

27 March 2007

Minister of Fisheries

FISHERIES SERVICES FOR 2007/08 AND STATEMENT OF INTENT FOR 2007/2012

Purpose of this paper

- 1 This paper:
 - a) seeks your approval of the fisheries services to be delivered in the 2007/08 financial year as required by the Fisheries Act 1996, and
 - b) notes other actions necessary to meet the requirements of the 2007 Budget process.

Attachments/Appendices

- 2 There are several attachments and appendices to this paper:

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| Attachment 1 | A “Statement by the Minister of Fisheries” for you to signify your decisions on the recommended services for 2007/08. |
| Attachment 2 | Your “authorisation to print” the Statement of Intent for 2007/2012. |
| Appendix 1 | The fisheries services recommended for provision in 2007/08 and the Statement of Intent for 2007 to 2012. |
| Appendix 2 | The fisheries research projects recommended to be undertaken in 2007/08. |
| Appendix 3 | The issues raised by stakeholders in their written submissions on the proposed fisheries services and fisheries research projects for 2007/08 and the Ministry’s responses to those issues. |
| Appendix 4 | A copy of each of the submissions made by stakeholders. |
| Appendix 5 | The stakeholder submissions on proposed fisheries research projects for 2007/08 as presented to the Ministry’s Research Coordination Committee in December 2006, and the Ministry’s responses to the issues raised in those submissions. |

Fisheries services defined

3 Fisheries services are defined in the Fisheries Act 1996 to include:

- a) the management of fisheries resources, fishing and fish farming;
- b) the enforcement provisions relating to fisheries resources, fishing and fish farming; and
- c) research relating to fisheries resources, fishing and fish farming including stock assessment and the effects of fishing on the aquatic environment.

Reasons for approval of the services

4 Your approval of the recommended services in Attachment 1.

- a) is necessary to meet the provisions of the Fisheries Act 1996 which require the fisheries services to be delivered in any year to be agreed between the Minister and the Chief Executive;
- b) provides the Ministry with the authority to undertake each of those services in 2007/08; and
- c) forms the basis for the determination of cost recovery levies to be set for the fishing season commencing on 1 October 2007.

5 Subsequent to your approval of the services for 2007/08, the Ministry will also require a joint approval from yourself and the Minister of Finance to a second paper that aligns the costs of the approved services with the 2007/08 Main Estimates document. This is required to enable the Ministry to certify that the Statement of Intent (SOI) is consistent with the appropriations set out in the Appropriations (2007/08) Estimates) Bill. A second paper enabling this approval is enclosed.

Statement of Intent

6 The Statement of Intent provides a high level description and explanation of the Ministry's operating intentions and performance expectations over the next five years. It describes the nature and scope of the Ministry's functions, what we are trying to achieve and how we will go about doing this. The SOI is a part of the documentation produced for the 2007 Budget and the Ministry is now seeking your approval to the near final SOI so that it can be printed and included in the Budget process.

7 The approved fisheries services are integral to the Ministry's SOI.

8 There is an expectation that departments will involve central agencies (State Services Commission and Treasury) in the SOI development and review processes before the document is finalised. The Ministry provided a draft copy of the proposed services to each of

the central agencies at the time of distribution to all stakeholders in January 2007 and has discussed the document with them more recently. We expect to hold further discussions with them on subsequent drafts.

The consultation process

9 Consultation on fisheries services for 2007/08 commenced in January 2007 with a letter dated 10 January 2007 advising iwi and other fisheries stakeholders that the material covering the proposed services and proposed research projects, along with a 'context' document, had been released on the Ministry's website.

10 The letter also noted the proposed new initiatives that the Ministry had sought to have considered for inclusion in the Government's Budget for 2007, indicating that it would be a matter for the Government to determine which, if any, of the services would be approved.

11 The letter was issued to around 300 stakeholders, including iwi, listed on the Ministry's database. It set out the various stages of the consultation process.

12 The Ministry did not receive any formal written requests for clarification of issues. However, there were some meetings attended by the Ministry's senior fisheries management advisers and Pou Hononga to discuss local issues. These did not lead to further comments in the final written submissions from stakeholders. In addition, there was a meeting with SeaFIC, at their request, on the proposed new initiatives, at which the Ministry provided further information, particularly on those initiatives that were subject to cost recovery.

