



**SEAFOOD INDUSTRY
COUNCIL**

The New Zealand Seafood Industry Council Ltd

SUBMISSION ON
FISHERIES SERVICES PROPOSED FOR 2008/09

22 FEBRUARY 2008

I Introduction

1. The New Zealand Seafood Industry Council Ltd (“SeaFIC”) makes this submission on behalf of the commercial seafood industry. It has been compiled by SeaFIC staff in consultation with our shareholders.
2. We note that the Ministry has again changed the format of the consultation documentation, dropping the context document and providing a shorter statement of Ministry priorities. We prefer the 2008/09 model as it has the benefit of focusing attention on the services to be provided and obviates the need to comment on what was essentially a copy of the previous year’s context.
3. Our submission is structured as follows:
 - Part 1 Key Messages;
 - Part II Ministry Priorities;
 - Part III The Output Plan – baseline activities;
 - Part IV New Initiatives ; and
 - Part V Research Projects
4. If you wish to contact SeaFIC in respect of this submission, please contact Tom Clark, Principal Policy Analyst (04) 802-1514 in the first instance.

PART 1 KEY MESSAGES

5. In this section of the report, we have identified and highlighted the key messages regarding the Ministry Statement of Intent. We have commented on the funding strategies of the Ministry, Ministry services, the growth of the Ministry and cost recovery.

Funding Strategy

6. While industry can agree with some of the underlying priorities for the Ministry such as increased research levels and an at-sea offence deterrent, industry disagrees with the funding strategy being pursued by the Ministry.
7. Research, a priority area for funding, has been detrimentally affected by past decisions of the Ministry to channel available funding and resources into other Ministry activities. In aggregate, the Ministry’s vote has grown by 26% in the past five years. Research by comparison has grown by only 6%. Furthermore, significant amounts of the research appropriation have been channelled into additional staff and overheads rather than purchasing contracted research. That approach has been continued into the 2008/09 year with the baseline funding for research being reduced and the funds being channelled to lesser priority areas and

lesser performing areas such as observer activity. We can understand the motives of the Ministry in leaving politically and strategically important areas to receive additional funding from the new initiatives process and thus protect the lower priority areas from greater scrutiny. However, we consider that such a cynical policy should not be accepted as justifying additional resources.

8. In the compliance area, an effective at-sea deterrent is part of a balanced compliance regime. Project Protector is not a discretionary measure that the Ministry can decide not to support. As such, the Ministry should reconsider the all compliance activities from a strategic added value perspective and allocate available resources accordingly, rather than seek additional funding to cover the costs. Industry disagrees with the Ministry view that existing paper-based compliance activities should be given resources and funding in preference to a balanced land-based and at-sea capability.
9. Industry believes that there should be a re-allocation of existing budgets and resources to meet the activities identified by the Ministry as priorities for 2008/09 before there is any consideration for new funding. We do not believe that the Ministry has considered such a re-allocation of resources. We also contend that the Ministry needs to re-consider allocation after Cabinet has decided on the levels of new finding to ensure that priority activities proceed whether funded by new initiative funding or from existing appropriations. We recommend the Ministry adopt a more strategic approach to its activities in 2008/09.

Research

10. The Ministry seeks an additional \$6 million per annum to offset a real decline in research spending. It claims that the current budget is only 58% in real terms of the 1991/92 budget.
11. We argue that the Ministry's analysis is flawed in using gross costs on an internalised research division from 1991/92 compared to external contract costs in 2006/07. A proper comparison shows the current level to be over 80% of the 1991/92 costs.
12. Contributing significantly to the decline in the value of external research contracts have been executive decisions of the Ministry to:
 - a. channel available funds to other Ministry activities, such as observers; and
 - b. spend increasing levels of the available research funds on internal costs such as staff and overheads.
13. We agree that expenditure on contracted fisheries research needs to be increased but cannot agree that additional funding is the appropriate answer. The Ministry needs to:
 - a. re-consider the strategic direction of its funding priorities;

- b. not assume the roles of other Crown agencies in funding protected species and oceans research; and
- c. seek to fund additional research from within its existing Vote.

