overseas person	Reason
Maruha (N.Z.) Corporation Limited	Applicant and acquiring entity
Maruha Nichiro Corporation, ( <b>MNC</b> )	100% owner of the Applicant

35. We recommend that the 'individuals with control of the relevant overseas person' are:

Individuals with control	Reason
Hiroshi Yahata	Director and Managing Director of Applicant
Ichiro Takuma	Director of Applicant
Masaru Ikemi	President and CEO of MNC
Kenji Funaki	Directors of MNC
Sadahiko Hanzawa	
Seiichi Hiroshima	
Nobuhiko Takamatsu	

Katsue Okuda	
Yoshiko Tonoike	
Bradley Edminster	

### Summary of investor test

36. The relevant overseas persons and individuals with control established none of the factors contained in section 18A(4) of the Act, therefore we consider the **investor test has been met**.

### D. Investment plan and benefit to NZ test

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37. This section describes the Investment and our assessment of whether it is likely to meet the benefit to NZ test in the Act.

#### Current state and counterfactual

##### *History and business operations*

38. The Applicant is a fishing company incorporated in 1992 with its head office in Auckland, employing seven FTEs. The Applicant also has an office in Nelson (employing another two FTEs) which supports its two Vessels based there.
39. The Applicant has been participating in the New Zealand fishing industry since the 1950s. During this time, it has introduced into New Zealand a number of fishing systems<sup>24</sup>. In addition, it also provided to New Zealand fishing companies design and construction assistance for deep sea trawlers and other technical advice. The Applicant has also provided capital and assistance to a number of joint ventures with Māori interests.
40. The Applicant commenced deepwater fishing on its own account in 2001, utilising quota held by a subsidiary (details below), which was supplemented by leasing in ACE permitted under various earlier consents. Between 2001-17, the Applicant chartered a single deepwater vessel, and then bought a second in 2017.
41. The Applicant's parent (MNC) is a very large seafood company and a significant purchaser of NZ's exports. MNC is also a 4% shareholder in Sanford Limited (**Sanford**), which provides most of the ACE for one of the Applicant's Vessels under a *Fishing Service Agreement* (**Agreement** - discussed further below).

##### *Prior consents*

42. The Applicant currently operates mainly under two previous overseas investment consents granted in 2000:

<sup>24</sup> such as box netting, eel farming, long line snapper fishing and the "ikijime" method of snapper preparation. The Applicant also pioneered scallop farming in New Zealand and introduced surimi fishing technology.



- **Consent 1** (200010008) - permits the leasing of 3,200mt of ACE from its subsidiary Ceebay Holdings (**Ceebay**) and others in "Various Management Areas" and to acquire some Quota;
  - **Consent 2** (200020127) - permits the leasing of up to 15,000mt of ACE – this included 2,000mt of Hoki, 2,000mt of Jack Mackerel, 3,000mt of Squid, and 8,000mt of "Various" in "Various Management Areas".
43. The Applicant continues to make annual reports to LINZ under these consents (most recently in 2023).
44. In addition, the Applicant states that it and Ceebay generate about 8,356mt<sup>25</sup> of ACE from their own combined Quota acquired under further earlier consents (details of these consents are provided later in this Report).

#### Current fishing operation

45. The Applicant's business operation currently revolves around its two BATM class fishing Vessels:
- **Te Raukura** (which the Applicant owns);
  - **Aleksey** (which the Applicant has chartered until the end of [REDACTED])
46. The *Aleksey* was previously chartered by Sealord and the Applicant took over the charter in 2004 when it became surplus. The Applicant has owned *Te Raukura* since 2017. Both Vessels are based in Nelson.
47. The Vessels are manned by Ukrainian and Russian officers and crew employed under temporary work visas. The Vessels target low value fish species (Jack mackerel, Blue mackerel, Barracouta, Southern Blue Whiting), along with some higher value Hoki and Squid.
48. All of the catch by the Vessels is frozen onboard and exported, and each Vessel can catch between [REDACTED] per season<sup>26</sup>, together generating approximately [REDACTED] in exports per annum on average as shown in the following table:

Financial Year	FY2019 \$ (Covid)	FY2020 \$ (Covid)	FY 2021 \$ (some Covid)	FY2022 \$	FY2023 \$	Average \$
Aleksey	[REDACTED]					
Te Raukura						

Figure 2 – average export receipts since 2019

<sup>25</sup> MPI has calculated this at 8,469mt for the current year.

<sup>26</sup> MPI has advised that for the previous ten fishing years average catch by Maruha vessels was [REDACTED] tonnes.