13 The proposed research projects have been subject to extensive review during the course of developing the draft research programme with stakeholders. Fisheries research needs for the 2007/08 fishing year were identified from the following sources:

- Fishery Assessment Working Groups during the 2006 stock assessment meetings with the Ministry and stakeholders
- The Ministry's Fisheries Operations business group
- Fisheries research science providers; and
- Ministry led Research Planning Group meetings involving all major stakeholder groups.

14 The Ministry's Sciences Group then developed the research needs that were identified as required for 2007/08 into specific research proposals with input from other fisheries staff. These proposals were then again subject to further stakeholder input and, in December 2006, the Ministry's Science Group and Fisheries Managers met to evaluate the research proposals, stakeholder input on proposals and agree research priorities for 2007/08. Appendix 5 details the stakeholder submissions at that time on proposed fisheries research projects for 2007/08 and the Ministry's responses to the issues raised in those submissions.

15 The consultation process commenced in January 2007 therefore represented a further occasion for discussion on the Ministry's proposed research projects for 2007/08. In light of

the above, the Ministry has provided multiple opportunities for stakeholders to have their say on the research projects.

Note 1: With the exception of commentary from Environs Holdings and Waikaretu Marae concerning one research project - Assessment of the eel fishery in the Pouto lakes in the northern Kaipara (EEL 2007/04), there has not been any specific comment in this final consultation round on the proposed research projects for 2007/08.

In large measure, this is because of the additional step in the research planning process that affords stakeholders the further opportunity to make written submissions on any of the proposed research projects and to have the Ministry provide responses to those issues.

However, in its submission, Te Ohu Kaimoana Maori Fisheries Trust has argued that the comments it made in respect of the previous year's (2006/07) consultation process are still relevant and has repeated these in Appendices to its current submission. The Ministry believes that these issues were dealt with in its responses to the issues raised in the 2006/07 submissions and does not propose to traverse them again in this advice paper.

16 For the 2007 consultation process, the Ministry advised stakeholders that it intended to continue the approach adopted in 2006/07 of proposing a research programme that exceeds current appropriations, the purpose being that by doing so the Ministry would be in a position to more fully utilise appropriations and achieve a higher level of fisheries information. Cost recovery of research costs would continue to be managed in accordance with legislation, cost recovery rules and the Ministry's agreement with industry on managing changes to services "in year".

Stakeholder submissions and Ministry responses on the draft fisheries services

17 Written submissions were received from 8 stakeholder groups. Copies of these are provided in Appendix 4. The list of stakeholders providing written submissions is shown below.

The New Zealand Seafood Industry Council Ltd
Te Ohu Kai Moana Trustee Ltd
The Deepwater Stakeholder Group Ltd
Te Runanga o Ngati Kuia Charitable Trust
Te Runanga o Ngai Tahu
Maketu Taiapure Committee of Management
Environs Holdings Ltd
Waikaretu Marae

18 Overall, the stakeholder comments can be categorised into the following approaches:

SeaFIC (on behalf of Commercial fishing interests)

- Comments on the way in which the Ministry seems to be applying the major fisheries outcome of maximising the value of fisheries resources. In particular, SeaFIC challenges the legitimacy of the Ministry adopting a role of optimising

value, arguing that neither the Minister nor the Ministry have a role in “making decisions about where the collective best interest lies”.

- Expresses concerns about the proposed additional fisheries services for 2007/08, particularly, those proposals which, if approved, would mean an increase in the amounts cost recovered from industry.

Te Ohu

- Joins with SeaFIC in expressing concerns at the proposed additional fisheries services for 2007/08. Also expresses concerns at the growth in Vote Fisheries since 1999 and the “lack of discernable benefits to Maori and stakeholders generally”.
- A further concern relates to what Te Ohu sees as a “diminishing amount of information” being provided to stakeholders in the consultation document.

Deepwater Group

- Believe that the Ministry is not applying the cost recovery rules correctly, arguing that cost allocations for some research projects do not, in their view, meet the test under section 262(d) of the Fisheries Act 1996, where conservation services or fisheries services research other than those “provided to avoid, remedy or mitigate a risk to, or an adverse effect on, the aquatic environment or biological diversity”, cannot be attributed to and recovered from Industry.
- Joins with SeaFIC and Te Ohu in their opposition to the proposed additional fisheries services for 2007/08.

