



The New Zealand Seafood Industry Council Ltd

18 June 2009

Mr B Ashton  
Manager Cost Recovery  
Ministry of Fisheries  
PO Box 1020  
WELLINGTON

Dear Brian,

## **SUBMISSION ON THE 2009/10 LEVY MODEL**

1. Thank you for the opportunity to comment on the 2009/10 application of the cost recovery rules. We will provide separate comments on the Unders and Overs for 2007/08.

### **I APPROPRIATIONS DOCUMENTATION**

2. I am taking this opportunity to draw your attention to issues with respect to the above Estimates document.

New Policy – Increased Observer coverage

3. My understanding of this approval was a three year programme totalling \$6m, \$1m in 2008/09, \$2m in 2009/10 and \$3m in 2010/11. The Minister's statements on the approval did not indicate this was a permanent budget increase.

### **Crown Revenue and Capital receipts –Deemed Values**

4. The description for this item should be amended to be "Revenue forecast to be paid by fishers who have overfished" as against the current reference to quota-holders who have overfished.

## **II THE CONSULTATION DOCUMENT**

5. The Ministry has provided an abbreviated level of material for this year's consultation. The Ministry has deleted any detailed information not related to cost recovery from the material provided.

6. While the reduced information may be considered to be in accord with the statutory obligations for consultation, it provides little recognition of the need for accountability, transparency and collaborative relationship building in the management and utilisation of a shared resource. How the Ministry is prioritising and allocating its resources and efforts is not available in the Statement of Intent, the Estimates information, the consultation material or the levy model.

7. While industry's submissions in the past may have had little impact on decisions on matters wider than cost recoverable expenditures, we were at least informed and given the opportunity to comment on the other Ministry activities which impacted on our interests in New Zealand fisheries. We hope that this does not presage a wider reduction of industry involvement and engagement in areas such as research planning and development of fisheries plans.

### **Output Expense – Fisheries Information**

8. We note that research activity will be decreased as a result of the expenditure review. We note that, while forecast research expenditure levels are increased for 2009/10 to reduce the level of carry forward, the commitment budget for further research has been reduced.

9. The Ministry has long lamented the decline in the level of funding allocated to research. While industry might have disagreed with how that funding has been utilised in the past, we have supported the Ministry's case for increased research expenditure. It is disappointing that the expenditure review trimmed \$1.8 million off the priority research budget. While we advocated a reduction of \$1 million in the observer budget, we advocated that funding should be transferred to the research budget to bolster the level of research.

10. We note that the carry forward of research expenditure has increased significantly over recent years and is estimated by the Ministry to be \$8 million. We are sceptical that the Ministry will be able to achieve a \$5m reduction in that carry forward due to resource shortages in the research provider market. Industry has been already levied for much of that carry forward and it is not the role of industry to act as the banker for the Ministry.

11. In respect of the performance measure relating to the percentage of catch from assessed stocks, we would be concerned if the Ministry considered it desirable to undertake stock assessments for all stocks. Formal stock assessments are expensive and the low economic value of many stocks, especially those in the inshore, precludes such stock assessments as being an effective management tool.

12. In respect of observer coverage of fishing activity, we note the Ministry limits its performance measure to observer delivery levels in the SQU6T fishery. Industry considers that a more generic performance measure referring to delivery rates across all fisheries is more appropriate than focusing on a single stock delivery level.

### **Output Expense- Registry Services and Compliance**

13. We have no comment in respect of the output expense descriptions or the performance indicators in respect of commercial activities.

### III THE MODEL INPUTS

#### Port Prices

14. SeaFIC concurs with the decision of the Ministry to retain the port prices used for the 2008/09 levy allocation, given the poor response to the Port Price Survey. This has been an ongoing problem for a number of years and we would welcome the opportunity to work with the Ministry to establish a new process to be effective for 2010/11.

