

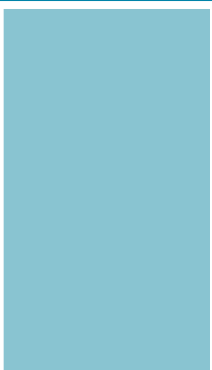


Ministry of
Fisheries
Te Tautiaki i nga tini a Tangaroa

New Zealand Government

Briefing for incoming Minister of Fisheries

November 2008



| Seen by the Minister

| Date

INTRODUCTION

Kia hiwa ra, kia hiwa ra, moe ara ra, moe ara ra.
Moe ara ra ki te mata hi tuna, moe ara ra ki te mata he taua.
Ka tiritiria, ka reireia ki tona hiwa.
Kia hiwa ra ki tēnei tuku, kia hiwa ra ki tera tuku.
Kia tu, kia oho, kia mataara.

Tena koe e te Minita, anei to pānui kia whakamarama ai ki a koe nga mahi i mahi ai matou kei roto i Te Tautiaki i nga tīni a Tangaroa. Greetings Minister. This briefing will enlighten you on the work that is done at the Ministry of Fisheries.

The ancient Maori proverb written above endorses you as our new Minister in your role as a fisheries leader.

The following report is intended as an initial background briefing. It has two purposes:

- to familiarise you with New Zealand's aquatic resources and the fisheries sector as they affect the Ministry of Fisheries, including the Ministry's role as the Government's principal adviser on fisheries and the aquatic environment; and
- to set out the main issues the Ministry is currently facing, and to provide detail on the policy and administrative issues that will require decisions.

Our fisheries resources are valuable. New Zealand has an Exclusive Economic Zone (EEZ) of four million square kilometres – the fifth largest in the world, approximately 15 times larger than the area of our land mass. There are 130 species fished commercially in New Zealand waters. Export earnings from fisheries contribute more than \$1.3 billion to the New Zealand economy per annum. Access to fisheries is also highly valued by both customary and amateur interests and, over the last few years, there has been an increasing focus on the environmental performance of our harvesting sectors. Finding the right balance between harvesting (and how much may be harvested by each sector) and a healthy sustainable environment is a difficult task. These issues are faced by all comparable fisheries management regimes around the world.

Our Act prescribes that most of these decisions fall to you as Minister. There is often a lack of consensus on management outcomes by stakeholders so decisions can frequently be contentious and subject to litigation. In what is perceived as small portfolio, there is quite an intensive level of decision making.

Key issues for you to note include:

- The development of Fisheries 2030: a Vision and Strategy for fisheries, intended to help set the future direction for our fisheries in New Zealand. Developing this strategy will continue to involve significant stakeholder engagement and will require us to tackle many controversial issues facing fisheries management. These issues may require your direct involvement.
- Our policy review and legislative reform project, informed by Fisheries 2030. This project aims to improve the fisheries legislative framework to address shortcomings and to support better and more consistent outcomes from the use and conservation of fisheries.
- We are evolving towards the use of an objective based management approach to managing our fisheries; standards and fisheries plans are the key tools for delivering fisheries management outcomes and coordinating compliance, research, and observer services at a fisheries' level.

- Work is underway across a number of agencies and with industry to improve aquaculture legislation. The development of the aquaculture industry in New Zealand has been stymied in part by legislative barriers. This work aims to identify and address these barriers in order to support the development of the aquaculture industry.
- Our work on Treaty settlements. This is likely to continue to be a key issue for government and the Ministry, particularly the disconnect between the expectations generated by the obligations the Crown has acknowledged in settlement agreements and the Ministry's capacity to deliver on these expectations.

On these and other challenging issues, we look forward to working with you.

Yours sincerely

Wayne McNee
Chief Executive

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PART ONE: STRATEGIC DIRECTION

GOAL AND OUTCOMES

The Ministry of Fisheries is the Government's principal adviser on fisheries management. Its **MISSION** is expressed by its Māori name

Te Tautiaki i nga tini a Tangaroa

Guardian of the multitudes of Tangaroa

The Ministry is responsible for monitoring the fisheries sector, developing policy and operational advice for the Government, and developing and administering legislation, rules and regulations. It also has roles to discharge the Crown's obligations under the 1992 Fisheries Settlement and the 2004 Māori Aquaculture Settlement.

Compliance and observer services in the fisheries sector are provided by the Ministry, and we purchase research and registry services that contribute to maintaining the integrity of New Zealand's fisheries management regime.

Overall fisheries management policy is based on the **GOAL** to:

"Maximise the value New Zealanders obtain through the sustainable use of fisheries resources and protection of the aquatic environment."

"Value" covers the full range of values derived from the use of fisheries resources, including economic, social and cultural values. To ensure the greatest value is obtained for New Zealand – both now and in the future – the use of fisheries resources should take place within established and enforced environmental limits, and the uses of fisheries and the needs of different stakeholders should be balanced.

To achieve the overall fisheries goal, the Ministry has identified three **OUTCOMES** consistent with the Fisheries Act 1996:

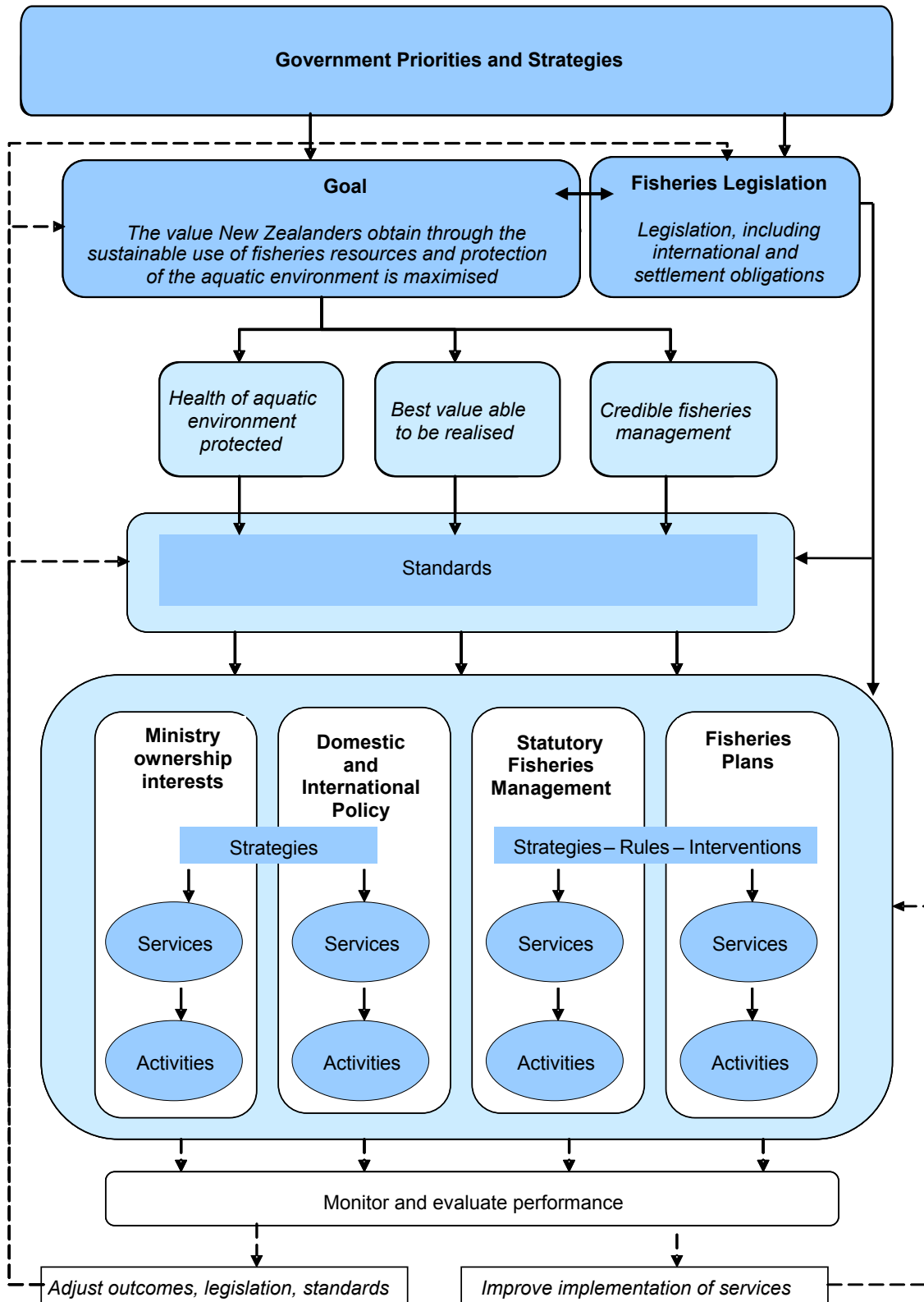
- the health of the aquatic environment is protected
- people are able to realise the best value from the sustainable and efficient use of fisheries
- credible fisheries management.

A key part of the Ministry's approach to achieving our goal is the Fisheries Outcomes Management Framework we are developing. The framework is a high-level planning and management tool for implementing and monitoring objectives based management. It requires that the Ministry:

- identify outcomes that together will achieve the desired Fisheries vision,
- determine how fisheries management systems and processes can best operate to achieve the Fisheries vision, and
- set priorities, allocate resources and monitor progress against outcomes.

The Framework is illustrated in the following diagram.

Outcomes Management Framework



The Ministry is also undertaking a major project to develop a **VISION** and **STRATEGY** for our fisheries to 2030 called Fisheries 2030. Fisheries 2030 will be developed with full engagement from tangata whenua and stakeholders, and is intended to identify new and more comprehensive goals and outcomes that may enhance the goal and outcomes shown above. Your views will be an important factor in the development process. The existing goal and outcomes will drive Ministry work programmes in the meantime. They are described as follows.

OUTCOME 1: *Health of the Aquatic Environment Protected*

New Zealand's aquatic environment is valuable for many reasons, including the production of fisheries resources. To ensure the health of the aquatic environment we must provide frameworks and incentives to improve environmental performance. We must set rules and standards and ensure they are met through compliance activities like education and enforcement, and look for ways to reduce impacts caused by activities other than fishing.

OUTCOME 2: *Best Value Able to be realised*

Fisheries are valued for a wide range of uses, including customary, amateur, and commercial harvesting as well as non-extractive uses, such as viewing a healthy aquatic environment. How resources should be distributed among users to get the best value for New Zealand, now and in the future, is a major challenge.

On a practical level most fisheries, which have any reasonable level of extraction, are managed in the Quota Management System (QMS). The QMS provides a mechanism for the commercial sector to trade commercial rights to harvest fish. But there is no such framework to adjust levels of access to fisheries resources between sectors (commercial, customary, and amateur), or between individuals within non-commercial fisheries sectors.

To help ensure best value for New Zealand, the Ministry is working with tangata whenua and all fisheries stakeholders to develop fisheries plans. These include, where possible, decisions on allocation of access across fishing sectors resulting in better value for New Zealand.

Achieving best value is difficult, particularly because of uncertainty around value of amateur fishing and non-extractive uses. We need information on catch and values to enhance management decisions. In addition, it is important fishers limit take to their allocations. Compliance and education activities help protect and improve the value of fishing rights.

There are a number of other initiatives and opportunities directed at adding value, such as aquaculture development, environmental certification, and reducing trade barriers and access to international fisheries.

OUTCOME 3: *Credible Fisheries Management*

Credibility is important for effective management of fisheries, especially when encouraging voluntary compliance with fisheries rules.

Transparency of information and processes is essential for credibility. Tangata whenua and stakeholders need to know that scientific and other information on which fisheries decisions are made is robust. It is also important that decision-making processes are fair and effective, and that decisions are properly implemented and enforced.

Effective compliance—achieved through both appropriate incentives for voluntary compliance and strong deterrence—is critical to ensure successful implementation of fisheries limits and policies.

Another important contributor to credibility is effective engagement with tangata whenua, stakeholders, other government organisations, and the public in the management of fisheries.

The fisheries plan process and effective monitoring and reporting will help to build a common understanding of the performance of fisheries.

OUTPUTS

The **OUTPUTS** that deliver on the Ministry's goal and outcomes are as follows.

Fisheries information

Science: gathers and analyses information about New Zealand's fisheries and fisheries management systems. This output supports the evaluation of the status of fisheries resources. We can help ensure the most appropriate management strategies are in place, by improving our understanding of environmental, cultural, social and economic factors relevant to management decisions.

Observers: provide an independent source of high-quality scientific and other information from commercial fishing operations. This information is a valuable input into the management of New Zealand's fisheries resources, particularly the setting of sustainability levels and the monitoring of the environmental impact of fishing activities.

Fisheries policy

New Zealand fisheries: provide advice on development and review of policy frameworks and legislation to improve economic, social and cultural value from the sustainable and efficient use of fisheries resources. This output includes advice on frameworks for management and allocation of fisheries, improving the environmental performance of the fisheries sector, economic development, natural resource sector policy with implications for fisheries management, fisheries sector strategy, monitoring, and Treaty strategy and settlements.

International fisheries: provide services to further New Zealand's fisheries policy objectives and interests internationally. This includes the development of international principles and standards to promote the sustainable use of fisheries resources. The purpose of this output class is to improve New Zealand's negotiating position within regional fisheries management organisations, and to advance New Zealand's fisheries interests multilaterally and bilaterally, including trade policy.

Ministerial services: includes the drafting of reports and advice to Ministers and to Select and Cabinet Committees, replies to ministerial correspondence and responses to Parliamentary questions.

Fisheries operations

Sustainability and management controls: provide fisheries management advice on the implementation of objectives-based fisheries management by developing fisheries plans and standards, implement the Government's Marine Protected Areas Strategy, and implement aquaculture reforms.

Deed of Settlement: assists tangata whenua to better contribute to the sustainable management of New Zealand fisheries.

Registry Services: ensures contracted or devolved registry services are delivered in a manner consistent with the standards and specifications for those services.

Fisheries compliance

Commercial fisheries compliance: provides services to monitor, inspect, and investigate commercial fishers, to support the integrity of the Quota Management System and the application of international fisheries rules and agreements.

Other fisheries compliance: provides services to educate, monitor and inspect amateur and customary fishers, detect and prosecute key offenders, and disrupt the supply of poached or black-market seafood through effective monitoring, inspection, and investigations.

Prosecutions: these services focus on successfully prosecuting serious fisheries offenders and achieving deterrence through penalties.

Aquaculture settlement

The aquaculture settlement output covers services to meet the Crown's obligations under the Māori Aquaculture Claims Settlement Act 2004.

Interim Secretariat - South Pacific Regional Fisheries Management Organisation

The interim Secretariat provides administrative support for any interim conservation and management measures established prior to the South Pacific RFMO coming into force, and to store and manage data provided by participating States.

FISHERIES LEGISLATION

The Ministry administers the following legislation:

- Aquaculture Reform (Repeals and Transitional Provisions) Act 2004
- Driftnet Prohibition Act 1991
- Fisheries Act 1996
- Fisheries Act 1983
- Fishing Industry Board Act 1963
- Fishing Industry Board Repeal Act 2001
- Fisheries (Quota Operations Validation) Act 1997
- Maori Commercial Aquaculture Claims Settlement Act 2004
- Maori Fisheries Act 2004
- Marine Farming Act 1971 (transitional provisions only)
- Ministry of Agriculture and Fisheries (Restructuring) Act 1995 (jointly with MAF)
- Treaty of Waitangi (Fisheries Claims) Settlement Act 1992

We also administer many regulations related to managing fisheries within New Zealand and managing New Zealand fishing outside our Exclusive Economic Zone (EEZ).

