

21 April 2004

Minister of Fisheries
cc Associate Minister of Fisheries

FISHERIES SERVICES FOR 2004/05 AND STATEMENT OF INTENT FOR 2004/08

Purpose of this paper

- 1 This paper seeks your approval of:
 - a) the fisheries services to be delivered in the 2004/05 financial year;
 - b) the Statement of Intent (SOI) for the period 2004/08.

- 2 The two are a part of the same document, but the reason for seeking individual approvals is to:
 - a) reflect the requirements of the Fisheries Act 1996 that the fisheries services to be delivered in any year must be agreed between the Minister and the Chief Executive;
 - b) adhere to the 2004 Budget process, which requires the Statement of Intent to be approved as a separate document within that process.

Fisheries services to be delivered in 2004/05

- 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.

- 4 Approval of the services provides the Ministry with the authority to undertake each of those services in 2004/05 and forms the basis for the determination of cost recovery levies to be set for the fishing season commencing on 1 October 2004.

Approvals required from you

- 5 You are required to approve the services detailed in:
- a) Appendix 1 - the near final SOI which contains the recommended fisheries services for 2004/05
 - b) Appendix 2 - the recommended fisheries research services for 2004/05

6 A “Statement by the Minister of Fisheries” is enclosed as Attachment 1 to this advice paper for you to signify your approval, or approval as amended, to the recommended services for 2004/05. This allows you to sign as approving the totality of these services rather than signifying your decision on each individual service.

Statement of Intent

7 The Budget process also requires that the central agencies (Treasury, State Services Commission, Te Puni Kokiri) review the proposed SOI for the key messages being delivered and to ensure that the financial figures are as agreed through the bilateral discussions between Ministers and reflect the final Budget decisions to be taken by Cabinet on 26 April.

8 The Ministry has already had substantive discussions with the agencies during the development of the SOI and has incorporated comments into the present document. The Budget process requires that we seek comments from them on the ‘near final’ draft of the SOI. A further copy was sent to them on 14 April for this purpose.

9 The central agency comments were required in the week ending 23 April. No substantive changes were requested. At this stage it is not expected that there will be any amendments to the financial figures. The documents attached are therefore as “near final” as is possible.

10 It is proposed that you agree to the Ministry making any required changes that are of a minor or technical nature without referring the documents back to you.

11 The “near final” draft Statement of Intent for 2004/08 is attached as Appendix 1. As noted above, this Appendix also contains the recommended fisheries services for 2004/05.

12 The SOI provides commentary on the way in which the Ministry contributes to the fishery outcome of maximising the value New Zealanders obtain through the sustainable use of fisheries resources and the protection of the aquatic environment, the factors impacting on the fishery outcome, and the new initiatives proposed for 2004/05. Also included is a copy of the 2003/08 Strategic Plan issued to stakeholders in January 2003.

13 The Ministry has five new initiatives for 2004/05 - the implementation of the Ministry’s Fisheries Deed of Settlement; Improving Estimates of Marine Recreational Harvest; Health and Safety initiatives for Fisheries Officers; additional resourcing for the Compliance Serious Offences Unit; and improvements to the Ministry corporate infrastructure.

Timing

14 The 2004 Budget timetable requires that responsible Ministers sign-off Departmental Statements of Intent as “OK to print” no later than 3 May 2004. Your approval to this effect is enclosed as Attachment 2.

The consultation process

15 For the 2004/05 year, it has been necessary to split the consultation process with stakeholders into two separate stages:

- (a) Consultation on the main services to be provided by the Ministry; and
- (b) Consultation on the proposed new initiatives to be considered for inclusion in the 2004 Budget.

16 Consultation is normally conducted as a single process with proposed new initiatives being incorporated, but separately noted, in the draft document. For 2004/05, Budget Ministers desired to consider all proposed initiatives from Government agencies and to then determine which would be retained for further consideration. Delays in this consideration meant that the new proposals could not be included in the December 2003 distribution of the draft document.

17 The attachments to this paper document the outcome of the consultation processes:

- a) Appendix 3 provides a summary of the issues raised in stakeholder submissions
- b) Appendices 4 and 5 set out the issues raised in the written submissions from stakeholders and the Ministry’s responses to those issues; and
- c) Appendix 6 provides copies of the written submissions from stakeholders on draft statement of intent, including the main MFish services proposed for 2004/05;
- d) Appendix 7 provides copies of the written submissions from stakeholders on the proposed new initiative bids for 2004/05.

