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Ngai Tahu seafood: A case study in business development

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Ngai Tahu Seafood

A case study in business development

Chris Nixon

March 2003

NZ Trade Consortium Working Paper no 25

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1. INTRODUCTION

This paper examines the business development process undertaken by Ngai Tahu Seafood. An investigation of the business development process involves an examination of the opportunities and constraints that Ngai Tahu Seafood has faced in building up, capitalising on, and expanding their seafood business interests. The aim is to develop a framework that gives a consistent assessment of the Ngai Tahu's seafood business so that we can illustrate how aboriginal peoples can effectively create sustainable long-term businesses. Of particular interest, is the ability of Ngai Tahu Seafood to create scale economies from an industry that traditionally was dominated by small-scale operators.

The paper outlines a framework for examining the Ngai Tahu business development process with special reference to its seafood business. This includes:

- reviewing the development path that the seafood business has taken.
- drawing on relevant statistics that identify the role of seafood in Ngai Tahu development.
- illustrating and identifying the hurdles faced in participating in world seafood markets.
- drawing out the distinctive development issues that pose unique development questions for Ngai Tahu Seafood.

There are some definitional problems in measuring the economic development of Ngai Tahu's seafood business because it needs to be considered along side social and cultural development of the Iwi. However, the lack of definition does not mean that we should not attempt to examine, in economic terms, how Ngai Tahu Seafood has developed. Useful economic information includes:

- economic indicators (including the revenue and profit measures, growth of economic activity, investments etc).
- the impact of relevant Ngai Tahu institutions and entities on economic activity, and
- the "context" in which the development of seafood resources have been developed.

In this paper we will give a broad overview of Ngai Tahu's seafood activities and illustrate the opportunities/constraints to further development.

1.1 Structure, Conduct, and Performance

The Structure, Conduct, and Performance (SCP) framework is used in the form of a "check list" (see Figure 1) so that we can describe the process of development in the Ngai Tahu Seafood case study.

The SCP framework has been widely used in economics (e.g. Schmalensee 1987, Scherer and Ross 1990) as an analytical tool. The basic assumption of the model is that the market structure determines, or at least has a strong influence on conduct, which in turn influences performance of the industry.

The advantage of this approach is that the relationship between Ngai Tahu Seafood and Iwi¹ economic development can be evaluated by applying a general model. More importantly, it also shows:

- the uniqueness and the special characteristics of Ngai Tahu development issues and how they impact on economic behaviour (i.e. specifically on structure, conduct and performance in the fishing industry).
- the interconnection between various parts of Ngai Tahu development (i.e. the influence of traditions and culture on structure, conduct, and performance in the industries Maori are involved with).

The model has in the past been core to most studies of industry and was part of the so-called Harvard School (Grether, 1970). There are, however, a number of criticisms of the model:

- Posner (1979) believed that the SCP framework was overly elaborate since the competitive market adequately explained most market behaviour and outcomes.
- others criticised the model for assuming causal linkages that might not always have been established empirically, and for being uni-directional in its focus.

In response to the latter criticism, the SCP model was modified to include feedback effects (included in Figure 1). These feedback effects have been added, to recognise that the behaviour of Ngai Tahu entities and performance outcomes within the seafood industry can themselves alter market structure e.g. the proposed changes by the Te Ohu Kai Moana (TOKM)² to the way the fisheries settlement is dispersed is a case in point. Also, the mergers between rivals, joint venture activity, statutory protection, or the increased costs of complying with government regulation can also impact on market structure. This recognises that all businesses operate in a dynamic setting and respond directly to changes in that setting.

The SCP framework is used here to describe and examine how Ngai Tahu Seafood interacts with domestic and world markets and illustrates the linkages between industry structure, conduct, and performance and how various factors, specific to individual sectors, can influence development. Two important features of this paper are the:

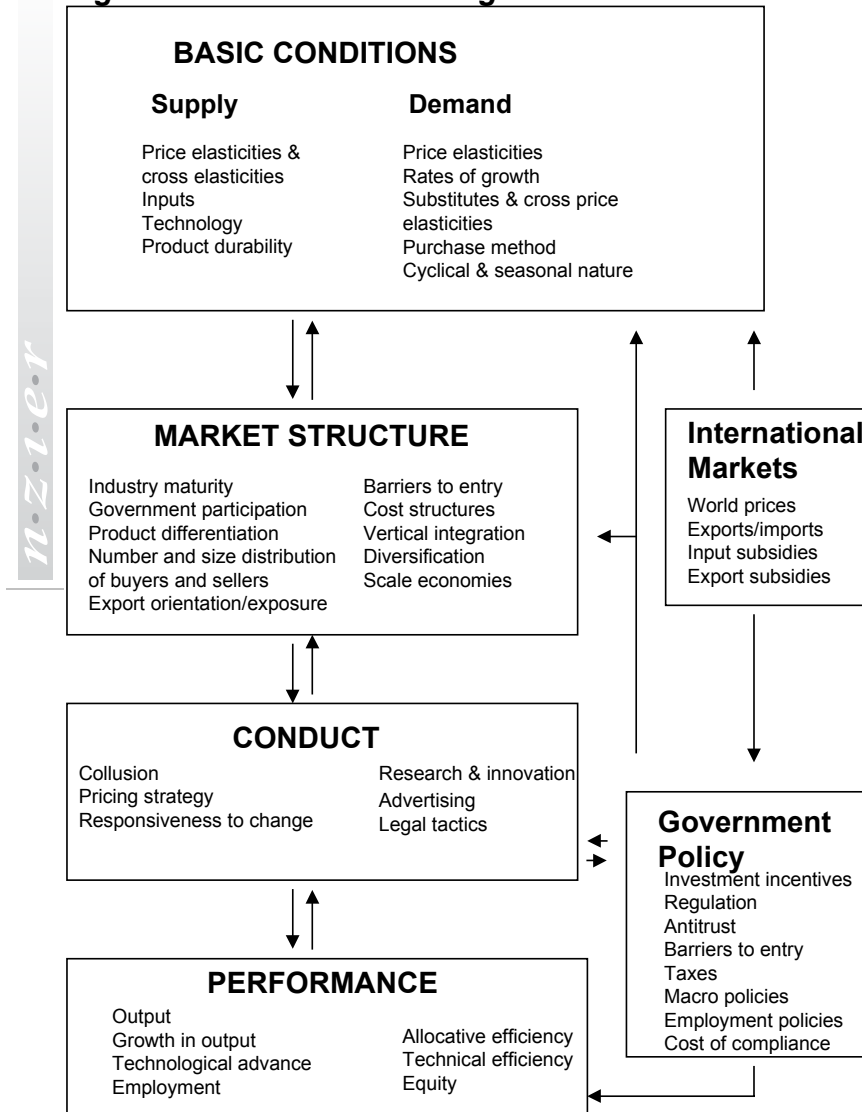
- examination of the fishing value chain to show where Ngai Tahu “fit” in a chosen industry, and
- an illustration of the type of development issues that confront Ngai Tahu.

While the case study approach is useful in understanding generic development issues, care has to be taken in translating and applying the Ngai Tahu case study to other regions, since what is required for successful development will differ from culture to culture and or tribe to tribe. However, this does not mean that the key lessons in the Ngai Tahu case can be used as a benchmark or used to create the pre-conditions for development.

¹ Iwi is the Maori word for tribe.

² Also known as the Waitangi Fisheries Commission.

