

Final Newsletter

July 2004

NZ Paua



Management Company
Private Bag 24-901
Wellington New Zealand

To all involved in the Paua industry

Much has happened in the last 9 months and we are now extremely close to achieving the objective of regional PauaMacs and a national Paua Industry Council (PIC). Part of this strategy was to see the winding down of the NZ Paua Management Company so this is the last newsletter you will receive under the NZPMC banner. Newsletters and updates will in future come from PIC so I will sign off and let Ed Arron (the PIC Working Group Chairman) take over and tell you the latest (his newsletter starts on the next page).

We have come a long way in the last year and I am confident that this is a dawning of a new era within the paua industry and that at last we have the means to determine the future of the industry. Please, don't let the forward momentum get bogged down with a whole lot of stuff that doesn't ultimately relate to increasing the worth and quantity of paua quota – remember – *The task at hand is a breeze when you put half as much time into simplifying it as you do into complicating it.*

That's it from me and here is Ed.....

Yours faithfully

A handwritten signature in black ink, appearing to read 'Jeremy Cooper'.

Jeremy Cooper

CEO - NZ Paua Management Co. Ltd. - **Email** = cooper@xtra.co.nz **Mobile** = 0274 323041

MEMO

Date: 5th July 2004

From: Ed Arron

To: All Paua Quota Shareowner/Ace Holder,

Paua Industry Council Update

Paua quota Shareowners in PAU2, PAU4, PAU5, and PAU7 have all overwhelmingly supported their respective business plans and PAU3 is to meet shortly. These business plans all contained budgets to support a Paua Industry Council (PIC) and while there is still some formal voting by postal ballot in a couple of QMA's occurring, I am confident that PIC is now a reality rather than just a concept.

As the Chairman of the PIC Working Group I'd like to thank the paua quota shareowners for your wisdom in supporting the formation of PIC and for your confidence in the working group. I'd also like to thank the working group and all those people who supported the working group, both financially and with generous amounts of precious time.

The unification of the paua industry under the PIC banner is a significant event. Our industry for too long has suffered due to disunity and lack of direction. This unification is a timely event too with a raft of difficult issues awaiting the future board and staff of PIC. There is a heap of hard work and hard decisions to make, but much is at stake. The board will need your help to steer our way. This is a plea for you (quota owner and ACE holder) to remain interested and actively involved. PIC will only be successful if the industry can deliver on the bottom-up structure that was promoted during the road shows. That bottom-up structure needs your support, your ideas, your vision, your critical analysis, your feed back and your good will.

There will be decisions from time to time that not everyone will agree with, but as long as there is a clear majority and all of you have had a chance for input and debate, our industry will move strongly forward. PIC starts with a strong mandate and I think I can speak for the future board in saying we will work hard to maintain and strengthen that mandate.

I am pleased to be able to advise that the directors voted by the regions to form the first PIC board are:

PAU2 Ed Arron
PAU3 To Be Advised
PAU4 Alan Culverwell
PAU5 Storm Stanley
PAU7 Alan Riwaka/Dave Baker

We can all be grateful for the continuity from the Working Group to PIC Board in the above selection as it would have been very difficult to get a bunch of new people up to the speed that will be required to hit the ground running on 1 October 2004. There is a lot of industry experience, wisdom, integrity and selfless commitment in this group (and I am only speaking on behalf of the last few). This showed during working group meetings as well as at recent regional meetings. I would like to highlight too that there are no director's fees. Apart from the position of chairman, the board is working for you for free.

Actually, for some of our worst problems, the issues we face and the opportunities that currently present themselves can't wait until 1 October. We're starting early guys!

Immediate Problem and Opportunity Number one is Compliance

Rightly or wrongly MFish advise that approximately 30% of the estimated 965 tonnes of illegally caught paua is coming via the commercial sector (yes – the commercial paua industry's back door). This is not a good look and must be addressed.

SeaFIC have just taken interest in the compliance issue and will be hosting an industry meeting in mid July followed by a joint industry/MFish meeting on the same day. These meetings will be seeking solutions rather than further incriminations.