Consultation on the main MFish services

18 In December 2003, your predecessor agreed to release to tangata whenua and stakeholders the Ministry’s draft SOI for 2004/08. The draft was issued to around 90 people and organisations, including iwi, listed on MFish databases. In the letter accompanying the document, the Ministry:

- a) indicated that a stakeholder plenary would be held on 4 February 2004 in Wellington to discuss the proposals
- b) indicated that the Ministry was willing to discuss at any time its content
- c) invited tangata whenua and stakeholders to submit any questions in writing before the plenary and undertook to post written responses to these questions on the MFish website
- d) undertook to provide answers to any questions raised at the plenary and which could not be answered at that time, within a few days after the plenary
- e) noted that the deadline for stakeholders to provide written submissions on the draft plan was Friday 20 February;
- f) noted that the proposed new initiative bids would be released separately.

19 Representatives from 9 iwi/stakeholder organisations attended the Plenary. A copy of the responses to questions asked before the meeting and those raised at the plenary was posted on the Ministry's website on 13 February. The deadline of 20 February for written submissions was extended to 23 February to allow full consideration of these responses.

20 Written submissions were received from 11 stakeholder groups. These are contained in Appendix 6.

Consultation on proposed new initiatives

21 Information on the Ministry's proposed new initiatives for 2004/05 was released to iwi and stakeholders in a letter dated 10 March 2004. The letter also stated that the deadline for written submissions was 31 March. No formal meeting was to be held, but stakeholders were invited to address any questions to the Ministry, who would then post the responses on the MFish website.

22 Ten submissions were received. These are contained in Appendix 7.

23 The list of stakeholders providing written submissions is shown below

Title	Abbreviated name	Submission on	
		SOI	Proposed new initiatives
The New Zealand Seafood Industry Council	SeaFIC	Y	Y
Te Ohu Kai Moana	TOKM	Y	Y
Sanford Limited	Sanford	Y	N
The Northern Inshore Fisheries Company Ltd	TNIFCL	Y	N
Hoki Fishery Management Company Ltd and Squid Fishery Management Company Ltd	HOKI	Y	N
New Zealand Aquaculture Council (Inc)	NZAC	Y	N
Fisheries Audit Services (NZ) Ltd	FAS	Y	N
Area 2 Inshore Finfish Management Company Ltd	AREA 2	Y	Y
PAU2 Industry Association Inc	PAU2	Y	Y
Solander	Solander	Y	N
Environment and Conservation Organisations of NZ Inc Forest and Bird Protection Society of NZ Inc	ECO	Y	Y
Talleys Fisheries Ltd	Talleys	N	Y
Te Runanga A Iwi O Ngapuhi	TRAION	N	Y
Ngati Ruanui Group Management	Ngati Ruanui	N	Y
Mai I Nga Kuri a Whareki Tihirau (Bay of Plenty Regional Fisheries Forum)	BoP RFF	N	Y
GG Herbert (individual submission)		N	Y

Stakeholder submissions and Ministry responses

24 The Ministry's responses to the issues raised in stakeholder submissions are contained in Appendix 4 (the draft SOI/fisheries services to be provided) and Appendix 5 (fisheries research proposals). A bullet pointed summary of these issues is attached as Appendix 3.

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

Commercial fishing interests:

- a) Believe the Ministry should be concentrating on the utilisation aspects of the Fisheries Act 1996, while acknowledging the aquatic environment only so far as it is directly impacted on by fishing activities;
- b) Offer qualified support of the new approach to fisheries management through stock strategies and fisheries plans, but want much more detail before full endorsement;
- c) Express concern at the impact of cost recovery levies on an industry that has seen reduced revenues through depressed market prices and a high New Zealand dollar and advocate that non-essential or high cost research projects should be withdrawn.

ECO

- d) Argues the Ministry is not focused on its protection of the aquatic environment responsibilities;
- e) Rejects totally what it sees as the Ministry abdicating fisheries management to industry;
- f) Considers all research projects to be of a high priority.

Tangata Whenua

- g) Support the development of fisheries management plans to provide for greater stakeholder input and participation in fisheries management;
- h) Join with commercial interests in expressing concern at the financial plight of the commercial fishing industry as a result of depressed market prices, substantially increased input costs and an ever worsening currency position;
- i) Are dissatisfied with MFish's commitment and performance relating to the development and implementation of customary fishing regulations;
- j) Express support for the new initiative related to the Fisheries Deed of Settlement.