#### TACCs and Catch Volumes

15. The TACCs and catch volumes for non-ITQ stocks have been correctly input into the model.

#### Business Plan, Research Plan, Observer Plan and CSP Plan

16. These accord with the figures contained in the consultation document.

### IV APPLICATION OF COST RECOVERY RULES-

#### **Compliance and Registry Services**

17. We agree that the rules have been correctly applied to these outputs.

#### **Research**

18. SeaFIC does not agree with the application of cost recovery in respect of some projects. In particular, we have significant problems with the cost recovery of projects related to protected species.

19. A number of projects that are related to protected species have been treated under Schedule Item 4 of the cost recovery regulations. We consider that is inappropriate. Protected species research is to be levied under either Schedule Item 2 or Schedule Item 3, depending on the existence of risk assessments. Schedule Item 4 is only appropriate for non-protected species activity such as benthic impacts.

20. Comments on specific projects follow:

#### **CRA2009/01 Stock Assessment of Rock Lobster**

21. We concur with the NZ RLIC request that the costs of this project should be attributed to stocks based on the attribution pattern of CRA2006/01.

## **INS2009-03 Characterisation of FMA2 Fisheries**

22. This project involves a characterisation of all inshore finfish in FMA2. The characterisation is not limited to the fish-stocks as listed in the proposed levy model.

23. We concur with the Area 2 submission that cost recovery should be applied across all FMA2 stocks.

### **Observers Other Services- Services provided to monitor interactions between inshore commercial fishing and protected species**

24. The cost recovery rule applied to this project is Schedule Item 4 – Services provided to avoid, remedy, or mitigate that portion of the risk to, or adverse effect on, the aquatic environment or biological diversity of the aquatic environment caused by commercial fishing. A cost recovery level of 100% has been applied.

25. Industry disagrees with that assessment.

26. Clearly the services are research based and have a focus on protected species. Schedule item 4 is not appropriate for protected species activities.

27. The issue is whether the cost recovery should be based on item 2 or item 3. Item 2 requires the risk to be in some way estimated and item 3 applies a default of 50%. The project is focused on both dolphins and sea-birds and while, as per the discussion of PRO2009/01, the risk to dolphins has been avoided or mitigated to the point of no adverse effect by the minister's May 2006 decisions, no risk assessments have yet been completed for the sea-bird element. Recognising that this work is currently underway in the Seabird Standards project but is not yet complete, the appropriate cost recovery rule is Schedule Item 3 – 50%.

**Observers – Sealions Services provided to monitor interactions between inshore commercial fishing and protected species**

28. The cost recovery rule applied to this project is Schedule Item 4 – Services provided to avoid, remedy, or mitigate that portion of the risk to, or adverse effect on, the aquatic environment or biological diversity of the aquatic environment caused by commercial fishing. A cost recovery level of 100% has been applied.

29. Industry disagrees with that assessment.

30. Clearly the services have a focus on protected species. Schedule item 4 is not appropriate for protected species activities.

31. The issue is whether the cost recovery should be based on item 2 or item 3. Item 2 requires the risk to be in some way estimated and item 3 applies a default of 50%. Recognising that risk assessments from human intervention have not been undertaken, the appropriate cost recovery rule is Schedule Item 3 – 50%.

**32.**

**PRO2007-01 Estimating the nature and extent of incidental captures of seabirds in New Zealand commercial fisheries and PRO2007/02 Estimating the nature and extent of marine mammal captures in New Zealand commercial fisheries**

33. The cost recovery rule applied to these projects is Schedule Item 4 – Services provided to avoid, remedy, or mitigate that portion of the risk to, or adverse effect on, the aquatic environment or biological diversity of the aquatic environment caused by commercial fishing. A cost recovery level of 100% has been applied.

34. Industry disagrees with that assessment.

35. Clearly the project has a focus on protected species. As stated above schedule item 4 is not appropriate for protected species activities. Given that the risk from human intervention has not been assessed, schedule item 3 (50% recovery ) is the only appropriate rule.

36. Given that these programmes have been levied since 2007/08, we will be seeking a recovery of the excess level of charges in those projects on completion of the project.