Figure 1: Standard SCP diagram



Source: NZIER

2. BASE CONDITIONS – STOCK TAKE

2.1 Historical context

2.1.1 The Treaty

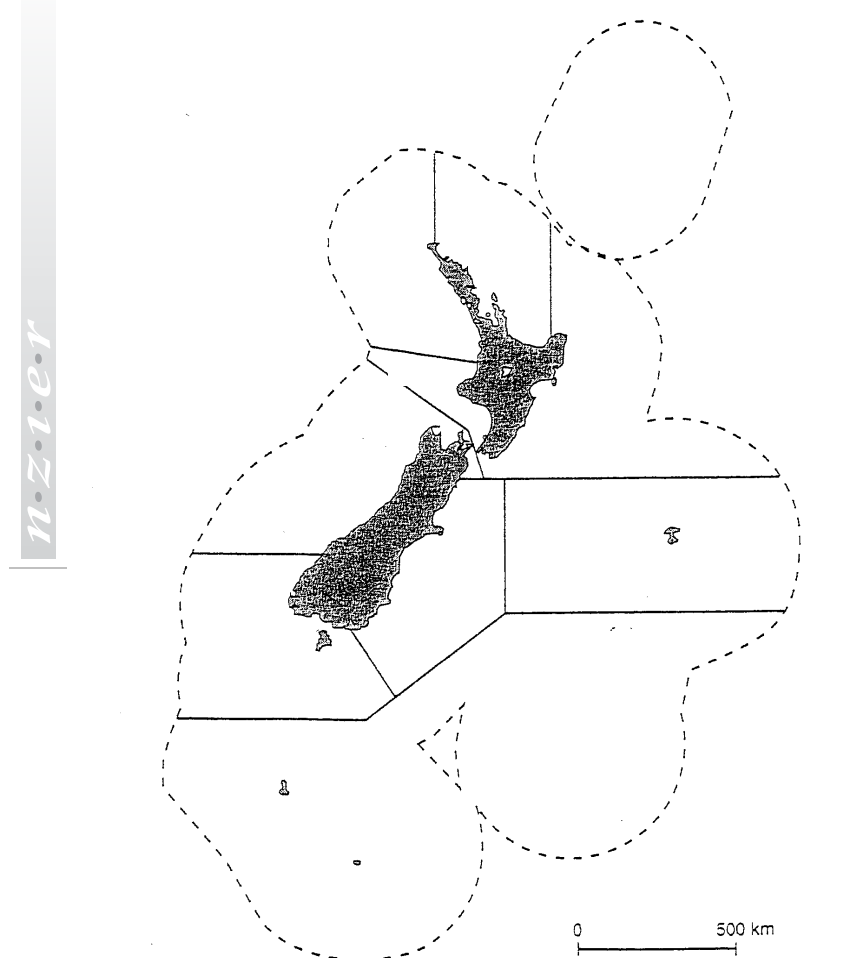
The Treaty of Waitangi was signed 1840 and is the founding document of New Zealand. Under the Treaty Maori were guaranteed “*the full, exclusive and undisturbed possession of their ... fisheries and other possessions*”.

While there have been various attempts to exercise Treaty rights, up until the 1980s, little had been done to protect Maori Treaty rights. In the fishing industry, Maori saw their rights eroded as fishing stocks were depleted by commercial activities. The following sections show how the New Zealand Government has attempted to address the issues of fishing rights.

2.1.2 Exclusive Economic Zone

The Territorial Sea and Exclusive Economic Zone Act 1977 established a 12 nautical mile territorial sea and a 200 mile exclusive economic zone (see Figure 2). Overnight New Zealand expanded its area of control over fisheries resources to 2.22 million sq kms.

Figure 2 New Zealand's 200 mile limit



2.1.3 Quota management system

For Maori, a significant piece of legislation was an amendment to the 1983 Fisheries Act in 1986 which introduced property rights over the fishing resource. The introduction of the individual transferable quota in 1986 marked a watershed in the New Zealand fishing industry. Crucially for Maori the Quota Management System (QMS) did not include provision for Maori guaranteed under the Treaty of Waitangi since it was based on how much commercial fishers had historically caught. Many Maori no longer had commercial fishing permits and were not given quota.

2.1.4 Fisheries settlement

The quota management system (QMS) took no account of Maori fishing rights under the Treaty of Waitangi. Iwi took legal action. The first claim to be heard was the Muriwhenua claim by Iwi in the Far North, which commenced in 1986. Ngai Tahu followed soon after. Both parties gave evidence on pre-existing and unextinguished collective tribal fishing rights. Reporting on the Ngai Tahu claim in 1992, the Tribunal said Ngai Tahu have:

“(a) an exclusive Treaty right to the sea fisheries surrounding the whole of their rohe to a distance of 12 miles or so there being no waiver or agreement by the rohe to surrender such a right.

(b) a Treaty development right to a reasonable share of the sea fisheries of their rohe extending beyond 12 miles out to and beyond the continental shelf in the deepwater fisheries within the limit of the 200 mile exclusive economic zone, such right being exclusive to Ngai Tahu.” (WAI 27: Ngai Tahu, 13.14, p 303 and 14.3.1, p 306)

Ngai Tahu was one of four Maori parties (the others were Muriwhenua, Tainui, and the New Zealand Maori Council) who, in 1987, sought and won on behalf of Iwi a High Court injunction preventing the Government from allocating quota under the QMS. Extended negotiations between the Maori parties and the Government led to the passing of the Maori Fisheries Act in 1989. The Act reflected the interim settlement reached whereby 10% of all quota currently in the QMS was to be allocated to Iwi along with a payment of \$10 million. The Act also led to the establishment of the Maori Fisheries Commission (MFC) as the body through which the Government could deliver quota to Iwi. The intention was that the MFC should hold and manage the quota on behalf of Iwi, while at the same time developing an allocation scheme for its permanent hand-over. Over a period of just two years, the MFC acquired 11% of quota species. This included the acquisition of Moana Pacific Limited (MPL) together with its quota.

Maori continued to negotiate with the Government. As this was happening, one of the major seafood companies came on to the market – Sealord Products Ltd. In 1992 when, after months of complex negotiations, a Deed of Settlement was signed and enshrined in the Treaty of Waitangi (Fisheries Claim) Act of the same year. The Government agreed to fund Maori into a 50/50 joint venture with Brierley Investments Ltd to bid for Sealord Products Ltd. At the time, Sealords was New Zealand’s biggest fishing company. The Deed also promised Maori 20% of quota for all species not yet in the QMS. In return, Maori agreed that their current and future claims were satisfied and discharged.

The Act renamed the MFC as the Treaty of Waitangi Fisheries Commission. The Maori name selected for itself by the Commission was Te Ohu Kai Moana (TOKM). The Act opened the way for allocation procedures for Maori fisheries assets to be developed. It

made clear that there were to be two separate processes. The first is for the distribution of assets already held by TOKM – the 10% of existing quota, shares, and cash. These assets are referred to as pre-settlement assets, or PRESA. The second is for new assets acquired under the final settlement. These are referred to as post-settlement assets, or POSA.

The 1989 interim settlement, the 1992 deed of settlement, and other developments have enabled Maori presence in the commercial fishing industry to rise substantially so that today Iwi control about 40% of the total assets of the industry. However, continued annual lease distributions and no final decisions yet regarding when and how to allocate the quota has created an environment whereby few Iwi have been able to make direct use of their entitlements. This lack of certainty means that most Iwi seafood businesses confine their activities to subleasing the quota (Kingett Mitchell 2001), rather than catching, processing and marketing fish.

2.1.5 Treaty Tribes Coalition

In 1994 the Treaty Tribes Coalition (the Coalition) was formed. Ngai Tahu is one of its five shareholders.³ The Coalition has the support of Iwi throughout New Zealand. Its mission is to represent the interests of Iwi seeking to secure the allocation of seafood assets held by TOKM.

Despite the level of support, litigation continues to bedevil the implementation of the optimum allocation model. As recently as July 2001 the Privy Council dismissed a longstanding claim by Urban Maori Authorities that they (and not just Iwi) are entitled to a share of the PRESA. The Privy Council decision is not an end. Rather it opens the way for other litigation, which has been waiting on the outcome, to now progress.

2.1.6 Current proposals

TOKM has put out for discussion their sixth attempt, over ten years, at reconciling the distribution of the Maori seafood assets among Maori. According to TOKM (2002) what individual Iwi will receive will depend on:

- the length of the coast line; and
- the population size of the Iwi as determined by the 2001 Census.