Observers

14. The Ministry is seeking to spend an additional \$1.8 million on observers in 2008/09. Of that amount, \$0.9 million is to meet cost increases and \$0.9 million for the additional 2,400 days. The additional services sought under the new initiatives bid are based on future decisions relating to the Hector's and Maui's Threat Management Plan, the seabirds standard, a review of scientific sampling programmes and the direction of CSP observer programmes.
15. For a number of reasons including a 30% resignation rate and low recruiting rates, the Ministry has not been able to deliver more than 80 % of its programme in the last five years. To project that the Ministry can deliver 14,000 days in 2010/11 from its 2006/07 levels of 5,969 is not realistic.
16. The Ministry has been unable to manage the observer activity within any reasonable financial standards (costs have risen on average 9.5 % in each of the last 5 years) and the Ministry has shown little desire to introduce more cost effective solutions. The average cost of an observer day in 2008/09 is budgeted to be \$598, with less than half that amount being paid in observer salaries.
17. Observers have traditionally been a major component of the Ministry's at-sea compliance operations. With the introduction of Project Protector, the observers' role in that activity should be substantively reduced. This would allow observers to focus their operations solely on the scientific aspects of their role and provide opportunities for observer services to be procured on a contestable basis.
18. Industry considers that:
 - a. the \$0.8 million of existing baseline funding should be transferred to the research allocation;
 - b. the allocation could be further reduced in line with the more limited role for observers;
 - c. any additional observer requirements in 2008/09 needed as a consequence of the decisions yet to be taken should be provided by restructuring the existing programme; and
 - d. observer services should be purchased on a contestable basis.

Compliance - Project Protector

19. The Ministry has sought to transfer \$1.2 million from non-commercial compliance to commercial compliance on the assertion that commercial offending

in the form of high grading, discarding and trucking has increased significantly. The Ministry has provided no evidence to support this claim.

20. The Ministry has sought an additional \$3.966 million to implement Project Protector, a joint military, Customs and Fisheries initiative. Industry considers that those costs are excessive given that the limited number of days being provided for fisheries surveillance.
21. Industry contends that any new initiatives should be met in the first instance from within the existing commercial compliance budget through a re-structuring of commercial compliance effort. Transfers of funds from non-commercial compliance should not be considered when compliance coverage in that sector remains at low levels. In the event that additional funds are required, the Ministry should stand by the assurance the Minister gave to the Primary Production Committee that industry will not be levied for the Project Protector costs.

Continued Growth of Ministry

22. The Ministry has sought to increase the appropriation to Vote Fisheries and the level of cost recovery as follows:

	2008/09 Baseline \$m	2008/09 Total \$m	2009/10 \$m	2010/11 \$m
Vote Fisheries	94.54	109.46	109.80	111.57
Vote Fisheries- CAPEX	-	5.84	-	-
Cost Recovery	35.01	41.57	42.08	43.08

23. In the past 5 years, Ministry expenditure has grown by 26% and Ministry staff by 38%. Industry considers that such an expansion of the Ministry's Vote was not justifiable. The level of growth sought by the Ministry through new initiatives is equally not justified and will be accompanied by a further decline in the quality of Ministry services as existing productive resources are diverted to training and supervisory tasks.
24. Industry cannot sustain levy rises of the magnitude projected above. To the above fisheries levies must be added the Conservation Services levy of approximately \$1.75 million and from 1 January 2009 the cost of emissions totalling around \$7.5 million. With static to decreasing catch levels, increasing product prices, offsetting increasing input prices and a high exchange rates, the outlook for fishing sector net revenue is for a flat to slight decrease. The gross operating surplus for the fishing sector has declined sharply in the last five years and is now estimated to be less than \$100 million. Against that economic environment, the additional costs to industry of the Ministry initiatives will have the effect of causing significant financial stress and forced restructuring of the industry.

Cost Recovery

25. We continue to have problems in respect of the application of cost recovery to research projects, observer services and compliance activities.
26. Principle (b) in section 262 of the Fisheries Act 1996 makes it clear that conservation services or fisheries research services provided in the general public interest cannot be attributed to, and cost recovered from, industry. Principles (a), (c) and (d) specify the nature of services that can be recovered. Principle (d) allows for fisheries and conservation services “provided to avoid, remedy or mitigate a risk to, or an adverse effect on, the aquatic environment or biological diversity” to be cost recovered.
27. SeaFIC contends that stock assessments and activities related to the setting of TACs and TACCs are to attain the goals of sustainability and utilisation as set out in the Fisheries Act. The TAC and TACC are set under provisions outside the QMS and, while they define the extent of commercial interest in the catch, their setting has a significant component of wider general interest. That the power to set the TAC and TACC is reserved to the Minister is further evidence of the recognition of the general public interest in the setting to the TAC and TACC. Stock assessment, biological and catch research are undertaken to inform the process of TAC and TACC setting and have a general public interest component which must be recognised and the level of cost recovery reduced accordingly.
28. SeaFIC contends that baseline aquatic environment research, protected species and risk assessment research are “general public interest” research and are not recoverable from industry under the legislation. The legislation recognises that, while fishing has effects, not all effects are adverse. Cost recovery is only possible where there is proven or accepted adverse effect and the research is based on mitigating or reducing that effect. That point was recognised by the Auditor General in his review of CSP cost recovery in 2002. General public interest research includes:
 - a. research carried out to provide information on the current state of the aquatic environment, biological diversity or a protected species;
 - b. research carried out to understand or model the population structure of the mammals and seabirds that interact with commercial fishing; and
 - c. research to determine whether (and to what extent) commercial fishing provides a risk to, or an adverse effect on, the aquatic environment, biological diversity or a protected species (unless industry agreed there was an adverse effect to be addressed).
29. We note that a number of projects now seeking approval under the Fisheries Information output were previously funded from “public good” sources such as the Ministry’s Biodiversity Research funding programme or FRST grants. We are unable to agree that the same projects or those of a similar ilk having been

accepted in the first instance as being in the public interest can now be regarded as being not in general public interest and thus be cost recoverable.

