

NEW ZEALAND SEAFOOD INDUSTRY COUNCIL LTD ANNUAL REVIEW 2006-07

SEAFIC ANNUAL REVIEW YEAR ENDING 30 SEPTEMBER 2007

REPORT FROM THE CHAIRMAN, DAVE SHARP

The 2006-07 year provided many challenges for the industry.

While market prices for seafood remained firm, the continued high dollar and fuel prices put financial pressure on all fishing business. Inevitably there has been company rationalisation and some industry attrition.

A number of key policy issues occupied the industry's attention:

- The Ministry of Fisheries' Statement of Intent included two new proposals (research and project protector) which would have increased cost recovery levies by \$6 million. We were pleased that the Minister supported the industry's opposition to the proposals and the new changes were not introduced.
- The Government agreed with stakeholders' Shared Fisheries proposal that a tri-partite process be implemented. We are confident the users of the resource will produce a more enduring outcome than politically imposed solutions.
- The Minister's proposal to amend Section 10 of the Fisheries Act was strongly opposed by the industry and a majority of MPs. Industry considers the proposal to be unjustified with long-term negative implications for the sector.
- The Maui's and Hector's Dolphins Threat Management Plan, if implemented, will have considerable commercial impacts on some fisheries. In our view, it will not protect any additional dolphins. SeaFIC committed considerable resources to this issue. The Government's final decision will be made in March 2008.

It has been a significant year for the aquaculture sector with the launch of Aquaculture New Zealand Ltd and the aquaculture strategy. SeaFIC fully supports these positive developments and will continue to work closely with the sector to achieve their objectives.

Another milestone was the signing of an Investment Plan with Tertiary Education Commission (TEC) to

support seafood training. This will ensure the continued development of training to support the sector.

Seafood New Zealand magazine performed particularly well in the last year – for the first time it recorded a profit. This is especially notable in a year where advertisers were rationalising and the market was under pressure. A survey of readers revealed resounding support for the magazine, its look and content.

2006-07 was a positive year for FishServe, which continued to deliver services to industry in a cost-effective and timely manner. The removal of the quota holder levy from 1 October 2007 will save the industry a further \$230,000 per annum. FINnz had a satisfactory year and has some good prospective clients.

Web-based services continue to be used with approximately 2000 clients registered for electronic data transfer. Developments are planned for the remainder of the services provided by FishServe – enhancing existing services and providing additional opportunities for our clients to communicate electronically. The focus is on using intelligent scanning technology for Catch Effort forms.

Staff numbers have continued to decline, but have now stabilised to a large extent. As at the end of September 2007, FishServe employed 48 staff.

Seafood Innovations Limited was able to support an additional \$5 million of research and development (R&D) projects during the year, with around \$2 million of this funding coming directly from industry members.

This brings the total commitment to research projects to around \$14m since SIL's inception. The projects involved aquaculture and wild-caught fisheries, with a strong focus on shellfish. Two projects looked at extracting high-value products from marine sources (including waste streams)

A significant number of projects involved industry organisations acting collectively for their members, with independent companies collaborating for joint benefits from R&D projects.

SeaFIC co-funded, with SIL, a review of the inshore fishing fleet with a view to identifying opportunities for energy efficiency gains. Next year Seafood Innovations will focus on encouraging more parties from industry to invest in R&D and will look at ways of maximising the benefits from the industry's investment.

SeaFIC Financial Summary

Financial Summary

	Group	SeaFIC	SIL	CFS
Income	17,171,657	7,676,080	4,060,370	5,134,217
Expenditure	(19,108,985)	(8,057,403)	(3,819,240)	(6,859,602)
Operating Surplus/ (Loss) before income tax	(1,937,328)	(381,323)	241,130	(1,725,385)
Income Tax Expense	(253,033)	(102,353)	(175,242)	(70,015)
Surplus/(Loss) for the Year	(2,190,361)	(483,676)	65,888	(1,795,400)

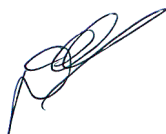
During the year ended 30 September 2007, the Group made an operating loss after tax of \$2.19m. The Group loss comprises mainly of losses incurred in SeaFIC and CFS. It should be noted that the CFS loss was a result of depreciating the Fisheries Management System (FMS) software and SeaFIC made an unbudgeted refund to levy payers of \$720,000. Prior year losses within the Group have been used to offset the tax liabilities.