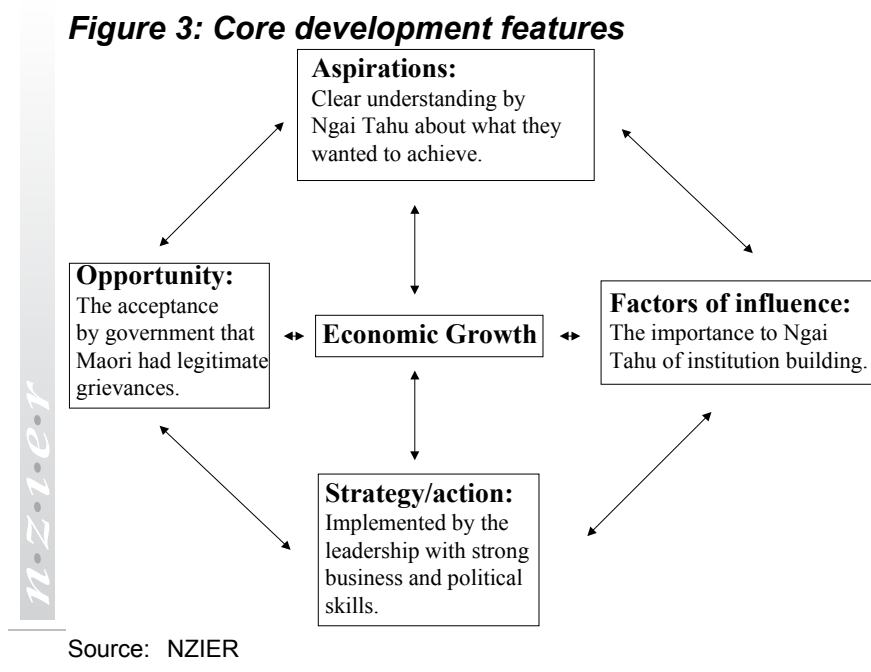
The arguments, which have yet to be resolved, revolve around the relative weightings that should be applied to length of coast line and population when distributing the assets and who should control those assets.

In December 2002 the Iwi Forum, some of whose members had opposed the suggested allocation, had agreed to support TOKM's allocation model, albeit with some modification. This brings the total support of the current proposals to 93.1% of Iwi organisations. The amendments include changes to the right of first refusal of settlement quota and an independent review of structures, accountability, and performance after 12 years.

³ The other four shareholders are Ngati Kahungunu Iwi Incorporated, Hauraki Maori Trust Board (representing the 12 Iwi of Hauraki), Ngai Tamanuhiri Whanui Trust, and Ngati Tama Manawhenua Ki te Tau Ihu Trust.

2.2 Ngai Tahu's development strategy

The pattern of economic development for any society is determined by a complex mix of policy, history, culture, luck, and timing (see Figure 3). Putting aside the debates over how economic development should be ideally progressed, the following is a brief account of how Ngai Tahu has developed over the past 30 years.



In the mid 1970s Ngai Tahu had almost been defeated as an effective institution. Its assets were non-existent, the Iwi was dispersed, and all attempts to settle its grievances with the Government had been rebuffed. On the plus side, individuals within Ngai Tahu had wide business experience and its members were well integrated into South Island society, to the extent that Pakeha were involved in Ngai Tahu Treaty claims.

The process began with an opportunity. In the short run, opportunities are strongly influenced by history. After the 1975 land march, the Government set up the Waitangi Tribunal to hear claims and review grievances. It was through the Waitangi Tribunal that Ngai Tahu was given an effective vehicle to advance their claims.

Also of major importance was the application by the Crown of property rights over fish stocks (see section 2.1.4). This gave Ngai Tahu the chance to confront the Crown over Treaty issues in the court system.

The aspirations of the Ngai Tahu leadership were also very important. A group of influential tribal members were able to put together a coherent strategy for Iwi development. These were people with both good political and business skills that were applied to the development of Ngai Tahu.

The lack of an institutional structure, while not helpful at the outset, was turned into an advantage by the Ngai Tahu leadership. It meant that the leadership could develop an institutional structure based on principles that could translate the values of traditional Ngai Tahu culture into the demands of growing export based businesses (including seafood). This point should not be glossed over because it is at the very heart of the development for Ngai Tahu: reconciling the importance of cultural values with the development of a successful business. This issue needs on-going maintenance

and consumes a not insignificant portion of senior executives' time. The Iwi has been able to develop because the:

- strategy has been clearly signalled.
- Iwi is relatively small.
- pro-business structures set up have not faced substantial barriers or resistance from within the Ngai Tahu.

Ngai Tahu leadership saw institution building as a major part of its development strategy. So much so that they went into debt to set up and develop institutions so that they could settle their claim. All resources were focused on settlement rather than developing other tribal interests (such as education scholarships, providing subsidised work for Iwi, or disbursements to selected members of the Iwi).

Ngai Tahu also wanted certainty about their business operations. Settling early was a key part of the process. By doing so, Ngai Tahu could focus on setting up and developing their economic base. The importance of this process is only now becoming apparent. For example, some in Ngai Tahu believe that the hold up in the allocation of fishing quota after the 1992 Act was enacted (which is still being debated) was a blessing in disguise. The quality of decision making, at that stage of their business development, would have led to a lot more business mistakes being made. The creation of business institutions and experiences gained have been invaluable to Ngai Tahu.

2.3 Fishing industry

The fishing industry worldwide is extraordinarily diverse. At one extreme are the large multinational joint ventures, utilising factory trawlers and numerous other vessels, employing thousand of workers on several oceans. At the other extreme, wooden canoes, and other boats are used.

Other issues include:

- government involvement including subsidies and substantial investments leading to over production and cheaper fish. Government run fishing operations has invariably meant mismanagement of assets and the fishing resource.
- over-fishing means there is an oversupply of fishers worldwide. This has led to a sudden disappearance of some fish stocks in traditional fishing grounds. Therefore, fish supply is constrained.
- new growth is coming from fish farming, although not to the extent of replacing fish from traditional sources.
- government involvement has not generally extended to helping fishers out of the industry.

Couple this with the “trading floor mentality” crossed with the “wild west” approach to industry relationships means that to survive as an exporter, seafood companies have to be flexible, creative, and be able to survive the ups and downs of the industry.

2.3.1 Ngai Tahu view

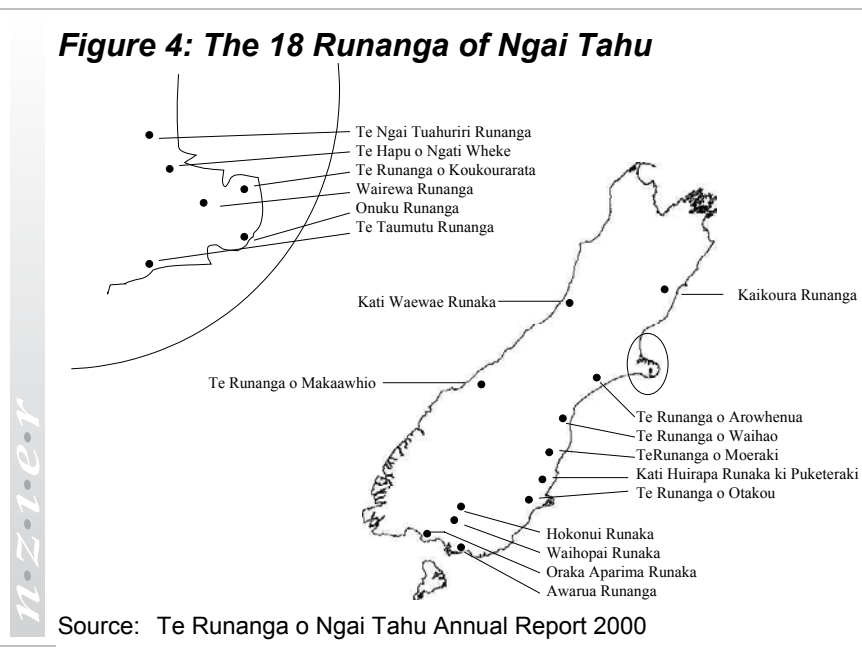
There have been suggestions from some Maori that the fishing industry is a panacea for Maori development. Ngai Tahu Seafood sees a different reality. In the past, the industry has under performed and now it is becoming highly competitive. The numbers employed are decreasing and the number of fishers in the inshore is declining.