Note that the Biosecurity Act 1993 and the Animal Welfare Act 1999 are administered by the Ministry of Agriculture and Forestry. Food-related legislation is administered by the New Zealand Food Safety Authority.

PART TWO: KEY FISHERIES ISSUES

STATE OF OUR FISHERIES

Ensuring sustainability

New Zealand's fisheries resources are highly coveted as a valuable commercial commodity, a culturally important source of food, a recreational activity, and by those who value diverse and healthy ecosystems.

At the heart of New Zealand's fisheries management is the Quota Management System (QMS), introduced in 1986. For each fish stock in the QMS, the total allowable commercial catch (TACC) is set after making allowances for customary and amateur catch (and other sources of mortality). Total allowable catches (TACs) are set each year to limit the total amount of fishing on each fish stock to a maximum sustainable level to ensure that these resources are not over-exploited. Our newly enacted harvest strategy standard provides for targets and limits to be set for our fisheries and fish stocks, upon which changes to TACs can be based. In reality there are limitations to our ability to monitor and review all stocks annually. Limited resources mean we typically focus our research on the stocks with the highest landings or value, and those most vulnerable to fishing pressure.

Stock status

An essential role for the Ministry is monitoring fisheries to enable their management. Of the 628 stocks in our quota management system, there are 101 stocks or sub-stocks for which we have sufficient knowledge to assess their status. Of those, 72 are near or above target levels, leaving 29 stocks that are assessed to be below their respective targets. Rebuilding programmes have been put in place for these stocks.

Commercial fishing

The QMS provides rights that entitle the holder to harvest a proportion of the TACC for a specific fish stock in perpetuity. These rights can be traded. The QMS also provided the framework within which all commercial settlements with Māori could be agreed. Incentives and sanctions are used to limit commercial fishing to the TACC.

The estimated commercial fish resource value is \$3.8 billion.¹ New Zealand is a small player in the international market with a total allowable commercial catch of 545,000 tonnes in 2007/08, with 315,000 tonnes exported in 2007. However, exports account for approximately \$1.3 billion and seafood is the fourth largest export earner for New Zealand. Top markets include Australia, Hong Kong, the USA, Japan and China.

The following table sets out the top ten export species.²

Species	Value
Mussels	\$175m
Hoki	\$141m
Rock Lobster	\$121m
Squid	\$ 86m
Paua	\$ 58m
Orange Roughy	\$ 57m
Ling	\$ 54m
Mackerels	\$ 43m
Hake	\$ 38m
Salmon	\$ 36m

¹ www.seafood.co.nz/factfile, accessed 30 October 2008

² www.seafood.co.nz/factfile, accessed 30 October 2008

World demand for seafood is predicted³ to increase by at least 40 million tonnes by 2030, providing enormous opportunities for New Zealand wild capture fisheries and the aquaculture sector.

Amateur fishing

A survey carried out in June this year⁴ found that around 30 percent of the New Zealand population participates in amateur fishing. No permit is needed for amateur fishing, but certain limits, such as minimum size and bag limits, gear restrictions and closed seasons are in place to manage the nature and extent of amateur take. Fish taken under recreational regulations cannot be sold. In general, the fisheries supporting a high level of amateur harvest have better quality information and are the highest priority for research in this area. However, information for these stocks is still relatively poor compared with that held on commercial fishing. It is estimated that about 25,000 tonnes of fish are taken by amateur fishers each year. Although this is only a small percentage of total catches in New Zealand, the amateur catch can be quite a significant percentage of the total take for certain popular inshore species such as rock lobster, blue cod, kahawai, paua, and snapper.

Customary fishing

Customary fishing can be conducted in two ways: either via a permit under regulation 27A of the Fisheries (Amateur Fishing) Regulations 1986, or via an authorisation under the Customary Fishing Regulation. All fishing undertaken under the customary provisions must be authorised in advance by the Tangata Tiaki / Kaitiaki. Management of customary fishing must also be consistent with the purpose and principles of the Fisheries Act 1996. Fish caught for customary purposes cannot be sold or traded. An allowance is made for customary fishing within the TAC for each stock, which in total equates to less than 5,000 tonnes.

Sector relationships

Achieving objectives for New Zealand's fisheries requires us to work closely with all three sectors above, as well as with environmental groups and other interested stakeholders. We focus on relationship management, communication, and enhancing the ability and opportunities for tangata whenua and stakeholders to participate effectively in management processes. To ensure a consistent approach across government we also work closely with a number of government agencies, including the Ministry for the Environment, the Ministry of Economic Development, the Ministry of Foreign Affairs and Trade, New Zealand Customs, the Department of Conservation, Te Puni Kōkiri, The Treasury, and regional councils.

MAJOR ISSUES AND INITIATIVES

The following section outlines major issues being addressed and initiatives currently being undertaken by the Ministry. They don't reflect all of the Ministry's work programme but are the key issues you need to be aware of right away. They are grouped by theme: strategic reform; Crown obligations to Māori; operational improvements; environmental performance; compliance; international; litigation; and annual operational issues.

Action points are provided where a decision may be required regarding an issue before May 2009.

Strategic Reform

Our package of projects for strategic reforms are aimed at developing and implementing a common vision and direction for our fisheries in New Zealand to 2030. This includes improving legislative frameworks, systems and processes to enable the fisheries sector and government to achieve that vision within the wider context of government priorities for New Zealand.

³ Food and Agriculture Organization of the United Nations

⁴ Monitor of Public Opinion on Fisheries Management and Administration, June 2008

Fisheries 2030 Vision and Strategy

A key area of leadership for the Ministry of Fisheries is the development of a long-term vision and strategy for New Zealand's fisheries. This strategy, known as Fisheries 2030, is intended to be a strategy for everyone with a stake in our fisheries resources.

The Fisheries 2030 project has two main components: to establish a long-term vision that is understood and broadly supported by stakeholders; and to develop a strategy to achieve the vision. The vision and strategy will be used to guide our fisheries management initiatives over the medium-term and provide sufficient certainty to encourage stakeholders to align their activities and investment with the vision.

Discussions with Māori, commercial and amateur fishers, and environmental groups have been held to enable their early input into the process. A draft document will be provided to you by the end of November. The proposed course of action is that this document will be approved by Cabinet for public consultation in early 2009, with the final vision and strategy being approved and adopted in mid to late 2009.

Action: *Decision on whether to seek Cabinet approval for consultation on Fisheries 2030 in early 2009.*

Policy Review and Legislative Reform Project

The policy review and legislative reform project's two related objectives are to:

- ensure that the Fisheries Act provides an appropriate legislative means to enable the long-term fisheries strategy, and
- address deficiencies in the current Fisheries Act.

As fisheries management has progressed, deficiencies and gaps in the legislative framework have become evident. The Ministry seeks to create clear and consistent policies and processes that ensure sustainability and provide for maximisation of value.

This project will support the achievement of the long-term vision and strategy for our fisheries, building on the results of that project over the next 12 months.

The policy review and legislative reform project aims to have priority legislative amendments to the Fisheries Act passed into law by the beginning of 2011 (i.e., within one electoral cycle).

Action: *Decision on progress of the legislative reform project will be requested in December 2008.*

Aquaculture reform report back in February 2009

Since the enactment of aquaculture reforms in January 2005, new development for aquaculture must take place within designated Aquaculture Management Areas (AMAs). AMAs are required to be defined in regional coastal plans before any new resource consent applications can be considered. The full process for aquaculture has many steps, more than any other activity under the RMA, and the approval process is long and costly. To date, almost four years after enactment of the new aquaculture law, no new AMAs have been created.

While there are other impediments to aquaculture development, including competition for coastal space and poor economic conditions, a number of technical problems have been identified with the new aquaculture law. Amendments are required so that the law can operate as intended. The Aquaculture Legislation Amendment Bill 2008 (Bill No. 1) was enacted 24 September 2008 to address issues that were highlighted by the Environment Court's decision in *SMW Consortium Limited v Tasman District Council* on 9 May 2006.

The Aquaculture Legislation Amendment Bill (No. 2) 2008 received its first reading in September 2008 and was referred to the Primary Production Committee. This second Bill removes some

significant constraints to aquaculture development under the current regime. It also includes other technical amendments not directly related to the SMW decision (addressed in Bill No. 1) to deliver the original policy intent of the 2004 legislation and amendments to deliver new policy. This Bill has lapsed as a result of the dissolution of Parliament. Reinstatement by the new Parliament would enable aquaculture development to progress in the short to medium-term, irrespective of any initiative to improve the aquaculture law discussed below.

As we try to implement the reforms it is becoming apparent that the law may have been over engineered and the cost, time and uncertainty of the process to develop new AMAs are constraining future aquaculture growth, which could prevent the industry from achieving its \$1 billion goal by 2025.

The Minister of Fisheries and the Minister for the Environment are due to report back to Cabinet in February 2009 with an evaluation of options to improve the aquaculture law. This may include options involving relatively major legislative change. To support this report back, the Ministry of Fisheries and the Ministry for the Environment, in partnership with Aquaculture New Zealand, have commissioned an independent regulatory review of New Zealand's aquaculture regime.

Actions: *Decision on reinstatement of the Aquaculture Legislation Amendment Bill (No. 2) 2008 for enactment in the new Parliament. Advice will be provided on options for aquaculture legislative reform to inform the report back to Cabinet by you and the Minister for the Environment in February.*

Crown obligations to Māori

The Crown has a wide range of fisheries obligations to Māori set out in statute and other agreements. The obligations relate to: customary non-commercial fishing; commercial fishing⁵; the aquaculture settlement; providing for input and participation in fisheries management decisions; having regard to Kaitiakitanga; Treaty of Waitangi settlements with individual iwi and hapu; and foreshore and seabed negotiations with individual iwi.

The following package of projects is aimed at ensuring we meet those obligations. Along-side work to implement foreshore and seabed agreements and aquaculture settlements, the Treaty Strategy project focuses on improving the implementation process as well as building better relationships with tangata whenua. There are decisions on the implementation of other tools, also detailed below, that you may need to consider in the first six months of your term.

Treaty Strategy

The Treaty Strategy aims to deliver on the Crown's specific fisheries obligations, within the broader goal of building a strong working relationship with tangata whenua.

In 2002 the Ministry spoke to tangata whenua around the country on how it could better support their involvement in fisheries management. These discussions resulted in iwi regional forums being established, along with appointment of staff to manage relationships between iwi and the Ministry, and to provide assistance to iwi to participate in Ministry processes. At the iwi forums tangata whenua meet with Ministry staff to work jointly on a wide range of fisheries management issues.

In July 2008, the Ministry released a discussion paper and began hui with tangata whenua on the effectiveness of the forums, and whether alternative models could provide for better input and participation. There was concern that while the forums have provided a platform for tangata whenua to work on customary non-commercial fisheries management, there has been less attention on their effectiveness in allowing input into broader fisheries management decisions. The latter is the focus of current discussions. These discussions are seeking solutions to how iwi

⁵ Commercial rights were transferred to Māori as a result of the 1992 Deed of Settlement in recognition of the rights guaranteed to Māori under the Treaty of Waitangi.

and hapu can better integrate their diverse fisheries interests, and how these interests can be represented effectively in fisheries management decision processes, such as fisheries plans.

Historic Treaty Settlement Negotiations and Foreshore and Seabed Agreements

All historic Treaty of Waitangi claims relating to commercial fisheries have been fully and finally settled by the provisions of the 1992 Fisheries Deed of Settlement (the Deed) and the Treaty of Waitangi (Fisheries Claims) Settlement Act 1992 (the Settlement Act).

The Māori Fisheries Act 2004 addressed commercial fishing claims and established a trustee (Te Ohu Kaimoana Trustee Limited) to advocate for Settlement beneficiaries and allocate and transfer fishing quota, company shares and cash held by the Trustee to iwi. The manner in which non-commercial rights were settled was by a requirement to consult with tangata whenua and develop regulations to help recognise the use and management practices of Māori in the exercise of those rights.

The main fisheries redress offered to Māori in individual Treaty settlements are the Fisheries Protocols. Protocols are issued subject to Terms of Issue developed by the Crown, as part of the framework for Treaty settlement negotiations. The Fisheries Protocols centre around the general obligations on the Crown arising from the 1992 Fisheries Deed of Settlement and subsequent legislation.

Fisheries Protocols between iwi/hapū and the Ministry relate to the way the Ministry will interact with the iwi/hapū governance entity and enables them to provide input into Ministry processes. These processes include the development of sustainability measures, research planning, contracting for services and the employment of staff with customary non-commercial fisheries responsibilities.

The Ministry has issued fisheries protocols to Te Uri o Hau, Ngati Awa, Ngati Ruanui, Ngaa Rauru Kiiitahi, Ngati Tama, Ngati Mutunga, Ngati Tuwharetoa (Bay of Plenty), Te Arawa Lakes, and Te Roroa. We will be issuing fisheries protocols to Taranaki Whanui (Port Nicholson Block Claims), Te Arawa affiliate iwi/hapu, and Ngati Apa when their legislation has been enacted. We are currently in negotiations with Turanganui-a-Kiwa (Gisborne), Ngati Manawa, Ngati Kahu ki Whangaroa, Ngati Kahu, Te Aupouri and Te Tau Ihu iwi (Northern South Island).

The Ministry has signed a fisheries accord with Waikato-Tainui and will be signing a fisheries accord with Ngati Raukawa and Ngati Maniapoto. A fisheries accord is a high-level relationship document, similar to a fisheries protocol but within a co-management context. We will also be renegotiating the fisheries protocol with Te Arawa affiliate iwi/hapu to reflect co-management provisions for their interests in the Waikato River.

Foreshore and seabed agreements have been signed with Ngati Porou and Te Whanau-A-Apanui. Negotiations are entrain with Te Rarawa, Ngati Pahauwera, and Ngati Porou Harataunga.

In signing the fisheries protocols the Crown is accepting specific ongoing obligations to tangata whenua. These are in addition to the ongoing obligations to all tangata whenua that arise from the 1992 Fisheries Deed of Settlement. Tangata whenua have expectations as to how the Crown should deliver on these obligations, and the Ministry is struggling with the challenge of delivering on those expectations, within the resources it has for this task.

Aquaculture Settlements

The Maori Commercial Aquaculture Claims Settlement Act 2004 (the 'Act') provides a full and final settlement of Maori contemporary claims to commercial aquaculture space created since 21 September 1992. The Act establishes the Crown's obligation to provide iwi with the equivalent of 20% of the aquaculture space created between 21 September 1992 and 31 December 2004 ('pre-commencement space') plus an additional obligation to provide 20% of all new space created after 1 January 2005. The pre-commencement space obligation is to be met through three possible options: the provision of additional new space, Crown purchase of existing farms from 2008, or provision of the financial equivalent of space from 2013.

In July 2008 consultation on settlement options began. The consultation document recognised that little space is likely to be provided to iwi under the new space settlement option, and sought feedback on legislative reform options to allow for regional agreements and bring forward the date for cash payments. Because of good progress with the early settlement for the South Island and Coromandel (as mentioned below), the previous Minister recommended an indefinite extension to the consultation process as long as progress is being made with the settlement.

Ministers have negotiated with iwi an early settlement for Te Wai Pounamu (the South Island) and Coromandel. This settlement was documented in a non-binding Agreement in Principle (signed 13 October 2008), with the expectation that a Deed of Settlement will be completed on a best efforts basis within six months, with enabling legislation passed in 2009. The agreement, payment of the financial equivalent of \$97 million, is full and final for current space obligations in these regions. Interest will be payable on this sum until settlement date.