Conclusion

Looking forward, there is much unfinished business; to be successful, the industry has to be profitable. To be profitable, there is a need for strong defined property rights for both aquaculture and fishing to provide investment certainty. Some government initiatives have seriously threatened this security and the preservation and enhancement of property rights will be a continuing challenge for the industry.

The SeaFIC board is committed to operating efficiently for our industry companies and individuals, and in your interests. I wish to thank all members of the SeaFIC Board for their contribution, Owen Symmans, the management and staff of SeaFIC and our subsidiaries for their efforts on our behalf during the year.

Thank you.



Dave Sharp
Chairman
New Zealand Seafood Industry Council Ltd

REPORT FROM THE CEO, OWEN SYMMANS

The past year has been very challenging, but despite the frustrations we can report progress on a number of key issues.

Policy and Science

SeaFIC provided support in 2006-07 for stakeholder activities, including discussions and submission to MFish and DOC. Science participated in 111 technical meetings (stock assessment, environmental working groups and research planning groups), as well as a large number and wide range of industry and other governmental meetings. Key activities included:

- An influential submission on Shared Fisheries. This was a proposal for joint policy work by SeaFIC, Te Ohu Kaimoana and NZRFC and was presented to and accepted by the Minister. The government decided to defer legislative change.
- The Primary Production Select Committee was unable to agree in recommending the Fishery Act Amendment

Bill proceed on the Section 10 amendment. Progression is now stalled.

- Some progress was made on the way in which deemed values are set. There is disappointment at the lack of progress on policy decisions for deemed value revenue.
- Industry submissions influenced development of MFish standards. The harvest strategy standard has been substantially revised and will be re-consulted in 2008. No decisions have been made.
- Substantial discussion with government departments have been made on environmental issues. This included submission development and CSO support on MPAs, Hector's and Maui's dolphins, sea lions and seabirds. Highlights included preventing the imposition of emergency measures in the SWO fishery.
- Disappointing progress on two joint working groups (the cost recovery rules JWG and the joint strategic compliance group).
- Policy and aquaculture groups successfully declared judgment proceedings on the rating of marine farms.

The SeaFIC Policy Unit, with advice from SeaFIC Science, made 51 submissions on behalf of the industry. These submissions consisted of:

- New legislation (e.g., Maori Purposes Bill, Fisheries Act 1996 Amendment Bill)
- New government policy frameworks (e.g., MPA standards, environmental regulation in EEZ)
- Routine government consultation processes (e.g., sustainability measures, ACC levy rates, cost recovery, research planning)
- Environmental issues (e.g., emergency measures for seabird mitigation in surface longline fisheries, interim measures for Maui's and Hector's dolphins)
- Government energy policy
- MFish standards (harvest strategy, consultation standard, QMS introduction standard)
- Miscellaneous submissions

Trade and Information

Achievements in 2006-07 in Trade and Information include:

- Ongoing support and liaison with WTO negotiators

- to improve market access for New Zealand fisheries products and to reduce opportunities for competitors to gain unfair market advantages through subsidies to their fisheries.
- Ongoing support and liaison with New Zealand trade negotiators pursuing regional and bilateral trade negotiations in China, the Gulf States and ASEAN.
- Obtaining membership of New Zealand Minister of Trade's Advisory Group.
- Ongoing liaison with New Zealand Food Safety Authority to identify and prioritise food safety management needs and removing technical barriers to New Zealand seafood exports.
- Participation in the negotiation of a new regional fisheries management arrangement for non-tuna-like species in the southern Pacific. Interim arrangements to maintain and manage current fishing activities agreed during the course of 2007.
- Identification of options for independent certification of New Zealand fisheries and aquaculture management systems.
- Representation of New Zealand industry interests to relevant international fisheries-related institutions – FAO, OECD and CITES.
- Support and assistance to the International Coalition of Fisheries Associations.
- Provision of effective information services to the seafood industry.
- 241 persons attended the FishSafe commercial fishing vessel programme – a partnership between SeaFIC and SITO, and Maritime NZ and ACC. ACC funded the development of a Best Practice Guide for inshore fishermen, followed by the FishSAFE Aquaculture safety project.
- Expansion of training in the seafood wholesale and retail sector. Progressive Enterprises completed a training programme for Seafood Bar personnel (NZQA level 2 National Certificate in Seafood Retailing).
- A new information database, developed by FINnz, enhances SITO's ability to track trainee achievement, analyse performance and provide information to companies.
- The Competitive Manufacturing Initiative improved company's processes by clarifying the importance of staff's roles and including workplace assessed unit standards.
- In conjunction with MFish, a 15 credit unit standard has been developed on the mandatory functions of Tangata Kaitiaki/Tiaki. Supported by Te Wai Maori Trust, training has expanded in customary freshwater fisheries, including eel.

