

21 October 2009

Don Brash
Chair
2025 Taskforce
By email: secretariat@2025taskforce.govt.nz

Dear Dr Brash

The New Zealand Seafood Industry Council Ltd (SeaFIC) welcomes the opportunity to provide input to the 2025 Taskforce. Improving productivity is a vital issue for the seafood industry and is a focus of our recent economic development strategy *Managing Our Own Ship*, a copy of which is attached for your information. The strategy acknowledges that while some parts of the industry have potential for volume-driven growth, wealth generation from seafood will be driven primarily by increases in export value built off more efficient and effective management systems. Key to this is providing the industry with a more secure environment in which to invest in managing its own business. The industry strategy has been endorsed by the Hon Phil Heatley, Minister of Fisheries, and is aligned with the Government's *Fisheries 2030* strategy.

The development of *Managing Our Own Ship* was prompted, in part, by the fact that the seafood industry currently expends significant time and effort on activities which, although essential in maintaining current value, do not contribute to productivity gains. These activities include engaging with government and other fisheries interest groups on a seemingly endless stream of legislative and regulatory issues, and protecting industry assets from threats such as sequential reduction of spatial access for fishing (e.g., to create a marine reserve) and reallocation of catch shares to non-commercial sectors. This "non-productive" activity is an unavoidable part of the business of many seafood companies, and is – unfortunately – core business for collective industry organisations such as SeaFIC.

While some level of engagement in regulatory issues will always be necessary, seafood industry productivity would be significantly enhanced if attention was not continuously diverted into regulatory issues and could instead be directed towards wealth-generating activities both at the firm level and collectively.

What can be done?

SeaFIC considers that government's role is to ensure that legislative and regulatory frameworks provide a secure and certain basis for industry development. It is then up to industry itself – through collective industry actions and individual companies – to make appropriate investments and

behavioural changes to improve productivity. The seafood industry's productivity is entirely dependent on the maintenance of sustainable fish stocks and a healthy aquatic environment. All efforts to improve productivity must therefore be embedded within clear, government-set sustainability standards.

We propose three main sets of actions to improve the regulatory framework so as to enable the seafood industry to focus on productivity improvements. These are:

- Providing tools for industry collective action and self-management;
- Reducing regulatory uncertainty and enhancing the security of property rights; and
- Providing an effective regulatory regime for aquaculture.

(1) Providing tools for industry collective action and self-management

Managing Our Own Ship concentrates on a series of actions to facilitate collective industry action, so as to improve the efficiency of management systems, create more certainty for industry, and reduce the regulatory burden. These actions require some relatively minor legislative changes to the Fisheries Act 1996.

As an example of what can be achieved through industry self-management, the transfer of the quota registry system from the Ministry of Fisheries to the industry-owned company FishServe (a subsidiary of SeaFIC) has resulted in an estimated 30% efficiency gain in tandem with enhanced service delivery. FishServe also contributes to other sectors of the economy and performs far above government-set standards.

Given the opportunity and a supporting legislative framework, the seafood industry can build on these successes in other areas of industry activity, including the purchase of fisheries research services and the provision of observer services.

(2) Reducing regulatory uncertainty and enhancing the security of property rights

New Zealand's quota management system (QMS) is founded on the notion of secure perpetual property rights to create incentives for long-term investment by the industry in the sustainability of fisheries resources and the maximisation of value obtained from the commercial use of fisheries. While its foundations remain strong, the QMS is not reaching its full potential in terms of efficient resource use and management. Regulatory uncertainty in relation to quota rights continues to hinder industry investment. As noted above, it is also a huge distraction for the industry and necessitates a lot of unproductive activity, including litigation, to protect the value of the industry's quota assets.

The key areas of regulatory uncertainty (which we refer to as the "unfinished business" of the QMS) are (1) mechanisms for adjusting spatial access to fisheries and (2) management of shared fisheries (i.e., fisheries with commercial and non-commercial users).