Ngati Kuia

- Wants to see provision in the 2007/08 SOI for a service contract with Te Tau Ihu Iwi as part of the way for the Crown to meet its obligations under the Deed of Settlement.

Ngai Tahu

- Wants to see the Ministry provide a dedicated fund for the monitoring and assessment of Area Management Tools (principally mātaimai and taiapure).

Maketu taiapure

- Requests an increase in the numbers of compliance officers in the Bay of Plenty.

Environs Holdings; Waikaretu Marae

- Express support for fisheries research project EEL 2007/04 – Assessment of the eel fishery in the Pouto lakes in the northern Kaipara.

Changes from draft to recommended fisheries services

19 The Ministry has reviewed all input from stakeholders and, aside from the amendments noted below, does not believe that the stakeholder comments were sufficiently persuasive to make any changes to the proposed services/research projects for 2007/08. Most of the stakeholder comments related to the proposed additional services for 2007/08. The Ministry’s responses to these issues are set out in Appendix 3 and will not be further

highlighted in this advice paper. These comments have been overtaken by Government's own prioritisation process.

Fisheries Compliance

In its submission, Te Ohu commented on the proposed level of funding set aside for poaching and black market deterrence and what it saw as "a substantial reduction (\$691,000) proposed in the funding for these important areas, despite the known level of offending".

The Ministry acknowledges these comments, but would note that in addition to the \$2.889 million (GST excl) the Ministry received in Budget 2005 to increase its capacity and address the risks in the Poaching and Black-market sector, it has also further prioritised Compliance resources into the Poaching and Black-market output in order to effectively implement the specific initiatives. While a relatively small reduction is proposed in this output for 2007/08 it is still top priority and represents a third of the Ministry's Compliance expenditure.

Statements of service performance – output performance measures

The Ministry has received criticism in previous years for the quality of its output performance measures and as part of the baseline analysis undertaken in September/October 2006, proposed to continue the improvement of the measures and report back to the Minister of Fisheries by April 2007 on the revised measures to be adopted for 2007/08.

Over the last month, the Ministry has used the services of its external auditor to assist senior managers in the development of measures that more usefully explain the work of the Ministry and how it can best be quantified. The revised measures are included in the attached 'near final' draft of the SOI. It is emphasised that these are changes to improve the Ministry's output performance measures and not to increase the nature or costs of services provided.

The Ministry would also note one further change from the draft consultation document. There is no longer a need for biodiversity to be separated from other aspects of the Ministry's work and it has therefore decided to:

- a) Amalgamate Output 'Biodiversity of New Zealand's marine environment estimated' into output 'Utilisation and sustainability of New Zealand's fisheries resources measured', within Departmental Output Expense "Fisheries Information";
- b) Amalgamate Outputs 'Biosecurity advice provided', and 'Biodiversity advice provided' into output 'New Zealand fisheries utilisation and sustainability reported' in Departmental output Expense "Fisheries Operations".

In the latter case, both biodiversity and biosecurity outputs were relatively small and it made little sense to have them as stand alone outputs.

Additional services for 2007/08

20 Although final Budget decisions have not been taken on what additional services will be approved for Vote Fisheries, the Ministry has included two of its proposals in the recommended services for 2007/08. These are:

- a) An increase in the Ministry's baseline for Crown legal expenses at a cost of \$500,000 in 2007/08 and outyears).

- b) Provision for the development of a new Inshore Trawl Catch Effort form, at a cost of \$232,000 in 2007/08 and outyears. Industry has expressed support for this proposal, albeit with reservations on the actual costs, which they believe will be lower than the amount budgeted. The Ministry will only seek to recover the actual costs from industry.

A third proposal, environmental certification of fisheries at a cost of \$1.15 million in 2007/08, has not been included until final decisions are made.

Should any of these initiatives not be approved, the Ministry will need to adjust its draft services and SOI accordingly.

Financial information

21 The following tables show the trend of planned services over the past four years and those recommended for 2007/08. The level of planned expenditure is in line with the Ministry's baseline for the 2007/08 financial year. The research figures are the direct costs for the provision of research services and do not include any share of Ministry overheads. All figures are in \$000 and GST exclusive.