The Ministry anticipates a preliminary draft deed of settlement will be completed in December 2008 and a final deed ratified and signed by the Crown and iwi in March 2009.

This early settlement is approximately 76 percent by space and 92 percent by value of the Crown's pre-commencement obligation. Appropriations for this early settlement and the estimate for the remaining known obligations were made in 2008-09. The total appropriation is now \$105.3 million.

Invitations will be given to remaining regions for an early settlement. This is expected to result in additional early settlement agreements in the first half of 2009.

In the event that an early settlement is not achieved, Government will need to consider consultation feedback and determine any legislative implications for the Maori Commercial Aquaculture Claims Settlement Act 2004.

Pre-moratorium Space

There is approximately 13,650 hectares worth of marine space applications still to be decided that were notified prior to the 2001 moratorium and so can be processed under the old legislation. Decisions on these applications could increase the Crown's pre-commencement space obligations. These applications are still progressing through the resource consent process with Councils and the Environment Court, or have completed that process and are currently being considered by the Ministry of Fisheries for a marine farming permit, or are under appeal. A significant percentage of this space is deep-water marine space that will have a different value from the inshore marine space.

Some of these pre-moratorium applications are in the South Island and Coromandel. The early settlement agreement with iwi allows for the future valuation of these decisions if they result in a marine permit being approved; this will result in the need for an increase in appropriation when these decisions are finalised over the next five years. Due to the litigious nature of these applications it is not possible to estimate the settlement cost to the Crown from this process.

Action: *A Ministerial decision will be required to instruct the Parliamentary Council Office to draft the required legislation to implement the deed of settlement.*

Mātaítai Reserve decisions

As part of the Settlement of Māori fishing claims in 1992, the Crown agreed to introduce legislation allowing customary regulations to be made. Under the Customary Fishing Regulations tangata whenua may apply to the Minister of Fisheries to establish a mātaítai reserve over any part of their traditional area for the purpose of recognising and providing for customary management practices and food gathering.

A mātaítai reserve excludes commercial fishing unless specifically allowed by regulations. However, a reserve does not prevent access to beaches or rivers not on private land and does not exclude amateur fishing.

Mātaítai reserve applications are almost always contentious with other fisheries users. The presumption of commercial exclusion and some local community concern over Māori being able to recommend bylaws that amend the rights of amateur fishers is often bitterly argued. As more applications are received from tangata whenua this 'spatial tension' is likely to increase.

As of 11 November 2008 there are 10 mātaítai reserves in place – six in the South Island and four in the North Island.

Action: *An additional 24 applications for mātaítai reserves have been received. One applicant has submitted a further nine applications, some of which are still being amended. It is expected that you may be asked to make decisions on some applications before May 2009.*

Customary fishing regulations under s186

The Minister of Fisheries has an obligation to consider requests for new regulations to achieve the objectives set out in section 10 of the Treaty of Waitangi (Fisheries Claims) Settlement Act. Those objectives are to recognise and provide for non-commercial customary food gathering and to provide for the special relationship between tangata whenua and important fisheries areas.

New regulations have been developed in the recent past, including the Te Arawa Lakes and Waikato Tainui River historical Treaty settlements, and the Ngāti Porou and Te Whanau a Apanui Foreshore and Seabed agreements. Other iwi, including Ngai Tahu, have also requested new regulations, and it is likely more will request new regulations in the future.

Any new regulations must take into account all obligations and interests associated with the Fisheries Act 1996. These include the rights and interests of other fishers, including recreational, commercial and customary fishers, and resource and compliance issues.

Action: *Ngai Tahu has requested new regulations to prohibit commercial fishing in 32 areas scattered throughout their rohe moana, and other iwi may make similar requests. It is likely that you will be asked to make a decision on Ngai Tahu's request, and potentially those of other iwi, before May 2009.*

Temporary closures under s186A and 186B

Temporary closures are designed to respond to localised depletion of fisheries resources. The request for a temporary closure seeks to give effect to provisions of the Fisheries Act 1996 and

the Treaty of Waitangi (Fisheries Claims) Settlement Act 1992 (the Settlement Act) that relate to ongoing Treaty obligations on the Crown to make better provision for Māori non-commercial customary fishing rights and interests, and Māori participation in the management and conservation of New Zealand's fisheries.

Section 186A and 186B of the Fisheries Act 1996 allows the Minister to temporarily close an area or restrict or prohibit fishing methods in any area of New Zealand fisheries waters.

Action: *On average the Ministry processes 2-3 such approvals per year. While no requests are currently on hand it is likely that you will have to consider applications in the first 6 months of 2009.*

Operational improvements

Our operational activities are focused on improving fisheries management. Central to operational improvements is the implementation of fisheries plans for each fishery.

Development and approval of fisheries plans, standards, and associated interventions are central to delivering fisheries management outcomes. Review of the cost recovery framework is necessary to address issues that have arisen in implementation. Gains also need to be made in resolving long-standing and contentious issues around allocation.

Fisheries Plans

Implementing an objectives based approach to fisheries management has become an increasingly important and central focus of the Ministry's management of New Zealand's fisheries resources in recent years. The Ministry is making good progress toward the implementation of this approach. Delivering objectives based management will be achieved through the outcomes management framework, standards and fisheries plans.

Fisheries plans are the key tool for delivering objectives based fisheries management at a fishery level. They are particularly important for providing stakeholder participation and transparency in the fisheries management decision-making.

The Fish plan process involves tangata whenua and stakeholders working together to develop joint objectives to manage key elements of their fisheries. Fisheries plans also aim to define strategies required to meet standards and the agreed objectives. The management interventions, regulations, compliance, research, and observer services that the Ministry and stakeholders should deliver to support those objectives and strategies can then be proposed.

Action: *In the next six months we expect to seek your approval on the first group of these plans including:*

- *Rock Lobster in Area 3 (Gisborne / East Coast)*
- *Deepwater Stocks (focusing initially on hoki, orange roughy, and squid)*
- *Foveaux Straight Oysters*

Approval of Standards

The Ministry is currently developing standards across a range of Fisheries Management issues, in particular defining how the adverse effects of fishing should be managed.

Standards are based on the high-level fisheries outcomes and define the expected level of performance that the Minister of Fisheries requires of fisheries managers and stakeholders when managing fisheries. They are particularly important for providing guidance on setting fisheries plan objectives.

Standards have no legal status, but are key policy statements by the Minister of Fisheries. An example is the recently approved Harvest Strategy Standard which provides for targets around which a fishery or stock should fluctuate, soft limits that trigger requirements for a formal time-

constrained rebuilding plan, and hard limits to close the fishery when there is a high risk of stock collapse.

Because standards define minimum levels of performance it can be difficult to gain any acceptance from fisheries stakeholders on the appropriate standard. The Act often provides little guidance about the 'correct' standard. Accordingly, standards are approved by you.

Action: *We will seek approval of a seabird standard before May and will seek your approval to consult on a benthic impact standard by mid-2009.*

Passage of regulations for 1 June 2009

In September 2008 the Ministry released a number of regulatory proposals for enactment in June 2009. Issues covered within these proposals include:

- amendments to minimum net sizes for certain freshwater fisheries
- species codes for reporting commercial catch of freshwater species
- changes to observer fees
- amendments to various regulatory co-ordinates
- a review of potting definitions
- the introduction of an obligation for certain recreational charter vessels to provide activity and catch reporting.

Following consideration of submissions you will be provided final advice on these matters in February 2009.

Action: *When final advice is received in February, a decision will need to be made about whether to proceed with regulations.*

Cost recovery

Cost recovery is the mechanism by which the Crown recovers a proportion of its total costs of providing fisheries services and conservation services from the commercial fishing industry. The cost recovery principles and rules together determine whether and to what extent the Ministry costs will be recovered from the industry. Cost recovery levies are then calculated and, following approval through Cabinet Legislation Committee, imposed on the commercial fishing sector from 1 October each year. Amending levy orders are provided around April to reflect changes that have occurred since the original levy orders.

A review of the cost recovery framework began in 2006. A joint government-industry cost recovery working group did not reach a consensus on a new approach, but submitted its report in December 2007. The report reflects the differences in views between Ministry and industry members and contains split recommendations.

In response to the report it was decided a new cost recovery model should be developed. The achievement of equity goals was elected as its primary focus, while seeking efficiency gains where appropriate and keeping within fiscal parameters set by the government. Options for such a model were developed and the Cabinet Economic Development Committee (EDC) has directed the Ministry to develop a consultation document based on those three options, and to compare them to the status quo and industry model. The EDC agreed to an overall level for the proportion of costs allocated to the industry under a new model that is 35 to 40 percent of total appropriation (similar to the current level).

Action: *The Ministry of Fisheries is now developing consultation material and a report back is due to the EDC with this material by 28 February 2009.*

Sustainable Economic Development

Demonstrating environmental performance is becoming an important part of doing business in today's world, and particularly so for food producers. As such, the Ministry initiated a project to support the use environmental certification or other independent assessment to enable the New Zealand seafood industry to respond to growing pressure for environmental sustainability and to improve the environmental performance of fishing and aquaculture. The Ministry has established a contestable fund to support New Zealand seafood companies to seek environmental certification of their products.

The Ministry is also working with industry to access research and development funding, and identify areas where sustainable economic development of the seafood sector can be encouraged. We are also linked into emerging international environmental standards under development where relevant to the sector, to ensure standards are both robust and practical for the sector to comply with and align with New Zealand practice.

Allocation in fisheries management

Allocation between commercial and non-commercial fishers is a long-standing and contentious issue in New Zealand's fisheries management. It is important that commercial fishers and quota owners with investments in fisheries have certainty about ongoing access to the resources on which their businesses depend. This is particularly the case since they already face much uncertainty, including around natural productivity, weather, markets and exchange rates.

Access to fisheries is also a key issue for amateur fishers. Individual fishers and representative organisations accept that some limitations on access, such as bag limits, are required but view any hard limit on their sector as a diminishment of existing rights. Amateur sector advocates believe that existing allocations for important stocks would need to be revisited to improve their access before they could be used as the basis of long-term allocation of catch shares.

Note also, that any allocation based adjustments to quota would need to avoid compromising the Settlement with Maori.

The Ministry has been working on proposals and processes for addressing allocation issues since 1997. No substantive advances have resulted. The contention in this area and an inability to date to obtain a reasonable level of consensus between major stakeholder interests has made it difficult to make progress.

The Ministry prepared a set of proposals during 2007 for consideration by the Government following consultation on the Shared Fisheries discussion document, *Shared Fisheries – Proposals for managing New Zealand's shared fisheries*. However, the Minister set this package aside to allow a joint stakeholder initiative to develop proposals for shared fisheries to progress. This involves the Seafood Industry Council, Te Ohu Kaimoana, customary representation and the major amateur fishing groups (NZ Recreational Fishing Council, Big Game Fishing Council, and option4), who have been meeting since March 2008.

The Group provided a report to the Minister in November which identifies the underlying issues which need to be addressed but recognises that little progress has been made in reaching consensus on possible solutions. The NZ Recreational Fishing Council has also written to you on progress of the joint stakeholder initiative, suggesting that government needs to make key decisions to allow progress by the joint stakeholder initiative.

Action: *The Ministry will provide you with advice on the reports received and options for progressing the shared fisheries process for a report back due to Cabinet Policy Committee in December 2008.*

Environmental performance

In addition to the operational improvements outlined above, we have a group of projects focused particularly on improving environmental performance, and our response to climate change. This section describes the projects currently in focus, over and above our efforts to monitor fish stocks and rebuild those stocks that are below target levels.

It should be noted that the protection of the endangered Hector's and Maui's dolphin is a critical environmental issue that is described under the litigation section. Decisions considered necessary by the previous Minister on set netting, trawling and drift netting are currently being challenged by the fishing industry.

Climate Change and the Emissions Trading Scheme (ETS)

Climate change, and the related issues of fuel use and greenhouse gas emissions, has the potential to impact both the natural ecosystems and the economic markets within with New Zealand fisheries currently operate.

The Ministry has commissioned a number of research projects aimed at gaining understanding about the links between climate variability and fish stock abundance. The likely impact of climate change on primary productivity in the ocean environment and biodiversity in New Zealand waters is also being investigated. The Ministry is aware of the potential impacts of climate change on the world's fisheries and marine ecosystems, and has represented New Zealand at recent FAO meetings and international conferences on the topic.

The previous administration made decisions to implement The Emissions Trading Scheme in September 2008. The operation of fishing vessels requires large quantities of liquid fuels and the increased costs associated with the ETS will impact the profitability of the fishing industry. The Climate Change Response (Emissions Trading) Amendment Act would provide transitional assistance to fishing vessel operators at the rate of 50% of estimated costs for three years. Based on final decisions in this area, the Ministry will need to work with the Emissions Trading Group on the development of an allocation plan.

Implementation of the Marine Protected Areas Policy

The Government approved a Marine Protected Areas (MPA) policy in late 2005. It was developed jointly by the Ministry and the Department of Conservation. The MPA policy is designed to provide a co-ordinated approach for establishing a representative network of marine protected areas around New Zealand.

The MPA policy requires a forum of local interested stakeholders to be established. These forums are expected to use the guidelines, standards and habitat classifications to determine the most appropriate areas for marine protection in their bio-geographic region⁶ – including consideration of costs on existing users. The MPA process allows, for the first time, stakeholders and fishers to be actively involved in determining the best sites for marine reserves.

Two forums have been established: one covering the Sub-Antarctic Islands, the other dealing with the west coast of the South Island. In the coming year we expect to commence forums in the Otago/Southland and North-East North Island bio-geographic regions.

The Sub-Antarctic Islands forum will soon commence consultation on their proposed areas for marine protection.

Action: *Once consultation is completed you (along with the Minister of Conservation) will be asked to approve proposals (including potential marine reserves) through normal statutory processes.*

⁶ Fourteen bio-geographic regions have been established around the coastline.

Seabird bycatch management

New Zealand has the greatest variety of albatross and petrel species in the world, many of which are classified as threatened. Seabirds are caught on longline hooks, in trawl and set nets, and can be struck by trawl warps as they feed on fish waste being discharged from trawl vessels. As a result, several thousand seabirds are killed each year in New Zealand's fisheries. In addition, many of the seabirds that breed in New Zealand migrate long distances to other areas of the world where they are caught in local fisheries.

Large trawlers and all longliners are required to deploy seabird mitigation devices. A number of fisheries also actively manage seabird bycatch on a voluntary basis. The Ministry is currently working with stakeholders to improve the national management framework and to develop a seabird standard. Improving existing mitigation measures is a priority and requirements for additional measures may prove necessary in some fisheries in the future.

Action: *The Ministry will provide advice on a proposed national management framework, including a seabird standard before May 2009.*

Sealion and squid fishery interactions

The New Zealand sea lion is one of the rarest in the world and is listed as a threatened species under s 2(3) of the Marine Mammal Protections Act 1978. Currently the New Zealand sea lion is taken as incidental bycatch in several fisheries, but most predominantly in the squid fishery around the Auckland Islands.

Sea Lion Exclusion Devices (SLEDs) have been developed for use in the Auckland Island squid fishery. These SLEDs are designed to direct any sealions that have entered the net out an escape hatch, through which they can hopefully swim to safety. Now that SLEDs are used extensively in the Auckland Island squid fishery, it is difficult to assess how many sea lions interact with trawl nets and how likely they are to survive after the interaction.

Each year you must make several decisions with regard to the management of the Auckland Islands squid fishery (SQU6T).