30. Observer services are not a service in their own right. They provide services to research through biological sampling, fisheries management through catch profiling and to compliance through observation of fishing vessel practices. They should not be cost recovered as an entity service but need to be disaggregated into their specific outputs and their cost recoverability assessed in accordance with the specific output.
31. SeaFIC contends that compliance services are provided primarily to ensure the upholding of law and order in the general public interest. Fisheries are managed in the general interests of all New Zealanders, not just the fishing sector, and compliance is but a component of that general interest. Compliance should not be cost recovered, as recognised in the Minister's assurance to the Primary Production Committee that Project Protector costs would not be cost recovered.
32. To determine the cost recoverability of a service, both the principles and the rules need to be considered. The principles hold precedence. It is only if the service accords with Principles (a), (c) or (d) and not with Principle (b) that the cost recovery rules need be considered. There is a disjunct between the principles in the Act and the current rules. Some of the rules may be redundant or inappropriate but a proper assessment of the cost recoverability in terms of the legislated provisions would preclude the application of redundant or inappropriate rules. It is not sufficient for the Ministry to rely only on the rules when considering cost recoverability without having first considered the legislated principles in the Act. It is possible for the Ministry to achieve a legal and more equitable outcome by assessing and removing the component of general public interest from cost recovery consideration and only applying the Cost Recovery rules to the remaining amount.
33. Industry is of the view that the cost recovery of Ministry expenditure needs to be properly considered before the 2008/09 levies are struck.

PART II MINISTRY PRIORITIES

34. We commend the Ministry for providing a statement of the priorities to be pursued for 2008/09. In the past, the Ministry has provided a changing array of challenges, strategies and detailed work elements to provide some indication of the annual objectives for the Ministry. Priorities have not been assigned and it has been left to stakeholders to extract from the morass of material what the priority areas might be. We have asked for similar strategic priorities to be provided in the context of the Ministry's research activities. We therefore appreciate the Ministry's initiative to provide an indication of the priority activities for the Ministry.
35. When considering the proposed activities, we note the omission of:

- a. shared fisheries other than the creation of the amateur Recreational Fishing Trust,
- b. cost recovery review;
- c. implementation of electronic data transfer for Catch Effort returns; and
- d. the use of web services to facilitate the transfer of data between the ministry and the FishServe.

These initiatives are already underway and should be pursued through 2008/09.

- 36. We have refrained from commenting on the individual priorities as they are discussed later in the submission in the context of the outputs.
- 37. We note that the first two priority activities relate to establishing a long term management strategy for fisheries and a review of the Fisheries Act. Industry considers that it is appropriate that these two priorities are proceeded with in 2008/09 irrespective of the outcome of the new initiatives approvals and we look forward to working with the Ministry in a collaborative manner on these two fundamental tasks.
- 38. The omissions and the absence of a fisheries management strategy and a Ministry strategic plan suggest that the prioritisation exercise was undertaken in a somewhat superficial manner for the purposes of this consultation and is not supported by formal strategic commitments. Industry remains concerned with the lack of strategic management of the Ministry and New Zealand fisheries.

PART III THE OUTPUT PLAN - BASELINE PROGRAMME

- 39. SeaFIC notes the restructuring of the Ministry activities into aggregated outputs. Providing there are no cost recovery implications, as seems the case with the Ministry's definitions, and providing there is no lack of transparency or accountability in the provision of services, industry does not disagree with the changes.
- 40. Industry would however have concerns if the Ministry was to consolidate Ministry activities and reduce transparency and accountability or used the new output class as the unit of reporting and cost recovery rather than the present disaggregated management class format.
- 41. However, industry does have a concern with the title of the second output – "Administering Fisheries Laws". Such a title has an inference that the activities supporting the output are a direct consequence of or flow from the empowering Fisheries Act and that the activities are therefore core to the operation of the Act. That is not however the situation. For example, the development of standards and more particularly fisheries plans are not integral to the administration of fisheries laws, they are a discretionary form of fisheries management which the Ministry

wishes to impose on New Zealand fisheries. We consider that a more appropriate title would have been “Fisheries Management”.