New trends include:

- companies moving into the inshore with more expensive boats (increasing the barriers to entry). The only viable way Maori will be able to enter the business is through Iwi corporations.
- quota is becoming more expensive as fish prices increase.
- New Zealand fish stocks are in balance, however some species will experience a decline.
- health standards in industrialised markets are getting tougher, therefore the cost of compliance to adhere to those standards is increasing. Furthermore, economies of scale exist in developing health standard regimes within companies, making it difficult for small new entrants.
- rationalisation in the industry is constantly occurring.
- the importance of processing and marketing has increased. By being close to the consumer and providing the consumer with what they want, in the form they want it in, is a major competitive advantage for a seafood company.

2.3.2 Where Ngai Tahu Seafood “fits” in the Ngai Tahu structure

The Ngai Tahu Iwi settled in the South Island of New Zealand approximately 1,000 years ago (see Figure 4 for the location of the Runanga or sub tribes that make up Ngai Tahu). Their claims to the land and seafood are based around this heritage and written into the Treaty of Waitangi in 1840. It has only been recently that Government has accepted their responsibilities under the Treaty. The settlements that have emerged are the basis for tribal development.



Ngai Tahu has set up a number of institutions to manage its businesses. Ngai Tahu Holdings is the main vehicle used by the Iwi to control its business interests. This is distinct from the Iwi development and administration activities that are controlled by Ngai Tahu Development Corporation. The separation of the commercial activities from development activities is of fundamental importance to the Iwi.

Institution building is at the heart of the Ngai Tahu’s strategy. This includes:

- the development of sound governance structures.
- a well documented and transparent management system e.g. each board has non-executive directors.
- recruitment of non-Maori directors for their experience.
- a strong focus is put on information flows that identifies the roles and accountability of management in each subsidiary, and
- Iwi has adopted a conservative fiscal approach since they are conscious of their stewardship of the Iwi's wealth and therefore it is the means for further development. This is an important issue because the Iwi are well aware that it took 150 years to achieve this result.

At the heart of the current organisational structure is Ngai Tahu Holdings Corporation (the commercial arm of the Iwi). It has a total asset base of approximately \$US155 million mainly based in property and fishing assets. Wholly owned subsidiaries include:

- Ngai Tahu Seafood Limited
- Ngai Tahu Property Group
- Ngai Tahu Finance
- Ngai Tahu Tourism
- Ngai Tahu Equities

Other holdings include:

- Ngai Tahu Escorial Holdings, Ngai Tahu Justice Holdings, Ngai Tahu Forest Estates, Ngai Tahu Vineyards, and Ngai Tahu Wakatipu Holdings.

The rights that Ngai Tahu have achieved under the Treaty of Waitangi QMS settlement are based on the Iwi's customary fishing rights – these are of paramount importance to the Iwi. Without these rights, there are no commercial rights.

2.4 Supply issues

2.4.1 Supply elasticities

Supply elasticities measure how much the quantity supplied responds to changes in the price. Supply constraints in the fishing industry are a major issue. Governments around the world are looking at ways to constrain over-fishing. Therefore, regulatory regimes such as the QMS will become more common. Future growth is limited with fish farming activities the only likely source of fish stock growth.

Table 1 shows that supply elasticity estimates put forward by the Global Trade Analysis Programme (GTAP). These are:

- very low elasticities (0.29) for open access fisheries where anybody wanting to fish can.
- much higher where access is restricted (such as in New Zealand under the QMS). This reflects the increased price responsiveness to supply (0.76).

Note also in Table 1 that in the GTAP database the elasticities have been averaged to obtain 0.525.

This has major implications going forward for Ngai Tahu. Overtime, the quantity of fish caught will be constrained by the QMS. Strategically therefore, Ngai Tahu has chosen a path which aims to extract as much value out of each part of the seafood chain as possible.

Table 1: Fish supply elasticities

Open access fisheries	0.29
Restricted Access	0.76
GTAP data base	0.525

Source: GTAP database version 5

2.4.2 Inputs

For New Zealand, the crucial regulatory issues are the extension of the 12-mile limit to 200 miles and the introduction of the QMS. For Maori, the recognition of their rights under the Treaty of Waitangi and the continuing settlement process has been important to the renaissance of Iwi fishing businesses.

Under the Treaty of Waitangi settlements, substantial allocations of land, other assets (included in this definition are fishing quota and exclusive tourism rights), and limited amounts of capital have been transferred to Iwi. Most of these assets are used to develop businesses that have a substantial exposure to foreign markets.

What sets Iwi businesses apart from other parts of the economy is that these businesses and the assets tied up in them are often not for sale – regardless of how they are performing. Since the assets may have a spiritual and cultural value, which is based not just on pure economic grounds. These commercial rights are built on the customary rights.

The transfer of assets has presented a major challenge for Iwi to develop and improve skills from the boardroom through to processing jobs. Ngai Tahu has come from a position of having a fairly crude institutional structure to an organisation with sophisticated governance structures that support award winning export businesses.

The Iwi businesses are also seen as important employment and skill improvement bases for Maori. While Iwi are conscious of attracting the best people to commercial positions, where possible, they will use the jobs to provide employment opportunities for those attached to the Iwi. Ngai Tahu has a tradition of having relatively young people in positions of power within Ngai Tahu – talent is allowed to rise to the top.⁴

Most of the Ngai Tahu Seafood senior managers, while connected to the Iwi in some way, are not of Ngai Tahu descent. They have been recruited by the Ngai Tahu primarily for the management skills that they have, rather than whether or not they are of Ngai Tahu blood.

Those operating the Ngai Tahu businesses are conscious of the wider responsibilities they shoulder. Unlike shareholders in investor owned firms, the approximately 40,000 people of Ngai Tahu descent are not buying or selling their Ngai Tahu shares – they are more or less permanent shareholders.

If you are a permanent shareholder, the only way to understand, ask questions, or change the businesses is through asking questions at Ngai Tahu forums. Therefore

⁴ Interview with Anake Goodall, TPK.

explaining how the business is progressing, what the strategic direction is, and why certain actions have been taken, means that constant contact is required between shareholders and Ngai Tahu businesses. While the transaction costs in conveying the business messages to shareholders may be higher than some investor owned firms, it also has the impact of making managers feel part of the Iwi (it is not just another job where they get paid to perform certain tasks).

In Ngai Tahu Seafood 33% of staff are either Maori or have Maori partners, while approximately 50% of those contracted to Ngai Tahu Seafood in the inshore fisheries business are of Ngai Tahu descent.

2.4.3 Technology

The current state of technology has important implications for the structure of any particular industry. This has major implications for Ngai Tahu since they will probably own the seafood and other assets over the long term (see inputs). Technology will change these industries and the sorts of products and services produced. For example, Ngai Tahu Seafood believe they are a seafood company not just a fishing company. Their job is to extract on a sustainable basis as much profitability from the seafood chain as possible at any stage of that process. If technology in one part of the chain has the potential to improve returns to Ngai Tahu then they want to be in a position to capitalise on it.

One strategy that Ngai Tahu has used with success to transfer technology has been to use joint ventures. Joint ventures have been of mutual benefit since Ngai Tahu can get the benefit of technology transfer while the partner has certainty about their role and can devise an exit strategy. The partner also knows that Ngai Tahu is committed to the industry permanently. This reinforces the sense of certainty for Ngai Tahu's business partners. Joint ventures are also a way of achieving scale in processing and marketing that negates the need to own significant parts of the value chain (it also decreases business risk).