49. The *Aleksey* relies mostly on ACE obtained under *Consent 2*.
50. From the 2018/19 fishing season, *Te Raukura* has been fishing on behalf of Sanford under the *Agreement* as the Applicant's Quota and ACE consent limits are insufficient to cover both Vessels' requirements. Under the *Agreement*, *Te Raukura* fishes under Sanford's Fishing Permit and Sanford supplies ACE to cover the catch. Sanford owns the catch though there is a process by which the Applicant can purchase what Sanford wishes to sell. Although Sanford could likely continue this arrangement, its preference is not to (it would rather sell ACE directly to the Applicant for commercial reasons).
51. The Applicant has invested heavily in the Vessels. While the Applicant does not own the *Aleksey*, over its charter it has invested \$10m to upgrade and maintain it to Maritime NZ and MPI food safety standards, so that it can continue to catch fish in the NZ EEZ for as long as possible. The purchase of *Te Raukura* cost [REDACTED].

*Current quota held by the Applicant*

52. Compared to other deep sea fishers, the Applicant acquires more ACE from third party holders because it relies heavily on ACE for its fishing operations, whereas the others hold large quantities of Quota which generate ACE that they can choose to keep.
53. The Applicant's existing consents to acquire ACE are capped at 18,200mt, along with ACE derived from its own Quota holdings and that held by Ceebay (though not all is usable by the Applicant).
54. The current Quota is sufficient to properly operate only one Vessel (as each can consume up to 19,000mt of ACE per fishing season), which currently is the *Aleksey*. As stated above, Sanford supplies ACE to *Te Raukura*.
55. Before each fishing season (1 October to 30 September), the Applicant works out its preferred catch plans and approaches quota holders to supply it with ACE. Most ACE is secured at the beginning of the season, and this is supplemented during the season when additional ACE is required, such as for target and by-catch that was caught in higher tonnages than expected.
56. There are several holders of ACE that may be willing to lease New ACE during a fishing season<sup>27</sup>. The owners of New Quota who may be willing to sell New Quota in the future is not known.

*Prior applications and declined consent*

57. The Applicant and its (now) subsidiary Ceebay have made five prior applications for consent since 2000<sup>28</sup>.

<sup>27</sup> These include Sanford Limited, Vela Fishing, Talleys Group, Leigh Fisheries, Amaltal, Atiawa Nui Tonu, Sealord and Solander Group. Since the recent new TACC limit for Jack mackerell was announced, some holders have already approached the Applicant to see whether it will acquire their ACE.

<sup>28</sup> Decision Numbers 200010131 (by which Ceebay was granted consent to acquire around 11,000mt of quota in "various management areas" – mostly Hoki) 200010008 (Consent 1 - which allowed the Applicant to lease quota to catch specified and "other" species from Ceebay and others and acquire some ITQ in "various management areas") 200020127 (Consent 2

58. The most recent application (initially lodged in 2017 upon the purchase of the *Te Raukura*) was declined in 2020, as Ministers were not satisfied that the acquisition of up to 15,000mt of ACE (having initially requested up to 20,000mt of ACE and 3,000 of ITQ) met the requirements of the Act at that time (in particular, they felt that the acquisition would not be in New Zealand's national interest). As set out further below, both the circumstances of the Applicant's operation, and the national interest requirements themselves, have changed since 2020.
59. As a result of not obtaining consent from the 2017 application, the *Te Raukura* has operated under the *Agreement* with Sanford for the five past fishing seasons.

**[REDACTED]** *Applicant's business operation*

60. [REDACTED]
61. [REDACTED]
62. Currently, the Applicant is unable to maximise efficiencies from its two-Vessel operation by reason that *Te Raukura* fishes on behalf of Sanford. From comparing the performance of the two Vessels, the *Aleksey* performs better than *Te Raukura*. Some of that involves the cost of acquiring ACE, as the Applicant tends to find ACE at better prices than Sanford.
63. The Applicant considers that it has not maximised the level of efficiencies that are attainable from a two-vessel operation. For example, its ability to coordinate fishing is compromised from delays in reaction time, as changes to *Te Raukura's* catch plans (to capitalise on good catches being achieved by *Aleksey*) needs Sanford's agreement – and the fish may have moved away by the time *Te Raukura* arrives. The Applicant has also lost the benefit from having control over the sale of catch from both vessels as discussed later in this Report.
64. The Applicant also carries the commercial risk of the *Te Raukura* agreement with Sanford given it has a term of 12 months. If that agreement is not extended for any reason, the Applicant must stop one Vessel from fishing, even if ACE is otherwise available.

*Potential cancellation of the Aleksey's Charter and cessation of all fishing operations*

65. The current state is that the charter of the *Aleksey* by the Applicant is due to expire at the end of October 2025 and is not expected to be renewed unless the New ACE and New Quota is obtained. This is because the current fishing operation, whereby the Applicant has to rely on ACE acquired from Sanford for the operation of *Te Raukura*, is no longer commercially viable

- which allowed Applicant to lease 15,000mt (including 8,000 of "Various" from Iwi and others in "various management areas") 200520048 (Consent 3 - which allowed Applicant to acquire 5,000mt ITQ but has now expired) and 201710125 (Declined).

29 [REDACTED]

and, if forced to rely upon its existing ACE and Quota, the Applicant will operate only *Te Raukura*, which it owns.