First, you are required to set a limit on the number of sea lion fatalities that are permitted during the SQU6T fishery, known as the fishing related mortality limit (FRML). Once the FRML is reached the fishery is closed (irrespective of whether the squid total allowable commercial catch (TACC) has been caught). For the 2007-08 fishing year the FRML was set at 81 sea lions. In recent years the FRML has not been reached, so this limit has not affected fishing activity.

You are also required to make a decision on the strike rate, (meaning the number of sealions estimated killed per 100 tows) and by what percent the strike rate should be lowered if SLEDs are in use. The strike rate (the number of sea lions estimated killed per 100 tows) is used to measure the performance of the fishery against the FRML.

Action: *The Ministry is consulting on these matters with interested parties and expects to provide final advice to you in November 2008.*

Shark finning

The Green Party has called for a ban on all shark finning (defined as the removal of the fins and discarding of the trunk of the shark). Forest & Bird has also launched a public campaign calling for legislative change on this issue. The issue of shark finning was addressed in the National Plan of Action for the Conservation and Management of Sharks, approved and released in October 2008, but it is likely to continue to be a contentious issue among stakeholders.

Fisheries compliance

To ensure best value of our fisheries, protect the aquatic environment, and demonstrate credible fisheries management, we need to ensure fisheries management rules and regulations are adhered to. The following projects are aimed at improving compliance and ensuring compliance priorities optimise outcomes.

Information, risk and intelligence framework

A framework is being developed to determine high, medium and low risks in order to ensure future compliance deployments are targeting identified vulnerabilities through intelligence, workforce planning and clear outcome expectations.

Project Protector

New Zealand has purchased seven new Navy vessels (named project protector vessels) primarily to provide maritime patrol services for civilian agencies. Patrolling fisheries was a significant driver behind this decision and the new vessels will significantly increase the number of sea days available for fisheries patrols.

Effective fisheries enforcement and management demands a competent at-sea monitoring, control and surveillance presence. Ministry at-sea capacity is limited, resulting in a limited ability to detect offending (poaching on remote coast-lines, high-grading⁷, dumping, area misreporting, fishing in closed areas, etc). The means to detect and intercept EEZ incursions and the ability to meet our international obligations are important.

Additional government funding for agencies to support the project protector vessels was not provided for at the time the funding for the vessels was approved. If the Ministry is not able to supply fisheries officers for these vessels, this could result in Project Protector expectations not being met. Supporting these vessels from existing resources would have serious implications for current compliance services.

Action: *The Ministry will brief you on the resource implications for project protector.*

International fisheries and activities

New Zealand vessels participate in a number of fisheries outside New Zealand waters and consequently we engage in international fisheries management arrangements. We are also actively involved in a number of Pacific and global committees and organisations. The following information outlines issues and key upcoming meetings.

New Zealand – Cook Islands Relationship

Over the last year the relationship between New Zealand and the Cook Islands has become strained as a consequence of divergent high seas fishing policy approaches. In particular this tension has manifest around the open vessel registry of the Cook Islands, and their flagging of foreign owned vessels without a genuine link to the Cook Islands. Given New Zealand's constitutional relationship with the Cook Islands, their activities tend to reflect negatively on New Zealand when their engagement in high seas fisheries creates controversy. This issue is receiving attention from Ministry of Fisheries and Ministry of Foreign Affairs and Trade officials, and has not yet been resolved.

European Community (EC) Seafood Trade Regulations

The EC has passed a regulation that will come into effect on 1 January 2010, requiring catch certification of all marine fishery products. The objective of the regulation is to prevent illegally caught seafood being traded into the EC. The regulation means that from 1 January 2010 no seafood will be allowed to enter the European market without certification from the competent

⁷ High grading occurs when dead or dying fish are returned back to the sea by fishers if they catch "bigger and better" fish subsequently.

authority. Appropriate procedures are being developed within an interdepartmental process to ensure that, from 1 January 2010, the competent authority in New Zealand will certify all catches concerned have been made in accordance with applicable laws.

Offshore Processing of New Zealand Seafood

The recent case of contamination of milk products with melamine in China has highlighted a risk with offshore processing arrangements for New Zealand primary sector industries, including the seafood industry. Concerns include the role and effectiveness of country of origin labelling, chain of custody, fraud and substitution, mixing of products, and the potential impact on 'Brand NZ'.

Information on the extent of offshore processing of New Zealand seafood is limited and the Ministry has recently commissioned research to develop a detailed profile of offshore seafood processing. We are also working with industry to examine chain of custody issues for certification purposes.

The Ministry is also participating in an interagency group recently convened by the Ministry of Agriculture and Forestry (including New Zealand Trade and Enterprise and the Food Safety Authority) to assess the known and perceived risks of offshore processing to New Zealand primary sector industries. The group will also identify what can be done to mitigate these risks – whether by government or the industry itself.

South Pacific Regional Fisheries Management Organisation (SPRFMO)

New Zealand has actively supported, participated in and contributed to the development of the SPRFMO and interim conservation and management measures were agreed in 2007. The interim secretariat is based in Wellington.

Negotiations for the establishment of the SPRFMO have taken place on a biennial basis since being initiated in February 2006. It is expected that the seventh negotiation meeting will take place in Peru early in 2009, with a focus on reaching agreement on the SPRFMO Convention text. New Zealand will host the eighth meeting late in 2009. It is anticipated that the Convention text will be agreed on and opened for signature by the conclusion of this round of negotiations.

Regulations that set high seas catch limits for orange roughy and jack mackerel, to meet New Zealand's obligations under the SPRFMO interim measures, are currently under development. They are expected to be effective from mid-2009. Consultation with stakeholders will take place prior to finalising the details of these regulations.

Action: *Agreement on a negotiating mandate for the SPRFMO meeting will be sought prior to the next meeting in early 2009. Cabinet proposals seeking regulations to impose catch limits will be prepared aiming for passage in mid 2009.*

Western and Central Pacific Fisheries Commission – 5th Annual Meeting

The Western and Central Pacific Fisheries Commission (WCPFC) is the regional fisheries management organisation responsible for the long-term conservation and sustainable use of highly migratory fish stocks in the western and central Pacific Ocean. These include the world's largest and healthiest tuna fisheries, contributing 40 percent of the global supply of tuna.

The fifth annual meeting of the WCPFC will take place in Busan, Korea, 8-12 December 2008.

Action: *A briefing paper will be prepared prior to the December meeting outlining key issues for WCPFC5 and seeking your agreement to New Zealand's negotiating position for the meeting.*

United Nations Food and Agriculture Organization's Committee of Fisheries meeting, March 2009

The twenty-eighth meeting of the Food and Agricultural Organization of the United Nations (FAO) Committee on Fisheries (COFI) will take place 2 to 6 March 2009 in Rome.

The COFI meets once every two years and is the primary global inter-governmental forum for examining major international fisheries and aquaculture problems and issues. The COFI has also been used as a forum in which global agreements and non-binding instruments are negotiated.

New Zealand's key interest is in the FAO's leadership in fisheries management and we will seek to support this role at the FAO COFI meeting. New Zealand will have a range of more specific objectives relating to promotion of sound governance arrangements for sustainable management of fisheries and addressing the environmental impacts of fishing.

Action: *A briefing paper will be provided in early 2009, outlining New Zealand's negotiating position and seeking your agreement.*

Pacific Islands Forum Fisheries Committee – 2009 Annual Meeting

The next meeting of the Pacific Islands Forum Fisheries Committee (FFC) will be held in Niue in May 2009 and will include a Ministerial level FFC meeting of one to two days' duration.

The FFC is the governing body of the Pacific Islands Forum Fisheries Agency (FFA). The primary role of the FFA, based in the Solomon Islands, is to provide its members with policy advice on fisheries management and development, including in meetings of the Western and Central Pacific Fisheries Commission (WCPFC). The Agency also provides technical services to members in the shape of the FFA vessel monitoring system, vessel register and observer programme.

Over time FFC meetings have become more strategically focussed on the key fisheries management and development issues and challenges facing the region. New Zealand has played an active role in recent years in strengthening the governance arrangements and accountability of the FFA and this focus should continue in 2009.

Action: *A briefing will be prepared prior to the FFC meeting in May, seeking your agreement to New Zealand's negotiating position for this meeting.*

Litigation

The Ministry is involved in a variety of litigation. However, it is judicial review litigation that involves the most Ministry resource. The Ministry operates in an environment in which parties often challenge fisheries management decisions through the Courts by way of judicial review.

High profile issues include:

Kahawai legal challenge to the Supreme Court

This is a challenge to the Minister's 2004 and 2005 TAC and TACC decision on kahawai. The Supreme Court ruled in early October that an appeal considering the approach to setting kahawai catch limits and catch limits can go ahead. The likely hearing date is sometime in February 2009. This final outcome of this case will have implications for how we address fisheries allocation issues across sectors in the future.

Maui's and Hector's dolphins

Earlier this year the Minister of Fisheries introduced new rules on set netting, trawling, and drift netting to help protect New Zealand's endangered and protected Hector's and Maui's dolphins. Fishing (set netting in particular) is the biggest known threat to the dolphins, and fisheries

legislation requires the Minister to manage the effects of fishing on protected species. The new rules are part of an interdepartmental threat management process involving the Ministry and the Department of Conservation. The Conservation Minister is addressing non fishing-related threats.

The threat management process was contentious (more than 2000 submissions for and against new rules were received). The rules the Minister adopted could cost the economy (not just fishers) nearly \$80 million over five to ten years. However, based on information available, he deemed the rules were necessary to protect the dolphins.

The fishing industry is challenging the new fishing rules in the High Court. The hearing is set for 6 to 8 April 2009. The court granted the industry interim relief from some of the new rules leading up to the April hearing, on the condition that there is no dolphin mortality in the areas where relief has been granted.

Annual decisions required

A number of fisheries management decisions are made annually, and are a regular part of the role of the Minister of Fisheries. The following are decisions that will need to be made in the next six months.

Statement of Intent 2009 to 2014 and required services documents

Annually, the Ministry is required to produce a series of accountability documents. These are:

- Statement of Intent (SOI);
- Fisheries Services Plan; and
- Estimates of Appropriation (the Estimates) and supporting information.

The SOI is a document relating to departmental medium-term performance and strategic planning. It includes matters such as outcomes and objectives achieved, cost effectiveness measures, and the department's organisational health. The SOI does not contain any financial information.

The Estimates is a document that covers only one year. It provides information supporting the appropriations being sought in the Appropriation Bill and specifies expected performance to set up accountability for reporting. The Estimates include specific information such as the forecast statement of service performance and forecast financial statements. The Ministry's contribution to the Estimates is finalised in April in time for the Budget.

Annually, the Ministry is required to develop what it calls the Fisheries Services Plan. The plan sets out the services the Ministry intends to deliver in the forthcoming financial year. The Plan is distributed to fisheries stakeholders for consultation and the stakeholder comments taken into account before final recommendations are made to the Minister of Fisheries on the agreed services to be adopted for the next year. The Minister must make decisions on services before the Estimates are finalised.

Action: *The Ministry will provide a draft Fisheries Service Plan and seek your approval prior to distribution to stakeholders, in January 2009.*

Approval of Total Allowable Catch and Total Allowable Commercial Catch recommendations

The Ministry undertakes two sustainability rounds each year, focused on each of the two fishing years in the Act: 1 April and 1 October⁸. While most QMS stocks begin their fishing year in October there are some important exceptions, notably rock lobster and southern blue whiting. Part of the sustainability round process is the setting of deemed values – the cost charged for any fisher's catch that is more than their catch entitlement.

⁸ The Lake Ellesmere eel fishery operates with a 1 February fishing year.

The Ministry expects to review a number of the TACs and TACCs for rock lobster and, pending further research analysis, potentially for southern blue whiting, prior to 1 April.

Action: *As part of our usual review and monitoring programmes we expect to provide advice on varying deemed values for 1 April stocks, and, if necessary, TAC and TACC advice, early in the New Year.*

Cross sector coordination

Crown agencies have identified the lack of coordination in addressing key opportunities and risks in the natural resource management sector as a major strategic issue. As a consequence it has recently been agreed to establish a network across relevant agencies with the Chief Executives meeting regularly to coordinate direction and programme management on priority issues. Led by the State Services Commission (SSC), government agencies are intending to work closely together to deliver progress on sustainability initiatives.

As part of this work, a cross-sector strategic briefing has been developed, led by the Ministry for the Environment, to provide incoming Ministers with a high-level context on the importance of environmental sustainability for New Zealand. This briefing explains that we have reached environmental limits in some areas, and that there are a range of governance and management issues to be addressed if New Zealand is to achieve best value from the use of natural resources.

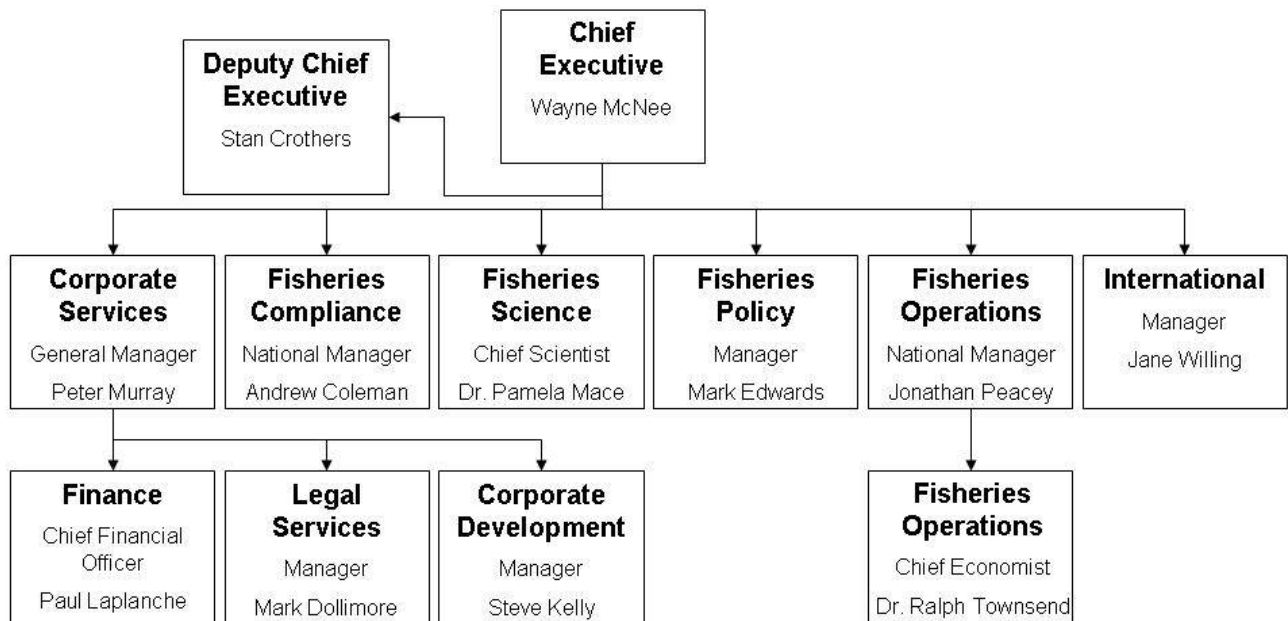
Critical issues identified in the briefing have relevance for fisheries. These include: the Resource Management Act; Māori and natural resources; water (quality decline, allocation and demand); biodiversity; marine issues; and greenhouse gases and climate change.

In a separate stream of work, 'state of the environment' outcomes and targets for New Zealand are being developed by officials. The intent is to develop a comprehensive and coordinated map of outcomes and targets across the natural resource management sector.

