



SANFORD LIMITED
SUSTAINABLE SEAFOOD

20 February 2008

Business Planning, Reporting and Cost Recovery Manager
Ministry of Fisheries
P O Box 1020
Wellington

Attention: Brian Aston brian.ashton@fish.govt.nz (by email only)

Dear Brian

Submission on Proposed Fisheries Services for 2008/09

1. Sanford Limited (Sanford) has a long-standing involvement and major commitment to the New Zealand seafood industry. The company is an active participant in the management of New Zealand's fisheries resources. It is involved in numerous fisheries management forums as well as being a major supporter of the Quota Management System (QMS).
2. Sanford refers to the Ministry of Fisheries (MFish) consultation document and submits the following comments.

Generic Comment

3. Sanford believes that the closer alignment of objectives and outcomes on the delivery of fisheries management services, whatever they may be, is a core expectation of a cost recovery regime. We are aware that MFish has also formulated considerable internal process documentation that would assist in achieving these outcomes. We expect that these efforts to achieve more efficient internal functioning of service delivery will be constructively pursued in whatever fashion is appropriate.
4. We would like to see the clarity of this accountability of objectives and delivery reform given a concrete expression in the statement of corporate intent.
5. It is of considerable concern to Sanford that over the past decade MFish's annual costs have increased from \$48 million to \$109 million (proposed 2008/09). Sanford has contributed on average over \$6.5 million per annum (Table 1), a position which, as to funding a Government activity contrasts adversely with that of other export industries. Sanford note that over the same decade MFish staff numbers have increased from 210 to 440 (MFish website). Our experience is that frequent changes in management personnel have led to confusing changes in policy settings and in research and management philosophy and practice. As a result, a great deal of industry time, input and other costs are required to address resulting issues, all too often to questionable advantage.



Table 1. Sanford Annual Payments to MFish	
Fishing Year	NZ\$ / Annum
Total 2004/05	\$5,449,258
Total 2005/06	\$7,114,138
Total 2006/07	\$6,972,147
Average	\$6,511,848

6. Significant political and strategic initiatives have commenced over most recent years pursued by MFish for the development of long-term fisheries management, with prioritised funding enabling these activities in this fisheries services plan. Sanford have provided input into these initiatives to ensure that New Zealand fisheries are biologically and economically sustainably utilised.
7. We specifically refer to such initiatives as Project Protector, Shared Fisheries, Fisheries Plans, Stock Standards, Benthic Protected Areas, Marine Protected Areas, Harvest Strategies, Maui's Dolphin Threat Management Plan, Seabirds, Marine Mammals, Benthic Environment, Compliance, Observer Programmes, Research Programmes and the Sustainability and Regulation review rounds for setting the TACs and TACCs.
8. We support the goal of MFish, which is to - *"Maximise the value New Zealanders obtain through the sustainable use of resources and the protection of the aquatic environment"*.
9. Ensuring first and foremost that this goal and these strategies are consistent with the Fisheries Act 1996, and that they will provide more cost effective fisheries management outcomes. Particularly the knitting of these together to ensure an integrated marine management strategy, whilst ensuring that it does not undermine quota rights holders and their ability to harvest these rights in a cost effective manner.
10. Sanford is not convinced that there is currently a cost effective strategy in place that combines these strategies and initiatives to achieve your goal. MFish is currently a very top heavy, cumbersome department, and not a streamlined cost efficient and effective Government Department as with some others. When comparing annual MFish Statement of Intent documents there are very few tasks completed. Sanford challenge MFish to rectify these concerns in the immediate future.

Specific Comments - The Output Plan, baseline activities

11. Sanford have commented on many of these activities as they have progressed over the most recent year, and our views on each are well known. We again take this opportunity to comment on several of particular interest to us.

Compliance – Project Protector

12. Sanford have supported this initiative from its commencement on the understanding that the project would be funded appropriately and, that funding would not be levied from industry. We reiterate that this continues to be the case.
13. It is our understanding that this project will provide front line compliance services and alleviate the need for observers to undertake compliance through the observer services programme. This will provide more time for the observer programme to undertake biological research for TAC and TACC setting.



Affordability of Increased Levies

14. MFish has sought to increase the appropriation to Vote Fisheries and the level of cost recovery as follows:

Table 2. Summarised from the MFish Consultation Document for Proposed Fisheries Services 2008/09.

	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

15. This increase in appropriation and the level of cost recovery is economically unsustainable for our company in the current economic climate (Table 2).

16. MFish should also consider that there are other costs such as conservation service levies and emission taxes from 1 January 2009 presenting an even gloomier picture for Sanford. Further, we currently have stable to declining catch levels, high exchange rates, increasing operational costs such as labour shortages and fuel costs presenting a challenging environment to return a profit to our shareholders. The additional costs to Sanford from these MFish initiatives, cumulatively with other costs will inevitably drive the price of fish up impacting on consumers, and the New Zealand economy. MFish must take heed of these concerns and respond to them appropriately.

Cost Recovery

17. As outlined above, Sanford have contributed over \$6.5 million per annum over the last decade to MFish cost recovery services. We believe this is an exorbitant amount. Our concerns relate specifically to the interpretation of the conservation and fisheries services that are cost recovered from industry, or are general public interest and not cost recoverable (which in effect is the application of section 262 of the Fisheries Act 1996).

