



**SEAFOOD INDUSTRY
COUNCIL**

The New Zealand Seafood Industry Council Ltd

SUBMISSION ON
FISHERIES SERVICES PROPOSED FOR 2007/08

15 FEBRUARY 2007

I Introduction

1. The New Zealand Seafood Industry Council Ltd (“SeaFIC”) makes this submission on behalf of the commercial seafood industry. It has been compiled by SeaFIC staff in consultation with our shareholders.
2. We will not be responding to most of the document titled *Proposed Fisheries Services To Be Provided In 2007/08* or to the *Context Document To Assist In The Consultation On The Proposed Fisheries Services*. The Proposed Fisheries Services document is little changed from its equivalent for the 2006/07 year and the context document is not changed at all. Our views on the matters set out in these publications are well documented in submissions we have sent on proposed services in previous years. We see little point in repeating them here just for form’s sake, especially since our submissions from previous years have had little effect on the programmes of the Ministry.
3. Nor will we be responding to the *Proposed Fisheries Research Services* document. Our positions on the proposed research projects have been expressed in meetings of the Research Coordinating Committee and in subsequent written communication. I refer you to an email sent to Pamela Mace on 31 October 2006 with our detailed responses.
4. Our submission, instead, will concentrate on two aspects. These are:
 - The way the Ministry seems to be applying the major fisheries outcome of maximising value of fisheries resources.
 - The new initiatives set out on pages 32-35 of *Proposed Fisheries Services to be provided in 2007/08*.

II Maximising value outcome

5. We have set out our position on the maximising value fisheries outcome in a series of submissions dating back three years. In 2006, for example, we made comments in paragraphs 49-51 of our submission on *Proposed Fisheries Services to be provided in 2006/07* and in paragraphs 68-69 of our submission on the Initial Position Paper dated July 2006.
6. We understand, however, that some senior fisheries managers from the Ministry have recently disavowed knowledge of the industry’s position. For the avoidance of any doubt we restate our position as follows.
7. SeaFIC has no issue with the outcome as it is stated:

The value New Zealanders obtain through the sustainable use of fisheries resources and protection of the aquatic environment is maximised.

or indeed with the contributing outcome:

People are able to realise the best value from the sustainable and efficient use of fisheries.

8. SeaFIC challenges, however, the Ministry's linkage of these outcomes to its functions under the Fisheries Act 1996 and its assignment to the Minister of a role in optimising value. There is nothing in the Fisheries Act that legitimises the approach that has been adopted. Value is not referred to in the Act. The purpose of the Act is to provide for the utilisation of fisheries resources while ensuring sustainability. Utilisation means "conserving, using, enhancing and developing fisheries resources to enable people to provide for their social, economic and cultural wellbeing".
9. In our view, enabling people to provide for their wellbeing means precisely that. It is about making sure there are no impediments put in the way of people being able to provide for themselves unless there are good sustainability reasons. It is not about the Ministry (or the Minister) making decisions about where the collective best interest lies.
10. Not only is there no statutory basis for the Minister or the Ministry to assign fish resources to particular sectors in the hope of maximising value for society but the task is beyond the government in any case. There is no adequate way of comparing market and non-market values. Even if this could be done any decisions made on the basis of such a valuation will be time bound and unresponsive to changes in the way that society values the resource.
11. Maximising value for society and achieving the efficiency that the contributing outcome seeks can only be achieved through a market mechanism that can quickly respond to sectoral and societal changes in preference. As we have submitted before, SeaFIC considers the Crown should concentrate on completing the rights-based framework for fisheries management instead of trying to attribute value. If the rights-based framework was completed there would be no need for government interventions based on comparisons of value between sectors because rights holders could then make their own decisions in furtherance of their own social, cultural and economic wellbeing.