A copy of the natural resources sector briefing is attached as **Annex 1**.

PART THREE: THE MINISTRY

The following diagram displays the internal organisation of the Ministry.



The Ministry was established as a stand-alone department⁹ on 1 July 1995 and employs 440 permanent staff (430 FTE equivalents) as of 30 September 2008. There are also approximately 160 voluntary Honorary Fishery Officers and a pool of 60 Scientific Observers employed on intermittent fixed-term employment agreements.

LEADERSHIP

The Strategic Leadership Team (SLT) was repositioned in late 2007 to provide a new platform of governance in the Ministry.

SLT objectives are to ensure:

- clear objectives, performance standards and accountabilities for delivery of the agreed outcomes, outputs and services are in place
- maximum value is obtained from taxpayer funds
- core operating infrastructure and capability is maintained and developed
- appropriate risk identification and management processes are established
- governance mechanisms are continually reviewed and adapted to meet emerging needs.

⁹ Previously part of the Ministry of Agriculture and Fisheries, which has since become the Ministry of Agriculture and Forestry



Wayne McNee – Chief Executive

Prior to joining the Ministry Wayne spent eleven years working at PHARMAC. He was appointed General Manager in 1998, becoming Chief Executive when PHARMAC became an independent Crown entity in 2001. Wayne undertook an 18 month secondment as a policy advisor within the Department of Prime Minister and Cabinet, before being appointed as Chief Executive at the Ministry of Fisheries in January 2008. He is a qualified pharmacist and has worked in a number of roles as a pharmacist, both in New Zealand and the UK. During his time at PHARMAC he studied post-graduate clinical pharmacy at Otago. He has also studied management and leadership at Mt Eliza Business School in Melbourne, at Oxford University, and last year at Stanford Business School in California. Wayne is also an alumnus of the government's Leadership Development Centre Executive Leadership Programme.



Stan Crothers – Deputy Chief Executive

Stan has worked in the Ministry for over 30 years and has been Deputy Chief Executive for 12 years. He has international, policy, regulatory, compliance and machinery of government expertise. Stan has worked in New Zealand and the USA and has provided fisheries management advice to Chile, Argentina, Kenya, Australia, Pacific Island states and the United Nations Food and Agriculture Organization. He has also been involved in state sector reform, establishing the New Zealand Exclusive Economic Zone, designing and implementing New Zealand's Quota Management System, and leading the establishment of the Ministry of Fisheries. More recently he has worked on developing institutional frameworks to decentralise fisheries services, and has been involved in policy development, including cost recovery, defining and protecting customary fishing rights, aquaculture reform, recreational reform, and Oceans Policy. Stan will be retiring from the Ministry in March 2009.



Peter Murray – General Manager – Corporate Services

Peter joined the Ministry in 1999 and has since led work on a number of major corporate projects including the outsourcing of registry services, cost recovery, and implementation of the government's Aquaculture Settlement obligations. Prior to joining the Ministry, Peter held executive responsibility for corporate functions in the Wellington Area Health Board, then Capital Coast Health Limited. He has also held roles in IBM New Zealand and IBM Australia, P&O Shipping, and Deloitte. Peter graduated from Victoria University of Wellington in the mid 1970's with a BCA, and is a Chartered Accountant. He recently graduated with an Executive Masters in Public Administration through the ANZSoG programme and is a member of the government's Leadership Development Centre Executive Leadership Programme.



Andrew Coleman – National Manager Compliance

Andrew Coleman joined the Ministry as National Manager Compliance in July 2008. Prior to joining the Ministry, Andrew spent 10 years working in the New Zealand Customs Service where he was most recently Group Manager - Intelligence, Planning and Co-ordination. Prior to this he spent nearly 20 years in the New Zealand Police in positions including Detective Sergeant and Inspector. He recently graduated from the government's Leadership Development Centre Executive Leadership Programme.



Dr Pamela Mace – Chief Scientist

Pamela has been involved in fisheries science for more than 30 years, and has substantial international experience. She spent nine years studying and working in Canada, where she earned a PhD from the University of British Columbia. Pamela returned to New Zealand in 1986 for two years in time to be involved in the scientific aspects of implementation of the Quota Management System, and then spent 15 years in the United States working in fisheries. Her last position there was the National Stock Assessment Coordinator for the National Marine Fisheries Service. She joined the Ministry in 2004, and was promoted to Chief Scientist in 2005. Pamela's main areas of expertise are fish stock assessments, the development and implementation of fisheries harvest strategies, ecosystem approaches to fisheries management, and the development of criteria for defining species at risk.



Mark Edwards – Manager, Fisheries Policy

Mark Edwards joined the former Ministry of Agriculture and Fisheries in 1988 following completion of a Masters in Marine Science. He became a manager in the Fisheries Policy section after it was established in 1991 and has managed the Policy Business Group since the establishment of the Ministry of Fisheries in 1995. Mark has managed operational policy, a number of legislative reform processes, chaired a wide range of domestic management forums with stakeholders, and represented the Ministry in many interdepartmental forums, Select Committees, and with Ministers. In addition Mark regularly led delegations representing New Zealand at international fora in previous roles.



Jonathan Peacey – National Manager Fisheries Operations

Jonathan has been National Manager of Fisheries Operations since 2005. He has worked in the fisheries sector for over 20 years in a range of roles including fisheries manager in the Ministry's Dunedin Office, Assistant General Manager of the New Zealand Fishing Industry Board, Acting Science Manager of the New Zealand Seafood Industry Council, Fisheries Director of the Marine Stewardship Council (MSC) based in London, and Chief Policy Analyst with the Ministry of Fisheries. He also worked with the Ministry of Fisheries Establishment Unit in 1994 and has worked as a consultant for a wide range of fisheries clients. He has worked on many diverse projects including implementation of the Quota Management System, designing and implementing the rock lobster tail width gauge, writing the Seafood Industry Foresight Strategy, chairing the National Rock Lobster Advisory Group, refining the MSC assessment methodology, and developing the Ministry's Strategy for Managing the Environmental Effects of Fishing.



Jane Willing – Manager International

Jane Willing joined the former Ministry of Agriculture and Fisheries in 1991 and has managed various teams including Māori Fisheries, Aquaculture, Biosecurity and Amateur fisheries. Since 1992 Jane has managed the International Fisheries team. In this capacity she has led a number of New Zealand delegations in international negotiations, and chaired several UNFAO and OECD workshops and meetings. Jane has a degree in International Relations and Political Science, and is a Harvard Executive Fellow. Before joining the Ministry she held positions in Parliamentary Services in specialist areas of International Relations and Defence.



Paul Laplanche – Chief Financial Officer

Paul joined the Ministry in December 2004 as Manager Finance and his role was later enhanced to that of Chief Financial Officer. Paul graduated from Canterbury University in 1990 with a BComm and is a Chartered Accountant and Certified Treasury Professional. Paul started his career in the Audit, Insurance and Banking areas. He then worked for over a decade within local government in a number of finance roles including Manager Finance at the Wellington Regional Council. Over this time Paul was involved in a number of significant projects ranging from implementing legislative reform to arranging the funding for the region's contribution to building the Westpac Stadium.



Mark Dollimore – Manager Legal Services

Mark joined the Ministry in 2000 as Manager North Island Prosecutions. He has since been Manager South Island Prosecutions and National Manager Prosecutions before taking up his current role. Mark studied law at Auckland University and was admitted to the Bar in 1990. He then spent 10 years practicing in Auckland in criminal, civil and other litigation. As well as working for the Ministry, Mark serves as a territorial soldier in the New Zealand Army. Mark will be leaving the Ministry in December 2008.



Steve Kelly – Manager Corporate Development

Steve joined the Ministry in 2005 as manager of the Fisheries Observer Services team. Since then he has held positions as National Manager Fisheries Sciences and Acting National Manager Compliance. He was appointed to his current position in early 2007. Prior to joining the Ministry, Steve worked for Fonterra where he was based mainly in the Middle East and Asia. His initial roles with the company were in sales and marketing. Later he took up positions with the Operating Company and in Regional Management. On his return to New Zealand Steve assumed responsibility for the Fonterra supply chain team responsible for the technical and logistical servicing of Fonterra's global ingredients customers. Steve has extensive commercial experience including organisational process design and financial management.



Dr Ralph Townsend – Chief Economist, Fisheries Operations

Ralph started as Chief Economist at the Ministry of Fisheries in July 2007. Before coming to New Zealand, Ralph was Professor of Economics at the University of Maine for 25 years. He has been involved in fisheries management issues in New England, the Gulf of Mexico, Alaska and Hawaii. Ralph has published widely on fisheries economics and fisheries management. He also served as President for the North American Association of Fishery Economists between 2005 and 2007. The past ten years of his research has included extensive work on fisheries self-governance and corporate governance of fisheries. Ralph recently co-edited "Case Studies in Fisheries Self-governance," which was published by the United Nations Food and Agriculture Organization.

BUSINESS GROUP DESCRIPTIONS

Fisheries Operations

The Fisheries Operations business group has 106 staff, located primarily in Auckland, Napier, Wellington, Nelson and Dunedin. The group is divided into five major areas as follows.

Fisheries managers: These teams monitor and provide advice on fisheries issues around the nation and manage relationships with local and national stakeholders. Teams are structured into five inshore teams, a deepwater team, and a team that deals with highly-migratory stocks.

Spatial teams: One team is based in head office and deals with customary tools (mātaitai and temporary closures) and marine reserves. The other is based in Nelson and deals with aquaculture.

Advisory teams: These teams provide advice and support for major fisheries management issues. Teams include:

- a socio-economic team
- a team focused on national environmental issues
- a team managing standards development and monitoring
- a team to manage the registry
- a regulatory support team.

Pou Hononga: These staff members manage the Ministry/tangata whenua relationship at the regional level. This includes assisting the flow of information and working closely with the Ministry's inshore and spatial teams in the region, so that advisers and Ministry business groups can engage with tangata whenua as appropriate. The primary mechanism for building relationships with iwi and hapu is through regional fisheries forums established and organised by the Pou Hononga. Such forums help facilitate the development of a common policy and management approach to fisheries matters for the region.

Pou Takawaenga: In the longer term it is intended that each forum will have extension support in the form of extension officers (known as Pou Takawaenga), to assist hapū and iwi representatives in undertaking their role. That assistance includes identifying each hapū's key objectives and how they might be achieved, and helping them with any concerns they may have so that as many issues as possible can be resolved outside of the forum hui.

Fisheries Operations' current work programme includes:

- development and evaluation of fisheries plans
- the bi-annual review of fisheries sustainability and other regulatory controls
- introduction of new fish stocks into the QMS
- establishing and supporting the regional iwi forums
- establishing and supporting the regional recreational advisory groups
- application of the customary fishing regulations, including appointment of kaitiaki, and establishment of mātaitai, taiapure, and temporary closed areas
- marine reserve concurrence
- bio-security advice
- socio-economic processes
- managing and monitoring devolved and contracted registry services
- aquaculture, including marine and freshwater farm permit decisions and implementation of the aquaculture reforms
- implementing and monitoring of iwi protocol plans
- managing the adverse impacts of fishing on the aquatic environment
- environmental certification.

Fisheries Policy

The Fisheries Policy Business Group has 20 staff located primarily in Wellington with two staff in Nelson. The key responsibility of the Fisheries Policy group is the development and review of policy and legal frameworks required for the sustainable and efficient utilisation of fisheries.

The current policy work programme focuses on developing a fisheries strategy, delivering on the Crown's obligations to Māori, improving the environmental performance of fishing, and designing initiatives and reforms that enable stakeholders to obtain maximum value from New Zealand's fisheries resources.

Fishery Policy's current work programme includes:

- Long term fisheries strategy development and implementation of an outcomes framework
- Monitoring and reporting on fisheries outcomes
- Legislative reform of the Fisheries Act 1996
- Aquaculture legislation review
- Engagement in natural resource sector reform process
- Cost recovery review
- Shared fisheries policy
- Treaty Strategy development and consultation
- Treaty Settlements and Foreshore and Seabed
- Sustainable economic development initiatives
- Supporting implementation of climate change policy.

Fisheries Compliance

The Fisheries Compliance group has 177 staff comprising:

- Fisheries surveillance and investigation officers
- Data and forensic analysts
- Intelligence analysts
- Prosecutors
- Trainers
- Communications centre operators
- Infringements processors
- Support staff (human resources, business planning and reporting).

The group has District offices in Whangarei, Auckland, Tauranga, Gisborne, Napier, Wellington, Nelson, Christchurch, Dunedin, and Invercargill. There are local offices in Chatham Islands, Kaitia, Hamilton, Opotiki, Whitianga, New Plymouth, Masterton and Blenheim.

The Fisheries Compliance group provides services in commercial, non-commercial, poaching and black-market, and international fisheries to:

- educate, train, monitor, and inspect fishers to encourage voluntary compliance with fisheries rules and regulations
- investigate and prosecute fishers to create an effective deterrent against breaking fisheries rules and regulations
- manage and train approximately 160 voluntary Honorary Fisheries Officers
- support and facilitate the work above.

The current work programme includes:

- refining the fisheries compliance risk, information and intelligence framework and operations to better support compliance services
- targeting fisheries compliance services to better encourage voluntary compliance and create an effective deterrent against breaking fisheries rules and regulations
- enforcement of amateur, commercial, customary and international fishing rules, including monitoring, investigation, and recommendations to prosecute
- prosecutions, including case preparation and management of forfeit property

- better aligning fisheries compliance support services, systems and deliverables to front-line delivery
- refining the fisheries compliance training framework
- maintaining strong working relationships with New Zealand Police, New Zealand Defence Forces and other enforcement agencies
- maintaining a focus to ensure the health and safety of Fisheries Officers in their work environment.

International

The International business group has nine staff and is based in Wellington. The group maintains and advances New Zealand's fisheries interests internationally. In particular the group provides policy advice on the establishment of robust fisheries governance arrangements, frameworks and rules. It then promotes these policy positions by representing New Zealand in bilateral, regional and multilateral forums that deal with fisheries issues. The group also undertakes bilateral and regional fisheries capacity development work with Pacific Island countries (PICs).

The current work programme includes:

- achieving effective international fisheries governance arrangements, frameworks and rules, including developing the fisheries management capacity of PICs:
- delivering on our international obligations
- maximising opportunities and value for New Zealanders from fisheries internationally:
 - engaging in relevant regional and global forums to maintain and advance New Zealand's interests in fisheries internationally
 - securing well-defined access rights for New Zealand's fishing industry to fisheries resources outside of New Zealand's Exclusive Economic Zone
 - providing fisheries advice in World Trade Organisation and Free Trade Agreement (FTA) negotiations to maximise trade opportunities.

Fisheries Science

The Fisheries Science business group consists of two main teams: Fisheries Assessments and Aquatic Environment. The Science Group has 24 staff, all located in Wellington. They are primarily responsible for planning scientific research, coordinating and chairing stock assessment and environmental impact meetings, and providing scientific advice to inform fisheries management decision-making. The Group runs four main processes with annual cycles: a research planning process, a stock assessment process, an environmental assessment process and a biodiversity assessment process. All processes have substantial stakeholder input, with approximately 100 full-day workshops open to all interested parties held each year. Key annual outputs include: two Plenary documents summarising the status of 82 fish species divided amongst a large number of stocks; research reports; and input into Ministry advice papers.