### **PRO 2009/01-Abundance, Distribution and Productivity of Hector and Maui Dolphins**

37. The cost recovery rule applied to this project is Schedule Item 3 – Research relating to protected species where the risk to populations by human intervention has not been estimated. A cost recovery level of 50% has been applied.

38. SeaFIC does not agree with that assessment.

39. In 2008, the Minister made decisions to avoid or mitigate to low levels the risk of commercial fishing on Hector and Maui dolphins. The measures were based around the exclusion of fishing activity from dolphin habitat and effectively removed any adverse effect on the populations. In the light of those decisions which inter alia will reduce the revenue of the fishing sector, it is not credible, not equitable and not lawful for the Ministry to impose cost recovery on a project that is essentially necessary for the management of the dolphins.

40. The project should be assessed under schedule item 2 of the cost recovery regulations with the numerator being the risk to the populations posed by commercial fishing in the EEZ being 0. The Ministry has implicitly assessed the risk to the dolphins from human intervention and through the Minister's decisions has removed the risk from commercial fishing. Industry cannot be levied for this project.

### **PRO 2009/04 Development and efficacy of seabird mitigation measures**

41. The cost recovery rule applied to this project is Schedule Item 4 – Services provided to avoid, remedy, or mitigate that portion of the risk to, or adverse effect on, the aquatic environment or biological diversity of the aquatic environment caused by commercial fishing. A cost recovery level of 100% has been applied.

42. Industry disagrees with that assessment.

43. Clearly the project has a focus on protected species. As stated above, schedule item 4 is not appropriate for protected species activities. Given that the risk from human intervention has not been assessed, schedule item 3 (50% recovery) is the only appropriate rule.

44. This project applies to demersal and longline stocks. The stock allocations are incorrect. All HPB stocks should be included and all LIN except LIN7, all SNA except SNA1 should be removed.

### **SCA2009/07 Medium Term Research Plan**

45. We note that the costs of establishing Medium Term Research Plans in other fisheries are not cost recovered. We see no valid reason why the Scallops MTRP should be treated any differently.

## **V STOCKS WITH LEVY GREATER THAN 10% OF PORT PRICE**

### **Scallop Stocks**

46. We note the significant increase in the levies for the scallop fisheries. These all stem from research projects. While there is a recognised need for the research to be undertaken, we see no reason why so many research projects need to be undertaken for 2009/10. For example SCA1 has research levies totalling \$153,133 of which 5 are new 2009 projects. Equally SCACS have research levies of \$104,701 for 2009/10 with 4 of those being new 2009 projects. It is not acceptable that such a high research loading be placed on the stocks in one year. SCACS have an AGM on 19 June 2009 and will consider a prioritisation of the projects and which projects should be deferred for the year. The quota-holders for SCA1 are also requesting time to prioritise their projects. We will advise you as soon as possible as to the outcome of those decisions.

### **COC1A**

47. The COC1A levy is excessive this year due to a failure to levy the Snake Bank annual survey last year. The need to recover the 2008/09 levy will place a very high cost burden on the quota-holders since only 40% of the TACC is caught on average. The levy is consequently an effective 52.5% on average of port price on catch and, for those quota-holders who do not use or do not sell their ACE, the levy is a dead cost.

48. In view of the impact, we request that only one year's recovery of the survey be levied each year and the missed year be recovered at the end of the programme.

## **VI ALLOCATION OF RESEARCH COSTS**

49. The Ministry has proposed an alternative method to allocate the costs of the Science division between stocks. While the alternative approach will make some changes, in some instances significant changes, to the allocation of costs, we do not believe that the approach proposed is inherently any more equitable than the existing model. We would also note that the problem of excessively high levies for the scallop fisheries would be exacerbated by the new approach.

50. The core problem is the attribution of costs based on project levies. Science services are not directly related to projects and the costs should not be attributed on that basis. A more equitable approach would be to allocate the costs based on either an overall port price index basis or on a fisheries grouping using the port price index within the fisheries grouping.

51. We do not accept that the alternative basis should be used for 2009/10 and would prefer to work with the Ministry on a fairer basis for 2010/11.