Appendix One below is a "hodgepodge" of ideas that we need feed back on. Some of these ideas are current practice in Aussie, some were promoted by MFish in informal discussions, some have been around for a long time and others have just come to light. We need to enter these planned compliance meetings with a formulated industry position. Your replies will form that position. Please do not be limited to the hodgepodge; we need to be creative to solve this one. Also, do not limit your thinking to industry initiatives, we need to come up with some ideas MFish can use against the poachers. Time is short, so please don't leave this for the all illusive 'another day'.

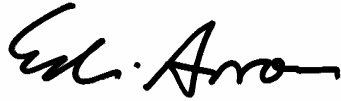
In addition to the SeaFIC/MFish meeting, PAUA 2 has sought and been granted a meeting with the Minister at the end of July to discuss the Wellington South Coast closure as well as compliance issues. The Minister too will be seeking solutions so it is good that we will have the experience of the earlier compliance meetings to assist us. This is the best opportunity the paua industry has ever had to get the industry crippling issue of compliance sorted.

As well as the above issues, your elected PIC representatives will now need to get down to the nuts and bolts of the formation of PIC. Company incorporation, bank account, GST registration, interim funding, staffing, reporting and communication protocols etc. etc. so lots to do.

Please read the two attached appendices and send us your feed back / ideas (email is best so that someone doesn't have to spend time typing up your comments). Email to either Jeremy or myself.

Again, thank you for your commitment and confidence.

Yours faithfully

A handwritten signature in black ink that reads "Ed. Arron". The signature is written in a cursive style with a horizontal line at the end.

Ed Arron

Chairman – PIC Working Group **Email** = arrone@xtra.co.nz **Mobile** = 025 459917 **Home** = 04 904 6600

Appendix One

Some Ideas Open to Industry Comment and Debate to Help Combat Paua Poaching – The “Hodgepodge”

Facts (all figures are Green-weight)

1. NZ Paua TACC = 1057 tonnes
2. Total Illegal, Unregulated and Unreported (IUU) catch - MFish estimate that 965 tonnes of paua is being taken illegally each year (2004/05 Business Plan consultation). However, Dave Wood (MFish Compliance Manager) concedes this figure could be +/- 300 tonnes.
3. The amount getting into China is estimated at 300 tonnes (Melbourne Abalone Conference 2003) (this amount is a subset of the IUU figure above).

This suggests that there may be 665 tonnes of illegal catch coming from the commercial, recreational and customary sectors (which equates to twice the illegal flow of paua going into China). Where is this additional product going, does it really exist, could the NZ public and NZ restaurant trade consume this much paua each year?

Our aim is simple - to protect the paua fishery we have to eliminate the Illegal, Unregulated and Unreported taking of paua.

The following table identifies some points for discussion.

Don't forget – make your thoughts known as your feedback will form the Industry's Position.

The PROBLEM	The Consequence of the Problem	The SOLUTION	The Consequence of the solution
Harvesting crews are not filling in their PCELR forms at the time of landing.	Some of the daily catch can be skimmed off and sold illegally prior to the filling in of the PCELR form.	Enforce a regulation - that catch must be weighed and recorded on the PCELR form within 50 metres of the landing point.	There would be no opportunity for any of the daily harvest to be ‘skimmed off’, as the landing weight should equate to the LFR weight apart from a small drip loss.
Harvesting crews delaying taking their catch to the LFR for up to two days to maximize recovery rates.	If paua are sitting around it is easy for some of the catch to not get delivered to the LFR.	Change the legislation so that the Quota Management System relating to paua is based on meat-weight instead of green-weight.	This removes the incentive to drain paua over night, as the recovery rate is pre-established. There is no benefit in delaying taking the paua to the LFR.
Anybody can accumulate any amount of paua and say that they have been catching the recreational legal daily limit.	MFish have difficulty proving an accumulation of frozen paua has not been caught at 10 per day over time. The paua could all have been caught in one day.	Change the legislation to limit recreational accumulation of paua to 2 or 3 days catch. In other parts of the world this relates to all of your property – boats, house, bach etc combined.	A person with any more than the legal accumulation of paua (20 or 30) in their possession will be breaking the law.
Currently anybody can export 10 kgs of meat (equivalent to 75 legal sized paua).	This creates an open door for poaches to export paua legally – i.e. they can export 10kgs of meat each day and not be breaking the law.	Change the legislation to ban unauthorized export of paua with a concession for passengers departing NZ to take 1 kilo of hand carried paua meat – or 200 grams of dried paua meat.	Another channel where poachers can export illegal paua will be blocked.
When apprehended by Fisheries Officers, people plead ignorance of fishing regulations.	Some new immigrants think the resource is there to plunder and are taking excessive amounts of shell fish.	Erect signs around accessible coastal areas explaining the rules (in multiple languages) spelling out the likely fines for infringement.	Everyone will be more likely to abide by the rules and in particular easily accessible juvenile paua will be better protected.
MFish are inspecting Asian restaurants and finding paua in supermarket bags that obviously doesn’t correspond with the invoices that are produced.	Restaurants are able to buy illegal paua and MFish cannot prove that this is not the paua related to in the invoice they hold.	Regulate that frozen paua sold on the domestic market is to be packaged in Industry controlled sequentially serial numbered single use packs containing no more than two individual paua. Accompanying sales dockets would have to refer to these serial numbers.	This will make it a lot harder for illegal paua to be held in restaurants.