66. The Applicant plans to initially scale back to one Vessel (*Te Raukura* – which it owns) [REDACTED] given it does not have consent to acquire sufficient ACE to operate both Vessels itself.
67. As a result of cancelling *Aleksey*'s charter and scaling back to one boat, the Applicant will save the charter and related fees and it is likely that future ACE costs for *Te Raukura* will be lower as there will be more unutilised ACE in the market.
68. It is expected that:
  - the ACE for much of the low value species it would have caught will likely remain not utilised<sup>30</sup>, leading to decreased exports of approximately [REDACTED] from 2026 onwards;
  - jobs onboard the *Aleksey* and [REDACTED], along with possible MPI positions and an estimated further indirect 3.5 FTEs<sup>31</sup>;
  - \$21.5m per annum on average currently spent mainly in Nelson<sup>32</sup> to keep the *Aleksey* fuelled, provisioned, maintained and its catch transported and stored will cease.
69. [REDACTED]. However, given the uncertainty of this occurring, we have not considered it to be part of the current state.

<sup>30</sup> MPI has confirmed that any withdrawal of the BATMs could result in a lower overall catch of the deepwater species that Maruha targets. Further, in a letter of support from Sanford, its managing director states:

*"The BATM vessels, such as operated by Maruha, provide a valuable contribution to the NZ fishing industry as they enable economical harvesting of low value species in volume. Should any of these vessels leave NZ the resulting reduction in catch is unlikely to be made up by the remaining deepwater vessels.*

*Maruha is unique in the ACE market as it has limited individual transferable quota holdings of its own, and its vessels are reliant on leasing large quantities of ACE each year from others. It is therefore a reliable purchaser of ACE at the beginning of the season. Other sizeable fishing companies generally hold sufficient quota shares to be self-sufficient in terms of accessing ACE.*

*Without both of Maruha's vessels operating, there could well be quite significant levels of unutilised ACE for some of the lower value species previously targeted by those vessels\*.*

\*As an example, one fishery that experienced a significant decrease in demand for ACE was Southern Blue Whiting (SBW). In its heyday when there were many more vessels targeting SBW, the price of ACE for the popular SBW6I (the most reliable catch area) was \$150/mt. As a result of the reflagging requirement introduced in 2016, a number of these vessels left New Zealand and demand fell away. Today the Applicant can lease in at the price of \$25/mt and the SBW fishery is now only 50% caught. Further, the recent Fisheries NZ report which reset the TACC limits noted in the case of Jack mackerell that there is a high level of JMA 7 biomass and a reduction of catch effort which results in this fishery not being fully utilised.

<sup>31</sup> Along with PAYE and ACC payments of about \$550,000 pa, and Non-Resident Contractor Withholding Tax incurred by the charter of around [REDACTED]

<sup>32</sup> The Applicant has deducted crew wages which are mainly taken back home, 35% of fishing gear purchased direct from overseas suppliers and charter related fees which are also paid overseas. Further, the Applicant has also calculated as much as \$18.7m pa for indirect loss of expenditure and a further \$4.1m pa from induced effect (\$44.3m in total)



**Investment plan – continuation and improvement of the fishing operation**

70. The Applicant requires the additional New ACE and New Quota primarily so that it can continue its two-vessel deep water fishing operation. As set out in the Benefits section below, this will also allow the Applicant to run its operation more efficiently, further safeguarding its current operation.
71. If consent is granted, both Vessels will continue to consume the same amount of ACE, and the Applicant will still remain mostly reliant on external holders of New ACE to make sufficient quantities available.
72. If consent is granted, the Applicant will commit (subject to the other charter party agreeing) to continuing to charter the *Aleksey* for as long as it can. The Applicant submits that by keeping with a two-Vessel operation, the existing benefits from export receipts, local expenditure on goods and services, employment and competition for ACE will be retained as benefits accruing to New Zealand.

*Greater fishing efficiencies*

73. The Applicant intends to better integrate the catch plans of both Vessels and seek out every opportunity to catch fish within the limits applied for. This will enable the Applicant to improve operational efficiencies through sharing of ACE between both Vessels, more coordinated fishing, along with earlier and more effective exports.
74. The Applicant believes that it will be able to obtain lower prices for New ACE for *Te Raukura* through acquiring it earlier, and seeking parcels through its network of relationships to fill in gaps during the season and avoid paying deemed value (which Sanford occasionally pays which is passed on).

75. [REDACTED]

*Greater marketing efficiencies*

76. Efficiencies can also be obtained from selling the catch from both Vessels. The Applicant's practice is to start marketing *Aleksey's* catch shortly after it is processed, so it is sold before being unloaded. This practice enables shipping arrangements to be made earlier resulting in less time for the product to be in cold storage.
77. By contrast, the catch for *Te Raukura* is owned by Sanford, though there is a process by which the Applicant can purchase what Sanford wishes to sell. The amount available is not determined until the vessel is a day or so from arriving back in port. This delay results in longer times in cold storage before the product is shipped offshore to customers. As a result, the Applicant is hampered by being unable to bundle catch from both Vessels to meet an order, and the Applicant has experienced lost sales opportunities, delayed response to market fluctuations, increased workloads, and a longer time find a buyer, because customers have bought elsewhere.