## VII CONTACT

52. If you wish to discuss any comments in this submission please contact the writer.

53. Yours sincerely

A handwritten signature in black ink that reads "Tom Clark". The signature is written in a cursive style with a long horizontal stroke at the beginning of the word "Tom".

Tom Clark  
Principal Policy Analyst  
Seafood Industry Council

17/06/2009

Submission to: Ministry of Fisheries

**From: Area 2 Inshore Finfish Management Company Ltd**

Contact Pat Reid 03 547 2373 or 021 542 543

**Re: Fisheries Research Services – Consultation on Cost Recovered Research Services for 2009/2010**

Area 2 Inshore Finfish Management Company Ltd submits the following comments re cost recovered research services and levies for 2009/2010.

**PRO2009/01 Abundance, distribution and productivity of Hector's and Maui Dolphins**

MOK1 should not be levied for this project. Although MOK1 includes FMAs 1,2, 7,8 and 9, over 85% of MOK1 is landed in FMA2, which is not the focus of this project. FMA2 is not an area where Hector or Maui dolphins are known to reside. In past years, MOK1 has been exempt from levies for Hector/Maui dolphin projects.

It is fair to levy FLA2, RCO2 and JDO2 because a higher proportion of these stocks comes from FMA8 – an FMA which is the focus of PRO2009/01.

*Action required – remove levy from MOK1*

**PRO2009/04 Development and efficacy of seabird mitigation measures**

SNA2 should not be levied for this project. The project focuses exclusively on longline fisheries and over 90% of SNA2 is trawl caught. SNA2 should not be levied.

*Action required – remove levy from SNA2*

**SKI2009/01 Monitoring the length and age structure of commercial landings of gemfish in QMA1**

Area 2 notes that whilst both SKI1 and SKI2 are being levied for SKI1 sampling, the reverse has never applied, that is, SKI1 has never contributed to SKI2 sampling.

Area 2 presumes that in future, SKI1 will be levied for SKI2 sampling. Area 2 supports the costs of gemfish research being shared as if it was a single stock- which is what is currently presumed.

The cost estimate for this project is excessive. SKI1 is a pre-spawn fishery and the TACC is landed in four or five landings in a three to four week period in July each year. This project should not cost anywhere near the estimated \$75,000 – \$150,000.

*Action required – cost estimate excessive – must be revised*

### **HPB2009/01 Spawning locations of hapuku migrating in Cook Strait**

My meeting notes clearly indicate this project was not supported at the RCC. It is pure nonsense to speculate that “Targeting the release of 20 tagged fish should yield about 8 returns in two years”, at an estimated cost of \$25,000 - \$75,000. Even though this project has Medium Priority, Tier 2, it should not even be in this consultation round. It should be removed, as the RCC agreed.

*Action required – remove this project completely*

### **INS2009/03 Characterisation of FMA2 fisheries**

Most of the stocks named in the list to be characterised are not listed for cost recovery purposes. Area 2 had hoped that characterisation and relative abundance (or other biological reference points) for all stocks would be covered in the project. Consequently, all stocks receiving attention should be levied, so that costs are fairly allocated.

*Action required- Add SKI2, HPB2, WAR2, RCO2, SCH2, SNA2, SPE2, MOK1 to list of stocks levied. Remove very small stocks; POR2 (TACC is 6t); PAR2 (TACC is 2 t) from levy order*

### **SCH2009/01 Catch – at – length of the commercial landings of school shark in SCH1 and SCH2.**

This project has been withdrawn. There should be no levy.

*Action required – no levy for SCH1 &2*

General Concerns: Area 2 supports concerns re levy affordability of some stocks, particularly small bycatch stocks. For example, for JDO2- 7% of the port price is being levied solely for research services. This excludes other MFish costs. We believe there is a limit that can be levied from many stocks and that the levy order needs to be more carefully considered.

Thank you for considering this submission.