Changes from draft to final SOI

26 The table shown in Annexe 1 lists the changes from the draft to the final SOI plan following the plenary meeting held in February 2004 and the subsequent stakeholder submissions on the draft plan and the proposed new initiatives.

Financial information

27 The level of planned expenditure in the near final SOI is within the Ministry's baseline for the 2004/05 financial year. The tables below provide specific information on fiscal trends. All figures are in \$000 and GST exclusive.

Table A

Fiscal Trend of Services

The following table shows the trend in the costs of Ministry services over the period from 2002/03 to 2004/05. The research figures are the direct costs for the provision of research services and do not include any share of Ministry overheads.

	2002/03	2003/04	2004/05
	<u>Actual</u>	<u>SOI</u>	<u>Plan</u>
Core departmental services	49,481	49,855	60,507
Fisheries research	17,371	19,349	18,698
Biodiversity research	2,084	3,099	1,884
Biosecurity research	1,725	1,781	1,192
Total	70,661	74,084	82,281

Table B

Industry Contributions (including share of overheads)

This section shows the extent of industry contributions to the cost of delivery of the Ministry's outputs.

	2002/03	2003/04	2004/05
	<u>Actual</u>	<u>SOI</u>	<u>Plan</u>
Core departmental services	18,288	16,844	17,008
Research	15,437	15,223	14,704
Total – cost recovery levies	33,725	32,067	31,712
Transaction charges	2,508	1,733	2,356
Total industry contributions	36,233	33,800	34,068

28 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 2004. These include:

- Application of the settlement credit related to under and overs for the period 1994/95 to 30 June 2002.
- Application of unders and overs for 2002/03 and 2003/04, when determined.
- Adjustment for carry forward of expenditure from 2003/04 to 2004/05
- Adjustments to the research programme as better information becomes available.

29 It should be noted that the cost estimates for individual research projects have not been disclosed in either the draft plan or the final SOI, as this would not be consistent with the Ministry's commercial tendering process.

30 The main changes between the draft consultation document plan and final SOI can be summarised as:

- the inclusion of proposed new initiatives for 2004/05;
- the archival tagging scheme for southern bluefin tuna;
- the State Sector retirement savings scheme;
- the withdrawal of four research projects as noted in annexe 1;
- projects/activities carried forward from 2003/04 into 2004/05 –a transfer of \$100,000 related to the implementation of the aquaculture reforms in output class D4 Fisheries Access and Administration.

31 It should be noted that the “in principle” expense transfers from 2003/04 to 2004/05 signed recently by yourself and the Minister of Finance 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 2003/04. Once confirmed, the actual carry forwards will be included in the October Baseline Update process later this year. The potential impact on cost recoveries from industry is between nil and \$3.2million

Reconciliation between Statement of Intent and Main Estimates 2004/05

32 There are some differences between the final figures in the Statement of Intent and those in the Main Estimates for Vote Fisheries. The Main Estimates will show higher figures for three reasons:

(a) National Plan of Action for Seabirds

This relates to an increase in funding of \$2,190,000 approved in the 2002 Budget for improved observer coverage to monitor incidental captures of seabirds in commercial fishing operations. Implementation of this activity is subject to consultation with fisheries stakeholders and so the amount is not included in the SOI.

(b) Serious Offences Unit

An amount of \$296,000 (excluding GST) has been included in the appropriations to fund the full implementation of the Serious Offences Unit new initiative. Because it is now intended to phase this initiative in over a period of three years, the SOI will show \$148,000 for 2004/05 and 2005/06, rising to 100% in 2006/07 and thereafter.

(c) Adjustments after consultation

Due to the veracity of the stakeholders’ submissions, the Ministry conducted a second level of internal analysis of the proposed services for 2004/05 in the light of the economic challenges facing the commercial sector. This additional review concluded that certain deferrals and reductions were appropriate, although they are not expected to be seen as sufficient by the commercial stakeholders. The Ministry recommends the withdrawal from the Statement of Intent of four fisheries research projects at a cost of \$365,000. These are however, still included in the Main Estimates figures in output class Fisheries Information and Monitoring.

The adjustments following the consultation process will be reflected in the October Baseline Update, at which stage the figures in the Main Estimates will correspond with those in the Statement of Intent.