The current research programme focuses on:

- maintaining the stock assessment programmes for the major deepwater and inshore commercial stocks (hoki, hake, ling, southern blue whiting, orange roughy, oreos, scampi, snapper, tarakihi, rock lobster, paua, toothfish, and southern bluefin tuna are the key species, with less frequent research being conducted on many other species).
- stock monitoring for many other target and bycatch species, dispersed amongst 13 Working Groups that each meet frequently throughout the year
- estimation of amateur harvest levels for priority stocks (e.g. snapper, tarakihi, kahawai)
- research into the effects of fishing on marine ecosystems (including seamounts) and protected species (seabirds and marine mammals)
- biodiversity research in New Zealand and the Ross Sea.
- research in support of international organisations in which New Zealand has a role
- research on customary fisheries
- assessments of the impacts of aquaculture on wild fish stocks.

Corporate Services

Corporate Services has 117 staff spread nationally to support front line services and undertake organisational systems and processes.

The Corporate Services Business Group includes the following functional teams: Information Management, Information Technology, Legal, Finance, Human Resources, Communications, Māori Aquaculture Settlement, Corporate Monitoring Unit and Corporate Operations.

The Group is responsible for:

- supporting the Chief Executive to ensure the effective governance, leadership and management of the Ministry. This involves facilitating and monitoring the Ministry's compliance with statutory obligations and the discharging of responsibilities, to a high standard, arising from the parliamentary process, for example, responses to Official Information Act requests, Select Committee reviews, and parliamentary questions.
- provision of efficient and effective support services to frontline business groups
- progressing the Māori Aquaculture Settlement.

Te Roopu Awatea

Te Roopu Awatea is a network of Ministry staff that provides support and advice to the Chief Executive and managers to assist with developing positive and effective ways to work with Māori to assist the Ministry deliver the Crown's responsibilities as a Treaty partner. Te Roopu Awatea also supports the continual enhancement of the Ministry as a workplace that values the contribution of its Māori staff.

Observer services

Observers provide a source of high-quality scientific and other information from commercial fishing operations. This information is a valuable input into the management of New Zealand's fisheries resources, particularly the setting of sustainability levels and the monitoring of the environmental impact of fishing activities. Observers are also used by external agencies (e.g. the Department of Conservation) to gather the specific fisheries-related information required to meet their organisational obligations.

There is a pool of about 60 observers employed on fixed-term contracts corresponding to fishing vessel trips. The coverage plan for the current year is to deliver 8,985 days of coverage at sea (known as sea days). Increased observer monitoring for Hector's and Maui's dolphins was announced in May 2008. This has added 900 sea days to the 2008/09 observer coverage plan.

IMPROVING MINISTRY PERFORMANCE

The focus of the Ministry's performance and capability development initiatives is the three-year Organisational Development Plan (ODP), started in 2006. The ODP has the objective to ensure that the outcomes in the Statement of Intent drive the organisation's structure, systems and processes, priorities, capability development and investment decisions. The major strategies to improve Ministry performance and maintain and develop organisational health and capability are:

a) Improving stakeholder relations, public awareness and communications

The Ministry is committed to increasing the level of participation in fisheries management by tangata whenua, stakeholders and the general public. In support of this commitment, improving the availability of fisheries information is a priority. By promoting involvement in the development of fisheries plans, and ongoing investment to improve our web-based capability to share fisheries information and views, this is being achieved. For example, the Ministry now has science working group and fisheries planning websites that support stakeholder groups. We also

have an education website (www.starfish.govt.nz) designed to improve younger peoples' awareness and knowledge of the marine environment and our fisheries.

b) Increasing operating efficiency

i) Governance

To ensure the Ministry has appropriate risk identification and mitigation processes in place a Risk Advisory Group is being established. This new governance group will include external perspectives and will be led by an independent Chair.

ii) Information Management

Significant investments are being made in the Ministry's information management processes and supporting infrastructure. This includes investment in numeric and spatial data warehouses to facilitate availability of data to tangata whenua, stakeholders, the public and staff, and in a new electronic document system. Significant progress in our use of web-based technologies is expected over the next few years.

iii) Reducing our environmental footprint

The Ministry's carbon footprint was assessed at 3,922 tonnes of carbon dioxide for the 2006/07 financial year. We are working to reduce our footprint by ensuring that our work practices and procurement decisions consider sustainability objectives. We are also investing in technology to reduce our costs of operating and our carbon footprint, such as investment in video conferencing to reduce travel.

c) Competency and capability improvement

Our People Strategy aims to attract, develop and retain the people needed to achieve the Ministry's organisational goals. Organisational management and leadership development programmes are underway to ensure our managers and leaders are skilled in their areas of responsibilities. All Ministry staff are expected to make an ongoing investment in their skill development and capability growth and they each have a target of at least five days formal training per year.

Prior to the start of the 2008/09 year the Ministry completed the first Gallup engagement survey with staff. Information from this State Services development goal initiative is being used to improve the level of staff engagement within the Ministry.

d) Equal Employment Opportunities

The Ministry completed a Department of Labour sponsored gender Pay and Employment Equity review late in 2007/08 year. While no systemic gender-related equity issues were identified, opportunities for greater policy clarity and consistency in areas such as flexible working arrangements are being progressed.

e) Capacity

In the period from 2001 to September 2008, the Ministry staff numbers increased from 306 to 440 (44% on a headcount basis), and at the same time Vote Fisheries increased from \$68.6 million to \$96.4 million (41%). The increases are almost entirely due to additional activities approved in the Government's annual budget process.

As part of the annual budget cycle, the Ministry undertakes intensive reviews of its activities with the intention of ensuring they are still relevant to the strategic direction and in order to allocate funding to high priority areas.

ORGANISATION REVIEW

Tenders have been invited for consultants to assist the Ministry review the way it works. The objectives of the review are to ensure the ministry is well positioned to deliver on the strategic intent, as outlined in the Statement of Intent and emerging from the 2030 Vision and Strategy work; to support the State Services Development Goals; and to achieve resource flexibility and productivity to meet changing demands in a time of expected budget constraint. It is expected the review will take place in the first quarter of 2009.

FINANCES

The Vote Fisheries departmental output expense budgets for 2008/09 in the Main Estimates and October baseline update are as follows.

Table 1 – Vote Fisheries expense budgets (all figures in \$million)

Departmental output expense	Main Estimates 2008/09	One-off transfers from 2007/08 into 2008/09 only	2008/09 Pre-election fiscal update	2009-10 current baseline funding
Fisheries policy advice	7.4	0.2	7.6	7.6
Fisheries information	31.0	6.4	37.4	32.1
Fisheries operations	26.0	1.2	27.2	25.7
Fisheries compliance	30.1		30.1	29.1
Aquaculture settlement	1.5		1.5	1.5
Interim Secretariat – South Pacific Regional Fisheries Management Organisation	0.4	0.3	0.7	0
Total	96.4	8.1	104.5	96.0
Departmental revenue from transaction charges	2.1	0	2.1	2.1
Net departmental cost	94.3	8.1	102.4	93.9
Cost recovery levies	33.9	0	33.9	33.9
Net Crown cost	60.4	8.1	68.5	60.0
Additional funding for Treaty settlements approved since Pre-election fiscal update			4.6	2.9
Updated net Crown cost			73.1	62.9

Since the fiscal update, Cabinet has approved additional funding in 2008/09 and out years relating to:

\$m	2008/09	2009/10	2010/11	2011/12 and outyears
Waikato Tainui River co-management	1.724	1.095	1.149	1.250
Ngati Porou and Te Whanau a Apanui	2.152	1.531	1.551	2.008
Maori Aquaculture Settlement	0.750	0.250	0	(1.000)*

* Reduction is \$0.25m in 2011/12 and 2012/13, and \$0.5m in 2013/14.

Note: Revenue from Departmental transaction charges and cost recovery levies will only be fully determined once the baseline is approved.

Cost recovery – industry charges

The following table shows the amount recovered from industry through levies and fees, including a share of Ministry overheads, based on the cost of delivery of the Ministry's outputs. The charges are not departmental revenue, but are paid into the Crown account. Historically, the pattern of Ministry expenditure throughout the year has not fully reflected its budgeted expenditure, which has been the basis for determining cost recovery levies. The result is that there have been both under and over recoveries from the commercial fishing sector. The Ministry has processes and protocols in place to manage over and under recovery of cost with industry.

Table 2 – Industry contributions

Planned industry contributions	2004/05 (\$m)	2005/06 (\$m)	2006/07 (\$m)	2007/08 (\$m)	2008/09 (\$m)
Core departmental services	17.008	15.993	15.623	16.382	18.699
Research	14.704	15.742	14.914	15.174	15.263
Planned cost recovery levies	31.712	31.735	30.537	31.556	33.962
Transaction charges	2.356	2.423	1.979	1.699	2.078
Total planned industry contributions	34.068	34.158	32.516	33.255	36.040
Contribution as % of Vote: Fisheries	45%	40%	36%	35%	37%

BOARDS FOR WHICH THE MINISTER OF FISHERIES HAS RESPONSIBILITY

Amateur Fishing Ministerial Advisory Committee

Established in July 2005, this Committee's purpose is to provide advice directly to the Minister of Fisheries on strategic matters facing the amateur fishing sector. Committee discussions address matters such as allocation, examining options to improve information generation and management, and capacity building. Membership of the Advisory Committee is detailed as follows.

Name	Location
Lorraine Hill	Russell
Kim Walshe	Auckland
Sheryl Hart	Raglan
Peter Ellery	Rotorua
Geoff Rowling	Upper Moutere
Bob Meikle	Christchurch

Catch History Review Committee

The Catch History Review Committee was established under the Fisheries Act 1996 to hear and determine appeals against decisions by the Chief Executive of the Ministry in relation to allocations of provisional catch history or eligibility to receive provisional catch history. The Chief Executive's decisions are a precursor to allocations of quota when species are introduced into the Quota Management System (QMS).

Presently the terms of all members of the Catch History Review Committee have expired. The terms will be renewed should a species be added to the QMS for which a catch history review is necessary.

This committee is currently under review as part of the Justice Department's wider review of statutory appointments.

Taiapure-Local Fishery Management Committees

A taiapure is a local management tool established in an area that has customarily been of special significance to an iwi or hapū as a source of food or for spiritual or cultural reasons. Once a taiapure-local fishery is in place, the Minister appoints a committee of management. The committee has the power to recommend the Minister makes regulations to conserve and manage fisheries in the taiapure-local fishery. The terms of appointment of a committee are set out in section 184 of the Fisheries Act 1996.

At present there are seven taiapure: Waikare Inlet, Makatu, Porangahau, Palliser Bay, Whakapuaka, East Otago and Akaroa Harbour. A committee is yet to be appointed for Kawhia Aotea.

PART FOUR: ISSUES THAT NEED CONSIDERATION PRIOR TO MAY 2009

Fisheries 2030: You will need to make a decision on seeking Cabinet approval for consultation on Fisheries 2030 in early 2009.

Legislative Review: A decision on progress of the legislative reform project will be requested from you in December 2008.

Aquaculture Legislation: You will need to decide on whether to reinstate of the Aquaculture Legislation Amendment Bill (No. 2) 2008 for enactment in the new Parliament.

Aquaculture Reform: Advice will be provided to you on options for aquaculture legislative reform to inform the report back to Cabinet by you and the Minister for the Environment in February.

Aquaculture Settlement: A Ministerial decision will be required to instruct the Parliamentary Council Office to draft the required legislation to implement the deed of settlement.

Mātaimai Reserves: An additional 24 applications for mātaimai reserves have been received. It is expected that you may be asked to make decisions on some applications before May 2009.

Customary fishing regulations: Ngai Tahu has requested new regulations to prohibit commercial fishing in 32 areas scattered throughout their rohe moana, and other iwi may make similar requests. It is likely that you will be asked to make a decision on Ngai Tahu's request, and potentially those of other iwi before May 2009.

Temporary closures under s186A and 186B: On average the Ministry processes 2-3 approvals for temporary closures per year. While no requests are currently on hand it is likely that you will have to consider applications in the first 6 months of 2009.

Fisheries Plans: We expect to seek your approval on the first group of fisheries plans in the first six months of 2009.

Standards: We will seek your approval of a seabird standard in 2009 and will seek your approval to consult on a benthic impact standard by mid-2009.

Passage of regulations for 1 June 2009: Consultation closed 17 November 2008 on a number of regulatory proposals for enactment in June 2009. Following consideration of submissions you will be provided with final advice in February 2009 for your decision on whether to proceed with regulations.

Cost recovery: The Ministry of Fisheries is developing consultation material on new cost recovery models, and a report back is due to the EDC with this material by 28 February 2009.

Allocation in fisheries management: The Ministry will provide you with advice on options for advancing the shared fisheries process, and reports received from the shared fisheries working group and the NZ Recreational Fishing Council, for a report back due to Cabinet Policy Committee in December 2008.

Marine Protected Areas: The Sub-Antarctic Islands forum will soon commence consultation on their proposed areas for marine protection. Once consultation is completed you, along with the Minister of Conservation, will be asked to approve proposals (including potential marine reserves) through normal statutory processes.

Seabird bycatch management: The Ministry will provide advice on a proposed national management framework, including a seabird standard, in 2009.

Sealion and squid fishery interactions: Each year you are required to make decisions with regard to the Auckland Islands squid fishery (SQU6T) and interactions with sea lions. The Ministry is consulting on these matters with interested parties and expects to provide final advice for your decision in November 2008.

Project Protector: The Ministry will provide you with a briefing on resource implications for project protector.

South Pacific Regional Fisheries Management Organisation (SPRFMO): Agreement on a negotiating mandate for the SPRFMO meeting will be sought prior to the next meeting in early 2009. Cabinet proposals seeking regulations to impose catch limits for orange roughy and jack mackerel will be prepared aiming for passage in mid 2009.

Western and Central Pacific Fisheries Commission: A briefing paper will be prepared outlining key issues and seeking your agreement to New Zealand's negotiating position for the WCPFC 5th annual meeting in December 2008.

FAO Committee of Fisheries meeting, March 2009: A briefing paper will be provided in early 2009 outlining, and seeking your agreement to, New Zealand's negotiating position.

Pacific Islands Forum Fisheries Committee: A briefing will be prepared seeking your agreement to New Zealand's negotiating position for the FFC annual meeting in May 2009.

Annual decisions: A number of fisheries management decisions are made annually, and are a regular part of the role of the Minister of Fisheries. The following are decisions that will need to be made in the next six months.

- The Ministry will provide a draft Fisheries Service Plan and seek your approval prior to distribution to stakeholders, in January 2009
- The Ministry expects to provide advice on varying deemed values for 1 April stocks, and, if necessary, TAC and TACC advice, early in the New Year

ANNEX 1 - NATURAL RESOURCES SECTOR BRIEFING: ENVIRONMENTAL SUSTAINABILITY

Purpose and introduction

1. This paper focuses on several critical issues in the environmental area, as New Zealand is not yet capitalising on significant opportunities or managing significant risks as well as we could in those areas. The paper also sets out the importance of environmental sustainability for New Zealand's overall wellbeing, and discusses (at a high level) some of the choices to be made in addressing environmental sustainability and the capability improvements needed within central government.
2. Environmental sustainability has moved from the periphery to a central issue for New Zealand. The reason for this shift is not just a change in public or global opinion, but recognition that we have reached a crossroads: some environmental limits have been reached, and the full consequences of many legacy issues (like land contamination) are now becoming clear. The links between environmental sustainability and economic growth are now better understood, and a 'business as usual' approach will not deal with the increased threats or new opportunities. If New Zealand takes the wrong path, we risk lasting damage to our domestic wellbeing and international reputation.
3. This paper has been developed jointly by government agencies with an interest in natural resources and the environment, led by the Ministry for the Environment. Working collaboratively across the relevant agencies, Chief Executives have decided to establish new governance arrangements for a formalised Natural Resources Sector¹ to improve strategic leadership and collaboration. This has delivered better identification of the priority issues and alignment of good environmental outcomes with economic, social and cultural considerations. This paper complements other cross-departmental briefings on climate change and Auckland issues, as well as departmental briefings.

