

NEW ZEALAND SEAFOOD INDUSTRY COUNCIL LTD ANNUAL REVIEW 2009/10



The New Zealand Seafood Industry Council Ltd

Chairman's Review



Dave Sharp

The global recession has required all seafood companies in New Zealand to be disciplined in controlling their operating costs and focused on areas which will bring the greatest benefits to their business. New Zealand Seafood Industry Council has required the same approach.

The company is operating under a reduced core services levy rate and the costs of major operational business units of Policy, Science, Trade and Information and Communications are now significantly less than they were in 2007.

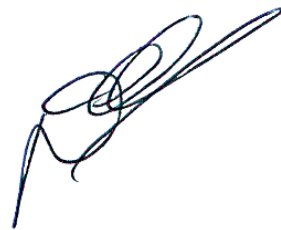
During the year a major review of Seafood ITO resulted in some substantial changes and a new organisational structure. This review was commenced before the Government began its own review of industry training organisations and Seafood ITO is now well positioned to provide the best possible training options for our industry.

Our subsidiaries performed very satisfactorily in a difficult environment. Commercial Fisheries Services (FishServe) continues to be a most cost-effective provider of services, required by fisheries law and services required by other group entities. Seafood Innovations Ltd (SIL) was particularly affected by the recession with an understandable reluctance by some companies to commit to new research projects. While the Government Primary Growth Partnership research strategy does, to some extent, compete

for industry research dollars I believe SIL will continue to have a role in providing funding opportunities for all companies whether they be large or small. The Seafood New Zealand magazine continues to provide timely and relevant commentary across our industry.

During the year progress was made on implementing some recommendations of the Martin Jenkins report into industry structures. I welcome the recent formation of the Coastal Sector Council. Its establishment demonstrates the willingness of some of our strongest inshore Commercial Stakeholder Organisations (CSOs) to work co-operatively to seek a coordinated response to many of the issues facing our inshore sector.

Finally I would like to thank all of the staff and directors of the New Zealand Seafood Industry Council group for all their work during 2009/10. It has been a challenging year and I hope 2010/11 provides a more settled operating environment.



Dave Sharp
Chairman



The New Zealand Seafood Industry Council Ltd

Report from the Chief Executive



Peter Bodeker

It is no exaggeration to say that the work of the New Zealand Seafood Industry Council's business units – policy, science, trade and information, communications and industry training – is vital to the continued profitability of the industry. Yet, by its very nature, this work is invisible to many.

When the Council makes a submission to a piece of legislation, or assists in trade negotiations, or helps to manage public perceptions about our industry, the results are often not immediately apparent. Indeed, the true value of the Council's activities in promoting a stable business environment for the seafood industry would only become clear to all if those activities were not undertaken.

Levy payers will soon be asked to make a fresh financial commitment to the Council's activities. As part of this process, I invite you to examine our track record and demand the best possible return on your investment.

The year has brought significant challenges in many areas, both internally and externally. International and domestic legislation and regulations continued to affect the industry. In addition, as Dave has mentioned, the recession has constrained the activities of our levy payers, which in turn has meant budget cuts across all business units.

While we have made progress in terms of facilitating industry co-operation through the *Managing our own Ship* strategy and an agreed position on aquaculture legislation, challenges remain. There is considerable economic potential in our industry and we all have a responsibility to unlock any barriers to that growth.

Work has continued on the critical task of scientific stock assessments and research planning, while more progress has been made on the international front through certifications, ecolabelling and trade negotiations.

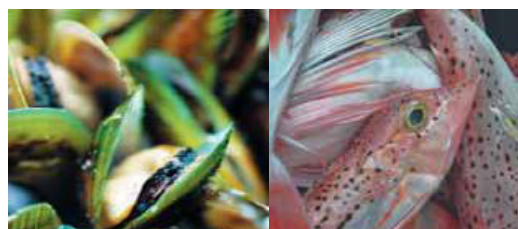
In the communications area, various activities to protect and promote the industry's reputation have been undertaken throughout the year, but those who publically oppose the industry remain vocal.

Our industry training function has undergone a necessary restructure and this is beginning to bear fruit.