### Assessment of benefits

78. The amount of Quota and ACE that the Applicant will be able to acquire is uncertain as it will depend on what is on the market. However the level of benefit that is likely to occur is generally relative to the volume of Quota and/or ACE that is able to be acquired and is therefore proportionate.

#### Benefit Table

79. The benefits to New Zealand that are likely to result from the Investment and our assessment of the relative weight to be given to each are set out in the table below.
80. We have analysed the benefits that are likely to occur as a result of the Investment, compared to the current state in the table below. This may include benefits that the Applicant did not specifically claim, but that we have identified may occur.
81. LINZ is directed<sup>33</sup> that where an investment demonstrates strong benefits under one or two key benefit factors, other factors may require less consideration if the threshold for meeting the benefit test is clearly met without reference to them. Therefore, benefits that were not considered to be key have not been considered as part of our assessment.
82. Factors that we considered were either not relevant to the Investment, or the benefit to New Zealand was not sufficient to be relied on, are noted in **Attachment 3**.

Benefit Factor		Analysis if the <i>Aleksey</i> or both Vessels cease operations
<b>Economic<sup>34</sup></b>  <b>Strong</b>	Retention of jobs	If the <i>Aleksey</i> continues operating, this will help safeguard 80 onboard FTEs, [REDACTED], possible MPI related positions, and an estimated 3.5 onshore indirect positions. If both Vessels continue operations, these retained positions will be more than doubled (the Applicant has 9 employees in New Zealand and further MPI positions could be retained, along with other indirect positions).
	Greater operational and marketing efficiencies	By operating the two Vessels together, the Applicant will be able to better integrate the fishing operations of both Vessels, and have full control over the marketing of the catch from both. This will help avoid lost opportunities to maximise the amount of fish caught and to market the combined catch to best advantage.

<sup>33</sup> Ministerial Directive Letter 6 June 2024.

<sup>34</sup> section 57H(1)(a) of the Act



Benefit Factor		Analysis if the Aleksey or both Vessels cease operations
	Retention of export receipts	If one or both of the Vessels continue operating, this will likely ensure that the current volumes of fish will still be available for export. Over the last 5 years the <i>Aleksey</i> has generated an average of [REDACTED] for the Applicant, whilst <i>Te Raukura</i> averaged around [REDACTED]. These exports are handled by New Zealand fish traders who add a margin of around \$100 per tonne, increasing further the value of these export receipts.
	Continued local expenditure required to support the Vessels	If one or both of the Vessels continue operating, they will likely require similar amounts of local expenditure for maintenance and support. The Applicant has spent \$21m pa in New Zealand (based on the last two years) for fuel, cold storage, port charges, transport, MPI costs, provisions for voyages, fishing gear and repairs and maintenance. While there are currently no planned major upgrades or repairs for the <i>Aleksey</i> in the next few years, there is a reasonable chance that a significant expenditure will need to be made within 5 years <sup>35</sup> .
	Maintaining competition in the market for the supply of ACE	Apart from the Applicant, there is only one other operator of BATM vessels in New Zealand, being Sealord. Sealord has recently advised the Commerce Commission that it is not a significant purchaser of ACE due to owning its own Quota. If one or both of the Vessels cease operation, this will result in a drop in demand for ACE and will likely detrimentally affect approximately 104 ACE owners (many of whom are small holders, including Iwi).
<b>Advance Significant Government Policy<sup>36</sup> Moderate</b>	Supporting Government export policies	Current government coalition agreements refer to rebuilding the economy and working towards " <i>New Zealand again becoming an export powerhouse</i> " <sup>37</sup> . The <i>Aleksey</i> is one of only 6 BATM deep sea vessels in New Zealand, and catches around 14% of the total low species catch, all of which is exported. If it ceases to operate, it is likely that the catch (and subsequent exports) of deep water low value species will decline [REDACTED] [REDACTED]

<sup>35</sup> For example, costs for dry dock for repairs can cost up to \$1.5m, and the next is due in May 2025.. It would seem likely that *Te Raukura* will also require maintenance and upgrades.

<sup>36</sup> section 57H(1)(c) of the Act

<sup>37</sup> We note also that the Minister for Oceans and Fisheries stated in August 2024 (<https://www.nbr.co.nz/business/shane-jones-addresses-fisheries-sector-aspires-to-reduce-costs/>) that the "fishing industry is 'surrounded by some dire challenges'", and stated the Government was "certainly driven" to see if it could expand the amount of exports revenue and additional work coming out of fisheries".

## Consultation and submissions about the investment

83. In undertaking our assessment, we consulted with the Ministry of Primary Industries (**MPI**). We note that while ultimate responsibility for making the assessment lies with LINZ, MPI staff have very detailed knowledge about the fishing industry, and the details they have provided have informed our approach to assessing the current state and some of the benefit claims.
84. Comments from MPI have been included in the relevant parts of the assessment above.