Environmental sustainability and sustainable development

4. A working definition of environmental sustainability is: "*A healthy environment, based on healthy functioning ecosystems, that provides for the wellbeing of society, now and in the future.*" Ecosystems include natural and human-altered ecosystems, and societal wellbeing includes social, cultural and economic wellbeing.
5. Environmental sustainability is pursued for more than environmental reasons. As in other policy areas, government policies relating to environmental sustainability should aim to maximise New Zealanders' overall wellbeing. Environmental, social, cultural and economic goals should interact in a way that delivers 'sustainable development', or as many benefits as possible across all objectives.
6. The aim of this approach is to maximise the overlaps and 'win-wins' between the various goals, rather than treating all decisions or interactions as trade-offs between values or outcomes. This will not always be possible, however, particularly at local levels, and so as a nation we will increasingly need to make difficult choices between values in order to maximise overall national benefit.

Environmental sustainability's importance to overall wellbeing

7. Environmental sustainability is crucial to New Zealand's overall wellbeing because of the biological basis to our export earnings. Primary production and tourism equate to about 17% of New Zealand's gross domestic product, and generate roughly \$29 billion in export

¹ Comprising the Ministry for the Environment, Ministry of Agriculture and Forestry, Department of Conservation, Ministry of Fisheries, Ministry of Economic Development, Land Information New Zealand, Te Puni Kōkiri, Treasury, Department of Prime Minister and Cabinet, and the State Services Commission.

earnings (2006 to 2007 figures). Running down New Zealand's natural capital would eventually damage the economy.

8. The ecosystem services people draw from the environment, such as food, fuel, water, and cultural connections, are also very important. Sometimes an economic value can be calculated for these – for example, the water supply services (drinking water, hydro-electricity and agricultural irrigation) of Te Papanui Conservation Park in Otago were valued at \$11 million a year in 2005 dollars. Other ecosystem services cannot be easily quantified in this way, yet are highly valuable.

Social and cultural values

9. The environment is central to New Zealand's national identity. Most New Zealanders value the environment highly and gain pleasure and recreation from it. This value is reflected in the groundswell of action on sustainability and climate change outside government. Environmental performance also has social consequences. For example, about 1,100 New Zealanders die prematurely each year from exposure to air pollution, and lack of safe drinking water is a risk to community health.
10. The environment and natural resources are also central to Māori identity and mana. Many Māori value a holistic relationship with the environment, balancing economic aspirations with their cultural values, and maintaining healthy natural resources for the benefit of present and future generations.

Importance of environmental sustainability for economic growth

11. The big economic issue at the heart of many environmental issues in New Zealand is not resource use in itself. The issue is ensuring that resources are used efficiently by those who value them most (in an economic, social or cultural sense) and that resource users face the costs they impose on others or the environment (i.e. pricing of externalities). New Zealand is having to confront these issues for the first time as we approach, or have already reached, some resource limits.
12. In the longer run, higher environmental standards and efficiencies are consistent with – and are likely to be essential for – economic growth. Higher standards will be needed to gain market premiums for our exports, and probably even to maintain market access. For some individual businesses, meeting higher standards in the short term may limit growth. Despite the current economic difficulties, however, it is important to keep a focus on New Zealand's longer-term interests.
13. Globally, environmental issues are driving fundamental changes in business conditions and creating new opportunities. Much of New Zealand's international competitive advantage lies in the quality and quantity of our natural resources and in our 'clean green' image. Because of our favourable image, reputation for integrity, natural resource base and related capabilities, New Zealand is well placed to take advantage of these opportunities, but the benefits could be squandered if we degrade the environment in pursuit of higher short-term production.
14. To take up the opportunities, New Zealand (particularly business) needs to be vigilant about the current and likely effects of changing consumer preferences, rising world prices for raw materials, energy and food security concerns, carbon pricing in the global and domestic economy, and other emerging issues. The growing international trend towards the use of environmentally focused technical barriers to trade could affect our exports. Already, more consumer attention is being given to water footprints and biodiversity impacts as well as to carbon footprints.

The most critical issues for New Zealand

15. Departments in the natural resources sector have identified a short-list of critical issues related to New Zealand's move towards environmental sustainability. These issues are significant because they come with risks and unrealised opportunities that could affect national wellbeing, and because New Zealand is not yet performing as well as it could in these areas. The critical issues have proved difficult to address in the past because potential solutions are complex, costly and/or contentious, due to the public and private interests that will be affected.
16. The short-list includes both pressures on the environment, and issues arising from the policy or management arrangements for addressing those pressures:
 - a. The role of the Resource Management Act in providing for environmental and socio-economic outcomes, and allocating scarce resources
 - b. Developing natural resources policy and management arrangements that better reflect the Treaty of Waitangi relationship, and managing some emerging issues with the use of natural resources in Treaty settlements
 - c. Fresh water quality decline, demand pressures and allocation
 - d. Pressures on biodiversity and ecosystems
 - e. Environmental pressures and allocation issues for New Zealand's oceans, particularly the near-shore marine environment, and
 - f. Meeting New Zealand's international climate change obligations, reducing greenhouse gas emissions and adapting to climate change (dealt with in the briefing on climate change).
17. The Ministry for the Environment's reporting on the state of the environment suggests that the most significant issues are freshwater consumption and land use intensification in some regions, water quality in many catchments, and greenhouse gas emissions. The trends indicate that, if we do not change current paths, we risk hitting environmental limits or effects that are irreversible or very costly to remedy.
18. The critical issues are all complex and interconnected. Several underlying themes have emerged from examining these issues:
 - a. Central government has multiple interests and roles in any environmental issue, but is often not clear (or strategic) about the high-level outcomes it is seeking or the role it is exercising. This lack of clarity about outcomes can contribute to deferral of difficult but necessary decisions and failure to prioritise issues or problems, which tends to magnify problems over time.
 - b. New Zealand has a highly devolved resource management system, which makes it difficult to apply national direction and balance national and local costs and benefits. Many Councils are leaders in sustainable development, but others face challenges in resourcing, capability and leadership. Councils are required to make many difficult decisions, but have not always been well provided with central government guidance on how to approach these.
 - c. The need for greater national strategy or direction does not detract from the need for environmental management responses and solutions to be appropriate for – and adaptable to – local circumstances. Too many special-purpose regional arrangements can, however, detract from national strategy and create cumulative effects and costs.
 - d. Increased resource competition and environmental pressures are stressing existing resource allocation mechanisms. A 'first-in first-served' approach does not provide well for efficient allocation of scarce resources or management of competing uses. Legislation already enables the development of alternatives to first-in first-served, but there has been little trialling or implementation of these – with the notable exception of fisheries.

- e. Addressing the role, rights and interests of Māori and iwi, particularly at the regional level, is critical for robust policy and well-functioning environmental management systems.

Issue A: Resource Management Act

19. The Resource Management Act 1991 (RMA) is the principal legislation for managing New Zealand's environment and allocating most natural resources. Effective and efficient operation of the RMA is critical for both environmental and socio-economic outcomes. The RMA is, however, frequently criticised both for unnecessary delays and compliance costs that hinder economic growth and major infrastructure development, and for failing to protect the environment, given the negative trend in several key environmental indicators.
20. This raises a question as to whether there are problems with the RMA's implementation, its decision-making processes, or its fundamental principles. Some common complaints about the RMA are anecdotal and not supported by evidence. Departments do, however, consider that there are some real practical issues with both the provisions of the RMA and its implementation by central and local government.
21. Devolved RMA decision-making has exacerbated capacity issues in local government, and led to variability in planning controls and the speed and quality of consent processing. It is often difficult, both practically and politically, for councils to factor national benefits, priorities and strategies into planning and decision-making when the costs of decisions fall locally. Central government has recently started to make more use of the RMA instruments that offer greater national direction, involvement and guidance (including those added in 2005). There is, however, no overall strategy for the use of these powers, which creates a lack of certainty for all parties about when and how central government will intervene.
22. Good RMA implementation relies on high quality statutory plans. Quicker final decisions are needed on both statutory plans and resource consents, especially for major infrastructure projects (although the interface with other legislation can also be a factor in delays). Cumbersome planning processes make it harder for councils to respond quickly to changing conditions or new evidence. Broad rights of public participation and multiple appeals on consents and plans can cause considerable delays in RMA decision-making. This suggests a need for reassessment of the balance between public participation and appeal rights on the one hand, and efficiency, effectiveness and responsiveness on the other.
23. Under current RMA practice, effective and efficient resource allocation is not occurring and new or expanding high-value uses are not being provided for. Problems are most keenly felt where resources are at or approaching full allocation in some areas: fresh water, coastal space and air-sheds. The current first-in first-served system evolved from case law at a time when there was less resource competition and no explicit central government direction. The 2005 RMA amendments enabled councils to develop alternative forms of resource allocation, but it is still too early to determine how councils are responding.
24. There is little evidence that decision makers routinely make skewed decisions because of the balance of the sustainable management purpose and principles of the RMA. It is, therefore, uncertain whether some economic concerns could be addressed by re-evaluating the principles of the RMA and giving more weight to economic factors and the benefits of infrastructure. Any alterations could range from minor changes to a more fundamental review, which would be contentious and create a period of uncertainty as new case law developed.
25. Improvements to the operation of the RMA could be achieved by strengthening the role of central government and being more strategic about the use of central government's powers, especially on matters of national importance such as major infrastructure projects. Gains would also be made from streamlining the processes for planning and consenting, and from more leadership by central government on alternatives (including market-based

approaches) to current allocation models. Further process efficiencies might also be gained from improving alignment between the RMA and related legislation such as the Local Government Act, Building Act, Public Works Act, Conservation Act, Electricity Act and Fisheries Act.

Issue B: Reflecting the Treaty relationship in natural resources policy

26. The Crown-Māori relationship, based on the Treaty of Waitangi, is important for New Zealand's social cohesion and prosperity. Iwi and Māori have a strong interest in environmental policy, and natural resources are an increasing focus in historical Treaty settlements and foreshore and seabed negotiations. This reflects the importance of natural resources to Māori economic and cultural wellbeing. Many Māori are also dissatisfied with the roles available to them in resource management (including setting outcomes) and the level of recognition of their rights and interests.
27. The process of engagement with iwi and Māori on significant areas of natural resource policy has sometimes created challenges. The Crown does not always have an established position on sensitive matters like the appropriate management role for iwi and the nature and extent of Māori rights and interests. The government's objectives and interests are not clearly articulated in some major policy processes. This lack of clarity can sometimes make it difficult to engage effectively with Māori, who operate across a number of issues as Treaty partner, rights holders, kaitiaki, resource users, prospective developers, and/or litigants.
28. These uncertainties have contributed to delays in some policy areas where difficult decisions are needed, like fresh water. Delay could be turned into opportunity for progress, through a consideration of the nature and extent of Māori rights and interests alongside exploration of the full range of policy tools (such as market mechanisms) and the interests of others. To date, this has often been deferred because of perceived Treaty and litigation risks.
29. These risks and delays in policy development can encourage the parties to try to resolve contemporary issues through the settlement of historical Treaty claims. Some recent Treaty claim settlements and foreshore and seabed agreements have included new forms of redress, including mechanisms to include iwi in aspects of local decision-making. The suite of new tools has many benefits, but recent negotiations have tested – and at times moved beyond – the policy framework for use of natural resources in Treaty settlements established in 1997-98.
30. Negotiations create an opportunity for solutions tailored to local circumstances and iwi aspirations. Flexibility is important for development of appropriate redress, but mechanisms negotiated on a case-by-case basis may conflict with or undermine existing national policy objectives, or pre-empt the development of national policy. The case-by-case approach can also increase the risk of high implementation costs, unintended precedents and cumulative effects, inconsistent and complicated management regimes, and equity concerns between iwi. The deadline for settling historical Treaty claims adds to the tension between maintaining the current momentum on settlements and developing national policy on natural resources.
31. Councils are often left to handle, with limited central government support, the difficult questions (such as allocation) which the Crown has not yet resolved – yet local government's Treaty obligations are limited. Local government performance and RMA implementation with regard to Māori interests has improved over the years, but the concerns of some iwi can push local issues into a Treaty settlement or foreshore and seabed context.
32. Progress is being made on resolving some outstanding issues, but we may well be at a crossroads. There is an opportunity to deal with issues through high-level dialogue in a more proactive and coherent way while maintaining flexibility in the relationship, which

could result in a more strategic pursuit of shared outcomes for New Zealand. On the other side there is a risk that, if we lose momentum or fail to deliver on expectations, we could revert to a more adversarial climate that diverts resources and energy away from a collaborative relationship.

33. One way to maintain the current progress is to continue engagement and wide-ranging dialogue with iwi leaders on major policy areas like climate change and water, and on natural resources generally. Some senior iwi leaders are likely to seek early engagement on these matters. A greater alignment between natural resources policy and Treaty settlement processes is also needed, to support the timely settlement of remaining historical Treaty claims in a coherent and consistent way. The Natural Resources Sector considers that more use of national direction and policy development (including policy on the roles, rights and interests of iwi and Māori, and further support for local government) to address resource management issues common to all iwi would smooth the settlement process for all parties.

Issue C: Fresh water

34. Fresh water is fundamental to the present and future environmental, cultural, social and economic well-being of New Zealand – and these values can easily come into conflict. Our ecosystems, primary producers, community health and cultural values depend on water. Water gives us a competitive advantage in primary production, energy generation and tourism. By international standards, our water supplies are abundant and of relatively good quality, but performing better than most of our peers may not be enough for New Zealand's long-term prosperity.
35. Freshwater quality is declining, particularly in rural lowland rivers, streams and groundwaters (with consequent negative effects on the near-shore coastal environment). One-third of our lakes have poor water quality, and 40% of monitored groundwaters have nitrate levels raised by land use. Water is unsafe for stock to drink at 75% of sites in the Waikato region. Because of the long time lags in hydrological systems, water quality in some of our catchments will get worse before it gets better, even if we introduce best practice management now.
36. Addressing water quality is not simple, because environmental deterioration is closely linked to urban and rural land use intensification, and so to economic growth. Poor water quality is much more than an environmental problem – it will be a constraint on economic opportunities, create additional costs (e.g. for treatment of drinking water), and be a continuing focus of community concern. Nevertheless, the decisions needed to improve water quality in the long term may have costs for primary producers in the short to medium term.
37. In some regions, catchments have been over-allocated or are close to full allocation, resulting in potential users being denied access to water and foregone economic opportunities. Limited use of the mechanisms for re-allocating water and promoting efficient use (including urban and rural demand management) means that water is not necessarily going to its most valued uses, and this constrains economic growth.
38. New Zealand is at grave risk of further environmental damage and squandering our natural advantages if this situation does not change. Several factors amplify the risks:
 - a. There is not yet a wide public understanding of how critical water issues are for New Zealand's long-term wellbeing.
 - b. Restoring water quality is expensive and time-consuming (as demonstrated by work on Lake Taupo, Rotorua Lakes and the Waikato River).
 - c. Changes in land use, particularly from forestry or dry stock farming to dairying, are being made before there are effective plans to address additional impacts on water.