Despite the challenges, the Council's staff have successfully carried out a number of activities on your behalf this year. This is a brief overview of the issues and achievements of the 2009/10 period.

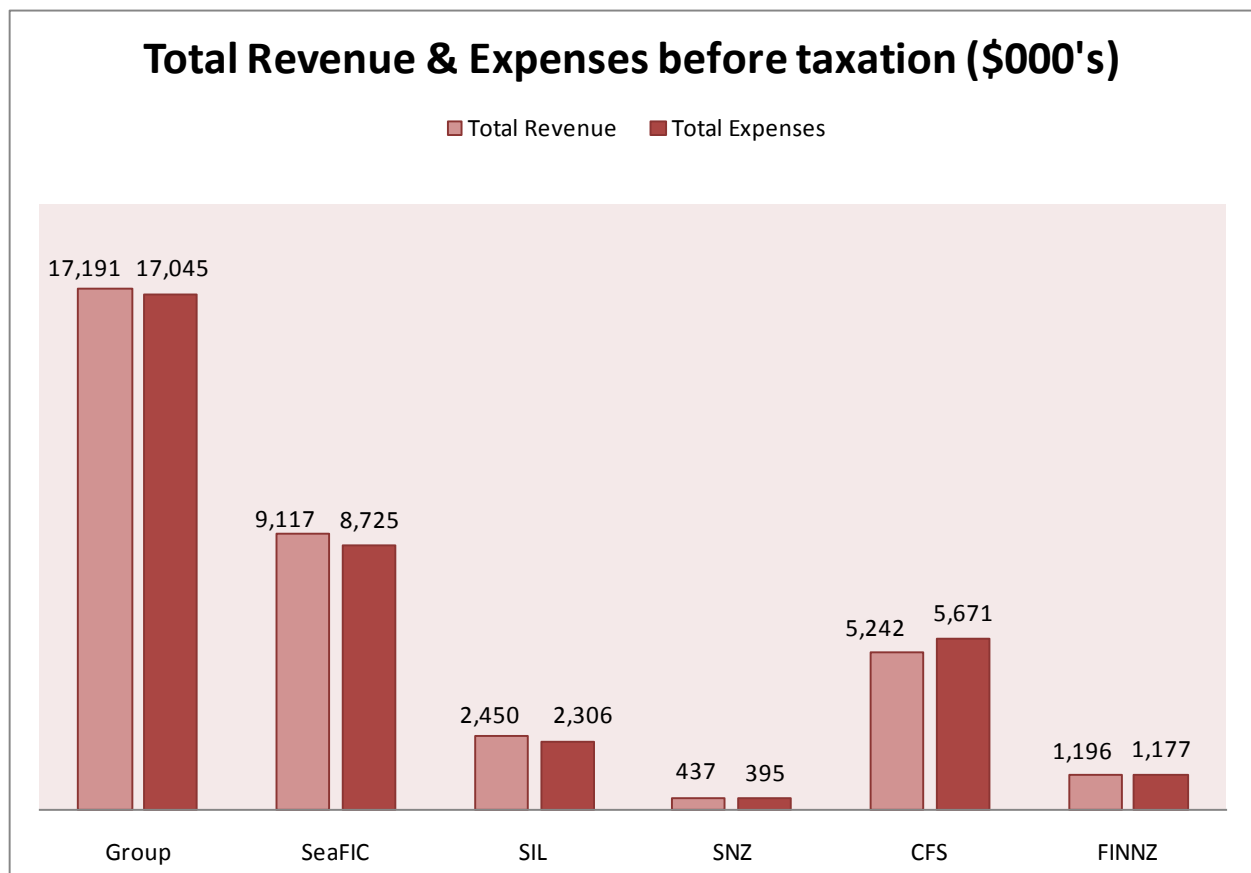
A handwritten signature in black ink, appearing to read 'Peter Bodeker'.