The PROBLEM	The Consequence of the Problem	The SOLUTION	The Consequence of the solution
Judge Behrens ruled that paua found in freezers had to be proven to be illegally sourced (Morfee case).	Unless MFish follow illegal paua all the way to restaurants or middlemen, proving the paua to be illegal is very difficult.	Change Section 232 of the Act to place the burden of proof on the holder of fish to prove it is legal rather than on MFish to prove it is illegal.	MFish will be able to easily convict middlemen and restaurants holding illegal paua. The effort MFish are required to expend would also be greatly reduced so they could take on more prosecutions and direct more of their resources into surveillance etc.
Fines are often pathetic.	Poachers consider fines an overhead expense and plan for them.	Increase the awareness of Judges of the devastation to the resource that is occurring.	Judges will hand down more appropriate penalties.
Poachers re-offend.	Poachers have not been deterred by previous penalties.	Take discretion away from the courts. Alter fines so they are on a scale relative to the amount of stolen fish involved – i.e 10 times the retail value. If poachers can't pay the fine, they do the time paying off \$30,000 of fine per year spent in prison.	Poachers will either pay significant fines or spend significant time in prison. They may choose to do more and smaller runs to reduce the financial risk but this will increase their chance of detection.
Illegal catch is paua that is removed from the fishery and is additional to the TAC.	Illegal fishers have not contributed to the cost of fisheries management and the fishery is stressed.	Use fines to assist with resource replenishment – ie reseeding projects and to more compliance resources.	The problem becomes part of the solution. Reseeding replaces stolen paua and more compliance resources reduces future levels of poaching.
When MFish patrol landing spots they do not know whose vehicles/trailers are commercial.	Reduces the effectiveness of Fishery Officers.	Have FishServe maintain a log of all vehicles (tow wagon, boat trailer etc) used by the commercial sector. This list would be supplied to MFish Compliance.	Fishery Officers will be able to make a call on whether to stay to check returning commercial fishers or move on to find and check non-commercial fishers and possible poachers.
Commercial fishers are not required to advise where they fish.	Fishery Officers waste time locating commercial fishers to check their compliance with regulations.	Locator transponder on all commercial boats or ring in to advise location of the day's fishing (as is required in other commercial sectors).	Fishery Officers can plan effective checking of commercial compliance and they can focus on other areas knowing commercial will look after the area they are working in and report any suspicious activity.
Some ACE holders are supplying the black market.	More paua is taken than the TAC allows for. The fishery is stressed.	Place and enforce contracts between quota owners and ACE holders and accredit all divers as fit and proper persons to be in the industry. Limit the number of divers in the industry.	Contracts and accreditation establishes the standards that are expected from ACE Holders and divers – build in a method where by two strikes (unacceptable or illegal behavior) and they will be permanently banned from the industry.

Appendix Two

Immediate Opportunity Number Two is Fish Plans

For a limited time only SeaFIC are seeking applications for pilot projects as part of “Tools for Collective Action”. But wait there’s more - selected projects will receive contributing funding and resources from both NZ Trade & Enterprise and SeaFIC, including access to consultants and professional advice. One of PIC’s projects is the development of a Fish Plan template so this opportunity is too good for us to just sit on our hands until 1 October. We will be putting in an application. Having an early developed and functional template will be of enormous benefit to the regions.