

24 March 2006

Minister of Fisheries

FISHERIES SERVICES FOR 2006/07 AND STATEMENT OF INTENT FOR 2006/2011

Purpose of this paper

- 1 This paper
 - (a) seeks your approval of the fisheries services to be delivered in the 2006/07 financial year as required by the Fisheries Act 1996, and
 - (b) advises you of the subsequent actions necessary to meet the requirements of the 2006 Budget cycle.

Attachments/Appendices

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

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| Attachment 1 | A “Statement by the Minister of Fisheries” for you to signify your approval, or approval as amended, to the recommended services for 2006/07. |
| Attachment 2 | The stakeholder submissions on proposed fisheries research projects for 2006/07 as presented to the Ministry’s Research Coordination Committee in November 2005, and the Ministry’s responses to the issues raised in those submissions (further details are contained in paragraphs 30 – 34 below) |
| Attachment 3 | Stakeholder comments on the ‘context’ document posted on the Ministry’s website in January 2006 along with the consultation material on the proposed fisheries services and research services for 2006/07. The Ministry was not formally consulting on the context document, but, has included a broad commentary on the main issues and the Ministry response. |
| Appendix 1 | The fisheries services recommended for provision in 2006/07. |
| Appendix 2 | The fisheries research projects recommended to be undertaken in 2006/07. |

- Appendix 3 The issues raised by stakeholders in their written submissions on the proposed fisheries services for 2006/07 and the Ministry's responses to those issues.
- Appendix 4 The issues raised by stakeholders in their written submissions on the proposed fisheries research projects for 2006/07 and the Ministry's responses to those issues.
- Appendix 5 A copy of each of the submissions made by stakeholders.

Fisheries services defined

- 3 Fisheries services are defined in the Fisheries Act 1996 to include:
- a) the management of fisheries resources, fishing and fish farming
 - b) the enforcement provisions relating to fisheries resources, fishing and fish farming; and
 - c) research relating to fisheries resources, fishing and fish farming including stock assessment and the effects of fishing on the aquatic environment.

Reasons for approval of the services

- 4 Your approval of the recommended services in Attachment 1.
- a) is necessary to meet the provisions of the Fisheries Act 1996 which require the fisheries services to be delivered in any year to be agreed between the Minister and the Chief Executive;
 - b) provides the Ministry with the authority to undertake each of those services in 2006/07; and
 - c) forms the basis for the determination of cost recovery levies to be set for the fishing season commencing on 1 October 2006.

5 Subsequent to your approval of the services for 2006/07, the Ministry will also require a joint approval from yourself and the Minister of Finance to a second paper that aligns the costs of the approved services with the 2006/07 Main Estimates document. This is required to enable the Ministry to certify that the Statement of Intent (SOI) is consistent with the appropriations set out in the Appropriations (2006/07) Estimates) Bill.

Statement of Intent

6 The Statement of Intent (SOI) provides a high level description and explanation of the Ministry's operating intentions and performance expectations over the next five years. It describes the nature and scope of the Ministry's functions, what we are trying to achieve and how we will go about doing this. The SOI is a part of the documentation produced for the

2006 Budget and in early April, the Ministry will be seeking your approval to the near final SOI so that it can be printed and included in the Budget process.

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

8 There is an expectation that departments will involve central agencies (State Services Commission and Treasury) in the SOI development and review processes before the document is finalised. The Ministry provided a draft copy of the SOI to each of the central agencies at the time of distribution to all stakeholders in January 2006 and has discussed the document with them more recently. We expect to hold further discussions with them on subsequent drafts.

The consultation process

9 Consultation on fisheries services for 2006/07 commenced in January 2006 with a letter dated 31 January 2006 advising iwi and other fisheries stakeholders that the material covering the proposed services and proposed research projects, along with a 'context' document, had been released on the Ministry's website. Stakeholders were also advised that, for 2006-07, due to the stage of the development of the Government budget for 2006, the Ministry was not able to advise the timing or content of any consultation on new initiatives and that it was possible a separate consultation could be required commencing on Budget day.

10 The letter was issued to around 300 stakeholders, including iwi, listed on the Ministry's database. The Ministry noted that the main stages in the consultation process were:

Obtaining understanding of proposed services,

- Submission of questions on any matters needing clarification, with the Ministry providing responses, with the questions and responses also being posted on the Ministry website.
- An offer for Ministry officials being available for meetings where required.