Funding Levels

42. The following table provides recent Ministry expenditure on baseline activities.

MINISTRY OF FISHERIES EXPENDITURE 2005/06 TO 200/09					
	2005/06	2006/07	20007/08	2008/09	
Activity	Actual	Actual	Estimates	Baseline	%age Change
Policy Advice					
- Fisheries Advice	4.835	5.960	5.852	6.561	12.1
- Ministerial Services	0.923	0.924	1.064	0.862	-19.0
Subtotal	5.758	6.884	6.916	7.423	7.3
Administering Fisheries Law					
Research	23.818	25.169	25.834	25.254	-2.2
Observers	3.211	3.704	4.013	4.821	20.1
Sustainability and Management Controls	8.674	12.959	14.514	14.974	3.2
Settlements	6.212	6.487	7.671	7.037	-8.3
Registry Services and Permits	6.326	5.521	5.075	5.063	0.0
Commercial Fisheries Compliance	9.293	9.552	9.661	10.839	12.2
Other Fisheries Compliance	17.573	16.781	16.237	14.066	-13.3
Prosecutions	3.851	3.647	3.816	4.477	17.3
Subtotal	78.958	83.820	86.821	86.531	0.0
South Pacific Regional Fisheries Management Organisation					
Subtotal	0	0	0	0.404	0
Total Departmental Expenses	84.716	90.704	93.737	94.358	0.7

43. While there is nil growth between 2007/08 and the 2008/09 budget, we note that there has been a 26% growth in the Ministry’s expenditure in the last five years. We also note that staff numbers have increased from 327 at 30 June 2002 to 453 at 30 June 2007, an increase of 38% over the five years. At the same time, the

volume of fish exported has decreased and the value remained about the same. The costs of managing the fisheries have grown unjustifiably.

Research

44. While the budget for fisheries research remains approximately constant, we note that the Ministry continues to under-spend its budget. We view the continuing under-spend of the research budget as indicative of resource constraints in the research provider market and an inability of the Ministry to spend the funds available for research.
45. We note that the Ministry has chosen not to re-allocate its existing Vote to provide additional research funding but has preferred to seek additional research funding through the new initiatives bid process. Given the importance of research to underpin sustainability decisions, we would have expected the Ministry to reflect that importance in a priority allocation of secure baseline funding and not a reduction in the level of expenditure.
46. The Ministry has indicated that the baseline funding component will be sufficient for the Tier 1 projects. We note that the Ministry has allocated Tier 2 status to a range of aquatic environment projects that are politically sensitive, for example Hector's and Maui's dolphin, fur seals and benthic effects. There are projects with Tier 1 status that clearly have lower priority for example Chatham Islands marine recreational fishing survey. We cannot help but be suspicious of the motives of the Ministry in placing politically sensitive projects as Tier 2 projects to improve the prospects of the new policy bid of \$6 million being approved.
47. We comment on individual projects in a following section of the submission.

Observers

48. We note the Ministry proposes to increase the budget and the scheduled days for observers as follows:

		2007/08 SOI	2008/09 Plan	%age change
Budget	\$m	4.013	4.821	+20.1
Scheduled Days	No	7,462	8,085	+8.3
Average daily cost	\$	500	598	19.6

49. We do not accept that a 20% increase in the average daily rate of an observer, even accounting for a change in mix between inshore and other days, is acceptable or reflective of good management of this service. In the last five years, the average budgeted cost of an observer day has risen from \$380 to \$598, an average annual rise of 9.5%. Such cost escalation is untenable. Given that the average salary of an observer at-sea day is \$266, an average cost of \$598 is unreasonable and a means to provide more cost effective solutions, such as video-

conferencing, must be found. Given that only 16% of trips are provided by observers from their home ports, the Ministry should consider an observer recruitment strategy that would result in a better correlation of observer locations and trip departures.

50. We also note the Ministry's past performance in delivering observer days.

Year	Days Projected	Days Delivered	%age delivered
2006/07	7,635	5,969	78
2005/06	7,640	5,363	70
2004/05	7,250	5,625	78
2003/04	7,950	5,667	71
2002/03	7,950	6,603	83
Total	38,425	29,227	76

51. Given the Ministry's continued inability to deliver the programmed days, it seems ill-advised to again raise the target for days. The Ministry has yet to prove a capability to deliver 7,000 observer days, let alone 8,000. With an observer resignation rate of around 30% per annum and limited recruits, the inability of the Ministry to attract and retain appropriately qualified observers effectively constrains the delivery levels.

52. SeaFIC cannot agree with the Ministry's decision to allocate additional funds to the observer activity in preference to research services. Observers provide data input for research projects and are a corollary to research activities. It is unreasonable to provide observer services with priority access to funding over research needs. Insofar as industry is concerned, we consider this reflects the lack of strategic thinking prevalent in the Ministry and the desire of the Ministry to manipulate the appropriation process.