- d. There is increasing international scrutiny of New Zealand's environmental performance. Our trade may be affected if overseas consumers react to real or perceived issues about poor water quality, waste or over-allocation.
 - e. Climate change will probably increase the frequency and intensity of droughts and floods.
 - f. In some parts of New Zealand, we have already captured or allocated the readily accessible water. Further economic development will require re-allocation to higher value uses and/or more water storage and distribution systems to deal with variability in when and where water is available.
 - g. Relevant science research capacity has declined by 35-40% over the last decade or so, and it is difficult for central and local government to get access to science that will support good decision-making on water issues.
39. Inertia by some local authorities in developing water plans and tackling non-compliance with consents has accentuated problems. In the case of Environment Canterbury, officials are concerned that successful challenges to its approach to water allocation create a risk of system failure and loss of authority as resource manager for the region. Some of the inertia, however, arises from lack of direction from central government. National policy development has been hampered by delays in dealing with Māori rights and interests in water. In general, disquiet in parts of the community about anything that looks like 'privatisation' of water has created a disincentive to trialling new approaches to allocation.
40. Officials consider that it is imperative to take further action to address both quality and allocation issues, so that we make better use of our water in ways that increase growth without compromising environmental outcomes. Such action could build on existing work programmes by putting more focus on central government leadership and powers; development of interventions tailored to local quality, allocation, efficiency or governance issues; support for local government through development of coherent national outcomes and policy, and 'off-the-shelf' management tools; and development of new models (including economic instruments) for allocation and re-allocation of water. As noted above, the Natural Resources Sector also recommends keeping up the momentum of engagement with iwi leaders on water issues.

Issue D: Biodiversity

41. Healthy functioning ecosystems, both natural and human-altered, underpin our economy and are essential to social and cultural wellbeing. New Zealand has a responsibility to maintain our unique and globally important genetic and environmental resource. Indigenous biodiversity is also a draw-card for overseas tourism, and a major element of New Zealand's '100% Pure' marketing image.
42. These critical resources are, however, under significant pressure and are challenging to manage. New Zealand is the last major habitable landmass to be settled by humans, so the rate of decline of our indigenous biodiversity is high compared to most countries – and some level of decline has, perhaps, been unavoidable.
43. In 2000, the New Zealand Biodiversity Strategy set an ambitious goal of halting the decline of indigenous biodiversity. Substantial progress has been made in some areas, including intensive management in mainland islands, eradication of pests on offshore islands, creation of marine reserves and benthic protection areas, and gains on private land.
44. But the goal of 'halting the decline' is not being met. There have been serious declines in the status of many threatened species and ecosystems, continuing spread of pest fish and aquatic weeds, growing numbers of weed species, and ongoing loss of rare and threatened biodiversity on private lands. Significant modification and pollution of harbours and estuaries (which are important breeding grounds for many species, including some harvested fish stocks) is likely to be having a major impact on coastal marine biodiversity.

45. Exotic animal pests and weeds are a significant threat to indigenous and primary production systems, especially on land. It takes a lot of resources to manage pests and weeds, and to stop them from entering the country. Biosecurity is an issue of permanent urgency. If potential incursions are not stopped at the borders and threats are not addressed as soon as they become apparent, the costs soon escalate. Additional pressures on biodiversity include conversion of native habitat to other uses; water pollution, over-abstraction and disruption of natural water flows; terrestrial runoff and sedimentation of coastal waters; impacts of fishing; climate change; and the effect of land use on soils and slope stability.
46. The complexity and scale of the biodiversity management challenge requires a collaborative approach across government and society and a systems approach. Yet the governance structures for policy-making, decision-making and implementation are sometimes disconnected and incoherent, and responsibilities can be split across several local and central government agencies.
47. Effective implementation may be hampered by inadequate capacity and capability within agencies. This is particularly apparent in the different responses by local authorities to their responsibilities to manage biodiversity on private land, and disparities in the effectiveness of their programmes. Lack of information about ecosystem functioning, particularly in the marine environment, hampers development of adequate responses.
48. Officials consider more action is needed if we are to halt or slow the decline in the health and functioning of indigenous ecosystems and ensure the continuing health of productive systems. Intensive management is not necessary or justified for all places or species. More effort and resources may, however, be needed to achieve particular thresholds of restoration and protection. Greater prioritisation and national direction would help to focus effort. Better approaches, including incentives, would encourage biodiversity conservation outside government.

Issue E: Marine environment

49. New Zealand's marine environment is an integral part of our national identity and contributes significantly to our economy (through ecosystem services, tourism, fishing and aquaculture, oil and gas, transport, and telecommunication links). A lack of outcomes or strategy to guide how the marine environment is managed compromises our ability to ensure environmental integrity while providing for different uses and values.
50. The ocean is a large interconnected ecosystem but different activities and values are managed under different laws and approaches, which are not always well integrated. In particular, the disconnected management of environmental effects in the ocean risks damage to the environment – especially near to shore. It is difficult to effectively manage cumulative environmental effects, and consistent standards or restrictions are not applied across all activities. These factors could also constrain further economic growth from New Zealand's extensive marine resources.
51. Management under the RMA (which applies out to 12 nautical miles from shore) is generally poor at factoring adverse effects on fishing and marine ecosystems into 'upstream' consents and plans. As a result sensitive fisheries habitats, ecosystems and some activities suffer from sedimentation and pollution caused by land use, and poor management of other coastal activities like dredging. Fisheries management also needs to better address adverse effects on the environment. There are management gaps outside the 12 nautical mile limit in the Exclusive Economic Zone (EEZ), where we lack a comprehensive biodiversity protection tool and legislation to manage the environmental effects of some activities.
52. There is an increasing demand for coastal marine space and resources across a range of activities and values, but some of our tools to manage demand are not adequate. Allocation difficulties are intensifying – illustrated most strongly by poor progress in

aquaculture development in recent years. These development pressures will also grow in EEZ 'hotspots' as more oil and gas exploration and seabed mining is proposed. In addition, competition between the recreational, customary and commercial sectors is difficult to manage in some fisheries.

53. It can be hard to establish new uses such as marine reserves or aquaculture, even if they are the highest value use (in either a national or local sense) if they will affect other values or existing uses. At the same time, other interests such as recreation, amenity values and fishing can get squeezed out by activities that require exclusive use of space, such as marinas and marine farms. These allocation difficulties discourage investment and economic growth and can also result in unnecessary cost, with people using the courts, consent processes and political lobbying to defend their real or perceived entitlements.
54. New Zealand's marine area is the sixth largest in the world, and about 14 times bigger than our land mass. This makes it difficult and expensive to obtain information. The lack of comprehensive information is a major impediment to good decision-making in the marine environment, and can exacerbate risks and delay decisions. These gaps in our knowledge mean the marine environment should be managed in a precautionary manner, with the ability to make adaptive management decisions, but this can conflict with economic drivers. The collection, management and use of information by government agencies can be uncoordinated and overlapping. Information available about fish stocks is limited, and even less is known about the impacts of extractive use or some land based activities on the marine environment. A lack of comprehensive monitoring and reporting means that government and stakeholders cannot effectively analyse management performance, reducing the ability to learn from experience.
55. A suggested first step in addressing these issues is to elaborate some national outcomes for New Zealand's marine environment and its uses. These outcomes would form the basis for reviewing the overall approach to marine management, particularly the alignment between different regimes and the new tools needed to address identified problems and achieve the outcomes. Drafting of legislation to regulate the environmental effects of activities in the EEZ was well advanced under the previous government; progressing that policy would fill a large management gap. Any review of RMA provisions and implementation could also look at how to improve the management of environmental effects in coastal waters, improve resource allocation in the coastal marine area, and assist local government to control land-based effects on the sea more effectively.

Addressing environmental sustainability

56. Addressing environmental sustainability (and particularly the critical issues) requires a more strategic approach, better articulation of the national interest, a willingness to tackle difficult issues, good governance, good information, and partnerships outside central government. The approach must also be dynamic, so it is able to anticipate and respond to major or sudden changes in circumstances.
57. The need for change in how we consider and set policy for environmental sustainability, within the paradigm of sustainable development, will put greater demands on public policy processes and the government agencies involved. Recognising this, the agencies in the natural resources sector have begun to adopt a more collaborative approach, to raise the quality of advice and effectiveness of implementation, and to ensure that interventions target the government's priorities.

Outcomes and Targets

58. As part of a move to take a more strategic and networked approach, officials have developed a set of potential outcomes for New Zealand. These describe a desired 'state of the environment' rather than attempting to capture all relevant values:

- a. *Atmosphere*: Air is fit to breathe and greenhouse gas and ozone depleting substance emissions meet international agreements.
 - b. *Land*: Healthy and productive soils, contamination avoided or mitigated, and erosion by human activities minimised.
 - c. *Fresh water*: The quality of fresh water meets the range of needs and values for which it is required while supporting healthy and functioning ecosystems; water levels and flows are sufficient to support healthy and functioning ecosystems and meet the range of needs and values for which it is required.
 - d. *Marine*: The state of the sea floor and quality of marine waters supports healthy and functioning ecosystems.
 - e. *Biodiversity*: Ecosystem composition and processes are maintained or enhanced, human-induced extinctions are avoided and human-induced declines are minimised; genetic resources of introduced species are maintained to meet the range of needs and values for which they are required.
59. Outcomes can be given life by setting achievable but ambitious targets, but poorly chosen targets can push policy in the wrong direction. Targets reflect high-level choices among economic, social, cultural and environmental values. They need to be revisited from time to time, to maintain a fit with overall goals and compatibility with other targets. An initial assessment suggests that the current target package is patchy, and developed mostly to meet sectoral rather than broader outcomes. There would be benefit in re-examining New Zealand's current targets to assess whether they and their associated policies will deliver on New Zealand's environmental sustainability goals.

Policy frameworks and considerations

60. In addition to the principle of maximising overall wellbeing for New Zealand, we see some other important considerations or principles that should underpin environmental policy:
- a. Environmental systems and issues are highly interdependent and complex, which mandates a more sophisticated policy approach.
 - b. Effective and efficient policy responses tend to be based on a combination of different interventions.
 - c. Economic incentives – particularly pricing of externalities (the negative effects of resource use that fall on others or the environment) or 'polluter pays' – create a strong incentive for more sustainable behaviour.
61. Approaches to environmental management can be placed on a spectrum, from a strategic or systems approach to a more ad hoc approach. Because the critical issues are complex and interconnected, New Zealand's approach needs to be more strategic and seek more integrated outcomes. There will always need to be a reactive response to some issues, but doing so too often can polarise economic and environmental values, and encourage adversarial positioning and pursuit of short-term opportunities.
62. New Zealand has struggled with difficult decisions requiring value judgments or potential trade-offs partly because we lack high-level national outcomes, strategies, bottom lines, standards or planning frameworks to inform those decisions. (These factors also make it hard to manage cumulative effects on the environment.) Decisions involving value judgments will always have a political element, but it is important for these decisions to be constrained by bottom lines (environmental, economic, social and cultural) which protect overall wellbeing, and to be informed by national objectives and strategies, advantages, costs, and risks.
63. The government can use a wide range of tools such as legislation, regulation, markets, incentives, rents or user charges, verification services, standards, information, voluntary mechanisms and co-management. No single tool will suffice; the challenge is to apply the combination which is most efficient at getting the greatest overall value (usually a mix of

economic and non-monetary values) from resources while also providing for the environment, managing equity issues, and not creating excessive transaction costs. The critical issues suggest a need for a better combination of regulation and market settings to manage natural resources, as this combination has often been most effective at managing resource pressures and promoting efficient use.

64. Generally speaking, putting a price on resources that reflects the cost to society of their use increases overall wellbeing. Use of 'public' resources like water and the atmosphere (as a sink for pollutants) has been underpriced in the past. Users who do not face the costs of their impacts on others or the environment lack an economic incentive to change their behaviour. The response of firms and individuals to economic incentives like the pricing of externalities and scarcity-driven price increases can drive reduced consumption and the development of alternative technologies.

Strengthening government capability

65. A strategic approach to policy requires greater performance, information and resources from central government. A more collaborative approach is needed across central government to ensure that existing capability and information is used effectively, and that greater capability is developed. Stronger sector leadership will ensure that environmental outcomes are well articulated and inform decisions across government. As mentioned above, Chief Executives have decided to establish new governance arrangements for a formalised Natural Resources Sector to improve strategic leadership and collaboration across agencies.
66. Unlike economic and social policy, environmental decision-making in New Zealand is not well supported by a strong evidence base. In particular, we lack the integrated environmental and economic information needed to systematically assess the effects of policy on resource efficiency, the environment, economic activity and productivity. This makes it difficult to demonstrate New Zealand's environmental sustainability at a national or sectoral level. To support good decision-making, we need to strengthen the existing environmental-economic accounts and other related data, and build capability across government to use that information. The evidence base should be a key component of the official statistics system, shared across government, and focused on the current and future priorities for New Zealand.
67. Research, science and technology is central to good environmental management. Science provides much of the data, information and tools needed to manage the environment effectively. There has been a decline over the last ten to twelve years in environmental science capacity based in science institutions and working on research related to some of the critical issues, largely because funding has stayed flat over that period (for example, research staffing on freshwater science has declined by 35-40%). Further, research and information management in some areas is not well coordinated and departments and councils have found it difficult to engage with the environmental part of the science and research sector. These factors hinder evidence-based policy and informed discussions.
68. The government cannot achieve outcomes on its own. Central government also needs capability in change management, to help to develop public understanding of the importance of environmental sustainability for New Zealand's wellbeing, and the significance of some of the challenges we face. If New Zealand is to maintain economic growth without worsening our environmental performance (at both the macro level and within businesses, farms and households) this will require a change in attitudes and practices. Change will take time, encouragement, information and incentives. This message may be harder to convey in a time of economic stress, when attention is focused on socio-economic concerns and capital for investment in new technologies is harder to come by – but the current climate may also support a constituency for change. Community acceptance of new sustainable technologies (such as the shift from largely 'invisible'

thermal generation to much more visible wind or hydro power) will also require buy-in to a longer-term national goal.

Conclusions

69. Our analysis has identified six critical environmental pressures and management issues (see paragraphs 15-18): climate change, fresh water, the Resource Management Act, the Treaty of Waitangi relationship, biodiversity and marine. Some common elements are seen across these issues – downward environmental trends, tensions caused when trying to articulate national direction or national interest in our highly devolved resource management system, the inability of ‘first-in first-served’ allocation systems to deliver scarce resources to their most valuable or valued uses, and the need to further consider the role of Māori in resource management. Another theme is the need to explore the use of economic tools and incentives, within regulated environmental limits, to encourage efficiency and reallocation. Investigation of such tools creates an opportunity to further explore the role, rights and interests of Māori.
70. For some of these issues (such as management of certain water-bodies) we do not have much time before environmental pressures start to hurt the economy. While there is a need for greater urgency, the issues are probably not best addressed by hastily developing separate solutions for each. Rather, New Zealand’s long-term interests are likely to be served by a more strategic approach to the environment and its intersections with our economic, social and cultural wellbeings. Decisions will be much better informed, and the inevitable value judgments will be much more transparent, when we have a process for setting clear outcomes, targets and standards. In order to protect our overall wellbeing, we also need more robust bottom-lines which deliver for economic, social and cultural needs as well as environmental values.
71. This need for a strategic approach presents a challenge for departments to work at a higher level, and for the government to build a constituency around the real value of New Zealand’s environment and the need for change.

Ministry of Fisheries
Te Tautiaki i nga tini a Tangaroa

101-103 The Terrace
PO Box 1020, Wellington
New Zealand

fish.govt.nz