## Proposed conditions and rationale

85. We propose including a special condition that the Applicant continue to operate as a fishing company and that it shall only use the New ACE and New Quota for this purpose. The reason for this is that it is possible for investors to use Quota passively to generate ACE to sell to third parties (rather than fish themselves).
86. The proposed condition will prevent the Applicant from ending fishing activities and holding the New Quota as a passive income-generating investment.

## Conclusion – benefit to NZ test

### *Key benefits*

87. After considering the application, we are satisfied that the Investment is likely to result in the benefits considered above. In particular, it will help ensure the continuation of a substantial fishing operation, and ensure that substantial economic benefits will continue which would otherwise likely be lost.

### *Proportionality*

88. We have undertaken our assessment having regard to the sensitivity of the Fishing Quota and the nature of the overseas investment transaction, reflecting the proportional nature of the benefit to NZ test. We note that, in respect of all the claimed benefits, that uncertainty relating to Quota as an investment means that the extent of these benefits is difficult to quantify, as it is proportionate to the amount of Quota acquired.
89. We consider that matters relevant to the sensitivity of the Fishing Quota can include:
  - the acquisition of New Quota rather than New ACE;
  - the size of the acquisition as a proportion of the total fishery; and
  - iwi opposition to the acquisition (if any); and
  - the degree of connection between the Applicant and New Zealand interests.
90. Commercial fishers relying only on ACE from the market face ongoing uncertainty, as the ACE available varies in line with changes to the TACC. In a 'lean' year, Quota holders may not sell much (or any) ACE, effectively excluding operators not holding Quota from the fishery. Because of this, Quota is considered to be proportionately more valuable than ACE, which we consider will elevate the level of benefit required when assessed on a proportionate basis.
91. The 1,000mt of additional New Quota which the Applicant is seeking makes up less than 0.2% of total TACC. Accordingly, even if it can purchase it (which will likely take years based on



previous experience) the addition will be of little significance in terms of overall Quota ownership. Although the species is not listed, the Applicant will only purchase that which will be useful for its fishing operation. This will likely be more low value target species or by-catch<sup>38</sup>.

92. The Applicant submits, and we agree, that the economic benefits to New Zealand in particular are strong relative to the sensitivity of the Fishing Quota interests sought to be acquired, and more so in relation to New ACE acquisition, which is only in the nature of short-term leases<sup>39</sup>.
93. Giving consent will not change the status quo in so far as ACE utilisation is concerned as *Te Raukura* has been consuming it under Sanford's permit. As ACE is an expensive input, it would not be commercial for the Applicant to acquire more New ACE than it needs.
94. Nor will giving consent give the Applicant any entitlement to ACE as each purchase is by agreement with the ACE/Quota holder, which may or may not be reached. The Applicant has also provided data which shows that, in most instances, there has been unutilised ACE for most of its target species during the last three seasons during which it has been operating. This means that there is normally spare ACE in the system with both the *Aleksey* and *Te Raukura* operating.
95. We (and MPI<sup>40</sup>) are also not aware of any current Iwi opposition to the acquisition of the interests in fishing quota by the Applicant.

#### Conclusion

96. After considering the application, we are satisfied that the Investment is likely to result in economic, government policy and consequential benefits in proportion to the sensitivity of the Fishing Quota interests and the nature of the Investment.

#### E. Not a transaction of national interest

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97. The Investment does not involve a transaction of national interest under the mandatory criteria of the Act.<sup>41</sup> This is because the Investment does not involve a non-NZ government investor, or an investment in a strategically important business (as defined in the Act).
98. The Minister of Finance has not called the Investment in for a national interest assessment.<sup>42</sup>

#### F. Conclusion

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99. For the reasons set out in this report, we consider that the criteria for consent have been met and our recommendation is to **grant** consent.

<sup>38</sup> The Applicant mostly targets low value fish species which are unattractive to other fishers. Jack mackerel, Southern Blue Whiting, Squid and Barracouta are low value species and only Hoki would be regarded as low to medium species.

<sup>39</sup> noting that an overseas person can lease sensitive land up to 10 years without any need for consent.

<sup>40</sup> Neither we nor MPI have sought any views from Iwi in this case. We do not feel this is required given the Applicant is not intending to increase its current fleet of Vessels and the tonnage it is likely to catch will be necessarily restricted to what it commercially available to it in accordance with TACC limits.

<sup>41</sup> Under s 20A of the Act.

<sup>42</sup> Section 20B of the Act

100. We refer you to **Attachment 1** to review the Proposed Decision (including consent conditions), and from page 2 of this Assessment Report to record your decision.

**G. Attachments**

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1. Proposed Decision
2. Intended ownership structure
3. Other benefit factors

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subject to s9(2)(b)(ii)

## ATTACHMENT 1 PROPOSED DECISION

### Consent for Overseas Person to Acquire Interests in Fishing Quota

Read this consent carefully - you must comply with all the conditions. If you do not, you may be required to dispose of the Interests in Fishing Quota and/or be subject to fines or other penalties.