\$000	2003/04	2004/05	2005/06	2006/07	2007/08
Core departmental services	49,855	60,507	64,679	68,928	71,151
Fisheries research	22,448	20,582	21,065	20,513	20,436
Biosecurity research	1,781	1,192	0	0	0
Total	74,084	82,281	85,744	89,441	91,587

Represented by

\$000	2003/04	2004/05	2005/06	2006/07	2007/08
Vote Fisheries	71,135	76,483	85,744	89,441	91,587
Vote Biosecurity (Fisheries)	2,949	5,798	0	0	0

Industry Contributions

This table shows the extent of industry contributions, including a share of Ministry overheads, to the cost of delivery of the Ministry's outputs.

\$000	2003/04	2004/05	2005/06	2006/07	2007/08
Core departmental services	16,844	17,008	16,820	15,623	16,412
Research	15,223	14,704	15,742	14,914	15,174
Planned cost recovery levies	32,067	31,712	32,562	30,537	31,556
Transaction charges	1,733	2,356	1,596	1,979	1,699
Planned industry contributions	33,800	34,068	34,158	32,516	33,255
Contribution as % of total Vote	47	45	40	36	36

22 It is necessary to note that the above industry figures are gross numbers and that several adjustments will be made to arrive at the actual industry contribution for the fishing year commencing on 1 October 2007. These include:

- a) Application of the settlement credit related to under and overs for the period 1994/95 to 30 June 2002. The net reduction in future levies was \$24.593m. Following the utilisation of \$1.115m in the 1 April 2007 amending levy orders, there is a balance of \$0.481m to be applied to future levy orders.
- b) Application of unders and overs for 2005/06 when determined.
- c) Adjustment for carry forward of expenditure from 2006/07 to 2007/08.
- d) Adjustments to the research programme as better information becomes available.

23 Cost estimates for individual research projects have not been disclosed in either the draft plan or the final services, as this would not be consistent with the Ministry's commercial tendering process. However, in both the draft and final research documents, each project has a statement specifying the cost range applicable to that project.

24 It should be noted that the "in principle" expense transfers from 2006/07 to 2007/08 signed recently by yourself and the Minister of Finance in the March Baseline Update exercise, are not included in the above final plan figures because the actual amount of carry forward will not be determined until after the audited year-end financial results for 2006/07. Once confirmed, the actual carry forwards will be included in the October Baseline Update process later this year.

Cost recovery process

25 The cost recovery levies incorporate both fisheries services supplied through the Ministry of Fisheries and fisheries related conservation services provided by the Department of Conservation.

26 Subsequent to your final decisions on the fisheries services for 2007/08 and the 2007 Budget announcement in May, the Ministry will issue to industry stakeholders the proposed cost recovery levies to be applied from 1 October 2007 for review.

27 Following the receipt of stakeholder comments and the Ministry's analysis of any issues raised, you will then be provided with the advice paper and associated Cabinet Legislation Committee paper on the levies to be struck for 2007/08. In order to have the new levies gazetted in time for 1 October 2007, the Ministry will be seeking your approval to the proposed levies in late July/early August 2007.

28 The Department of Conservation has advised that its proposals on fisheries related conservation services for 2007/08 are presently being consulted on with stakeholders. It is expected that the final services approved by the Minister of Conservation will be forwarded to the Ministry by the end of April 2007.

Alignment between the Main Estimates and the Statement of Intent

29 Section 42(2)(b) of the Public Finance Act 1989 (PFA), requires all Statements of Intent to contain a statement of responsibility certifying that the financial information in the SOI is consistent with existing appropriations and the appropriations to be shown in the Main Estimates for the forthcoming financial year.

30 Because the two processes of completing the SOI and finalising the Estimates are not necessarily in line, there needs to be a fiscally neutral adjustment paper to provide that alignment and meet the requirements of the PFA. This can only be done once the fisheries services for the year have been approved.

31 A paper seeking that adjustment for the 2007/08 financial year is attached. It will require the approval of the Minister of Fisheries and the Minister of Finance and must be done before final Budget decisions are taken for 2007/08.

Timing

32 The 2007 Budget timetable requires that departments finalise their Budget baseline submissions and complete the Estimates documentation required in the Treasury finance system by 3 April 2007. Because of the PFA requirements listed above, the Ministry needs to have your approval to the recommended services (Attachment 1) and the agreement of the Minister of Finance to the fiscally neutral adjustments required to align the SOI and the Estimates by 30 March 2007 (refer to separate paper).