**17 June 2009**

Brian

A brief submission by the NZ RLIC on behalf of the nine CRAMACs to keep our consultation options open until the National Rock Lobster Management Group (NRLMG) research planning meeting concludes on June 24th. It is unfortunate that the MFish cost recovery consultation deadline does not line-up with the research planning timetable this year but possibly no problem with that so long as you are able to refer back through the relevant MFish Policy and Science managers before confirming recommendations to the Minister.

**In regard to CRA 2009/01**

There are three new objectives (# 6, # 7, #8), two of which are written up in the project description in a manner that does not fully reflect the earlier NRLMG research planning group discussion. Our submission on objective #7 is that the activity is not specifically a stock assessment task - it sits somewhere in the communication/information management category. Our contention is that Obj #7 should be deferred from the CRA 2009/01 project pending further review and consideration by the NRLMG.

Our submission on Obj #8 is that the current wording as set out in the rationale is somewhat ambiguous. The NRLMG intended that a "feasibility study" be a desktop study of the strengths/weaknesses/logistics and costs of a fishery independent potting survey. The Project objective has been interpreted by some to be a research potting trial of some unspecified dimension. As such, the issue of affordability could be a critical consideration. It is just not clear to us how we might best respond until the correct interpretation is confirmed. The Project description and rationale require greater clarity and this too is a matter that should be easily remedied in the NRLMG research planning meeting on June 24th.

With respect to the Cost Recovery Information supplied in the consultation document the NZ RLIC submits that a more attributable percentage allocation is possible once the details of the final Objectives are confirmed. The allocation as shown is not supported by the NZ RLIC. We refer MFish to the attributions in the current stock assessment research contract as being the more likely outcomes for CRA2009/01.

The NZ RLIC is satisfied that the indicative price of \$2 million over three years is both realistic and reasonable.

**In regard to CRA2009/02**

The Rock Lobster Recruitment project has caused difficulties for industry, MFish and the science provider for many years and between us we have managed to reach sufficient accommodation to maintain a long time series of data in the expectation that it may be possible to develop a predictive index in which we would have some confidence. To date this has eluded us and along the way there has unfortunately been some blood on the tracks and it is against this background that the NZ RLIC submits on CRA2009/02.

The NZ RLIC has considerable difficulty with the current wording of the project and is extremely concerned with the indicative costs - in particular the inherent uncertainty in relation to a project cost

ranging from \$250K to \$500K for the full three year term. We understand that MFish is proposing a research programme that exceeds current appropriations and the reasons for doing so. We also understand some of the difficulties encountered when estimating future costs in multiple year contracts but our contention is that there must be more inherent discipline in pricing this Project. The NZ RLIC has oversight of a separate but complementary direct-funded settlement monitoring project in CRA 5 which provides us with a reliable estimate of collector servicing and maintenance costs and even allowing for the wider coverage envisaged by the Project description the range of the indicative price is excessive.

More importantly, we submit that there is a disjunct between the overall objectives of CRA 2009/02 and the one specific Objective 1 described in the consultation document. This may be simply an administrative oversight or lack of clarity in presentation but the specific objective as described does not and will not serve to "*correlate trends in puerulus settlement with trends in abundance ...*".

The objective requires only that specific collectors be checked monthly leading to an annual index of settlement. For the NZ RLIC the critical aspect of this Project relates to "correlation" and if that activity is not intended and/or explicitly required then the Project has no potential value in terms of providing information to stock assessments or management decision making. The NZ RLIC therefore seeks changes to the description of Objectives within CRA2009/02 to establish the proper relevance between the research activity and the application of the results.

With regard to what are best referred to as 'generic cost recovered fisheries services' - in particular Fisheries Compliance - I could rehash the historical complaint about lack of strategic compliance planning (and activity), lack of accountability and absence key performance indicators relevant to the levy burden on CRA and PHC quota share owners. But you have heard all that from the NZ RLIC before (at least since 1997) and it has been ineffectual in terms of the final outcomes. On behalf of the NZ RLIC I have far greater confidence that our submissions on rock lobster research projects will be more influential as a consequence of the far more cooperative and collaborative planning processes operated under the auspices of the NRLMG.

Kind regards

Daryl Sykes

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