Future activities 2007-08 and beyond

It is expected there will be a conclusion of the current round of WTO and China trade negotiations and progress towards improved market access conditions with ASEAN, the Gulf States and Korea.

The South Pacific RFMO negotiation for continued effective representation of New Zealand seafood trade policy interests to New Zealand agencies and international institutions is also expected to conclude.

Meaningful independent certification of New Zealand fisheries and aquaculture management systems and products that improves market security and returns is hoped to be gained.

The provision of effective information services to the New Zealand seafood industry and a continued leadership role in the International Coalition of Fisheries Associations will continue.

Seafood Industry Training Organisation (SITO)

2006-07 provided the following outcomes:

- SITO developed and negotiated an 'Investment Plan' with the Tertiary Education Commission over the next three-year period, responding to the new Tertiary Education Strategy and funding system.
- Two segments featuring inshore vessels and aquaculture in the *Just the Job* TV series.
- A seafood multi-media 'pod' on board the 'Inzone Experience Mobile Careers Unit' – a mobile custom-built roadshow bus promoting jobs and careers, touring 200 schools.
- Establishment of the 'Embedded Foundation Learning' pilot improving workplace literacy involving over 120 trainees and company trainers.



Future Focus

Key objectives for the next three year period as set out in the SITO strategic plan include:

- Developing with industry a more strategic approach to investment in training, including development of better information to predict and monitor the size and composition of the workforce and its skill requirements. These requirements should link to skill and career pathways within companies to provide incentives for employees to seek and complete training.
- Developing initiatives that address low levels of workplace literacy and numeracy within the workforce.
- Supporting industry to meet sustainability and regulatory requirements, including expansion of FishSAFE to encompass factory vessels and aquaculture, researching and responding to demand for environment and energy sustainability qualifications, investigating the impact of the Domestic Food Review on seafood retail and developing training to meet requirements.
- Supporting productivity through expanding Competitive Manufacturing training within the seafood sector.
- Supporting Maori development through revising the



- Iwi Capability programme, collaborating with MFish in training of Tangata Kaitiaki/Tiaki in customary fisheries management and expanding wider training in customary fisheries.
- Supporting development of aquaculture through researched identification of skill pathways and labour force requirements, development of qualifications and training.
- Increasing awareness of career opportunities in the seafood industry.
- Undertaking an HR review process to assess aligning staff resources in serving the industry, meeting requirements under the new Tertiary Education Strategy and achieving the outcomes of SITO's Investment Plan.

Communications

Communications is involved in promoting the industry and New Zealand seafood as sustainable and promoting its benefits to New Zealanders' health, economy and society. Key components of the communications strategy incorporate media, event management and relationship building.

Activities for the 2006-07 year included:

- Actively managing the media to ensure the industry's position was clearly understood. We have established good linkages with a wide cross-section of the media, which have shown positive results.
- TV documentaries (*Carters Gone Fishin* and *Antarctic Encounters*) that provided further opportunities to present the industry to the public.
- The Auckland field trip incorporated processing, vessel

operations and aquaculture to provide a key experience for senior, central and local government officials and advisers, and members of the media.

- The Greatest Meal on Earth campaign exceeded expectations in its first full year of operation. The average number of hits to the web site has steadily increased to 45,000 per month.
- Communications supported and facilitated responses and proactive releases on a range of policy issues including the shared fisheries and Threat Management Plan issues.
- *The Guide Book to New Zealand Commercial Fish Species* was revised and printed. It is now in a more up-to-date, spiral-bound format.

Conclusion

I wish to thank the SeaFIC Board for their contribution and support during the year. To all Commercial Stakeholder Organisations and other industry participants who have provided support and assistance with SeaFIC's work, thank you. SeaFIC staff, I thank you for all your efforts through the difficult times faced this year. Your commitment to the industry and the work you have done has once again been unflinching.

Owen Symmans
Chief Executive
New Zealand Seafood Industry Council Ltd

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