2.4.4 Product durability

Product durability is directly linked to the current state of technology that is a determinant of industry structure. It is an important issue because strong relationships between different entities in different parts of the marketing chain are required so that product is presented in the market in the best possible condition.

In the fishing industry, swapping processing capacity and quota occurs as the result of phone calls with the paper work sorted out later. These relationships are reinforced because of the "repeat games" entered into by the players in the industry - trust and following through on your commitments occurs because at some stage you will need help from other players and you don't want the "phone to stop ringing".⁵

2.4.5 Cyclical and seasonal nature

The potential for changes in supply to occur in the fishing industry means that weathering the downturns are important parts of the strategic plan for Ngai Tahu. Maintaining flexibility and continuing to add margin in the post catching phase of the marketing chain are also vitally important.

⁵ Interview with Anake Goodall, TPK.

Focus and commitment to the fishing industry (because Ngai Tahu will probably always be in that industry) means that Ngai Tahu are able commit substantial resources to ensure their long-term survival in the fishing business.

2.4.6 Cost structures

A key part of the Ngai Tahu strategy has been to build a seafood company that adds value along the marketing chain. In the short run, this means that while costs are important they are only part of the equation. Ngai Tahu has been prepared to spend money to add value to the seafood business in ways that a commodity business would not do. They have done this because in the long run they do not believe that running a commodity business is a sustainable business model. This is particularly so in the case of seafood because of the quantity that is permitted to be caught under the QMS has declined and may decline further.

There are many different ways of controlling costs. When monitoring is difficult and seasonal fluctuations occur, owning all the assets may not be a successful approach to cost containment. Ngai Tahu does not own fishing boats. Boat owners, Ngai Tahu believe, are better able to monitor and keep control of costs, relative to another entity running a fleet of boats, as well as having the ability to leverage their own quota, combining it with a joint venture partner (such as Ngai Tahu).⁶

Owner operators are also able to make income sacrifices that other companies could not sustain when fishing is less profitable. Their long-term commitment, signalled by buying a fishing boat, means that they are committed to the industry in good or bad economic conditions making them ideal partners for Ngai Tahu.

In the deep sea fishery, scale and vertical control are important aspects of the business. Fishing companies own the fishing fleets, processing facilities, and a deeply involved in marketing fish. Costs are more certain in this process and easily comparable to other boats therefore, relative to inshore fisheries, vertical ownership is common.

2.4.7 Rates of growth

While climatic conditions can have a major impact on growth in any particular season, the underlying growth rates in resource based businesses are biological constrained, therefore there are limits to growing quickly (see supply elasticities).

In the fishing industry, the major constraint is the Quota Management System (QMS). The available quota has been reduced, as scientists find out more about fish populations and sustainability of those populations, by approximately half in ten years. Ngai Tahu fully expects these allocations to be reduced further over time.

To counter the reduction in catch, Ngai Tahu is investing more and more in aquaculture. The rate of growth, of fish farming operations, is dependent on the ability of Iwi and their joint venture parties to get Resource Management consents. The cost of compliance being imposed on rural New Zealand (through Acts of Parliament) is increasing and will further encroach on rural property rights held by Maori. This will further limit growth opportunities.

One potential issue for Ngai Tahu going forward is the moratorium on developing new water space for fish farming activities. This is of significant concern to Ngai Tahu because it limits growth opportunities. Furthermore, Ngai Tahu has been surprised by

⁶ However, this approach may not be permanent. There is a trend towards larger more sophisticated boats being used in in-shore fisheries.

the approach taken by the Crown to further allocate new water space for fish farming. The Crown has approached the issue along the same lines as the first QMS Act in 1986. Like the inshore and deepwater fisheries, the fish farming activities are subject to Treaty of Waitangi claims. The stance taken by the Crown will dictate how Iwi proceeds on this matter.

2.5 Demand issues

2.5.1 Demand elasticities

Necessities tend to have inelastic demand (relatively unresponsive to income growth), whereas luxuries have elastic demand (responsive to income growth). Seafood products are rapidly becoming a luxury item as supply is constrained because of over-fishing and species such as lobster, paua, and oysters being highly sort after.

Furthermore, the types of markets being developed by Ngai Tahu are the high value markets of North Asia, United States, and Europe. Intuitively, Ngai Tahu Seafood is targeting markets that will bring higher returns in industrialised countries where own price and income elasticities are high.

2.5.2 Rates of growth

a) Creating the conditions

Half of all world trade growth comes from new products. Therefore, new product development is a crucial part of any growth strategy. This presents a major challenge for Ngai Tahu to create conditions that allow its business entities to develop new products or services that will meet world demand. This necessarily means that institutional structures, leadership, strategies, and aspirations of Ngai Tahu need to properly reflect and be attuned to the trends and opportunities that present themselves on world markets.⁷

Ngai Tahu employment policies recognise this issue. The value of skilled management and workers are becoming increasingly important. Furthermore, an open system is essential where talent is allowed to rise to the top and the best talent available is recruited to manage the Ngai Tahu businesses.

While every effort is made to recruit and maintain people from Ngai Tahu, being a member of the Iwi is not prerequisite for employment. If a member of the Iwi approaches any part of the Ngai Tahu organisation for a job and does not have the skills or experience they will be shown how they can obtain those skills and gain experience. Ngai Tahu run scholarship programmes for Iwi to take advantage of the training programmes on offer. Despite this, management skills and expertise in Ngai Tahu are in short supply.

New product development is vital for future growth of Ngai Tahu Seafood. From its new product range, a Ngai Tahu Seafood product has been selected as one of the best new seafood products at the Boston Seafood Show. To support new product development Ngai Tahu have developed research programmes with Crown Research Institutes (CRIs) and tapped into government research money through the Foundation for Research, Science, and Technology (FRST). There has been a deliberate attempt to create a pipeline of new high value products by Ngai Tahu Seafood.

⁷ For example, goods and service based on knowledge are becoming increasingly important relative to other factors of production, such as land and to a lesser extent capital.

b) Commodity forecasts

According to the International Food Policy Research Institute (IFPRI), world food demand will grow substantially over the next twenty years (2.8% per annum to 2020). However, prices for agricultural products will not grow in real terms (see Table 2). This is because developing countries, in particular China, will increase supply of those commodities dramatically.

Fish prices, however, are expected to rise more dramatically than other primary products (see Table 2). Production, driven by aquaculture, is expected to increase by 1.5% per annum, which is not enough to offset increasing demand. Demand, particularly from developing countries, will drive prices up further, relative to other agricultural products.

While the projections for real prices of bulk agricultural products are slightly negative, this is a major change from what has happened over the past thirty years. In that time, commodity prices have fallen dramatically, relative to other products.

Table 2: Forecast Prices

Forecasts to 2020

Commodity	% change in real price from 1997-2020
Maize	+1
Beef	-3
Pork	-3
Poultry	-3
Milk	-8
Fish	+16

Source: IFPRI forecasts in Delgado (2002)

2.5.3 Substitutes

One of the key issues going forward will be the price competitiveness of seafood from New Zealand as new producers attracted by higher prices come into the market. This reinforces the need to continually develop high value markets, improve quality and consistency of product, and provide a year round supply.

3. STRUCTURE

3.1 Export orientated

Infometrics (1999) demonstrate that Maori have a very high reliance on export revenue. This reflects the high proportion of assets concentrated in primary production and processing. Infometrics (1999) point out that:

- approximately 60% of Maori assets are exposed to international trade relative to approximately 31% for the whole economy.
- Maori workers are more likely to work in export orientated businesses.
- Maori businesses are more likely to export to Asia, USA, and Europe.
- Maori are heavily exposed to sectors that are highly protected in the industrialised world.
- production tends to be based on export orientated production and processing.