Submission of comments

- Written submissions to the Ministry no later than 8am on Tuesday 28 February 2006 and that this deadline was firm.

Minister's decision

- The Ministry providing a report to Minister of Fisheries on recommended fisheries services for the 2006/07 year. The report will include a copy of all stakeholder submissions and the Ministry analysis of the issues raised in the submissions.
- The Minister making final decisions on services to be provided.
- Iwi and stakeholders notified, through publication of the Statement of Intent, of final services to be provided for 2006/07 once the Budget has been introduced into Parliament by the Minister of Finance.
- Publication, on the Ministry website, of the advice paper to the Minister, complete with stakeholder submissions and analysis of the issues raised after Budget day.

11 The Ministry did not receive any formal written requests for clarification of issues. However, there were some meetings attended by the Ministry's senior fisheries management advisers and Pou Hononga to discuss local issues. These did not lead to further comments in the final written submissions from stakeholders.

12 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 2006/07 fishing year were identified from the following sources:

- Fishery Assessment Working Groups during the 2005 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.

13 The Ministry's Sciences Group then developed the research needs that were identified as required for 2006/07 into specific research proposals with input from other fisheries staff. These proposals were then again subject to further stakeholder input and, in November 2005, the Ministry's Science Group and Fisheries Managers met to evaluate the research proposals, stakeholder input on proposals and agree research priorities for 2006/07. Attachment 2 details the stakeholder submissions at that time on proposed fisheries research projects for 2006/07 and the Ministry's responses to the issues raised in those submissions

14 The consultation process commenced in January 2006 therefore represented a further occasion for discussion on the Ministry's proposed research projects for 2006/07. In light of the above, the Ministry has provided multiple opportunities for stakeholders to have their say on the research projects.

Tier 1 and Tier 2 research projects

15 For the 2006 consultation process, the Ministry advised stakeholders that it intended to consult on all proposed fisheries research projects that had come through the research planning process.

16 Previously, the Ministry undertook an initial prioritisation process to present a proposed research programme that could be funded in the approved research budget. The result of this has been a significant under utilisation of annual research budgets, due to agreed projects subsequently not proceeding. The effect was that the Ministry and stakeholders had been denied opportunities to improve the information available on specific fish stocks. The changed approach for 2006/07 to consult on proposed research that would exceed the appropriation would permit more effective utilisation of the research funding.

17 Tier 1 projects are those that can be funded within the proposed budget levels. Tier 2 represents those that are unable to be funded, but which the research planning groups considered of a sufficiently high priority to be included in the consultation process, and undertaken in the event of tier 1 project costs falling below appropriations.

18 The Ministry emphasised that

- projects would only be undertaken if they could be funded from the approved budget level
- any project(s) withdrawn from tier 1 would be replaced by other project(s) from tier 2 so that the total funding levels can be better utilised
- cost recovery would only be levied on projects that were within the approved budget level (this will include any tier 2 projects that are substituted for those from tier 1 that are withdrawn)
- stakeholders would be advised throughout the year where the Ministry has replaced a Tier 1 project with another from Tier 2.
- the consultation process being undertaken on the fisheries services proposed was the only consultation process that would be done for these services in 2006/07. The Ministry would not be reconsulting on any Tier 2 projects that were substituted for any Tier 1 projects. Changes to cost recovery levies to reflect the changed research programme will continue to be consulted on as appropriate.

Stakeholder submissions and Ministry responses on the draft fisheries services

19 Written submissions were received from 7 stakeholder groups. Copies of these are provided in Appendix 5. This is a smaller number than in previous years.

20 The list of stakeholders providing written submissions is shown below.

The New Zealand Seafood Industry Council Ltd
Te Ohu Kai Moana Trustee Ltd
Te Runanga o Ngati Awa
Te Kupenga Whiturauroa a Maui
Rongomaiwahine Iwi Trust
The New Zealand Big Game Fishing Council
The Deepwater Stakeholder Group Ltd

The Ministry would normally expect to receive a written submission from Environment and Conservation Organisations of NZ Inc and Royal Forest and Bird Protection Society. RFBPS was e-mailed on Tuesday 28 February and asked if they intended to put in a submission. In a telephone conversation on 2 March, the Society said that it had seen the details on the website, but had not received a letter inviting their comments. The Ministry then offered an extension of time to 8am on Monday 6 March to receive a submission, but indicated that it could not extend the time any further because of deadlines it had to meet in terms of analysing the issues and providing a final advice paper to the Minister on the recommended services for 2006/07. This was subsequently followed up in a further e-mail on that same day. The RFBPS acknowledged that this was acceptable. No formal written submission has been received from RFBPS and ECO.