Other adjustments were made in the SOI to reflect changes in effort directed to Ministry outputs.

Cost recovery process

33 Following your final decisions on the fisheries services for 2004/05 and release of the SOI after the Budget announcement, the Ministry will distribute the final document to stakeholders along with a proposed cost recovery levy consultation document.

34 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. The Ministry will then provide you with the advice paper and associated Cabinet Legislation Committee paper on the levies to be struck for 2004/05. In order to have the new levies gazetted in time for 1 October 2004, the Ministry will be seeking your approval to the proposed levies in July 2004.

35 The Department of Conservation has advised that its proposals on fisheries related conservation services for 2004/05 are presently being consulted on with stakeholders. It is expected that the final services will be forwarded to the Minister of Conservation for consideration in mid May and that the approved services will be provided to the Ministry of Fisheries by 31 May.

Observer services for 2004/05

36 In previous years, cost recovery levies for observer services have been based on the planned costs of the services as included in Ministry business plan. At that stage the number of observer days to be provided during the year was uncertain and the costs (around \$1.8 million) were a “best estimate”.

37 Traditionally, the Ministry has sought an increase at Supplementary Estimates time when the level of demand has become firmer. Inevitably, because this increase was not reflected in a revised cost recovery levy order, levies for observer services were understated or inappropriately attributed. This has led to significant amounts that could not be recovered.

38 For 2004/05 and beyond, a new process has been adopted. In September 2003, a project team, consisting of industry and Ministry personnel was established to review and recommend developments in the Observer programme’s planning, funding, purchasing processes and systems. The current plan for 2004/05 is to deliver about 7000 observer sea days at an estimated cost of \$3.4 million and it is intended that cost recovery levies will be based on this figure, rather than the amount included in the SOI. Industry has been consulted on this and accepts the new approach.

National Plan of Action for Seabirds

39 On page 43 of the Statement of Intent, the Ministry has noted that over the past four years, it has been working with the Department of Conservation and stakeholders on the development of a National Plan of Action for Seabirds (NPOA). The NPOA provides for the establishment of a long-term strategy to reduce the incidental catch of protected seabird species in fishing operations. Formal consultation on the NPOA was completed by 30 September 2003 and final decisions were made by the Ministers of Fisheries and Conservation recently. The approved document was released to stakeholders on 8 April 2004.

40 In the SOI, we have also indicated that, in 2004-05, we will be developing and putting in place an implementation plan for the NPOA in conjunction with the Department of Conservation and stakeholders. Part of this plan will be determining the nature and extent of observer coverage to monitor the incidental catch of seabirds.

41 It needs to be noted that, although the NPOA was initially funded in the 2002 Budget, and therefore included in the Estimates for Vote Fisheries, this funding was excluded from the 2002/03 Departmental Forecast Report (DFR) and the 2003/08 Statement of Intent. The initiative is subject to 100% cost recovery from the fishing industry, and to have included these costs in either the DFR or SOI would then have required MFish to incorporate the amounts in the the 2002 and 2003 Levy Orders. This was seen as inappropriate at a time when consultation on the development of the NPOA had not been concluded.

42 Nor, at this stage, is there any funding included in the 2004/08 SOI. However, now that the approved document has been released, the Ministry proposes to undertake further consultation with stakeholders on its implementation.

43 It is possible that implementation could commence later in the 2004/05 financial year and if that were to be agreed, then the Ministry would:

- (a) seek to recover the costs associated with the implementation through appropriate amendments to the cost recovery levy order. This would likely be done in the April 2005 levy order amendment process.
- (b) propose an amendment to the Statement of Intent to recognise the initiative as a new deliverable in the 2004/05 financial year.

Recommendations

44 It is recommended that you:

- 44.1 **approve**, or approve as amended by you, on the “Statement by the Minister of Fisheries” attached to this paper, the fisheries services to be provided in the 2004/05 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;

