

H0293

1 July 2009

Minister of Fisheries

FISHERIES SERVICES FOR 2009/10

Purpose of this paper

- 1 This paper seeks your approval of the fisheries services to be delivered in the 2009/10 financial year as required by the Fisheries Act 1996.

Attachments/Appendices

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

- Attachment 1: A “Statement by the Minister of Fisheries” for you to signify your decisions on the recommended services for 2009/10.
- Attachment 2: A summary of the stakeholder issues relating to cost recovered services and Ministry responses
- Appendix 1: The fisheries services recommended for provision in 2009/10.
- Appendix 2: The fisheries research projects recommended to for 2009/10
- Appendix 3: The issues raised by stakeholders in their written submissions on the proposed cost recovery fisheries services, cost recovered fisheries research projects for 2009/10 and 1 October 2009 Cost Recovery Levies and the Ministry’s responses to those issues.
- Appendix 4: A copy of the each of the written submissions made by stakeholders.
- Appendix 5: The stakeholder submissions on proposed fisheries research projects for 2009/10 as presented to the Ministry’s Research Coordination Committee in December 2008, 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.
 - 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 (ie the Ministry's output plan);
 - b) provides the Ministry with the authority to undertake each of those services in 2009/10; and
 - c) forms the basis for the determination of cost recovery levies to be set for the fishing season commencing on 1 October 2009.

The consultation process

- 5 In February this year, you agreed to the adoption of a single consultation process with fisheries stakeholders, with the consultation limited to those services subject to cost recovery. Prior to this, there had been two separate consultations. The first dealt with the proposed fisheries services to be delivered in that year and was open to all fisheries stakeholders. The second consultation related to the cost recovery levies to be applied the forthcoming year and was confined to stakeholders in the commercial sector.
- 6 Your decision enabled the commercial sector to provide input into the services that were subject to cost recovery and the development of the cost recovery levies. At the same time, it offered other stakeholders the opportunity to provide their views on those services and the levies. The consultation ran from 29 May to 17 June 2009.
- 7 This paper forms part of a compendium covering the Ministry's activities for the forthcoming year. It deals with the recommended fisheries services, including research projects, to be adopted for 2009/10. In a separate, but related paper, we will recommend the cost recovery levies to be implemented from 1 October 2009.
- 8 This current paper provides you with a copy of the written submissions made by stakeholders and the Ministry's responses to the issues raised. Commentary on the recommended changes is provided later in this paper
- 9 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 2009/10 fishing year were identified from the following sources:
 - Fishery Assessment Working Groups during the 2008 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.

- 10 The Ministry's Sciences Group then developed the research needs that were identified as required for 2009/10 into specific research proposals with input from other fisheries staff. These proposals were then again subject to further stakeholder input and, in November 2008, the Ministry's Science Group and Fisheries Managers met to evaluate the research proposals, stakeholder input on proposals and agree research priorities for 2009/10. Appendix 5 details the stakeholder submissions at that time on proposed fisheries research projects for 2009/10 and the Ministry's responses to the issues raised in those submissions.
- 11 For the 2009 consultation process, the Ministry advised stakeholders that it intended to continue the approach of proposing a research programme that would exceed 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".

Government priorities for managing fisheries

- 12 Government's priority is to "grow the NZ economy in order to deliver greater prosperity, security and opportunities for all New Zealanders". The fisheries and aquaculture sector offers significant economic growth opportunities that will directly contribute to this priority. Aquaculture is New Zealand's fastest growing seafood sector, with significant potential to help boost New Zealand's economic growth. Government's priorities for fisheries management are:
 - a) reform to accelerate the development of aquaculture
 - b) policy change to deliver the government's stated fisheries policy and enhance the performance of the fisheries management regime, including:
 - Introduction of a catch recording system for recreational charter boat operators
 - Development of recreation-only fishing reserves
 - Increased focus on survey and monitoring work in the recreational fishing sector
 - c) projects to support the industry economic development strategy and remove unnecessary obstacles or costs to doing business, and
 - d) improvements to frontline compliance capacity.
- 13 The Government's plan for boosting economic performance includes the adoption of 'performance improvement actions', which, for 2009/10, "are likely to be the actions resulting from the line by line reviews of expenditure" (ECC (09)18 of 11 May 2009 refers).

- 14 The Ministry has included the following performance reviews and target dates in its 2009/10 output plan.

Performance improvement action	Target
<u>Review of observer services</u> Consider the demand factors for these services and identify cost effective delivery options	Improved arrangements in place by 1 July 2010
<u>Review of research services</u> Consider opportunities for improved provision of stock assessments, as well as research planning, tendering and contract management processes and identify cost-effective options for delivery of research services	Options will be identified by the end of 2009
<u>Organisation Design</u> Project undertaken to ensure the Ministry is positioned to deliver on government's priorities	Implement new structure by the end of December 2009
<u>Fisheries 2030 action plan</u> Align the fisheries strategic direction with government's priorities, providing direction to enable the Ministry to review the cost effectiveness of the services being provided	Revised Fisheries 2030 and action plan reported to Cabinet by the end of August 2009

Organisation design

- 15 You will be aware that the Ministry has undertaken an organisation review, designed to ensure its services are aligned with the Government's priorities and the strategic direction set out in Fisheries 2030. On 12 June 2009, I announced the changes necessary to support those priorities and the overall fisheries direction. A likely outcome of this will be a change in the Ministry's departmental output expense structure. Options are currently being analysed to determine a 'best fit' for the future. Any changes will need to meet with your approval as well as that of the Minister of Finance.