The Ministry received a late written submission from the Deepwater Stakeholder Group covering benthic research projects. The submission was accepted.

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

SeaFIC (on behalf of Commercial fishing interests) seeks that the Ministry

- a. Includes the development of standards in its work programme as a priority for 2006/07. This should proceed before any further work on the development of fisheries plans.
- b. Commits sufficient resources to the completion of the rights-based framework in 2006/07 and includes further detail about this output in the work programme.
- c. Includes the cost recovery review as an output under Fisheries Policy Advice, and commit sufficient resources to complete this in the 2006/07 year. We request that the Ministry consults with SeaFIC on the scope and nature of the review as a first step in its development.
- d. Deletes the proposal that “Tier Two” projects be substituted for “Tier One” projects that do not proceed for any reason.
- e. Ensures expenditure is kept within appropriated amounts.
- f. Unbundles projects and tenders these as separate projects.
- g. Does not proceed with projects that are subject to conditions without a robust analysis of the risks and the consequences of the outcomes.
- h. Reviews the cost of observer services and establishes appropriate service standards for observers to enable contestability. We seek the commitment of sufficient resources in the 2006/07 year for these standards to be developed.
- i. Revisits its decision to combine compliance expenditure in the customary and recreational sectors into a single non-commercial output.
- j. Revisits spending on non-commercial enforcement

Te Ohu

- a. Has expressed concerns that the systems for the establishment of mātaitai operate in an ad hoc manner without adequate consideration at a system level of their broader impact.

Note: Both SeaFIC and Te Ohu have commented in detail on the research projects. It is not intended to summarise the issues here as they are adequately covered in the Ministry responses to the research projects (Appendix 4).

NZBGFC

- a) Endorse the stakeholder engagement process as being critical to the delivery of the shared fisheries policy, but wish to see increased resources available for well funded and staffed consultation and information dissemination processes with non-commercial fishers during 2006/07.

Te Kupenga

- a) Endorse the engagement with the Ministry of Fisheries through the regional forum concept as a productive and mutually beneficial way to interact, but seek adequate funds to cover expenses in meeting workloads expected by both our people and the Ministry.

Rongomaiwahine

- a) Wants to see an increase in research and the development of customary and recreational databases and to have these operated as part of the Deed of Settlement Implementation Programme (DoSIP).

Ngati Awa

- a) Express concerns around S186A closures and ask why it was not possible for the Ministry to undertake a survey of the mussel beds in Ohiwa Harbour before the temporary closure was lifted.

Deepwater Group

- a) Submits that it would be inappropriate for the Ministry to initiate any new research into the effects of fishing on the EEZ benthic environments until the Ministry's environmental strategy has been reviewed to take into account the existence of the proposed Benthic Protection Areas.

Changes from draft to recommended fisheries services

22 The Ministry has reviewed all input from stakeholders and, aside from the amendments noted below, does not believe that the stakeholder comments were sufficiently persuasive to make any changes to the proposed services/research projects for 2006/07.

- a) Fisheries research proposals

It is possible that some Tier 2 projects will not be able to proceed within the available funding. The list of Tier 2 projects will be carefully scrutinised throughout the year to determine if any of them can be fitted in the overall funding levels.

- b) Observer services

Both SeaFIC and Te Ohu have commented on an inconsistency in the application of the Cost Recovery Rules to Observer projects. All Observer costs are allocated on the basis of the

number of days coverage for each fish stock rather than being levied against specific research projects. The reason they are shown in the proposed fisheries research documentation is to enable stakeholders to see how many Observer days are allocated to the various fishery areas (ie deepwater, middle depths). The Ministry has amended the Observer project information so that it is clear what Cost Recovery Rules are being applied.

Additional services for 2006/07

23 The Ministry has five additional services for 2006/07 from the 2006 Budget Round:

Support for the development of an objective-based fisheries management approach

The purpose of this initiative is to implement a new objectives-based fisheries management approach through the development of fisheries plans, as a means to add value to New Zealand fisheries. The proposed programme, which would transition traditional fisheries management processes into one based on shared objectives, promotes greater involvement by stakeholders, and is more transparent and efficient. There is significant social, cultural and economic value improvement that can be achieved in the fisheries sector through an objectives-based approach and more integrated, prioritised delivery of Ministry services.