Peter Bodeker
Chief Executive



New Zealand Seafood Industry Council Financial Summary

	Group	SeaFIC	SIL	SNZ	CFS	FINNZ
Income	17,190,949	9,117,493	2,449,757	437,431	5,241,933	1,195,873
Expenditure	(17,044,824)	(8,725,242)	(2,306,389)	(394,525)	(5,671,123)	(1,176,717)
Operating Surplus/(loss) before income tax	146,124	392,251	143,368	42,906	(429,190)	19,156
Income tax expense	(325,051)	(405,586)	(46,124)	(12,897)	145,805	(6,251)
Surplus/(loss) for the year	(178,927)	(13,335)	97,244	30,009	(283,385)	12,905
Total Equity	11,525,397	7,790	321,920	25,755	3,480,480	139,062



During the year ended 30 September 2010, the Group made an operating loss after tax of \$178,927. The Group's loss was significantly attributable to depreciation charges arising from the CFS subsidiary.



Policy

Managing Our Own Ship

A key focus for the New Zealand Seafood Industry Council Policy business unit in 2010 has been implementing the industry's major strategic project, *Managing our own Ship*. Industry workshops elicited a positive response to the central concept of a legislated framework for industry collective action and the development of a detailed policy proposal is well underway.

Progress on other *Managing our own Ship* initiatives – particularly the collaborative working groups with the Ministry of Fisheries – has been more mixed. The Research Services group completed its work, but direct purchase of research services is still some way off.

The Observer Services group made good progress towards enabling contestable service provision. Discussions in the Discards group have been constructive but so far less conclusive. In spite of some frustrations, the New Zealand Seafood Industry Council values opportunities to work collaboratively with the Ministry.

Aquaculture Legislation

We have also been working on the recently-introduced aquaculture legislation. This Bill repeals the unworkable Aquaculture Management Area (AMA) provisions. Developing a joint industry position on UAE negotiations has been a major achievement by all concerned (New Zealand Seafood Industry Council, Aquaculture New Zealand and Te Ohu Kaimoana) and places us in a good position to present a unified industry view to Government.

Changes to Ministry Personnel

On the fisheries management front, personnel changes within the Ministry of

Fisheries (Mfish) have led to slower progress than many in the industry would like, especially on fisheries plans and issues affecting the inshore sector. We were pleased to see the Benthic Impact Standard “paused” while the Ministry reviewed its approach. But other fisheries standards, such as the Research Standard and Deemed Value Standard, require more work.

Overview

- Submitted on 13 bills and legislative reviews, covering a range of issues including iwi settlements, changes to the industry's operating environment (e.g. Search and Surveillance Bill and Regulatory Reform Bill), and substantive policy initiatives such as the Marine and Coastal Area Bill
- Submitted on more than 31 regular Government consultation processes during the year (sustainability measures, regulatory changes, cost recovery etc)
- Provided advice to CSOs on numerous proposals for closed areas such as Mataitai reserves. Working alongside CSOs on specific issues remains one of the most rewarding aspects of the New Zealand Seafood Industry Council's work
- A diverse range of other issues – including Maritime NZ issues, emissions trading, energy efficiency, biosecurity and mining proposals – took up the balance of our time



Science

Stock Assessment

The New Zealand Seafood Industry Council's Science business unit focuses on ensuring that the seafood industry can rely on high quality and credible science. A major component of this involves participation in all relevant scientific working groups, in particular the Ministry of Fisheries stock assessment working groups. These groups have a key role in the technical

assessment and guidance of the research which informs fisheries management.

As the QMS has grown, the stock assessment working group season has expanded beyond the traditional March – May season, and now represents a year-round commitment. The recruitment of Dr Marine Pomarede to a full-time post, and Dr Paul Breen in a consultancy role, has ensured that our capacity to participate in these groups is maintained.

Research Planning

Research planning processes have been a mixed bag in 2010 as the Research Services Strategy recommendations are implemented. Research relating to middle depths and deepwater fisheries have been largely incorporated into a 10 year research programme, and is the subject of a new procurement regime which is currently being implemented by the Ministry.

Research planning in inshore fisheries, where fisheries planning is less advanced, has taken a variety of approaches. The Council's science unit has provided CSOs with technical support in these different research planning processes as appropriate, with a focus on ensuring that the research is appropriate to the management information needs and is delivered in a cost-effective manner.

Research Procurement

We have supported CSOs with procuring a number of pieces of research. These include the established Adaptive Management Programme – style reviews of inshore stocks, which continue to provide some of the better information on inshore stocks, and a comprehensive characterisation of inshore finfish fisheries in FMAs 3, 5, 7 & 8, which is of particular relevance in supporting better fisheries management planning.