#### Consent

**Decision date:** 3 December 2024

The following people have been given the following consent:

<b>Case</b>	202400406														
<b>Consent holders</b>	<p>Maruha (N.Z.) Corporation Limited (CN 545223)</p> <p>Any 100% subsidiary of Maruha (N.Z.) Corporation Limited</p> <p>We will also refer to the Consent holders as <b>you</b>.</p>														
<b>Consent</b>	<p>You may acquire:</p> <ul style="list-style-type: none"> <li>in respect of any Fishing Year, up to 21,000 tonnes of <b>ACE</b> up to the following limits:</li> </ul> <table> <tr> <th>Species</th><th>Maximum amount</th></tr> <tr> <td>██████████</td><td>████</td></tr> <tr> <td>██████████████████</td><td>████</td></tr> <tr> <td>████</td><td>████</td></tr> <tr> <td>████</td><td>████</td></tr> <tr> <td>██████████</td><td>████</td></tr> <tr> <td>Any species (including those above)</td><td>████</td></tr> </table> <p>(the <b>New ACE</b>)</p>	Species	Maximum amount	██████████	████	██████████████████	████	████	████	████	████	██████████	████	Any species (including those above)	████
Species	Maximum amount														
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Any species (including those above)	████														

	<ul style="list-style-type: none"> <li>• <b>Quota</b>, provided that the transaction will not result in you holding quota shares with a Quota Weight Equivalent exceeding 1,000 tonnes (the <b>New Quota</b>)</li> <li>• ACE generated by the New Quota</li> </ul> <p>For the avoidance of doubt, nothing in this Consent or these conditions affect any Interests in Fishing Quota acquired under other consents.</p>
<b>No consent for provisional catch history</b>	This consent does not allow you to receive provisional catch history, or be allocated Quota Shares under section 47 of the Fisheries Act 1996.
<b>Timeframe</b>	<p>You have until 30 September 2034 to acquire the New Quota.</p> <p>You can acquire New ACE generated in any Fishing Year beginning on or after 1 October 2024 and ending on or before 30 September 2034.</p> <p>Provided that: you may not acquire New Quota or New ACE after the date of any notice issued under standard condition 6</p> <p>You may acquire the ACE generated from the New Quota at any time</p>



## Conditions

Your **Consent** is subject to the special conditions, standard conditions and reporting conditions (**Conditions**) set out below. You must comply with them all. Be aware that if you do not comply with the Conditions, you may be subject to fines or other penalties and you may also be required to dispose of the Interests in Fishing Quota.

In the Consent and the Conditions, we refer to Land Information New Zealand as **LINZ, us or we**.

## Definitions

**ACE** means Annual Catch Entitlement as defined in section 2 of the Fisheries Act.

**Act** means the Overseas Investment Act 2005.

**Fisheries Act** means the Fisheries Act 1996.

**Fishing Year** means Fishing Year as defined in section 2 of the Fisheries Act.

**Interests in Fishing Quota** means the New Quota, the New ACE, and any ACE that is generated by the New Quota.

**Quota** has the same meaning as in section 2 of the Fisheries Act.

**Quota Weight Equivalent** has the same meaning as in section 2 of the Fisheries Act.

**Vessels** means the *Aleksey Slobodchikov* and *Te Raukura* currently operated by you.

**Regulations** means the Overseas Investment Regulations 2005.

Any term or expression that is defined in the Act or Regulations and used, but not defined, in this Consent has the same meaning as in the Act or Regulations.

## Special Conditions

You must comply with the following **special conditions**. These apply specifically to this Consent and include conditions that we must impose under the Act.

Details	Required date
<b>Special condition 1: Continued operation of the Vessels</b>	
You must continue to operate the Vessels (or similar replacements to either or both of them) for so long as you hold any New Quota acquired under this consent.	At all times.
If you do not comply with this condition, Standard Condition 6 will apply and we may require you to dispose of the New Quota acquired under this Consent.	

## Standard Conditions

You must also comply with the **standard conditions** set out below. These apply to all overseas people who are given consent to acquire New Zealand fishing quota including you:

Details	Required date:
<b>Standard condition 1: Acquire the Interests in Fishing Quota</b>	
You must not acquire ACE or New Quota under this consent other than in accordance with the Timeframes	As stated in the Consent
<b>Standard condition 2: Tell us when you acquire the Interests in Fishing Quota</b>	
<p>You must tell us in writing when you have acquired the Interests in Fishing Quota during each Fishing Season commencing 1 October to 30 September of the following year.</p> <p>Include details of:</p> <ol style="list-style-type: none"> <li>For New Ace acquisitions, incorporate acquisitions in the annual reports currently provided to us under Consent 1 (2000010008) and Consent 2 (200020127) which are to be allocated after Consent 1 and then separated between the named New Ace fish stock first and then other species up to their respective tonnage thresholds set out in this consent, with the balance to be allocated to Consent 2.</li> <li>For New Quota acquisitions, the Quota Weight Equivalent of the fish stock, the date of acquisition, consideration paid, the purchasing entity and a copy of the FishServe transfer, or equivalent.</li> </ol>	In reports due by 31 October in each year commencing 31 October 2025 until 31 October 2034.
<b>Standard condition 3: Allow us to inspect your fishing operation</b>	
<p>Sometimes it will be helpful for us to visit your fishing operation so we can monitor your compliance with the Conditions.</p> <p>We will give you at least 2 weeks written notice if we want to do this.</p>	At all times