The Ngai Tahu's seafood business illustrates the exposure Maori have to world markets. Table 3 shows this by listing out the key export information.

Table 3: Key export information

2001

Years exporting	13
Number of markets	14
Top four markets	USA, Hong Kong, Japan, & Australia.
Main species caught	Lobster, mussels, hoki, orange roughy, ling, shark, & paua.
Export sales	\$35.7 million
Exports as a percent of sales	85%
New products	Value added retail ready seafood products & marine based nutraceuticals.

Source: NZIER

3.2 Industry maturity

Fishing is a mature business. Mature industries are characterised by slow growth and declining profitability. Therefore, it is a major challenge for Ngai Tahu to overcome the natural disadvantages associated with being in a mature industry for the long term. Improved growth rates will come from:

- developing new products and processes that overcome these constraints, and/or
- using the assets in traditional industries to leverage Maori businesses into faster growing industries (such as tourism and biotechnology).

3.3 Product differentiation

Previously we have signalled the importance of new products being created to ensure the development of future growth. Ngai Tahu, for example, are aggressively developing new seafood products, so much so that they are now winning international awards for new product development. Ngai Tahu Seafood is conscious that profitability and growth will come from new product development and new businesses.

3.4 Barriers to entry

In each industry, there are a number of constraints that limit growth or limit what type of business Ngai Tahu can enter profitably on an international scale. The most pressing of these barriers in the fishing industry include:

- the limited quota for allocation under the QMS (see above).
- the inability to access markets in industrialised nations because of the prohibitive tariff walls and other quantitative and non-tariff barriers. This highlights the importance of trade policy to Maori.
- economies of scale in health standards.

New Zealand firms point to exchange rate volatility as being a barrier to exporting. Because of the unpredictability of exchange rate movements firms find it difficult to “nail down” costs. Ngai Tahu Seafood is no exception to this, and found the rapid rise in the exchange rate in late 2002 and early 2003 difficult to adjust to in the short term.

3.5 Vertical integration

Ngai Tahu Seafood has deliberately set the organisation on a forward integration course. The strategy has been to move up the marketing chain and get as close to the consumer as possible.

One of the advantages Ngai Tahu had was that as an Iwi they already had some collective experience and history in fishing. Therefore, when it came to moving into other parts of the marketing chain (in some cases with Joint Venture partners⁸) it was less difficult relative to an Iwi that has no experience or history in fishing.

3.5.1 Forward or backward integration?

Work by Buzzel & Gale (1987) who surveyed between 25,000 and 30,000 businesses in the United States showed there was no correlation between Return on Investment (ROI) and those players who forward integrated. However, there was a correlation between those that backward integrated and ROI. Intuitively, one of the reasons for successful backward integration is that those closer to the market have a better idea about what the consumer is demanding.

To overcome this problem, Ngai Tahu has deliberately followed a strategy of employing people or joint venture partners that have experience and skills Ngai Tahu did not have. The state of the art lobster processing plant at Christchurch airport is a case in point. It was set up as a joint venture with an option for Ngai Tahu to buy the partner out. The joint venture partner brought specialist skills and know how to the

⁸ Joint ventures are always a compromise. They have the advantage of bring capital, know how, and specialist expertise to a business, and the disadvantage of losing some control and increasing the risk.

business, which could eventually be passed on to Ngai Tahu. The joint venture arrangements have been used as a vehicle to gain expertise further up the marketing chain. However, the chances for further joint ventures, particularly in processing and fishing are rapidly diminishing.

3.6 Scale economies

Achieving scale in the mature seafood business in all aspects of the marketing chain is vitally important. Apart from the allocation of assets, scale has been a central part of the debate over the organisation and control of Maori fishing assets.

How to achieve scale is the important issue. Table 4 shows the fundamental difference between TOKM, who believe that ownership is the best way to achieve scale and Ngai Tahu, who believe that scale can be achieved by making strategic alliances within the seafood industry.

Table 4: Approaches to scale and its implications

	TOKM	Ngai Tahu
Strategy	Ownership of the assets to create scale.	Use of industry alliances to create scale.
Operational issues	Direct control over assets, marketing, and processing.	More reliance on picking the "right" partners and monitoring their performance. Less control.
Implications for risk	Concentrates risk and reward.	Spreads risk and rewards.
Implications for organisational flexibility	Less strategic and organisational flexible.	Highly flexible.
Implications for efficiency	Emphasis on productive and allocative efficiency through ownership. Less likely that dynamic efficiency will occur.	Achieve productive and allocative efficiency by partnering with other firms. Strong emphasis on dynamic efficiency.
Equity considerations	More likely to achieve goals associated with equity, but questionable if it is sustainable over the long run.	Little to say about equity, however it is more likely to be a long-run sustainable business model.

Source: NZIER

TOKM has proposed one large fishing company to exploit the scale of the quota given to Maori. This will be a company created by an Act of Parliament. TOKM argue that a large Maori owned fishing company is necessary to be able to reap scale rewards. This secures Maori ownership of the assets and safeguards its position in the industry by controlling catching, marketing, and processing.

The ownership model has implications for the way that the seafood business is operated. It concentrates the risks but also increases the rewards if the right business decisions are made. It also means that once the strategy is set and specific assets are bought, then they are committed to a particular course of action making the company less flexible in its strategic approach if conditions for any particular reason change.

The model also has implications for the different types of efficiency (see 5.2). Typically, we would expect that a firm would achieve a high rate of productive and to a lesser

extent allocative efficiency by creating a large Maori owned fishing company. However, by achieving these goals they may constrain their ability to innovate at the margin (dynamic efficiency). This could be reinforced by the uniqueness of the operation that is created by Statute. With no natural benchmark, it will be difficult to judge its performance.

The TOKM model will deliver equity for all Maori in the short term, but because of the lack of dynamic efficiency, there is a question mark about its long-term viability. It may also help in building Iwi institutions, because to share in the returns from the fishing company, Iwi have to meet minimum business accountability standards.

Ngai Tahu Seafood believes that scale is important, but argues that this can be done in different ways. Ngai Tahu Seafood, through joint ventures has been able to gain not only experience and new expertise but also scale in all aspects of the value chain.

In this strategic approach, more emphasis (and the skill of management) is in picking the right strategic partner that brings expertise and infrastructure to the partnership and adds margin to the business venture. This approach spreads the risks of doing business but also spreads the rewards of a successful partnership. Organisationally, the ability to enter into a number of different alliances means that Ngai Tahu Seafood can be more flexible in its strategic approach. Although, it does mean that they lose some control over operations.

To achieve scale and therefore improve productive efficiency the crucial element is choosing the right alliances. If this can be achieved, then Ngai Tahu Seafood is in a better position to maintain strategic flexibility and therefore benefit from, and maintain the incentives to improve allocative and dynamic efficiency.

This is closely aligned to a market-based model that has little to say about equity. While there are no guarantees, this type of model is more likely to be sustainable in the long run because of its emphasis on dynamic efficiency. By running a sustainable business model, Ngai Tahu believe that they can provide on a sustainable basis educational, health, and other benefits for the Ngai Tahu Iwi.

There is no “right” or “wrong” approach to achieving scale in the seafood business. Each strategic approach has strengths and weaknesses that need to be evaluated given the ability of the business institutions already in place and market conditions faced.

4. CONDUCT

How do firms behave in the market? Conduct examines how businesses operate under conditions influenced by the structure.

4.1 The importance of culture

“Sometimes the canoe of other races makes changes in its direction, but the steering of the Maori canoe should be in accordance with our tradition, it should travel on its set course.” Terehia Kipa commenting to the Royal Commission on Genetic Modification 2001 p18.

The land, fish quota, and other exclusive rights are often not for sale. The rebuilding of the asset base has more than just economic significance for Ngai Tahu. The attachment to land has traditional, spiritual, and cultural significance that may preclude any sales. This attachment is not a means of getting an economic return but a way of retaining control over significant social and cultural assets. These assets, particularly the land and coastline are crucial to Ngai Tahu’s culture and identity.