- 44.2 **note** that the Ministry has undertaken an analysis of the main issues raised in the written submissions from stakeholders and that:
- i. Appendix 3 provides a summary of the issues raised in the written submissions and the Ministry's responses;
 - ii. Appendices 4 and 5 provide more substantive Ministry comments on the written submissions;
- 44.3 **approve**, on the attachment to this report, and after amendment by you if required, the Ministry's analysis and recommendations on the issues raised in the written submissions from stakeholders;
- 44.4 **note** the table in annexe 1, which lists the changes from the draft consultation document issued in December 2003 to the final Statement of Intent following consultation with stakeholders and analysis of their written submissions;
- 44.5 **note** the written submissions from stakeholders, attached as Appendices 6 and 7 to this report, on the fisheries services to be provided for 2004/05;
- 44.6 **note** that, following announcement of the Government's 2004 Budget, the Ministry will release the approved fisheries services to all stakeholders, at the same time it releases the consultation document on cost recovery levies to industry stakeholders;
- 44.7 **agree** that the Ministry may make any minor changes to the SOI resulting from the review by central agencies, without further referral to you;
- 44.8 **sign**, if you agree, Attachment 2 which seeks the "OK to print" for the Statement of Intent for 2004/08;
- 44.9 **note** that, following the establishment of a project team, consisting of industry and Ministry personnel, a new process has been adopted for the determination of Observer services for 2004/05 and beyond;
- 44.10 **note** that the plan for 2004/05 is to deliver about 7000 observer sea days at an estimated cost of \$3.4 million and that it is intended that cost recovery levies will be based on this figure in lieu of the amount stated in the SOI, and that Industry has been consulted on this and accepts the new approach;
- 44.11 **note** that, following final decisions on the National Plan of Action for seabirds (NPOA) and the release of the approved document to stakeholders, the Ministry intends to undertake consultation in the 2004.05 financial year with stakeholders on the implementation of the NPOA;

- 44.12 **note** that if implementation of the NPOA does commence in the 2004/05 financial year, the Ministry would:
- i seek to recover the costs associated with this through an appropriate amendment to the cost recovery levy orders in April 2005;
 - ii propose an amendment to the Statement of Intent to recognise the initiative as a new deliverable in the 2004/05 financial year;
- 44.13 **note** that there are some differences between the final figures in the Statement of Intent and those in the Main Estimates for Vote Fisheries and that as explained in paragraph 32(c) above, the Ministry will align the two in the October Baseline Update stage of the Budget cycle;
- 44.14 **note** that Ministry of Fisheries officials will brief you on the content of these documents should you wish.

Peter Murray
Deputy Chief Executive

APPROVED / APPROVED AS AMENDED / NOT APPROVED

Hon David Benson-Pope
Minister of Fisheries
May 2004

Changes from Draft to Final Statement of Intent

Statement of Intent and Output Plan	
Draft plan item and page no.	Changes in Final Output Plan
Criteria for assessing the quality of policy and reports – Consultation – page 43	Add ‘and considered’ so that the criterion now reads “The Ministry has consulted with other government agencies and other affected stakeholders (where appropriate) and possible objections to proposals/content are identified and considered.”

Fisheries Research Projects		
Project no.	Project title	Research Services - Changes in Final Plan
HOK2004/05	Stock discrimination in Hoki	Delete this project for 2004/05.
BUT2004/01	Characterisation of the Cook Strait butterfish fishery	Delete this project for 2004/05.
OCT2004/01	Characterisation of octopus catches	Delete this project for 2004/05.
ENV2004/07	Investigating the effects of fishing on seamounts	Delete this project for 2004/05.

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 2004 to 30 June 2005, I certify that:

- I have taken note of the written submissions from stakeholders as contained in Appendices 7 and 8 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 4 – *Summary of stakeholder submissions and Ministry of Fisheries analysis and recommendations on the draft consultation document*, and Appendix 5 - *Summary of stakeholder submissions and Ministry of Fisheries analysis and recommendation on fisheries research services*.
- I have also noted the summary of issues raised by stakeholders and the Ministry responses to those issues as contained in Appendix 3 – *Summary of main issues from stakeholder submissions and Ministry of Fisheries comments*.
- In addition I have noted the changes from the draft plan issued for consultation and the final Statement of Intent contained in paragraph 25 of the advice paper.

I hereby approve/approve as amended by me:

- The fisheries services to be delivered in the 2004/05 financial year as detailed in Appendix 1 - *Statement of Intent for the period 1 July 2004 to 30 June 2008*; and
- The fisheries research services detailed in Appendix 2.

APPROVED / APPROVED AS AMENDED

Hon David Benson-Pope
Minister of Fisheries

May 2004

2004/08 STATEMENT OF INTENT

MINISTRY OF FISHERIES

Approved for printing

Hon David Benson-Pope
Minister of Fisheries

May 2004