Management Procedure Evaluation

A New Zealand Seafood Industry Council and Seafood Innovations Ltd project that has undertaken “proof of concept” research into “generic” Management Procedure Evaluation (MPE) has come to fruition during 2010. The project seeks to make the benefits of management procedures – currently employed successfully for many New Zealand rock lobster

stocks – available to fisheries which cannot support significant case-specific MPE research. Recent presentations have seen the potential offered by this approach receive widespread industry support.

Managing our own Ship

The industry strategy *Managing our own Ship* provides a focus for a number of current and planned projects that aim to support an improved information base for effective fisheries management within the evolving rights-based management regime.

CSO Support

The Science unit has supported the Policy unit and CSOs by providing submissions input in a variety of areas: the implementation of the Harvest Strategy Standard has been of generic interest in TAC and TACC decisions.



Trade and Information

Certification

The breadth of issues covered by the New Zealand Seafood Council's Trade and Information business unit remained wide-ranging through 2009/10. On the market access front, 2010 started on a positive note with the implementation of a new Catch Certificate for all wild capture finfish and crustaceans exported to the EU – either direct or via third country processing. The New Zealand certificate was negotiated in 2009 and operates as an additional feature of NZFSA's EU eligibility and export documentation system. The new certification requirement has been implemented smoothly and business continuity has been maintained.

Ecolabelling

During the year the FAO's sub-committee on fisheries trade mandated the development of a framework that will enable industry and Governments to assess compliance of the

plethora of fisheries ecolabelling schemes with the FAO's Guidelines for Ecolabelling of Wild Capture Fisheries.

In November, the New Zealand Seafood Industry Council's Trade and Information Manager, Alastair Macfarlane was invited to chair the expert consultation that has developed the framework. The draft framework developed in the consultation was presented to the FAO's Committee on Fisheries meeting in Rome in January 2011.

Trade Negotiations

The Council has maintained close contact through the year with New Zealand Government officials as they ramp up efforts to negotiate new Free Trade Agreements. The fisheries trade will be an important part of the negotiations with Korea, Russia and India and also with the seven countries negotiating the Trans-Pacific Partnership Agreement that met in Auckland in December 2010.

Seafood Standards

The Seafood Standards Council – the industry committee that works with the New Zealand Food Safety Authority on food safety management and market access – has undergone a membership review. The Committee's revised membership has been appointed for three years. At the same time, the Standards Council has established a new Shellfish Technical Working Group, taking over from a similar group that operated with the support of Aquaculture New Zealand (AQNZ).

Information Centre

The Information Centre is the seafood industry's centre for research resources and information. During the year the Centre has completed fully digitizing its collection and has made its catalogue of resources freely available on the internet.

The information is well used by the industry and wider groups. The 2010 calendar year saw a 27 per cent increase in enquiries over 2009, on top of a 49 per cent increase for 2009 over 2008.



Communications

The reputation of the seafood industry is critical to the operation of businesses within the sector. Government policy, regulations and the media's attitude are influenced by the public's perception of our activities and integrity. Managing these perceptions and protecting the industry's reputation is the role of the New Zealand Seafood Industry Council's Communications business unit.

This year the unit continued its work promoting the sustainability of the industry and New Zealand seafood, as well as the benefits that the industry brings to New Zealand's economy, society and health. It worked with industry stakeholders to implement critical components to the communications strategy incorporating media, event management, education and relationship building.

Activities for the year included:

Media Management

Numerous media responses were provided on many issues throughout the year. This occurred through providing media backgrounders, issuing media releases and sending media responses. A number of longer opinion pieces underlining Communications objectives were also published in the metropolitan press. The year also provided opportunities to leverage scientific research that endorsed the success of New Zealand's fisheries management. Media issues managed throughout the year included:

- Scientific research citing New Zealand's fisheries management
- Negative and erroneous media reports regarding New Zealand fisheries
- Aquaculture legislation
- Hector's and Maui's dolphin interim relief
- Shared fisheries
- Poaching
- TAC/TACC changes
- Seafood industry training restructure
- Southern bluefin tuna
- Young people entering the industry
- Research funding in deepwater fisheries
- Seafood nutrition