Implementation of the Government's marine protected area strategy

This policy, which is being implemented jointly by the Ministry of Fisheries and the Department of Conservation, seeks to promote an integrated approach to marine protection and to achieve the Government's goal of a comprehensive and representative network of MPAs.

Illegal, unregulated and unreported fishing (IUU)

The funding for this initiative represents New Zealand's contribution to a three year pilot project, designed to detect, prevent and eliminate IUU fishing. It is strategically important for New Zealand because three of the species targeted by IUU fishers - Patagonian Toothfish, Orange Roughy and Tuna - are immediately adjacent to NZ fisheries waters.

Improved information on effects of bottom trawling and ecosystem effects of fishing

This initiative is designed to increase our understanding of the effects of bottom trawling on seabed habitat and aspects of biodiversity, and to develop an understanding of the wider consequences of fishing for ecosystem functioning and fisheries productivity.

Settlement negotiations capacity

This initiative is intended to increase the Ministry of Fisheries capacity to participate and positively contribute to the settlement of individual treaty claims. It is also intended to provide capacity for the Ministry to support the Crown's initiatives to address applications by whānau, hapu and iwi for Territorial Customary rights and Customary Rights Orders.

Consultation required

24 You should note that the new initiatives included in the 2006 Budget for Vote: Fisheries cannot be commenced until the Ministry has undertaken a consultation process with stakeholders. A statement to this effect will be included in the final SOI. The Ministry proposes to undertake this consultation immediately after the Budget announcement by the Minister of Finance and will report to you on the stakeholder comments and the Ministry responses. The above services will have minor cost recovery implications and will result in slightly lower cost recovery levies due to a wider spread of Ministry overheads.

Financial information

25 The following tables show the trend of planned services over the past four years and those recommended for 2006/07. The level of planned expenditure is in line with the Ministry's baseline for the 2006/07 financial year. The research figures are the direct costs for the provision of research services and do not include any share of Ministry overheads. All figures are in \$000 and GST exclusive.

\$000	2002/03	2003/04	2004/05	2005/06	2006/07
Core departmental services	45,465	49,855	60,507	64,679	68,928
Fisheries research	19,781	19,349	18,698	18,986	18,407
Biodiversity research	1,942	3,099	1,884	2,079	2,106
Biosecurity research	1,217	1,781	1,192	0	0
Total	68,405	74,084	82,281	85,744	89,441

Represented by

\$000	2002/03	2003/04	2004/05	2005/06	2006/07
Vote Fisheries	65,943	71,135	76,483	85,744	89,441
Vote Biosecurity (Fisheries)	2,462	2,949	5,798	0	0

Industry Contributions

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

\$000	2002/03	2003/04	2004/05	2005/06	2006/07
Core departmental services	16,465	16,844	17,008	16,820	15,623
Research	16,133	15,223	14,704	15,742	14,914
Planned cost recovery levies	32,598	32,067	31,712	32,562	30,537
Transaction charges	1,137	1,733	2,356	1,596	1,979
Total planned industry contributions	33,735	33,800	34,068	34,158	32,516
Contribution as % of total Vote	51	47	45	40	36

26 It is necessary to note that the above industry figures are gross numbers and that several adjustments will be made to arrive at the actual industry contribution for the fishing year commencing on 1 October 2006. These include:

- a) Application of the settlement credit related to under and overs for the period 1994/95 to 30 June 2002. The reduction in future levies was \$24.617m. Subsequent levy orders have provided for utilisation of \$23.025. The remaining balance after the 1 October 2005 levy order is \$1.592m. This will be offset against future levy orders.
- b) Application of unders and overs for 2005/06 when determined.
- c) Adjustment for carry forward of expenditure from 2005/06 to 2006/07.
- d) Adjustments to the research programme as better information becomes available.

27 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.

28 It should be noted that the "in principle" expense transfers from 2005/06 to 2006/07 signed recently by yourself and the Minister of Finance in the March Baseline Update exercise, are not included in the above final plan figures because the actual amount of carry forward will not be determined until after the audited year-end financial results for 2005/06. Once confirmed, the actual carry forwards will be included in the October Baseline Update process later this year.

Cost recovery process

29 Following your final decisions on the fisheries services for 2006/07 and the 2006 Budget announcement in May, the Ministry will make available the SOI and the advice document to stakeholders and commence a consultation on the new initiatives contained in the 2006 Budget. Subsequently, once that consultation process has been completed and you have made decisions on the actual services to be provided through those new initiatives, the Ministry will issue a consultation document to industry stakeholders on the proposed cost recovery levies to be adopted from 1 October 2006.