<p>A. You must then:</p> <ul style="list-style-type: none"> <li>i. Allow a person we appoint (<b>Inspector</b>) to: <ul style="list-style-type: none"> <li>a. enter any building (other than a dwelling) or board any vessel used for your fishing operation for the purpose of monitoring your compliance with the Conditions (<b>Inspection</b>)</li> <li>b. remain there as long as is reasonably required to conduct the Inspection</li> <li>c. gather information</li> <li>d. conduct surveys, inquiries, tests and measurements</li> <li>e. take photographs and video recordings and</li> <li>f. do all other things reasonably necessary to carry out the Inspection</li> </ul> </li> <li>ii. Take all reasonable steps to facilitate an Inspection including: <ul style="list-style-type: none"> <li>a. directing your employees, agents, tenants, or other occupiers to permit an Inspector to conduct an Inspection</li> <li>b. being available, or requiring your employees, agents, tenants, or other occupiers to be available, at all reasonable times during an Inspection to facilitate access onto and across the Land. This includes providing transport across the Land if reasonably required.</li> </ul> </li> </ul> <p>B. During an Inspection:</p> <ul style="list-style-type: none"> <li>i. We will not compel you and your employees, agents, tenants or other occupiers to answer our questions or to let us look at, copy or take away documents</li> <li>ii. Our Inspector will comply with any reasonable instruction and cooperate with any reasonable health</li> </ul>	
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and safety policy or procedure you notify to us before the Inspection.	
<b>Standard condition 4: Remain not unsuitable to invest in New Zealand</b>	
<p>You, and to the extent that you are not an individual, the Individuals Who Control You must remain not unsuitable to own or control the Interests in Fishing Quota in accordance with section 18A(1) of the Act</p> <p>The <b>Individuals Who Control You</b> are individuals who:</p> <ul style="list-style-type: none"> <li>i. Are members of your governing body</li> <li>ii. Directly or indirectly, own or control more than 25% of you or a person whom itself owns or controls more than 25% of you, and</li> <li>iii. Are members of the governing body of the people referred to in ii above.</li> </ul>	At all times
<b>Standard condition 5: Tell us about the changes that affect you, the people who control you, or people you control</b>	
<p>You must tell us in writing if any of the following events happen to the Consent holder:</p> <ul style="list-style-type: none"> <li>i. You become aware that you and/or any Individual Who Controls you establishes any of the investor test factors listed in section 18A(4) of the Act.</li> <li>ii. You cease to be an overseas person or dispose of all or any part of the Interests in Fishing Quota.</li> <li>iii. Your New Zealand service address changes. This is the address you provided us in your application as the address which we will send any legal document we need to serve on you.</li> </ul>	Within 20 working days after the change
<b>Standard condition 6: Dispose of the New Quota if you do not comply with key special conditions</b>	
If we consider you have failed to comply with special condition 1 in a material way, and you have not satisfied us	Within six months of the date of our notice



<p>of your commitment to restore the operation of the Vessels or any replacements within eighteen months of ceasing to operate, we may require you to dispose of the New Quota.</p> <p>We will give you written notice if we require you to dispose of the New Quota. Along with this notice will be a procedure for disposing of the New Quota.</p>	
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## Reporting conditions

We need information from you about how your investment plan is tracking so we can monitor your progress against the conditions.

In addition to reporting (as set out in Standard Condition 2) you must include in your annual reports to LINZ with information on the progress of the investment.

The reports must be submitted via our [Webform](#).

Each report should detail:

- Any ACE or Quota sold or disposed of which was acquired under this consent. This should include tonnage of ACE and the fish stock in relation to each disposal.
- Confirmation that you are continuing to operate both Vessels (or replacements).
- Export value received for your last financial year.

If requested in writing by LINZ, the Consent Holder(s) must provide a written report within 20 working days (or such other timeframe as specified) on any matter relating to its compliance with:

- the representations and plans made or submitted in support of the application and notified by the regulator as having been taken into account when the consent was granted, or
- the conditions of this consent.

## Power to vary reporting date

The dates on which reports are due to be provided may be changed by agreement between LINZ and the Consent holders, provided that this power may not be used to give a time extension for an individual report.