18. Stock assessments, biological and catch research activities relating to the setting of TACs and TACCs are required to meet the goals of sustainability and utilisation. These are set out in the Fisheries Act 1996 and are in the interests of both commercial fishers and the wider general public. The general public should contribute to the sustainability and utilisation of the resource.

19. Further, we believe that the aquatic environment research, protected species and risk assessment research is general public interest research and should not be cost recoverable from us (industry as a whole) under the Fisheries Act 1996. This includes research such as the state of the marine environment, biological diversity, and status of protected species. Including, the research undertaken to determine whether, and to what extent commercial fishing provides a risk to or adverse effect on the aquatic environment, biological diversity, or protected species (unless industry have agreed there is an adverse affect or risk that requires addressing).

20. We are also concerned with the increasing number and subsequent cost of full time MFish employees (FTEs) to service these activities, with an increase of two fold over the last decade to over 440 FTEs (MFish website).



Observers

21. Sanford have always maintained that there is a need for observers on vessels to ensure that a robust level of research is undertaken for biological sampling and monitoring for fisheries management purposes (TAC and TACCs setting purposes). We contend that the level of coverage needs to ensure that the information is statistically robust, and useful. But equally that the coverage is assessed in accordance with prioritised outputs, i.e. we see no need to have observer coverage for fisheries where there is no identified sustainability concerns or management intervention required.
22. The increase in observer days and costs in the consultation document is of concern. The consultation document proposes an annual observer day rate of \$598 per day (average). This in our view is an unjustifiably high amount. Firstly, Sanford believe that this rate can be significantly reduced by making observer services contestable to provide for a competitive market, enabling transparency of costs and ultimately driving observer rates down.
23. An example of the current exorbitant rate is in the Ross Sea where we target toothfish. Sanford is required to have two observers on board when fishing, one being an MFish observer charging at a rate of NZ\$598 per day and another an international CCAMLR observer, at a lower rate of NZ\$315 per day. The tasks undertaken on the vessel by both observers are identical.
24. Also, the desired levels of observer coverage could be obtained more cost effectively by regionalising observer coverage rather than using irrational proposals such as 5 day notification periods as proposed in a recent seabird regulation proposal¹. Regionalisation would entail having observers employed, and living in the regional locations of the major fishing ports. This would provide the opportunity to have available on standby observers that are ready to leave on a fishing vessel within hours of notification. They can also stand down at no additional costs, or inconveniences if the fishing trip departure time changes. Further, travelling to and from Wellington for briefing and debriefing could be discontinued and undertaken electronically or by telephone conferencing. These are simple but cost saving solutions.

Shared Fisheries

25. Sanford support the urgent need to manage the recreational charter fleet² and note that this process has recently commenced by MFish. It is important to note that charter vessels are commercial operators and it is appropriate that MFish recover the costs of data collection and reporting from these vessels.
26. Sanford note that \$5 million has been sought for the establishment of the Amateur Fishing Trust. This has risen from \$2 million in 2007/08 to \$5 million in 2008/09 – this funding amount has escalated with little justification. Issues surrounding shared fisheries are yet to be resolved, and it is unclear what issues may be resolved surrounding the establishment of the Trust in the future. We believe the \$2 million set aside in 2007/08 for the establishment is adequate and see no reason to increase this at this stage.

¹ MFish Seabird Mitigation Measures for Trawl and Longline Vessels – November 2007

² Submission by Sanford Limited on the shared fisheries Proposals, February 2007. pp189-194.



Research Project – Abundance, distribution, and productivity of Hector's (and Maui's) Dolphin

27. Sanford has previously expressed our concerns regarding the limited research that underpins the recent management proposals for The Threat Management Plan³. We reiterate that we are disappointed that research such as this has not been undertaken as a matter of urgency some time ago to ensure proper management of this protected species (a comment directed at the Department of Conservation equally).
28. The funding source of the research seems to be the area of concern. We maintain that irrespective of where the funding is acquired from (Department of Conservation or MFish), then it should be undertaken as a high priority, and not cost recovered from industry. There is no doubt that this is a general public interest research project for the management of the population rather than the mitigation of adverse effects from commercial fishing.
29. Further, we maintain that the focus of research should be on the North Island Maui population where the size and geographic spread presents a higher management concern.

Electronic Catch Effort Data Transfer (EDT)

30. Sanford support an electronic data transfer system from vessels to provide the fishing permit holder to optionally submit catch effort documentation. This will provide administration efficiency, and reduce the costs imposed to Sanford.
31. Sanford request that this project be included in the Fisheries Services 2008/09, and commenced immediately.

The New Zealand Seafood Industry Council (SeaFIC)

32. The New Zealand Seafood Industry Council have provided comprehensive comments on the Proposed Fisheries Services document. We support these comments and refer you to their submission.

For further information please contact Andrew Bond, Industry Liaison Manager, email abond@sanford.co.nz, or phone (09) 379-4720.

King Regards
Sanford Limited

Andrew Bond
Industry Liaison Manager

³ Submission by Sanford Limited, 24 October 2007, Hector's and Maui's Dolphin Threat Management Plan – Draft for Public Consultation, 29 August 2007.