This is both an opportunity and a constraint. Unlike other New Zealand firms who reach a certain size then sell out to overseas interests, Ngai Tahu do not see this as an option for Iwi or pan Maori businesses. It means that they are committed to making the businesses viable and are focused on that outcome over the long term. Focus on the business and commitment to the business can be key elements in a development strategy and produce results that would not normally be expected from businesses that have a shorter term planning time horizons – despite constraints they have to make it work.

Furthermore, Iwi may be able to utilise, attract, and maintain talent more effectively than other businesses. The Iwi can call on individuals within the tribe to run businesses, when normally they would be attracted away from the district. This ability to “shoulder tap” individuals with specialist skills means that they are able to keep Iwi employed in their traditional tribal areas.

This long-term view of asset ownership spills over into the business relationships formed. While difficult to quantify (and also similar to other businesses that take a long term view), Ngai Tahu businesses spend a great deal of time building relationships with distributors and importers. This helps to add certainty to business relationships.

The constraints are more to do with the inability to use the capital base as collateral for loans in the same way as investor owned firms and the difficulty Iwi have in getting their unique institutions protected under law. Part of the problem is that Iwi are constrained by the inability of New Zealand law to recognise Maori institutions. For example, setting up a company in New Zealand costs approximately \$US100. Ngai Tahu had to get an Act of Parliament to get their institutional structures recognised in a way that was acceptable to Iwi. The gulf between the two processes, in terms of transaction cost and time taken, is huge and constrains Iwi wishing to develop economically.

4.2 Approach to business

4.2.1 Value added strategy

Once the settlement process was set up and a partial handing back of resources had occurred, Ngai Tahu Seafood was able to start operations. The first decision was whether or not to lease the quota to other players or get involved in the seafood business.⁹ Once the decision was made to set up a seafood business, there was a deliberate attempt to extract as much margin from seafood as possible.

The first ten years of the operation have been used to push Ngai Tahu Seafood further up the value chain to extract that margin. The strategy revolves around being a seafood company (not a fishing company). Therefore, they do not see themselves operating exclusively in one part of the chain, but are interested in adding value (by adding margin) where they can and getting out of parts of the fishing industry where they are unable to add margin.

Ngai Tahu Seafood also made a deliberate decision to concentrate on high value species. In particular, paua, crayfish, and wetfish (both inshore and deep sea). They have also gone out and bought quota on the open market to increase their market share in these high value species.

Table 5: Ngai Tahu Seafood Strategy

Era	Activity	Issues
1988-1992	Pre-settlement characterised by institution building activity.	Borrowed heavily. Used business expertise of Ngai Tahu people and others.
1992	Settlement period driven by the resources handed back by the Government.	Used quota to build the business.
1992-1998	Resource used to leverage the business into business such as catching. Joint ventures used as a vehicle to gain expertise in processing and marketing.	Leased boats. Mixed experience with JVs.
1998-2002	Sales and marketing alliances developed.	Employed a risk manager. Pushed further up the marketing chain.
2002 -	Customers and markets.	Strategic marketing alliances.

Source: Interview with Gavin Holley, Ngai Tahu Seafood and Graham France.

4.2.2 Reinforcing value added

To strengthen the value added culture, there has been a deliberate move to separate the various cost centres so that each part of the business knows where margin is being added. The rationale behind this is to ensure that each business remains competitive. This means that:

- exchanges between business units within Ngai Tahu Seafood happen at market prices. This is done to ensure that quality and value added are reflected in each input through its scarcity value in the market.

⁹ Telephone conversation with Graham France.

- each business unit can trade with whoever it likes in the market so that there is no cross subsidisation in the business.
- any strategic partnership entered into must be consistent with the value-added culture being developed by Ngai Tahu Seafood.
- Ngai Tahu has recruited experienced non Ngai Tahu directors to the Board of Ngai Tahu Seafood.

4.2.3 Joint ventures

Part of this process was to develop a number of joint ventures with mixed success. When successful, there has been a win-win relationships where both Ngai Tahu Seafood and the joint venture partner have gained. The aim of these joint ventures has been to:

- acquire technology and skills that would allow them to enter the processing and marketing of fish and thus move them up the value chain; and
- increase the scale of operations by combining with others in the business.

When relationships have not been successful, Ngai Tahu has been able to withdraw without risking the same losses that would have been incurred if they had owned the whole joint-venture operation.

4.3 Responsiveness to change

Building institutions that are responsive to change is one of the most important issues for Ngai Tahu. Key issues for Ngai Tahu in developing their approach to world markets include:

- addressing the attitudes of the Ngai Tahu Iwi towards trade and trade policy and specifically the attitudes of Maori businesses to trading on world markets. Recent history shows that certain sections of Maoridom have trepidation about the results of globalisation (global trends) and localisation (the specific impacts in New Zealand), however, Ngai Tahu Seafood have developed a marketing system that embraces the market and looks to benefit from their distinctive brand.
- the importance of adopting a consultation process with Maori that draws out the Iwi's fears and addresses them in a frank and honest way.
- reducing the opaque nature of Maori institutions so that they can be integrated and participate more fully in world markets.
- the importance of new product development and development of economic activity in fast growing industries.

4.4 Legal tactics

Legal tactics that have been employed by various Maori groups are a symptom of disagreements about the distribution of Maori fishing assets. There is also controversy about the latest proposals put forward by TOKM on the way that these assets should be allocated.

These are important issues because the way assets or shares are distributed will:

- impact on the scale of the Maori fishing industry,
- the ability to control and have certainty about the development path for any particular Iwi.

5. PERFORMANCE

5.1 Output and growth

Ngai Tahu's seafood business is growing strongly. Figure 5 illustrates this growth with revenue and surplus (proxy for profit) figures between 1991 and 2002. The figures show a steady progression as sales and surplus, a part from 1998. The surplus has jumped dramatically since 1998.

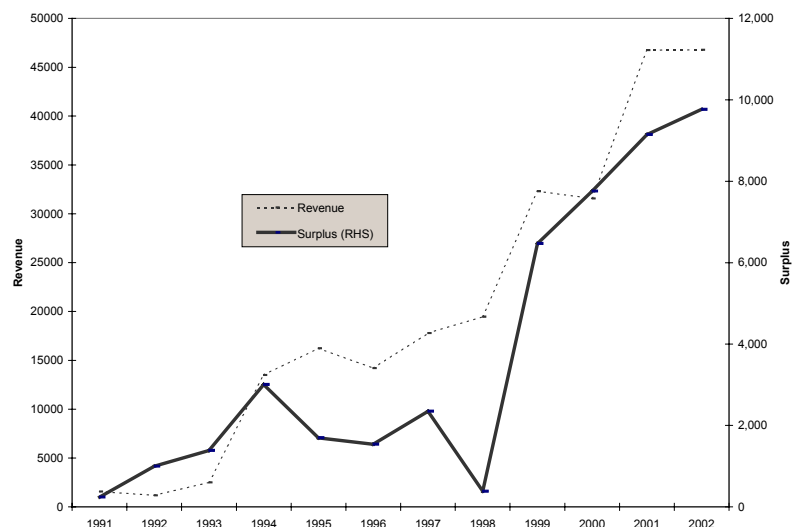
Part of the reason for this has been the value-added strategy developed by Ngai Tahu Seafood. Every part of the value chain is a potential revenue source. Furthermore, Ngai Tahu Seafood has as an objective to get as close to the consumer as possible. So that they can:

- understand what consumers want and the willingness to pay, and
- extract the greatest return possible.

Ngai Tahu Seafood are also aware that there is a possibility that the QMS may be reduced further, therefore they need to push the business as far as they possibly can down the value added track.

Figure 5: Surplus and revenue

000's dollars



Source: Gavin Holley Interview.