53. In the past, observers have played a major role of the Ministry's at-sea compliance operations. That role is now to be performed through the Project Protector initiative with the introduction of an additional 22 compliance staff and over 1,000 sea-days surveillance. Observer services will accordingly have a reduced role in fisheries management, focusing more on their scientific activities. The level of observer services should be accordingly scaled back to reflect the reduction in scope. Furthermore, the concentration on scientific activities should pave the way for procuring at least some observer services on a contestable basis, rather than sole Ministry provision.

54. Current Ministry practices are to levy industry the full amount of the budgeted days and then consistently deliver a lesser number of days. However, industry does not receive a full recovery of the cost of the non-delivered days through the Unders and Overs system. The Ministry ensures that its fixed costs are recovered irrespective of how many days are delivered. SeaFIC considers it would be more equitable if the Ministry levied for only 80% of the cost and then recovered the

remainder through the Unders and Overs process. This would result in a better management focus on observer services and ensure quota-holders are not acting as lenders to the Crown for services that cannot be delivered.

Sustainability and Management Controls

55. We note that the budget for this output is again receiving additional funding. In the last three years, funding for this output has increased by \$6.3 million or 73% over the period. In contrast to the expanding budget, the outputs from the activity do not match expectations. Industry has serious concerns as to the level of resources being applied to the development of standards and plans to the detriment of progressing operational matters.
56. For example, the output plan for 2006/07 referred to generic standards being completed by 30 December 2006. By the end of June 2007, three draft standards, out of the 18 listed, had been issued. The harvest strategy standard was re-written as a consequence of submissions and is now being re-consulted. The other two standards have not been approved or advised to stakeholders that they have been approved. For 2008/09, it is planned that only 5 standards will be developed.
57. Equally in fisheries plans, there are 26 plans envisaged, yet the Ministry will only be developing 13 of those in 2008/09.
58. Industry remains highly concerned at the resources and efforts being assigned to these activities when the initiatives have yet to provide any proven or tangible benefits to fisheries management.

Compliance

59. The Ministry proposes to increase the level of commercial activity from \$9.66 million to \$10.84 million with offsetting decreases in the non-commercial activity. The Ministry contends that levels of high-grading, dumping and area mis-reporting are increasing and pose a significant threat to the integrity of the QMS.
60. The following table provides data on commercial compliance activities

Year	Budget \$m	%age increase %	Actual Expenditure \$m
2008/09	10.839	+12.2	
2007/08	9.661	+1.7	
2006/07	9.494	-1.7	9.552
2005/06	9.663	+1.5	9.293
2004/05	9.518	+13.1	9.925
2003/04	8.412		8.759

61. While the Ministry has asserted that the level of serious offending has risen, the Ministry provides no support for that assertion. Furthermore, when the expected performance levels (vessel inspections, LFR inspections and investigations) are compared, there are no volume increases on the actual levels of 2006/07 or the expected levels for 2007/08. There is no justification for a 12% increase in the budget for these services.
62. At present, much of the activity of the compliance unit is focused on maintaining the integrity of the QMS reporting systems with reconciliation and auditing of catch records, landing returns, LFR processing returns and dealer in fish returns. While reporting systems need to meet integrity levels, such systems do not provide effective deterrents to offending that will threaten the sustainability of the fisheries. The Ministry needs to re-assess the priorities for compliance expenditure and transfer resources as appropriate from an auditing focus to a deterrent focus rather than seek increased resources at the expense of non-commercial compliance.
63. We disagree with the transfer of funds from the non-commercial compliance activity to fund the additional compliance services. The scale of non-commercial offending continues at high levels and may pose a wider sustainability risk than commercial offending

PART IV NEW INITIATIVES

64. The Ministry has sought additional funding as follows:

Proposal	Budget 2008/09 \$m	Cost Recovered \$m	CAPEX 2008/09 \$m
Shared fisheries			
Recreational charter vessel reporting	0.60	0	
Amateur fishing trust	0	0	5.00
Increased Observer coverage	1.00	1.00	0.12
Iwi Rohe Moana management	1.57	0	0
Research funding	6.00	3.58	0
Treaty Settlements	2.80	0	0.40
Fisheries compliance Project Protector	3.97	1.98	0.32
Total	15.94	6.56	5.84

65. If approved, this would increase the appropriation to Vote Fisheries and the level of cost recovery as follows:

	2008/09 Baseline \$m	2008/09 Total \$m	2009/10 \$m	2010/11 \$m
Vote Fisheries	94.54	109.46	109.80	111.57
Vote Fisheries- CAPEX	-	5.84	-	-
Cost Recovery	35.01	41.57	42.08	43.08

66. We consider that such an expansion of the Fisheries Vote is excessive. With the value and volume of fishing exports having stagnated, it is difficult to see where added value is being received from the increase in Ministry effort. That there are more stocks in the QMS is not justification for the additional staffing levels – most recent stocks introduced to the QMS have no commercial value and should not have been introduced in the first instance to the QMS where administration and management costs are higher. The Ministry effort in establishing standards and fisheries plans may add to the credibility of the Ministry, they have yet to show any indication of improving fisheries management.

