



**SEAFOOD INDUSTRY
COUNCIL**

The New Zealand Seafood Industry Council Ltd

SUBMISSION ON
2005/08 STATEMENT OF INTENT
INCLUDING OUTPUT PLAN FOR 2005/06

21 FEBRUARY 2005

Introduction

1. The New Zealand Seafood Industry Council Ltd (“SeaFIC”) makes this submission on the consultation document “2005/08 Statement of Intent including Output Plan for 2005/06”¹ on behalf of the commercial seafood industry. It has been compiled by SeaFIC staff in consultation with our shareholders and incorporates points raised at the meeting with Ministry staff on 1 February 2005.
2. This submission begins with a summary of the key issues that we wish to raise in relation to the SOI. This is followed by more detailed comments on the content of the SOI, following the four-part format of the SOI. This submission should be read in association with SeaFIC’s submission on the Ministry’s Stock Strategies consultation document.

Summary of Key Issues

Improving transparency and accountability in Ministry Services

3. SeaFIC considers that a key focus of the Ministry for 2005/06 should be to improve transparency (in terms of objectives, activities and costs) and accountability (for service performance standards and costs) in the delivery of fisheries services. The Stock Strategies consultation document contains many proposals that support increased transparency and accountability.

Partnership approach in the development of fisheries plans

4. SeaFIC supports the commitment of Ministry fisheries management resources towards ensuring a collaborative partnership approach between the Ministry and those stakeholder groups who wish to initiate, develop and implement fisheries plans.

Increased contestable and devolved services

5. Opportunities exist for increased contestability in the provision of some fisheries services (observer services are an obvious example). SeaFIC considers that the identification and implementation of these opportunities should be a priority work area.

Completing the rights-based framework

6. So long as the rights-based framework for fisheries management remains incomplete (with respect to recreational fishing), it will not be possible to maximise the value obtained from New Zealand’s fisheries resources, particularly through the development of fisheries plans. Completion of the rights-based framework is an urgent priority.

Economic development

7. SeaFIC supports the proposed new sector economic development role for the Ministry, provided the role of the Crown as regulator is not compromised or confused with industry responsibilities. Our comments on the SOI recommend some appropriate roles for the Ministry to assist in economic development of the sector.

¹ The document (dated December 2004) will be referred to as the SOI.

Detailed comments on the SOI

Part I

8. We found the summary of “New Zealand fisheries at a glance” useful and submit that it should be included in all future SOIs.

Part II

Why fisheries must be managed

9. SeaFIC agrees with the tenor of this section, which contains a series of statements on how New Zealand has generally managed its fisheries effectively.
10. We note the inclusion on page 8 of statistics suggesting that the New Zealand fisheries management regime is more cost-effective than other OECD countries. This comparison omits to point out that in contrast to OECD countries, where governments meet the expenditure on fisheries management, New Zealand recovers a major part of the costs of these services directly from the commercial fishing industry. It would be interesting to see a comparison between the full costs (inclusive of industry share) in New Zealand vis-à-vis the OECD.

New Zealand fisheries management – continued innovation

11. Page 9 states that “the next few years will see continuing innovation in the way New Zealand fisheries are managed”. We would welcome a clearer indication of the time frame that is being contemplated.
12. We also seek further clarification of the statement “The Ministry needs to extend its policy frameworks to encourage sustainable utilisation, and promote economic growth and non-commercial values”. As the industry has been experiencing over the last few years increasing financial strain due to the impact of high exchange rates, rising fuel costs and government charges, in principle we welcome an initiative that will promote economic growth, provided the role of the Crown and the role of the industry remain clear.
13. In our opinion, the suggested new “economic growth” role contains an inherent conflict that needs to be resolved. The QMS is essentially a hands-off instrument that provides an economic incentive for rational, sustainable use. Promoting economic growth beyond maintaining the integrity of the legislative and policy frameworks of the QMS and other elements of the management regimes for fishing and aquaculture seems to imply specific intervention by government. We provide some comment on appropriate roles for the Ministry in relation to economic growth later in this submission.
14. Furthermore, the SOI does not specify what exactly is meant by promoting non-commercial values, which could encompass non-extractive uses as well as non-commercial fishing (recreational and customary). We reiterate that MFish has no statutory mandate under the

Fisheries Act 1996 for management of non-extractive uses. To the extent that the reference to “non-commercial values” is intended to encompass non-extractive use, SeaFIC recommends that this reference should be removed from the SOI.