These issues are beyond the immediate scope and priorities of *Managing Our Own Ship*, but are closely related to the concerns addressed in that strategy. They are also issues for which there are significant differences between Australian and New Zealand regimes. For example, several Australian states provide statutory compensation or adjustment assistance for reductions in spatial access for commercial fisheries, and several have progressive regimes for managing recreational fishing, including through the use of licensing. In contrast, New Zealand deals with these issues through exhaustive, time-consuming and costly multi-stakeholder consultations¹ which focus on process rather than outcome and which inevitably ultimately result in uncompensated reductions in commercial fishing access.

Although the New Zealand fishing industry views compensation as a “last resort”, it does provide more certainty for the industry than the continual erosion of spatial access through marine reserves, customary fishing areas, recreational fishing areas, Treaty settlements, and other closures for reasons unrelated to sustainability. A compensation regime also makes the true cost of reallocating marine resources visible, thereby improving public policy and decision making. Given the clear nature of QMS rights, the purchase of quota on the open market is a more appropriate mechanism for adjusting use and access than compulsory acquisition using a compensation or adjustment assistance formula.

The management of shared fisheries has been a major policy focus for New Zealand fisheries over the past decade, but no progress has been made. This creates ongoing uncertainty for the industry, particularly in relation to the allocation of catch in valuable shared fisheries such as rock lobster, snapper and paua. The industry is not seeking a greater share of the catch – it is simply seeking certainty over how shares will be allocated, and an assurance that the catches of all sectors will be constrained within their allowances. We currently do not have that assurance. The required policy measures are not difficult but, in our view, the political will is lacking.

SeaFIC considers that there is a significant role for government in improving certainty by completing policy work and legislative change to provide for market mechanisms to reallocate catch shares and spatial access among users of marine resources.

(3) Providing an effective regulatory regime for aquaculture

The Government has recognised that the reform of aquaculture legislation in 2004 has been a failure and has prevented investment in new aquaculture activities. Steps are now being taken to rectify that as part of the Phase II Resource Management Act (RMA) reforms. The seafood industry is supportive of that process.

Although comparisons are frequently made with the legislative regime for aquaculture in South Australia (which is seen as more enabling), the legislative context in New Zealand differs significantly

¹ The West Coast Marine Protected Areas Planning Forum is an example. To date, a **5 year** multi-stakeholder process proposed a series of marine reserves which (a) are of undemonstrated benefit to biodiversity, (b) are not a least cost approach to regulation, and (c) if implemented, will result in significant uncompensated reduction of commercial fishing access.

with respect to the integrated coastal planning approach of the RMA, our rights-based fisheries management regime, Treaty settlements for fisheries and aquaculture, as well as unresolved foreshore and seabed issues. Improving the legislative regime for aquaculture in New Zealand is not simply a matter of transposing components of an Australian regime to New Zealand. Ongoing improvements to the RMA – particularly in relation to efficient planning processes and enhanced resource allocation mechanisms – will be of significant benefit to the investment environment for aquaculture.

How much difference would these changes make?

Managing Our Own Ship is based on the premise that incremental efficiency gains can lead to significant economic growth. Our analysis shows that if the changes in the strategy were implemented and resulted in very modest productivity gains of 2% to 5%, the industry's international competitiveness and profitability will improve, resulting in an increase in quota value of \$1 billion to \$2.5 billion. This is a minimum estimate; in reality, where the industry has been allowed to manage its own business activities the efficiency gains have been much more significant, as illustrated by the FishServe example.

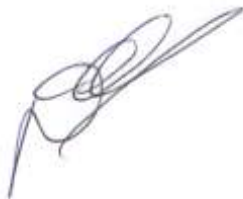
The anticipated growth of value in the sector will allow the industry to access more capital for investment in innovation, development and fisheries management. The period of time over which the projected capital growth can occur will depend on the pace of changes implemented by both the industry and government.

The aquaculture sector has set itself a target of "sales of \$1 billion by 2025". While a stronger legislative platform is essential for achieving this target, other factors such as the amount of space available for aquaculture, improved production yields, and general economic conditions are also important. Details of aquaculture sector growth scenarios are available from Aquaculture New Zealand.

Further information

SeaFIC would be happy to provide the 2025 Taskforce with any further information on either this submission or *Managing Our Own Ship*. Contact details are provided below. Our submission can be made available on the Taskforce's website.

Yours sincerely



Dave Sharp
Chairman

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