- IUU fishing
- Antarctic toothfish certification
- End of the line documentary
- Carbon trading and the ETS
- Sea lions
- By catch
- Export opportunities and free trade agreements
- Foreign crews/charter vessels
- Best Fish Guide
- Blue cod fishing
- Maersk shipping policy
- Pilot whales stranding
- West Coast Marine Protected Area Forum recommendations
- Benthic protected areas

TV and Radio Documentaries

These again provided opportunities to positively present the industry to the public. The Council co-ordinated communications around a project to donate electric fishing rods to disabled fishermen and this was featured on an episode of TV3's 'Gone Fishin'.

Seafood to Consumers

The Greatest Meal on Earth campaign continued online. The website is proving popular with consumers, receiving more than 53,000 unique visitors this year, up almost 10 per cent on the previous year. In addition, promotion of research into the nutritional value of seafood was continued.

Educational Resource

An online virtual fisheries management resource for secondary schools was launched and is available online for the 2011 school year.

Websites and Peer Media

Internet based communication channels continue to grow in importance among large sectors of New Zealand's public. The Council is working to harness this potential and has used its websites to:

- Mitigate negative media and provide journalists with background information
- Promote the industry within fast moving, short timeframes
- Engage with an increasingly tech-savvy audience

The Council has increased its activities within peer media, including Facebook, Twitter and Youtube which have proven useful channels to support other communications work and provide an immediate, unfiltered interface with the public.

Events

The industry conference hosted by the Council provided a strong programme for hundreds of delegates throughout the industry. This event was managed entirely in-house.

In addition, the Council took part in the Auckland Seafood Festival and a range of activities during Seaweed.

Consultation and Advice

The Council has provided advice to various industry members as and when required. This has included media management and advice on stakeholder engagement.



Seafood New Zealand Magazine

Seafood New Zealand Magazine Ltd is published on a monthly basis. It communicates with the broader seafood industry and the public, including members of parliament, schools, libraries, and fish shops.

The magazine supported the Council's broad communication objectives through its mix of news, views and policy information. It promoted the industry as sustainable as well as economically and socially important to New Zealand.

In addition, the magazine supported specific communication objectives including:

- Issues management
- Event management
- Information support

Seafood ITO

Seafood ITO spent much of 2010 reviewing the way in which we operate as a business. Changes introduced by the Tertiary Education Commission (TEC) and NZQA have had far-reaching consequences for tertiary educators. These have meant we have had to look at how we operate to make sure we work smarter.

The Government, via their agency the Tertiary Education Commission (TEC), reviewed the entire tertiary education sector in 2010. In particular, the Government was looking for improved credit achievement of learners and completions of qualifications, rather than an increase in trainee numbers. Many Industry Training Organisations (ITOs) were audited, including Seafood ITO. The results of the audits have meant a change of funding to ITOs. This includes the introduction of performance linked funding for ITOs.

In parallel to the Government's own review, the Seafood ITO Governance Committee (SGC) focused 2010 on conducting an external review of the way we do our business to improve performance in line with new Government expectations. This included a review of how we engage with employers and employees, the management of our trainees, and a review of our administrative systems and the financial support we offer to companies. Alongside this was an organisational review aimed at ensuring that we have the appropriate structure to support the business going forward.

A Chief Executive, Owen Symmans, was appointed to Seafood ITO in 2010 and the SGC have played a much more active role in supporting the business. We are now looking forward to implementing these recommended changes throughout 2011, and continuing to provide great learning outcomes for our industry and its people.

In 2011, Seafood ITO will be making several changes to the way we operate. We recognise that we must work in partnership with companies and providers to ensure the most effective training outcomes for employers and trainees. We are about to migrate our existing database to a new training management system which will provide up-to-date information on individual trainee progress. This new system will also help us manage training programmes more closely and will replace our current, cumbersome, paper based system.

Our staff will be able to work with companies to undertake needs analysis and match employees to training programmes. We are confident this will better support your business objectives and help you to manage your employees training plans.

There are also changes being made to the way in which Seafood ITO subsidises training to the industry. These changes are necessary to ensure that we reach our targeted industry cash contribution of 20 per cent in 2011, increasing to 30 per cent by 2013, required by the TEC.