Elements of the Fisheries Management Approach

Fisheries Management

15. The Ministry is proposing a major shift in the New Zealand fisheries management approach by clarifying the role of the Crown by implementing a stock strategy framework. SeaFIC has stated previously that in principle the general direction taken by MFish appears to be positive. We support the intent of the “New Approach”, as outlined in the 5 bullet points on page 11 of the SOI. Our difficulty lies in the fact that although the change has been signalled for several years, the fundamental elements of the shift are not yet in place and the operational details of the new regime appear to be constantly changing. Little visible consideration appears to have been given to managing the transition from the current situation to the new fisheries management approach or how the new approach will operate while the underlying framework remains incomplete.
16. SeaFIC’s response to the Ministry’s proposed stock strategy framework is the subject of a separate submission. In the current submission our comments are restricted to the remaining elements of the fisheries management approach.

Rights framework

17. SeaFIC in principle agrees with the statement on page 11 that “the allocation of rights enables rights holders to maximise value from their allocation and provides incentives for rights holders to work collectively to ensure the sustainability of fisheries.” However, in the absence of a recreational rights framework, all accountability, responsibilities and costs can be applied only to the commercial sector, but value maximisation (if any occurs) is then shared by all sectors. We are therefore disappointed that the statement that “further work is required to improve the rights based framework” does not appear to have been translated into a specific output. There are several statements in the SOI about the need to improve specification of recreational fishing rights (eg, p12 and p16), but the only reference to this issue in the outputs for 2005/06 is a report “assessing options to improve certainty around intersectoral allocation” (p30) – a much more modest goal than completing the rights-based framework.
18. SeaFIC is taking a cautious view of MFish actually carrying out the necessary work on this element of fisheries management. We have read similar statements in previous years’ SOIs, yet little progress has been made. SeaFIC recommends that the development of a rights framework to improve the management of recreational fishing should be a priority area for the Ministry in 2005/06.

Operational Standards

19. SeaFIC has for a number of years submitted that the development of standards is a key element of the new approach to fisheries management. Their development will not be simple, and it will require and benefit from the involvement and support of stakeholders. On numerous occasions we have offered to contribute to the standards development process. In response to questions on the process and other details for developing standards, we were informed last year that “*MFish is fully engaged in developing projects and work plans for the 2004/05 and 2005/06 years that is needed to develop much of the detail sought by submitters. This will necessarily involve further consultation and discussion with stakeholders*²”. Alas, over the past year we have not been provided with any of the details, we have not been involved in any consultation and this SOI is still only showing the general policy direction with no indication about when, how and where these “details” will be made operational.
20. SeaFIC recommends that the Ministry should commit to a clear process for stakeholder involvement in the development of operational standards.

Fisheries Plans

21. SeaFIC agrees with the description of fisheries plans provided on page 12 of the SOI. In particular we note the important role of fisheries plans in providing rights holders with an opportunity to maximise the value derived from fisheries resources. We also support the statements about fisheries plans potentially varying widely by fishery and/or area, and that the initiative must come from fisheries rights holders themselves, rather than being driven by government.
22. We would welcome a more collaborative approach between rights holders and the government in the development of fisheries plans and look forward to the opportunity to discuss this with the Ministry. Further analysis in support of this suggestion is contained in our submission on the Stock Strategies document.

Risk and Value Framework

23. This element is discussed in detail in SeaFIC’s submission on the Stock Strategies document.

Cost recovery

24. The SOI (page 13) states that the cost recovery regime is based on the principles contained in section 262 of the Fisheries Act 1996 and the Fisheries (Cost Recovery) Rules 2001. While this statement is in theory correct, SeaFIC has submitted on numerous occasions that the Rules themselves are *ultra vires* (i.e., inconsistent with the principles) and we have proposed a comprehensive review the Rules.
25. The SOI suggests that the Ministry will be “*conducting a review of the way the cost recovery process is applied*”. While supporting the need for a review, SeaFIC considers that this must be wider than just a review of the application of the current process and Rules. We therefore recommend the inclusion in the Ministry’s 2005/06 workplan of a full review of the substance and application of the Rules in the context of the principles in section 262. This review should be undertaken through a joint industry-Crown process.