Observer Services

- 16 In the 2008 Budget process, the then government approved funding to enable the Ministry to increase its observer coverage of fishing interactions with protected species. The funding approved was \$1m in 2008/09, rising to \$2m in 2009/10 and \$3m thereafter.
- 17 In January/February 2009, as part of the preparations for Budget 2009, each government department was required to undertake a line by line expenditure review and promote savings that could be used for possible new initiatives within the Vote, or offered up for consideration across a wider range of government initiatives. You agreed that the \$1m increase in year 2 of the Observer initiative would not proceed. This formed part of the package of \$6m a year savings put forward by the Ministry.

- 18 More recently, and in the light of additional information you have received on the results of the 2009 summer observer programme relating to commercial fishing interactions with dolphins, you have been considering whether to remove, at least for 2009/10, the initial level of funding associated with the new initiative.
- 19 The Ministry understands that you have decided to allow new initiative funding of up to \$1m to proceed but in line with the following criteria:
- The Ministry should develop a forum to work closely with the industry to develop and implement the programme.
 - A key focus of working with the industry should be to achieve cost efficiency savings. The Ministry should look to achieve the same or similar number of days more cheaply. Any cost savings should be returned to the industry (if this is possible).
 - The Ministry should look to put in place as much coverage as possible at different times to the 2008/09 programme to gather information on seasonal effects.
- 20 The fisheries services plan reflects your decision to retain the funding at its current level.

Recommended changes to services

- 21 Attachment 2 summarises the issues raised by stakeholders in their written submissions on the cost recovered services proposed for 2009/10. The Ministry does not believe the submissions were sufficiently persuasive to make changes to fisheries services planned for 2009/10. However, there are some research projects where amendments have been made.

Financial information

- 22 The following tables show the trend of planned services since 2005/06 and those recommended for 2009/10. The 2009/10 research figure is higher than previous years as it includes a “one off” budget transfer from 2008/09 into 2009/10 of approximately \$5 million that was approved as part the March 2009 Baseline Update exercise. The planned expenditure is in line with the Ministry’s baseline for the 2009/10 financial year.
- 23 Table 1 sets out the current position on Ministry funding for 2009/10, with core departmental services including the Observer funding for dolphins.

\$000 GST excl	2005/06	2006/07	2007/08	2008/09	2009/10
Core departmental services	64,679	68,928	71,143	74,719	72,342
Fisheries research	21,065	20,513	20,444	21,709	27,319
Total	85,744	89,441	91,587	96,428	99,661

- 24 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.
- 25 It should be noted that the “in principle” expense transfers from 2008/09 to 2009/10 signed by yourself and the Minister of Finance in the March 2009 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 2008/09. Once confirmed, the actual carry forwards will be included in the October Baseline Update process later this year.

- 26 It also needs to be noted that the final output expense figures and a number of performance indicators recommended in the 2009/10 Fisheries Services Plan differ from those in the 2009/10 Main Estimates. The output expense figures have changed due to a more appropriate allocation of indirect costs between fisheries science in the Fisheries Information output expense and registry services in the Fisheries Operations output expense. The transfer between outputs amounts to \$580,000. The Ministry has also updated a number of performance indicators to reflect the current expectations of the Ministry. The appropriations and performance indicators will be amended in the Estimates documentation as part of the 2009 October Baseline Update to reflect the approved fisheries services plan.

Recommendations

- 27 It is recommended that you:

- 27.1 **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 2009/10 financial year as set out in appendices 1 and 2 to this report;
- 27.2 **note** that the Ministry has not made any changes to the final recommended services for 2009/10 as a result of the consultation with stakeholders and analysis of their written submissions;
- 27.3 **note** that following your decisions, the Ministry will 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;
- 27.4 **note** that Ministry of Fisheries officials will brief you on the content of these documents should you wish.

Wayne McNee
Chief Executive

APPROVED / APPROVED AS AMENDED / NOT APPROVED

Hon Phil Heatley
Minister of Fisheries
July 2009

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 2009 to 30 June 2010, 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.
- I have noted the written submissions from stakeholders in November 2008 on the proposed fisheries research services for 2009/10 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 cost recovered fisheries services portion of the plan issued for consultation and the final fisheries services, including research projects contained in paragraph 21 of the advice paper.

I hereby approve/approve as amended by me:

- The fisheries services to be delivered in the 2009/10 financial year as detailed in Appendix 1; and
- The fisheries research services detailed in Appendix 2.

APPROVED / APPROVED AS AMENDED

Hon Phil Heatley
Minister of Fisheries

/ /2009

Synopsis of Industry issues and Ministry responses

Output/research project	Industry issue	Ministry response
New initiative – Increased Observer coverage	Industry believes the approval was for a three year programme totalling \$6m, \$1m in 2008/09, \$2m in 2009/10 and \$3m in 2010/11.	The 2008/09 consultation documents clearly state that the funding is not time limited, but baselined into outyears.
The consultation document	Industry believes the document does not provide sufficient information for consultation	The Ministry believes it has met the legal requirements and recognises the need for more focused engagement.
Fisheries Information services – reductions in cost	Industry expresses disappointment that the expenditure review trimmed \$1.8m off the research budget; and Argued that the Observer budget should be reduced by \$1m with this amount transferred to research.	A substantial portion of the reduction relates to indirect costs for research. Stock assessment is not touched. Industry gains with \$1.09m in reductions to cost recovery.
Scallops	Significant increase in levies for scallop fisheries due to 5 new research projects for 2009	Defer project SCA2009-06 and BEN2009-04 for one year.
SCH2009-01: Catch-at-length of commercial landings of school sharks	Project has been withdrawn, so should not be levied	This was a Tier 2 project and not included in the cost recovery levy model. Has been removed from Tier 2 project list.
SCA2009/07: Medium term research plan	Project should not be cost recovered	Project has been withdrawn as it will be undertaken internally