Authorisation to print

33 The Budget process requires that the printed SOIs be delivered to PrintLink by Monday 7 May 2007. To achieve this, the Ministry seeks your “approval to print” the document. A form for your approval is provided as Attachment 2.

Late changes

34 The SOI provided in the attachments to this advice is in a ‘near final’ state, but the Ministry has still to complete information on staff details and incorporate any comments/changes that may be required after consultation with the central agencies. It is expected that this work will be completed in early April.

35 Neither of these will change the Estimates or the financial components of the SOI and the Ministry proposes that you agree that minor changes be accommodated without further reference to you.

Recommendations

36 It is recommended that you:

- 36.1 **approve**, or approve as amended by you, on the “Statement by the Minister of Fisheries” attached to this paper (Attachment 1), the fisheries services to be provided in the 2007/08 financial year as set out in appendices 1 and 2 to this report, noting that once the contract tendering process has been completed, there is likely to be a change in the total costs for fisheries research projects
- 36.2 **note** that, as a precursor to the issue of the proposed fisheries research projects in the formal consultation process on services to be delivered in the 2007/08 financial year, the Ministry’s sciences team had, in December 2006, provided substantive responses to stakeholder comments on the fisheries research projects identified through the research planning process and that those stakeholder submissions and Ministry responses are set out in Appendix 5
- 36.3 **note** that the Ministry has undertaken an analysis of the main issues raised in the written submissions from stakeholders and that Appendix 3 covers the issues raised and the Ministry responses
- 36.4 **note** that the stakeholder submissions are attached as Appendix 4 to this report
- 36.5 **note** that limited changes have been made to the final recommended services for 2007/08 following consultation with stakeholders and analysis of their written submissions
- 36.6 **agree** that any minor changes to the SOI as a result of review by the central agencies, or minor editorial changes may be accommodated by the Ministry without further reference to you
- 36.7 **authorise** the printing of the Ministry of Fisheries Statement of Intent for 2007-2012 (Attachment 2)
- 36.8 **note** that following announcement of the Government’s 2007 Budget, the Ministry will:
 - (a) advise stakeholders that the approved fisheries services, along with the stakeholder submissions, the Ministry analysis of the issues raised and the final advice paper on recommended services, will be located on the Ministry’s external web site;
 - (b) issue to industry stakeholders the proposed cost recovery levies to be applied from 1 October 2007 for their review
- 36.9 **sign** the enclosed fiscally neutral adjustment paper once the fisheries services to be provided in the 2007/08 financial year have been approved and **seek** the agreement of the Minister of Finance to enable the Ministry’s Statement of

Intent and the Main Estimates documents to meet the fiscal alignment requirements of the Public Finance Act 1989

- 36.10 **note** that Ministry of Fisheries officials will brief you on the content of these documents should you wish.

Peter Murray
General Manager Corporate Services

APPROVED / APPROVED AS AMENDED / NOT APPROVED

Hon Jim Anderton
Minister of Fisheries
April 2007

**STATEMENT BY
THE MINISTER OF FISHERIES**

In considering the final fisheries services and fisheries research services to be provided by the Ministry of Fisheries for the financial year 1 July 2007 to 30 June 2012, I certify that:

- I have taken note of the written submissions from stakeholders as contained in Appendix 4 to this report.
- I have noted the responses by the Ministry of Fisheries to the issues raised in those submissions. These responses are contained in Appendix 3 – *Issues raised in stakeholder submissions and Ministry of Fisheries’ analysis and recommendations on the fisheries services and fisheries research services to be provided in 2007.*
- I have noted the written submissions from stakeholders in December 2006 on the proposed fisheries research services for 2006/07 as determined through the research planning process, and the Ministry of Fisheries responses to the issues raised in those submissions, as set out in Appendix 5 to this report.
- In addition I have noted the changes from the draft plan issued for consultation and the final fisheries services, including research projects contained in paragraph 19 of the advice paper.

I hereby approve/approve as amended by me:

- The fisheries services to be delivered in the 2007/08 financial year and the Statement of Intent 2007 to 2012 as detailed in Appendix 1; and
- The fisheries research services detailed in Appendix 2.

APPROVED / APPROVED AS AMENDED

Hon Jim Anderton
Minister of Fisheries

April 2007

2007/2012 STATEMENT OF INTENT

MINISTRY OF FISHERIES

Approved for printing

Hon Jim Anderton
Minister of Fisheries

April 2007