² MFish response to questions on the 2004/05 SOI.

26. The SOI states also that MFish has undertaken work to improve transparency around the cost recovery process. SeaFIC agrees that there has been a significant improvement in the cost recovery process over the past two years. We see the comprehensive review proposed above as a continuation of these improvements.

Improved stakeholder participation

27. SeaFIC notes that many of the initiatives for improved stakeholder participation relate to the Ministry's relationship with non-commercial stakeholders. We consider that the relationship between the Ministry and the industry (both fishing and aquaculture) is also an area that would benefit from improvement. Our submission on the Stock Strategies document contains some recommendations on ways in which this relationship might be improved with respect to fisheries management functions.

Improving environmental performance

28. SeaFIC notes that the Ministry proposes to develop environmental standards or bottom lines in consultation with stakeholders. Given that many environmental initiatives are highly dependent on industry buy-in for implementation, the industry needs to be involved in the development of standards in more than simply a reactive role.

29. It is not clear how this work area relates to the draft Strategy for Managing the Environmental Effects of Fishing. SeaFIC provided substantial comments on this draft Strategy but we remain uncertain about its current fate or its relationship to initiatives discussed in the SOI (specifically stock strategies, standards, and the implementation of the Marine Protected Area Strategy). We recommend that these linkages be clarified.

Improving industry economic performance

30. The SOI states (page 15) that MFish intends to develop a capacity in 2005/06 to "facilitate opportunities to improve economic performance of the New Zealand fisheries sector". We note that this function will be undertaken from within the existing MFish resources.

31. As noted earlier in this submission, SeaFIC is supportive of initiatives to improve the economic performance of the sector, provided that they do not interfere with the clear delineation of roles between the Crown and the industry. We consider that appropriate roles for the Ministry in this respect are:

- facilitating a cross-government approach to the identification and removal of legislative and policy impediments for the sustainable development of fisheries and aquaculture;
- continued emphasis on increasing the efficiency and accountability of fisheries services provided by the government, and actively exploring opportunities for more efficient or effective service provision by external providers through more competitive or devolved services;
- protecting and maintaining the integrity of the fisheries management regime and the incentives provided by secure commercial harvest rights (e.g., in relation to spatial encroachments on the exercise of ITQ rights);

- protecting and maintaining the quality of the aquatic environment in support of sustainable extractive use (e.g., in relation to poor water quality affecting aquaculture activities);
- facilitating rights-holder responsibility for fisheries management within parameters set by the Crown through an agreed process;
- facilitating the implementation of the aquaculture law reform and working to ensure that the legislative framework is supportive of the sustainable development of aquaculture;
- international fisheries development initiatives, such as:
 - improving and securing access for New Zealand vessels in international fisheries (on the high seas and within other nations' EEZs, as appropriate);
 - facilitating effective industry involvement in regional fisheries management organisations; and
 - working with industry to improve and secure international market access for seafood products.

32. We emphasise that the involvement of the Ministry in international fisheries development initiatives should be undertaken in a joint capacity with the industry and would be interested in discussing with the Ministry how this relationship can best be achieved.

33. We also note that SeaFIC has developed, on behalf of the industry, an Industry Development Framework (IDF). The IDF contains recommended actions that are relevant to the Ministry's new economic development functions. We would welcome an opportunity to brief Ministry managers on the IDF and on how we might work together to implement some of the Crown-industry initiatives set out in the IDF.

Policy and Service Priorities

New Zealand fisheries policy advice

34. We note that the discussion of priorities with respect to improving the management of recreational fishing is back to front. The first priority should be to "improve the specification of recreational fishing rights and their integration or alignment with other existing rights" (a priority that does not appear to be reflected in the specified policy outputs for 2005/06). Only then can work on "refining the mechanisms to allocate fishing rights between sectors" proceed with any certainty.
35. SeaFIC also notes that a comprehensive review of the cost recovery rules (substance and application) should be a priority area of policy advice for 2005/06 (as discussed earlier in this submission).