III New initiatives

12. SeaFIC has concerns about the proposed additional fisheries services for 2007/08 that are set out on pages 32-35.

General Comments

13. The Ministry's vote has grown by \$21 million or 31% in the last three years and staff numbers have increased from 302 to 408 in that same period. We believe that, despite the growth, the effective outputs from the Ministry have not increased proportionately. For example:
 - the growth in the research budget has been used to fund staff increases at the expense of the actual research undertaken;
 - the observer programme still delivers only 70% of its approved programme;
 - the delivery of standards and other policy initiatives have fallen significantly behind scheduled timeframes; and
 - corporate services costs have risen by over 50% over the last three years.

14. We have concerns about the value of some of the proposed projects for which the Ministry is seeking funding (see details below). Notwithstanding that, we believe that if any new initiatives are to be approved they should be provided from a reprioritisation of the Ministry's resources and efforts rather than yet more growth in the Ministry's budget.
15. We are completely opposed to proposals that will require more levies being extracted from the seafood industry. Our view is that, in putting these proposals up for consideration, the Ministry has not been cognisant of the likely impact on the industry if the proposals are approved. The seafood industry appears to have been viewed as a cash cow but the costs that are being imposed are inequitable when viewed against similar industries within New Zealand and with our international competitors. This puts the industry at a disadvantage in the international market and undermines the industry's potential role in the transformation of the New Zealand economy. Further eroding the economic viability of the sector will not assist to reverse the trend of disinvestment in the sector as evidenced in the closure of processing factories, sale and retirement of vessels and reductions in training facilities.
16. We are concerned that the new initiatives proposed include no statement of the benefits that would arise from the additional expenditure. There could be some justification for some additional funding if there were demonstrable benefits to be obtained from the expenditure. However the discussions of the initiatives contain no demonstrable or quantified benefits. Instead, a number of the projects are justified by generalisations such as "*expects changes in fisher behaviour leading to increase in sustainability of fisheries with increases in access and value*" and "*provide for better, more informed fisheries management decision making to underpin strategies designed to extract close to the maximum sustainable yield from fisheries...*". We do not accept that such statements provide justification for any additional expenditure.
17. Furthermore, the bids show no linkages to the implementation of objective-based fisheries management and no alignment with the Government's objectives. Despite the adoption by the Ministry of an objective based framework for the management of New Zealand fisheries, the current bids make no reference to that framework and do not appear to advance that approach in the management and operations of the Ministry.
18. SeaFIC does not consider there is sufficient justification to warrant any increase in the Ministry's vote.

Comments on Specific Initiatives

19. Since the following projects contain no risk and no impact on the commercial fishing sector or management of New Zealand fisheries resources, we make no comment other than repeating our view that they should be a need for them to be financed from a reprioritisation of Ministry resources. :
 - South Pacific Regional Fisheries Management Organisation;
 - International Polar Year; and
 - Increasing costs for Crown legal expenses.

Project Protector

20. Our concern with the Project Protector initiative is it effectively stems from the Government's decision to develop a new role for the Navy and purchase a fleet of seven vessels. The initiative does not arise from an in-depth review of the needs for an at-sea compliance function for the Ministry or the alternative options to achieve that objective.
21. The costs to operate the initiative are excessive. The proposal includes provision for one manager, one planner, three analysts, one trainer and one prosecutor in addition to 15 at-sea fisheries officers. In other words, 7 of the extra staff that will be employed will be contributing to the overheads that will be charged to the taxpayer and to the industry. We believe that the land based support staff should be significantly reduced. There is no case for a prosecutor (such staff are not normally attached to the compliance group in any event) or for a planner (given that a manager is to be engaged). The number of analysts is excessive (given that it is uncertain as to how much and of what form any information is to be collected). Any analysis should come from within existing staffing.
22. At an estimated cost of \$3.6 million for coverage of 1,013 sea-days (a significant amount of which will be dead time sailing to or between fishing grounds or intercepts), the daily cost of \$3,600 compares unfavourably to the current daily cost of \$525 for an observer who currently provides the same compliance deterrent but without the powers of the compliance officers. We note that there will be no reduction in observer services as a result of this initiative.
23. This initiative has been in development for a number of years. Despite industry requests for greater information, the Ministry has not consulted industry on the proposal scope, intentions or resourcing implications of the initiative. Furthermore, we understood from the discussions that no charges would be levied on industry for this project.
24. We are dubious that new sea-going staff will be able to be recruited (as is the case with observer services). We also have concerns that observer staff currently employed will transfer to the new compliance role leaving the observer activity even more under-resourced than present.
25. We are concerned that the Ministry has not attempted to estimate the level of commercial non-compliance that currently exists in New Zealand fisheries and estimate the impact this initiative would have on reducing that non-compliance. The Ministry does not have an effective programme of communicating compliance issues to the industry to enable industry to address the problems itself. At present, we are unable to understand how the Ministry can objectively say there is a compliance issue in the industry. In our view the chances of the patrol boats detecting any additional non-compliant activity is limited.
26. We believe that the incursions into the Economic Zone of non-NZ flagged vessels and the policing of international waters can be carried out by the Navy, rather than requiring Ministry compliance staff to take an active or primary role. We support the contribution of the initiative to eliminate poaching and illegal fishing but again