30 The cost recovery levies incorporate both fisheries services supplied through the Ministry of Fisheries and fisheries related conservation services provided by the Department of Conservation. As part of the consultation process, a cost recovery plenary with industry stakeholders will occur, with stakeholders being given time in which to provide written submissions on the proposed levies.

31 The Ministry will then provide you with the advice paper and associated Cabinet Legislation Committee paper on the levies to be struck for 2006/07. In order to have the new levies gazetted in time for 1 October 2006, the Ministry will be seeking your approval to the proposed levies in late July/early August 2006.

32 The Department of Conservation has advised that its proposals on fisheries related conservation services for 2006/07 are presently being consulted on with stakeholders. It is expected that the final services approved by the Minister of Conservation will be forwarded to the Ministry by the end of April 2006.

Timing

33 The 2006 Budget timetable requires that departments deliver the printed SOI to PirntLink by Monday 8 May. In order to achieve that deadline, it is necessary to have your approval to print by 10 April 2005. The Ministry will provide you with a near-final copy of the SOI in early April.

Recommendations

34 It is recommended that you:

- 34.1 **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 2006/07 financial year as set out in appendices 1 and 2 to this report, noting that once the contract tendering process has been completed, there is likely to be a change in the total costs for fisheries research projects;
- 34.2 **note** that the Ministry has undertaken an analysis of the main issues raised in the written submissions from stakeholders and that:
 - i. Appendix 3 covers the issues raised in respect of fisheries services proposed for 2006/07 and the Ministry responses; and
 - ii. Appendix 4 covers the issues raised in respect of research services for 2006/07 and the Ministry responses;
- 34.3 **note** that, although the Ministry was not formally consulting on the ‘context’ document, it has, for completeness included stakeholder comments and the Ministry response (Attachment 3 refers);
- 34.4 **note** the stakeholder submissions attached as Appendix 5 to this report,
- 34.5 **note** that limited changes have been made to the final recommended services for 2006/07 following consultation with stakeholders and analysis of their written submissions;
- 34.6 **note** that, as a precursor to the issue of the proposed fisheries research projects in the formal consultation process on services to be delivered in the 2006/07 financial year, the Ministry’s sciences team had, in November 2005, provided substantive responses to stakeholder comments on the fisheries research projects identified through the research planning process and that those stakeholder submissions and Ministry responses are set out in Attachment 2;

- 34.7 **note** that, following announcement of the Government's 2006 Budget, the Ministry will release the approved fisheries services to all stakeholders, at the same time it releases the consultation document on the proposed additional services to be provided in the 2006/07 financial year;
- 34.8 **note** that the Ministry will be seeking your approval in early April 2006 to the near final Statement of Intent so that it can be printed for inclusion in the 2006 Budget documentation;
- 34.9 **note** that Ministry of Fisheries officials will brief you on the content of these documents should you wish.

Peter Murray
General Manager Corporate Services

APPROVED / APPROVED AS AMENDED / NOT APPROVED

Hon Jim Anderton
Minister of Fisheries
March 2006

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 2006 to 30 June 2011, I certify that:

- I have taken note of the written submissions from stakeholders as contained in Appendix 5 to this report.
- I have noted the responses by the Ministry of Fisheries to the issues raised in those submissions. These responses are contained in Appendix 3 – *Issues raised in stakeholder submissions and Ministry of Fisheries’ analysis and recommendations on the fisheries services to be provided in 2006/07* and Appendix 4 – *Issues raised in stakeholder submissions and Ministry of Fisheries’ analysis and recommendations on the fisheries research services to be provided in 2006/07*.
- I have noted the written submissions from stakeholders in November 2005 on the proposed fisheries research services for 2006/07 as determined through the research planning process, and the Ministry of Fisheries responses to the issues raised in those submissions, as set out in Attachment 2 to this report.
- In addition I have noted the changes from the draft plan issued for consultation and the final fisheries services, including research projects contained in paragraph 33 of the advice paper.

I hereby approve/approve as amended by me:

- The fisheries services to be delivered in the 2006/07 financial year as detailed in Appendix 1 ; and
- The fisheries research services detailed in Appendix 2.

APPROVED / APPROVED AS AMENDED

Hon Jim Anderton
Minister of Fisheries

March 2006