**Power to narrow scope of reports**

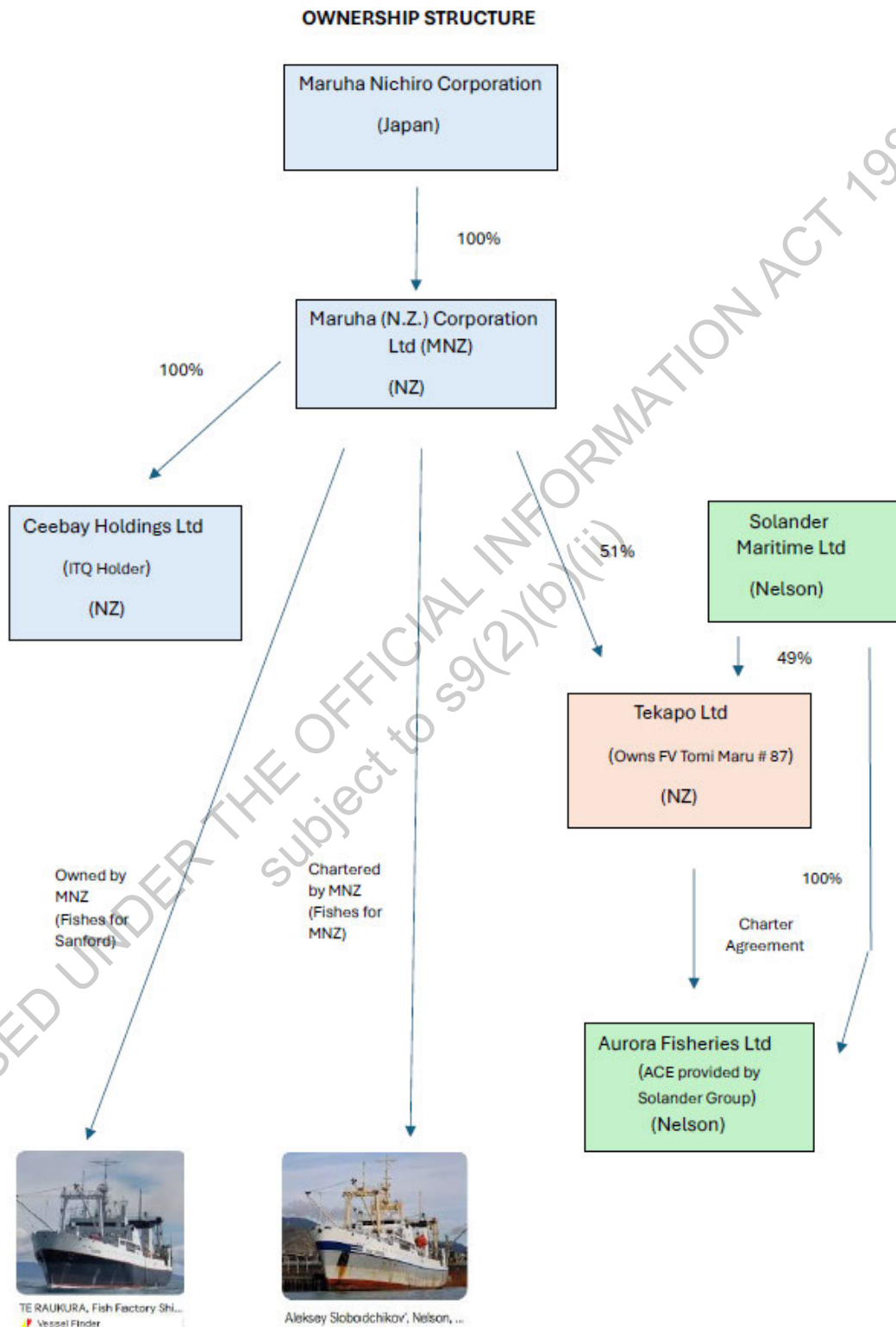
LINZ may temporarily or permanently waive the requirement to report on a particular matter.

**Power not to require further reporting**

LINZ may waive the requirement to submit a report and may waive the requirement for future reporting.

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subject to s9(2)(b)(ii)

## ATTACHMENT 2 INTENDED OWNERSHIP STRUCTURE



### ATTACHMENT 3      OTHER BENEFIT FACTORS

The table **below** lists other factors in the Act for assessing the benefit of overseas investments.

We considered that the factors below were either not relevant to the Investment, or the benefit to New Zealand was not likely or sufficient to be relied on for the purposes of our assessment.

Factor	Reason not relevant or insufficient
<b>Natural environment</b>	<p>It is unlikely that anything new will be introduced in the way of natural environment protections. However, as stated in the Report, we note that the Applicant has numerous systems in place to minimise adverse effects on the environment.</p> <p>It is also noted that the Applicant has received praise from Seafood New Zealand in terms of mitigating environmental impacts, which states "<i>Maruha's excellent performance is evident by the decreasing number of protected species captures and lower than average capture rates compare [SIC] to the deepwater fleet averages</i>" and the Applicant has provided numerous examples of procedures it employs to mitigate impact on sea birds, sea lions, seals, dolphins, whales, sharks etc, and other eco-friendly practices.</p>
<b>Oversight or participation by New Zealanders</b>	Not claimed – New Zealand ownership of New Quota likely to reduce
<b>Consequential</b>	The Applicant has committed to sponsor six Westport Deep Seas Fishing School students. These students are not indebted to the Applicant and can take employment with other companies