consider that existing Ministry resources could be better deployed to achieve that objective without the need for Project Protector.

27. We do not support the initiative as currently promoted by the Ministry. We consider that better value could be achieved through a combination of:
- deploying further observers and reviewing their role and powers;
 - continuing to use the Navy to undertake compliance activities as is the current situation; and
 - if the Ministry's assessment is that the patrol boats provide better compliance opportunities, then it should reduce other less effective compliance programmes so as to manage the new activity within its existing budget.

Additional Funding for Fisheries Research

28. The justification for extra funding for additional fisheries research is poor.
29. We were informed by the Science Manager for the Ministry that the extra \$6 million of funding that has been sought (of which approximately \$3.9 million will be extracted from industry) is to assist to catch up in real terms with the level of funding in 1991/92. In that regard, we note that the growth in the research budget in recent years has been in research management and corporate overheads rather than purchasing actual research. We would also point out that, in 2006/07, the Ministry chose to transfer \$1 million of its research budget to support the development of standards and fisheries plans. We did not support that transfer.
30. The new funding in 2007/08, however, will be directed at Tier 2 projects listed in the Statement of Intent. These are described as being of "lower priority" and are characterised by a myriad of small inconsequential projects plus one very large biomass assessment of Snapper which is considered to have fundamental problems that will limit the integrity and value of the project. Many of the Tier 2 projects were in fact Tier 2 projects in the previous year and represent a backlog of low priority research rather than a deferral of high priority research. Little thought has been given by the Ministry as to how the funding might be used in years beyond 2007/08.
31. The industry has become highly sceptical of the fisheries management value of research undertaken by the Ministry over the years. Vast amounts have been spent on stock assessment research for the more significant stocks in recent years without providing more than rough guesses as to biomasses.
32. Furthermore, SeaFIC has significant doubts about the capacity of research providers to be able to conduct the extra research. This problem has significantly affected the research programme in recent years and NIWA, the main supplier, has not geared up for any increase in demand. SeaFIC fears that in the short term staff resources already assigned to existing projects will be re-scheduled to work on these lesser priority projects.
33. SeaFIC opposes any extra funding for research services for 2007/08 or subsequent years. There should be a reprioritisation of existing funding to ensure that research

that is of high priority is completed and a reduction of overheads to fund any additional projects that are needed.