Observers

36. SeaFIC notes that all the priority areas identified for observer services relate to the delivery of the service rather than the strategic and management context within which observer services are delivered. We were under the impression that these wider issues were to be reviewed last year as part of the programme to improve accountability and transparency in this area of the Ministry's operations – yet the initiatives undertaken to date (and specified in the SOI for 2005/06) still relate only to delivery of observer services by MFish.
37. SeaFIC considers that the true priority areas that need improvement in relation to observer services are:
- clear definition of the purpose of the services (e.g., collection of information on particular research questions, monitoring compliance etc);
 - improvements to the process for specifying and purchasing observer services; and
 - agreed standards for observer service provision so as to facilitate competitive provision of services.

Proposed additional services for 2005/06

38. As a general comment in response to the proposed additional services, SeaFIC notes that while we support the content of many of the proposed initiatives (as outlined below), insufficient information has been provided for us to form a view on whether the initiatives require additional funding, or can be funded through more efficient use or reallocation of existing levels of funding within the Ministry.

Aquaculture reforms

39. SeaFIC recommends that the Ministry's responsibilities for implementing the settlement provisions of the aquaculture law reform should be explicitly linked in the SOI with the new capability for facilitating sector economic development. In other words, the Ministry's responsibilities with respect to the settlement should be discharged in a manner which, so far as possible, enhances the overall economic performance of the aquaculture sector.

Fisheries enforcement

40. SeaFIC supports the development of a multi-agency approach to enforcement for rock lobster and paua, provided it does not detract from the "on-the-ground" presence of fisheries enforcement personnel. We note that the Joint Paua Compliance Working Group is developing recommendations for improved compliance initiatives for paua fisheries and that these recommendations may inform the compliance work programme for 2005/06.

International capability

41. SeaFIC supports this initiative and recommends that specific provision be made within this work programme to facilitate a joint approach with the industry.

Infrastructure capability

42. SeaFIC does not support the request for further funding for investment in MFish infrastructure (i.e., “realigning the Ministry’s information systems to support its core business”). The proposed new initiative should not require any additional funding. The items specified in Appendix 2 in respect of this initiative may well be new processes, but we assume that they replace existing MFish processes rather than being in addition to existing processes. It is our understanding that the stock strategies approach is intended to streamline Ministry operations rather than add new processes and costs into the core role of the Crown.
43. We also consider that the SOI provides inadequate justification for a 40% cost allocation to industry for this initiative.

Part III – Output Plan Fisheries Services to be Provided in 2005/06

Output class: Fisheries Policy Advice

Output: New Zealand fisheries policy advice

44. The first bullet point in the output description is “protecting the health of the aquatic environment”. SeaFIC notes that “protecting the health of the aquatic environment”, as an end in itself is not a valid function under the Fisheries Act. We suggest that this element of the output description should be reworded to be consistent with the Act, for example by focusing on policy frameworks to enhance the environmental performance of the fisheries sector or avoiding, remedying or mitigating any adverse effects of fishing.
45. As noted previously, the “expected results” in this output should include:
- a comprehensive review of the cost recovery rules; and
 - development of a rights-based framework to improve the management of recreational fishing.

Output: International fisheries policy advice

46. The issue noted in our comments on the previous output description is also relevant for international fisheries policy. We do not consider it to be a function of the Ministry of Fisheries in international fora to be focused on protecting the health of the aquatic environment – except in so far as protection is directly related to the utilisation of fisheries resources.
47. The “explanation” of this output should also identify the need to work with the industry when promoting and protecting New Zealand’s fisheries interests.

Output class: Fisheries Information

Output: Utilisation and sustainability of New Zealand's fisheries resources measured

48. The cost of this output is \$25.030 million, of which \$16.993 million (that is 67%) is recovered from industry. This represents an increase over the 2004/05 SOI, which had total costs of \$22.887 million, of which the industry share was 64% at \$14.704 million. The output plan provides no valid explanation for the increased costs.
49. SeaFIC emphasises that the continuing upward trend in research costs is particularly worrying given the fact that MFish is aware of the financial constraints the industry is facing.
50. It is unclear why there is a discrepancy between the total research costs provided in this document: \$25.030 million in this output on page 35, but \$20.205 million in Table A illustrating the fiscal trend of MFish services (page 62).