67. Industry simply cannot afford the increased levels of cost recovery being sought by the Ministry. The estimated net operating surplus before tax of the fishing industry is estimated to be less than \$100 million. Given that the introduction of the Emissions Trading Scheme will impose additional costs of around \$7.5 million, an increase in cost recovery of over \$8 million is simply not affordable and will have serious financial repercussions for the industry.

68. Furthermore, industry is concerned that the quality of resources and outputs is declining, with new staff having little experience in fisheries management and increasing levels of effort being required from experienced staff to assist new staff..

Shared Fisheries

69. Industry agrees with the need for catch reporting from the recreational charter vessel sector. However, since the charter vessel operations are a commercial venture, we consider it appropriate that the Ministry recover the costs of the reporting from charter vessel operators.

70. The Ministry has sought \$5 million for the establishment of the Amateur Fishing Trust. In 2007/08, the Ministry sought \$2 million to fund the first four or five years' operation of the Trust. We are concerned at the scale of funding that is being requested for the establishment of the Trust. The amount has escalated

from \$2 million in 2007/08 for 4 to 5 years' funding to \$5 million in 2008/09 for 5 to 10 years.

71. The Minister advised the Primary Production Committee that:

“the issues regarding shared fisheries will have to be settled first. ... when agreement is reached, this board will be set up”.

72. Issues in shared fisheries are not yet resolved to the degree appropriate to contemplate the creation of the Trust. It is unclear from the progress achieved to date as to when the issues may be sufficiently resolved to justify the establishment of the trust.

73. We cannot agree that \$5 million should be set aside for the establishment of the Trust at this stage.

74. We understand that the Ministry is already financially supporting the amateur sector in respect of the shared fisheries and fisheries plans initiatives. In the event of the Trust being formed and assuming responsibility for the shared fisheries and fisheries plan engagements, the financial support currently being offered by the Ministry should be reduced. This would then reduce the appropriation amount for the Ministry.

Increased Observer Coverage

75. We have previously raised the issue of the observer service in respect of the additional services to be supplied under the baseline component of the Ministry vote. Our analysis of the observer service was that it did not have the capacity or the capability to expand to deliver the additional days proposed. Part of that issue is the availability of suitably qualified persons wishing to undertake the role. It is further unlikely that the service will be able to lift the resourcing to provide for an additional 2,000 days in each of 2008/09, 2009/10 and 2010/11. In 2010/11 the budget would be 14,000 days, compared to a 2006/07 delivery of 5,969.

76. The Ministry is unable to provide any indication as to how the additional observers will be deployed. Their draft document refers to:

- a. research proposals and reviews that have not been completed;
- b. future, decisions the Minister has yet to make in respect of the Maui's and Hector's dolphin Threat Management Plan and seabird standards
- c. research projects and reviews yet to be completed;
- d. A CSP review of its observer coverage; and
- e. SPRFMO interim measures.

77. Industry considers that the bid is speculative and unjustified and should not be approved. When final decisions on the Threat Management Plan and the seabird standard are available, then the existing observer programme should be amended

to incorporate those needs but there should be no additional observer coverage until the needs are realised.

Research

78. The Ministry seeks an additional \$6 million per annum to offset a decline in research spending. It claims that the current budget is only 58% in real terms of the 1991/92 budget.
79. Industry does agree that increased expenditure on fisheries research is necessary and appropriate. We do not, however, support the Ministry's bid for a permanent increase of \$6 million for the reasons below.
80. The Ministry analysis is flawed. The 1991/92 appropriation level refers to a period when the Ministry had an internal research division operating as a division of the Ministry of Agriculture and Fisheries and covering both freshwater and marine fisheries. The 1991/92 appropriation covered the total costs of the division, including staff, research materials, capital expenditure and operational expenditure for 22 research vessels. The current expenditure figure of \$17.6 million used in the Ministry comparison is based on the contract expenditure on research and excludes staff and overhead costs. The comparison is not valid. Furthermore the inability of the Ministry to spend its budget should not be used to justify additional funding. Adding the business and corporate overheads to research gives a 2006/07 budget figure of \$25.2 million, 84% of the 1991/92 level in real terms, a substantially different picture to the 58% provided by the Ministry.
81. The Ministry analysis makes no reference to the different operating environment under which research is undertaken today. Research is now contracted under a contestable process with the previous science division now operating as a Crown Owned Enterprise under commercial drivers. We would expect there to be cost savings under the current environment vis-à-vis the previous environment.
82. The Ministry analysis does not explain how the budget has in effect been decreased. It does not refer to:
 - a. Ministry decisions to allocate funds that could have been available for research to other activities. For example, in this year, the Ministry has chosen to increase the funding for observer activities by 20% while reducing the research allocation by 2%; or
 - b. Ministry decisions to channel more of its research funding to staff and overhead costs rather than contracted research. Staff numbers in the Fisheries Science team have doubled in the last four years, during which time the research appropriation did not increase.
83. The Ministry refers to the increase in the number of stocks in the QMS as requiring additional scientific input. While the number of stocks in the QMS has