It is important to acknowledge that New Zealand's seafood industry plays a critical role in New Zealand's economy and that we continue to support the people who work within it. Industry training organisations remain a cost-effective conduit between Government and industry for training and we remain committed to this. Our goal is to provide relevant training to support industry productivity and profitability.

Fishserve

Building Efficiencies

Our focus in 2009/10 was on investing in improvements which would either reduce costs, create efficiencies or add value to the wider seafood sector without detracting from the ability of our subsidiary FINNZ to continue to grow. To allow both of these work areas to flourish, we made some internal structural changes to better maintain momentum on both fronts. Included within these structural changes was better resourcing of the finance team which now has the responsibility for financial management across the New Zealand Seafood Industry Council group.

CFS

The recent restructuring of MFish has resulted in the disestablishment of the team responsible for the management of the CFS contract and services. These functions are now part of several different teams within MFish, which has provided a challenge to the effectiveness of our relationship with the Ministry. We have worked hard with MFish to rebuild the working relationship.

We have started to discuss options with MFish for the provision of the statutory registry services once the existing arrangements expire in 2013. We are hopeful that MFish will consider options to avoid a costly re-tendering process, if they can see demonstrated support from the industry in the existing arrangements. This work will continue to be a focus in 2010/11.

Electronic Catch Returns

The largest project undertaken during the year was the development of “Cedric” – our software to allow electronic submission of catch effort returns. Going live with this technology has been a significant milestone, after many years of trying to establish a joint working group with MFish to get it done. We now have a platform which will allow us to introduce all catch effort form types into the electronic software which will enable efficiencies within FishServe and within individual fishing companies to be achieved.

Other key achievements for 2009/10 include:

- 80 per cent of correspondence from FishServe is now provided electronically
- Established the businesses development team to work alongside industry representative organisations to add value or create efficiencies in the sector
- Established an effective Finance function for the New Zealand Seafood Industry Council group
- A reduction in the cost of FishServe to the industry by 7 per cent

CFS subsidiary (FINNZ) had a solid year with several new engagements with clients including the Ministry of Economic Development, the FAO, World Vision and AQNZ. Notable achievements during the year included:

- Entering into a preferred supplier agreement with the Eastern Institute of Technology
- Successful delivery of waste levy services to the Ministry for the Environment
- Design, build and operation of amateur charter vessel catch and registration software and processes on behalf of Mfish

At the conclusion of the 2009/10 financial year CFS Directors approved a further reduction of ASDO fees by 4 per cent.

The 2009/10 financial results recorded a net loss after tax of \$283,385. This loss was due to previously including tax affected depreciation of \$847,368.

Seafood Innovations Ltd

Seafood Innovations Limited (SIL) contracted new research and development (R&D) projects worth almost \$2 million (excluding GST) in the year to September 2010, bringing the total contracted commitment to research projects to in excess of \$19 million since SIL’s inception.

This represents a similar level of industry commitment to R&D, through SIL, compared with the previous financial year, although the total number of projects supported was less than the previous year. This perhaps reflects another uncertain year for the industry in economic terms. However, it is fair to say that the level of interest in R&D from across the industry started to pick up towards the end of the period and the expectation is that the 2010/11 year will see an increase in R&D activity.

A key investment involved several major players in the mussel industry investing in underpinning R&D, the aim of which was to establish the scientific basis for systems to allow for the commercial development of a mussel spat hatchery. Another example is SIL’s ongoing support for the paua industry in its mission to develop tools to allow for finer scale, more effective management of its fishery.

As noted in last year’s annual report, a review of SIL, conducted jointly by the Foundation for Research Science and Technology (FRST - the government’s R&D funding agency) and SIL, was conducted in early 2009. The positive support of SIL’s approach from that review panel has been a key part of initial discussions with FRST regarding the potential for SIL to receive further government funding support after the current contract ends.

This request for a second cycle of funding, with industry support, will be a key priority for SIL in the coming year. We will be working with the industry and research providers to make a strong case for ongoing support of the research consortium. SIL will also continue to focus on encouraging further investment in R&D from industry, and to assess ways of maximising the benefits from the industry’s investment to date.

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