Environmental Certification of Fisheries

34. SeaFIC does not accept that expenditure of \$1.3 million for MSC certification at this time and as envisaged by the Ministry, will provide real benefits.
35. The certification systems are still in their formative stages and are undergoing development. New players are entering or contemplating entering the market. There is significant disquiet and concern over the lack of consistency of certification standards and the delays incurred from environmental challenges. It is far too soon for the Government to commit to this programme.
36. Certification involves having a number of components being assessed – the fisheries stocks, the environmental impacts and the fisheries management regime. The funding that has been sought will only meet the cost of having the general fisheries management framework certified. It will not of itself result in any fisheries being certified. Consequently, we cannot help but view the initiative as the Ministry seeking approval of its fisheries management regime rather than making a concerted effort to add value to New Zealand seafood exports.
37. Based on industry's involvement in these matters, we believe that the \$1.3 million budget sought for the project is highly excessive. We would expect the actual costs to achieve a certification of the fisheries management regime to be a fraction of the project bid value.
38. We note that the initiative will have very limited value if not accompanied by additional funding in future years to meet the costs of specific fisheries being certified. The initiative as stated in the SOI does not include that additional funding need, estimated to be \$1 million per year with a matching industry component for the certification of 4 fish-stocks per annum.
39. Certification is in essence an industry issue and there has been no consultation with industry on this initiative. Industry has an active programme relating to certification currently underway. That programme is aimed at introducing more certainty and standardisation into the process and, until those objectives are achieved, industry could not support the Ministry's initiative.

Shared Fisheries

40. The Ministry has commented that it is using the highly political shared fisheries agenda to provide an umbrella for other initiatives – some of which the Ministry has failed to receive funding for in the past. These include:
 - developing and implementing a valuation methodology for allocating available fish catch between sectors (in essence a bid for additional research funding),
 - undertaking additional research on recreational catch (yet another bid for additional research funding)

- establishing an Amateur Fishing Trust (the need and role for which has not been detailed); and
 - providing for a review of baseline allocations..
41. The bid buys into, without any justification or analysis, the myth that existing allowances are unfair. It reinforces our concern that the government intends to unilaterally reallocate fisheries on the basis of value. And it pre-empts the establishment of an amateur fishing trust. We note the reference to endowment funding in relation to the trust. This suggests a far greater degree of pre-determination than has been disclosed to us.
 42. We note with concern that, while the bid seems to cement in some elements of the government's package, there is no provision for compensation.
 43. We note also, with surprise, the request for extra funding for research of amateur catch under the "Shared fisheries" bid. In SeaFIC's view this research should have the highest priority and should not be tacked on to the new initiative bids. It should not be dependent on the whole shared fisheries package being adopted. We have been told that the Ministry also considers such research to be very important yet no new research will be initiated until 2008/09. Research on recreational catch should be funded by a re-prioritisation of the existing research programme.
 44. We are opposed to the funding being sought by the Ministry and are astounded that the bid has been made given that the public is still being consulted on the Ministry's Shared Fisheries project. There is no certainty that any elements of the government's package will be supported by the public or by Parliament. We acknowledge the urgent need for information on the recreational catch but believe that should be achieved by a proper prioritisation of the research budget.

Support For Aquaculture

45. The Government has already made significant resources available to encourage aquaculture development. There are already programmes within the Ministry of Economic Development and Ministry for the Environment trying to foster aquaculture. In our view these programmes are unlikely to achieve much. We believe that there are significant problems arising from the legislation and the implementation option chosen by Government that have deterred any further investment in aquaculture. Until those problems are confronted and addressed, initiatives such as the one proposed have little prospect of success and little merit.
46. SeaFIC seeks the deletion of this programme.

Transformation Of Reporting And Recordkeeping Frameworks and Inshore Trawl Catch Effort Form

47. We believe that both these initiatives have significantly merit but should be implemented by re-prioritising the existing budgets and resources of the Ministry. While the Frameworks project may provide long term benefits, we cannot see why it cannot be commenced using resources currently employed by the Ministry. The costs associated with the Inshore Trawl Catch Effort Form relate to the operating

costs of the new systems and are offset by savings in the operations of the forms to be replaced. We do not believe that the actual costs will be as high as estimated.

East Coast Iwi Customary Management

48. While we are supportive of assistance to improve the management of customary fisheries, we were concerned to hear Ministry officials indicating that the scope of this project and the alternative outcomes might hold implications for commercial fishing and its management in the East Coast. We cannot support this initiative if its scope is wider than improving the scope of customary fishing but believe that, in any event, it should be funded from existing Ministry resources.

IV Contact People

49. SeaFIC staff members are available to discuss any aspects of this submission. Please contact Allen Sheppard (385 4005) in the first instance.