- increased, that again resulted from decisions of the Ministry to introduce those stocks into the QMS. The stocks were previously managed outside the QMS as a sustainable stock and the stocks introduced in recent years are primarily by-catch or non-commercial stocks that have had no stock assessment research nor can afford any such research. We are not persuaded by this argument.
84. The Ministry also seeks to justify its bid in terms of the increased scope of research activities. The Ministry has undertaken recreational harvest estimates, environmental research and international research for the past 20 years. These are not new areas for research. However, we do acknowledge that the Ministry has put additional resources into environmental research in recent years. We have questioned in previous submissions the justification for such decisions when the research is more properly the domain of other Crown agencies such as Department of Conservation and Ministry for the Environment. We find it incomprehensible, for example, that the Department of Conservation is permitted to abdicate its responsibilities for the management of marine protected species such as Maui's and Hector's dolphins and albatross and is permitted to reserve its resources for terrestrial conservation. We also find it irrational that the Ministry would want to allocate some of its limited research funding to cover the deficiencies of other Crown agencies.
85. The new funding in 2008/09 will be directed at Tier 2 projects listed in the Statement of Intent. These are described as being of "lower priority" and are characterised by a myriad of small inconsequential projects plus a number of large politically sensitive projects relating to the aquatic environment e.g. protected species and benthic impacts and recreational catch estimates. Many of the small Tier 2 projects were in fact Tier 2 projects in previous years and represent a backlog of low priority research rather than a deferral of high priority research. Little thought has been given by the Ministry as to how the funding might be used in years beyond 2008/09.
86. The industry has become highly sceptical of the fisheries management value of research undertaken by the Ministry over the years. Vast amounts have been spent on stock assessment research for the more significant stocks in recent years without providing more than rough guesses as to biomasses. Fisheries plans are promoted by the Ministry as providing fisheries management priorities into fisheries research. We would be concerned if there was a significant increase in the level of fisheries research before that input is available.
87. Furthermore, SeaFIC has significant doubts about the capacity of research providers to be able to conduct the extra research. This problem has significantly affected the research programme in recent years and NIWA, the main supplier, has not geared up for any increase in demand. SeaFIC fears that in the short term staff resources already assigned to existing projects will be re-scheduled to work on these lesser priority projects.

88. We consider that the Ministry should look to re-allocate its existing appropriation and accord fisheries research the priority status it deserves. We consider that the Ministry should seek to narrow the scope of its research and ensure other Crown agencies fulfil their obligations and roles rather than underpin those agencies.

Compliance - Project Protector

89. The Ministry has sought an additional \$3.966 million to implement Project Protector, a joint military, Customs and Fisheries initiative.
90. At an estimated cost of \$4.0 million for coverage of 1,013 sea-days (a significant amount of which will be dead time sailing to or between fishing grounds or intercepts), the daily cost of \$3,950 compares unfavourably to the current daily cost of \$558 for an observer who currently provides the same compliance deterrent but without the powers of the compliance officers. We note that there will be no reduction in observer services as a result of this initiative.
91. The costs to operate the initiative are excessive. The proposal includes provision for one manager, one planner, three analysts, one trainer and one prosecutor in addition to 15 at-sea fisheries officers. In other words, 7 of the extra staff that will be employed will be contributing to the overheads that will be charged to the taxpayer and to the industry. We believe that the land based support staff should be significantly reduced. Any analysis should come from within existing staffing. Furthermore, it is difficult to assess why 15 compliance staff are required for a total of 1,000 sea-days – an average of 67 days at-sea per compliance officer. Industry considers that a lower level of staffing would be appropriate with duties to be shared between existing and some new staff.
92. In their report on the 2007/08 Ministry Appropriation, the Primary Production Committee reported:
- “The Minister assured us that industry will not be levied specifically for the costs of ship-based compliance staff.”*
93. Those comments were made by the Minister in full knowledge of the Project Protector cost recovery issues. We would expect the Minister to stand by the assurances he gave to the Committee unless there were compelling reasons for not doing so. We consider there are no such reasons.