5.2 Efficiency

Efficiency is an important issue in economics because a more efficient economy contributes directly to greater wealth in the economy. Economics is primarily concerned with highlighting where impediments to improved efficiency occur. Three types of efficiency are important:

- productive efficiency deals with the examination of the costs in relation to the process of producing one "unit" of a good or service (*Cost minimisation*). One of the best ways of reducing per unit costs is by achieving an optimal scale. Scale is becoming increasingly important in all aspects of the seafood industry.

The drive for scale is one of the main reasons why TOKM has pushed for the formation of one major fishing company. Ngai Tahu argue that scale can be achieved in many ways and ownership of a major fishing company is only one way to achieve this process. Joint ventures and other less formal networks can achieve the same result as forming one company to manage the quota.

- allocative efficiency examines whether resources are applied to their best use and how those resources are used for different purposes (*Matching*). In the fishing industry, mixing and matching of quota and processing happens regularly. How efficiently this is done has a major impact on profitability. It also explains why various players specialise in the selected activities. Ngai Tahu, for example, do not own fishing boats, because owner operators can control costs better than the Iwi can. Furthermore, where they have no expertise in a particular process or marketing of a species of fish, they seek out joint venture partners. This improves the allocation of resources within the Iwi's business activities.
- dynamic efficiency, examines the deployment of resources over time to reflect environmental changes (*Innovation*). One of the more difficult economic concepts to measure and get across in general debate is the concept of dynamic efficiency i.e. innovation at the margin. It is difficult to see because it consists of a myriad of small, sometimes imperceptible changes to economies, industries, and firms that advance economic performance. Economics has yet to come up with a way of measuring dynamic efficiency because of the data difficulties of measuring performance over time. However, since dynamic efficiency is about maximising the present value of current and future welfare, a dynamically inefficient economy will clearly have less economic advancement over the long run.

Ngai Tahu argue that the formation of one large fishing company will blunt dynamic efficiencies because it is an artificial creation and not a business relationship that would have been thrown up by the market.

5.3 Equity

Equity relates to 'fairness' or perhaps more practically, what society deems to be fair. TOKM, under its current proposals for the distribution of fishing assets, believe that creating one fishing company to hold the quota allocated to Maori is one way of looking after Iwi that have not yet settled their Treaty claims (and therefore have no money to buy further quota) and the interests of smaller Iwi who will be outbid or will not be able to use their allocated quota as effectively as larger Iwi.

Whether it is TOKM's job to arbitrate or intervene in the market, once allocation is decided upon, to ensure that their version of 'fairness' prevails is another matter.

5.4 Employment

One of the major objectives of Iwi is to maintain and increase employment in their tribal areas. Ngai Tahu wants to create jobs for the Iwi, but not at any price. Ngai Tahu realise the best way to create viable long growth for the business (and its beneficiaries) is to employ the best people for the job.

Ngai Tahu Seafood does not always guarantee jobs for members of the Ngai Tahu Iwi. The Ngai Tahu strategy is to encourage members of the Iwi to acquire the skills necessary to be an efficient part of the Ngai Tahu Seafood operations. In this way, the Ngai Tahu businesses and its workers can benefit over the long term.

For Ngai Tahu, the Seafood business employees about 110 people, 33% of who are Maori or have Maori partners (not all members of the Ngai Tahu Iwi). Therefore, it is not a big employer.

5.5 Other objectives

An efficiently operated business is only one of the objectives that Maori have in owning fish quota. Adherence to tradition, culture, and the spiritual attraction of the land is very important to Maori. The idea of caring for the environment or “obligated stewardship” of land, air, and sea is one explanation of the “holistic” approach taken by Maori. These spiritual values are seen as being equally or more important than using the fish quota in an efficient manner and have to be taken into account when judging the workings of Maori institutions and export performance.

5.6 A sustainable model?

Others have noted the success of the Ngai Tahu business/cultural model. Apart from one partly successful venture, they have not involved themselves in other projects. The reasons for this are:

- Ngai Tahu are in the middle of building a seafood business themselves.
- overseas joint ventures bring extra risk that requires the scarce time of senior Ngai Tahu Seafood management.
- most involve difficult cultural problems that, by their very nature, require scarce time, institution building, and capital – there are no ready made solutions.

This is a cautionary tale being told by Ngai Tahu who recognise, through their own experience, that the development process is a hard grind over the long term. It also recognises that while some of the Ngai Tahu experiences are portable, careful case-by-case analysis is required before strategy implementation.

6. CONCLUSIONS

The development of Ngai Tahu Seafood's business into a viable entity is not due to any one factor. Like most business development stories it is the interplay between a number of different factors, all of which have an important role to play in its initial success. Four key areas crucial to their development success are:

- Opportunity

Opportunities for business success abound, the key is taking advantage of them. The opportunity for Ngai Tahu came with the creation of the QMS. This created a property right in fishing that had previously been open to all.

The setting up of the QMS meant that Maori (including the Ngai Tahu Iwi) had a legitimate claim under the Treaty of Waitangi to a significant part of the fishing quota. These rights were eventually recognised under New Zealand courts and enshrined in law.

- Aspirations

The pattern of development is determined by what the Iwi wish to achieve. There was a group within the Iwi that had very strong political and business skills and had a clear vision about where they wanted to take the Iwi. Through their leadership the Iwi put together a coherent strategy and more importantly showed how that strategy should be implemented.

- Factors of influence

The recognition that institution building is a key part in business development. So much so that they went into debt to ensure that they had the right structures in place before the Crown settled with Ngai Tahu. By setting up the right structures, Ngai Tahu has been able to develop its businesses on economically sustainable foundations.

The strong influence of tradition, culture, and spiritual values sets Maori businesses apart from other businesses operating in New Zealand. The assets have a spiritual and cultural value that is based not just on purely economic considerations. For example, the businesses and the assets tied up in them are not often for sale - regardless of what criteria is used to judge them or how they are performing. Ngai Tahu is striving to bridge the gap between growing a long-term sustainable business and preserving their cultural identity.

This is not an easy process, however it is not necessarily a handicap. It does pose challenging questions about growing the uniquely Ngai Tahu institutions that can also access capital markets. Some of the advantages include:

- The business can be viewed as a long-term opportunity. They are going to own and operate businesses permanently, therefore focus on how to make them profitable and commitment to that task is strategically important.
- The strong cultural and spiritual values can be used to hold skilled staff in tribal regions. In other businesses, attracting skilled staff to the regions can be a difficult task. Iwi have some ability to "shoulder tap" skilled staff and retain their services.
- Use of culture and tradition as a point of difference. The ability of Maori to capitalise on tourist assets that have distinctly Maori attributes could be of major benefit for Maori, although it should be realised that it has its limits.

Potentially, a constraint to increased growth is the lack of agreement between Maori about how to allocate the fisheries assets. TOKM has recently produced the sixth set of proposals for discussion on how to allocate fishing assets.

- Strategy

As part of the Treaty settlement process, Ngai Tahu are heavily exposed to the biologically constrained sectors such as fishing. Like the New Zealand economy as a whole, future growth rates will depend upon how they are able to:

- leverage those assets into faster growing industries such as tourism, biotechnology, education services etc, and
- whether or not enough new products can be produced from the asset base.

Ngai Tahu has deliberately set out to obtain economies of scale in the fishing business. The major hurdle is the high fixed costs associated with processing (in some industries) and marketing (almost all industries).

One way that Ngai Tahu has achieved scale economies is by becoming involved in joint ventures. This has increased the value of the quota, since they can combine it with others in the industry and increased efficiency of the seafood operations in catching, processing, and marketing.

Following a value added strategy to achieve maximum returns from a resource that may decline over time has also been important. Ngai Tahu has reinforced this internally by allowing each business unit to purchase their requirements from any source they prefer – not just from within the organisation. The raw materials are purchased at market rates and therefore sold in a way that reflects its true value. By doing this, product is not treated as a “free good” and put to uses that downgrade its potential market value.

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