Observer services provided

51. The cost of this output has increased by almost 90% from the \$1.986 million in the 04/05 SOI to \$3.706 million. There is no explanation for this increase beyond the statement (page 34) that the increase “reflects the proposed Observer Delivery plan for 05/06, which has already been subject to consultation”. Observer services is one area of the Ministry’s operation that is noticeably not yet aligned with the “new approach” to fisheries management, in particular, the move to objectives-based fisheries management and increased transparency and accountability.
52. SeaFIC is concerned that the SOI provides insufficient information to explain the drivers behind these cost increases. It appears that a 27.5% increase in the number of observer days (from 7,250 to 9,245) has resulted in a 86.6% increase in costs. This implies that the cost per day has increased significantly. However, we have been unable to obtain any information on the elements that make up the cost per day. SeaFIC requested this information in mid-January, again on 8 February, and repeated this request at an Observer Forum meeting on 9 February. We have yet to receive a response.
53. Without better information on the elements that make up the cost per day (and, in particular, the costs of the overheads that are added to the *actual* cost per day), proper consultation by the Ministry on this element of the SOI cannot be meaningful.
54. In the absence of information demonstrating otherwise, our concern is that the recent changes to the delivery of observer services, including additional management staff, additional administrative capacity, indications of a desire to develop an “internationally competitive” observer service and other service development initiatives, are serving to build a “gold-plated” observer capacity within the Ministry, paid for by the industry. The industry would only be comfortable with the Ministry taking such an approach if, prior to the building of the MFish Observer Business Unit:
 - Clear standards were in place (set by the various purchasers of observer services) to define the actual services to be provided, so that we could be sure industry was paying for

what is required for fisheries management purposes, rather than paying for a service delivered to some unspecified “world class” standard; and

- The provision of observer services is made contestable, so that cost-effectiveness becomes a genuine consideration in purchase decisions.

55. We recommend that making progress on these two pre-requisites should be the primary focus of improvements to observer services in 2005/06.

56. SeaFIC also questions why the observer services business unit has a separate budget if its services are all determined and purchased by other parties (e.g., MFish science, fisheries management, and compliance groups, DoC and industry). For example, we would have expected the budget for observer services required for particular research projects to be included in those research projects.

Output Class: Fisheries Management

Output: New Zealand fisheries utilisation and sustainability reported

57. SeaFIC recommends that the “expected results” should have specified timeframes. It would be very useful if these reports were provided in a timeframe that would give the industry some certainty before the start of the fishing year (i.e. TAC/TACC set and advised in a more timely fashion).

Output: Registry services managed

58. While the cost of this output has decreased by \$888,000 from last year’s SOI, the overall cost raises a question of overheads. The description of this output states that it is the “delivery and monitoring of contracted and devolved registry services to ensure consistency and compliance with standards and specifications”.

59. The delivery of registry services is carried out by FishServe, which leaves MFish with “monitoring” of the services, for which it seems to charge in the region of \$1.8 million (30% of the total cost). SeaFIC recommends that the Ministry should reconsider whether this level of expenditure is required to monitor contracted and devolved services that are described on page 19 of the SOI as being extremely satisfactory.

Output class: Fisheries Enforcement

Output: commercial fishing rules enforced

60. In line with our comments on previous SOIs, SeaFIC finds it impossible to comment on this output because of the lack of information on the services to be provided, the performance standards, and the fisheries management objectives to which the services are intended to contribute. As with observer services, this is an output that is not yet aligned with the increased transparency and accountability required of the new approach to fisheries management.

61. We note and support two initiatives which we anticipate will improve accountability and transparency in this significant area of expenditure. These are:

- the establishment of a Joint Strategic Working Group on Compliance between the industry and the Crown; and
- the development of an objective-based approach to fisheries management (as outlined in the Stock Strategies consultation document) so as to better specify the compliance services required to support the management objectives in particular fisheries.

Contact people

62. SeaFIC staff members are available to discuss any aspects of this submission. Please contact Kamila Skapa or Nici Gibbs.

Yours sincerely

Nici Gibbs
Policy Manager