Iwi Rohe Moana Management Planning

94. The Ministry proposes to spend up to \$2.625 million per annum to assist in the development of Iwi Rohe Moana management plans. We note that this would increase the amount of annual funding available to assist tangata whenua with the development of their interests in fisheries to \$9.6 million. Industry supports the

principles of the assistance programmes but has doubts as to the value being received for the extent of funding being accorded to the activity.

95. We are concerned that this new policy initiative has been developed without input and consultation with tangata whenua.

PART V RESEARCH PROJECTS

96. Notwithstanding our views on research projects being expressed in meetings of the Research Co-ordinating Committee and in subsequent written communication, we consider it necessary to comment on the following projects:

PRO2008/01 Risk assessment of protected species bycatch in NZ fisheries

97. SeaFIC agrees that assessments of the risk to protected species populations from fisheries bycatch should be carried out. We have concerns about the process of undertaking assessments and the funding of the project.:
98. SeaFIC does not believe that the apparent methodological tidiness of having level 1 assessments for all protected species warrants revisiting those species which already have level 2 or 3 assessments. Furthermore, SeaFIC considers that the undertaking of level 2 or 3 assessments is not driven only by data availability, but by management needs. As yet those managements are poorly specified.
99. SeaFIC considers that this project is undertaken in the wider public interest and does not presume an adverse effect exists for the species. We note the Auditor-General's view that costs in establishing whether commercial fishing is having an adverse effect are appropriately Crown costs¹. We believe this project should be Crown funded.

PRO2008/02 Abundance, distribution, and productivity of Hector's (and Maui's) dolphins

100. SeaFIC considers that research of this nature is essential to the management of the threatened dolphin population and must be undertaken as a matter of urgency by a suitably qualified, independent research institution. We record our strong disappointment that DOC as the guardian of New Zealand's protected species has not seen fit in prior years to undertake the research necessary for the proper management of the species. We understand the factors that contributed to the Ministry proposing the project but they do not validate its inclusion in the Ministry's research projects. This research should be funded by DOC from the wider DOC appropriation. We note that the DOC appropriation totals \$285m, of which \$136m is budgeted for management of New Zealand's

¹ Auditor-General, Department of Conservation: Administration of the Conservation Services Programme – Follow-up audit, February 2005.

natural heritage. We find it surprising that DOC (which has the prime protection responsibility) is unwilling/unable to make a contribution to this research yet Mfish is considering giving up over \$1m of its \$20m budget to this research.

101. Irrespective of where the research is funded from, cost recovery is not warranted. There can be no doubt that this is “general public interest” research necessary for the management of the population rather than the mitigation of adverse effects from commercial fishing. While there may be implications for the need for improved future mitigation measures, they are not sufficient justification to cost recover the research.

102. We consider that the primary focus of the project should relate to the Maui’s dolphin. Because of its size and geographical spread, the Hector’s dolphin population does not face the same level of risk as the Maui dolphin. The urgency for the research arises from the risks facing the Maui’s population. We recommend that Mfish in conjunction with DOC, industry and stakeholders should re-evaluate the details of research project relative to the separate risks and management needs for Maui’s and Hector’s dolphins. In respect of the Maui dolphin, we consider that it is imperative that the Maui population be known to a greater degree of detail than is currently known. The objective should be to obtain data for each dolphin in the population – not a sample. We would suggest that dolphins should be tagged, identified and genetically analysed. The tags should allow for satellite tracking to establish home ranges and proof of life. The genetic analysis needs to provide age and sex structures and test for the existence of brucella in females.

PRO2008/08 Abundance and distribution of New Zealand fur seals

103. SeaFIC recognises the need for information on the abundance and distribution of NZ fur seals. However, as we discussed earlier in this submission, we consider that abundance estimates of protected species are public good science. There is no recognised adverse effect on the fur seal population from fishing. Accordingly, the project should be Crown funded.

OBS2008/01 Research Observer Services to estimate the nature and extent of incidental captures of protected species in the New Zealand fisheries.

104. SeaFIC supports a workshop to consider protected species observer coverage. We note that specific policy decisions (i.e. with respect to annual vs. rotational observer coverage) are required, informed by work that indicates high coverage levels required to estimate bycatch numbers to a precision generally considered acceptable.

105. SeaFIC also notes that protected species and non-fish bycatch will be reported via a regulated Ministry form from 1 April 2008. As a result, observer coverage

will no longer be the only tool to allow quantification of fisheries bycatch. Furthermore consideration needs to be given to the extent to which observers are present in a data gathering or compliance role,

106. We note the Auditor-General's view that costs in establishing whether commercial fishing is having an adverse effect are appropriately Crown costs². We consider this project should be Crown funded.

² Auditor-General. Department of Conservation: Administration of the Conservation Services Programme – Follow-up audit. February 2005.