

Treasury Report: 2008 Budget Bilateral Briefing for Vote Agriculture and Forestry and Vote Fisheries

Date:	22 February 2008	Report No:	T2008/226
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Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Dr Michael Cullen)	Read the attached briefing and use it as a basis for making decisions in your bilateral with Hon Jim Anderton.	25 th February 2008
Associate Minister of Finance (Hon Trevor Mallard)	Read the attached briefing and use it as a basis for making decisions in your bilateral with Hon Jim Anderton.	25 th February 2008

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
<i>[information deleted in order to protect the privacy of natural persons, including deceased people]</i>			✓
Kevin Guerin	Acting Manager, Natural Resource Management	<i>[deleted – privacy]</i>	

Minister of Finance's Office Actions (if required)

None.

Enclosure: Yes

Treasury Report: 2008 Budget Bilateral Briefing for Vote Agriculture and Forestry and Vote Fisheries

Attached is a briefing for the bilateral between the Minister of Finance and the Minister of Agriculture and Forestry and the Minister of Fisheries at 10.30 a.m. on 26 February 2008 to discuss the budget initiatives for Vote Agriculture and Forestry and Vote Fisheries.

The bilateral briefing is structured as follows:

Recommendations	p. 4
Analysis by Vote	p. 8
One-page initiative summaries	p. 16

We expect that discussion will focus on the two contested issues in each of the Votes.

Vote Agriculture and Forestry

Treasury is supporting the bid for the Crown Forestry Te Manawa-O-Tuhoe Forest Bridge. The Pastoral and Food Innovation Fund will be considered by Cabinet over the next few weeks.

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Capital is being sought to implement the National Animal Identification and Traceability and FarmsOnLine systems by Biosecurity New Zealand, in anticipation of Cabinet approval. These systems would allow Biosecurity New Zealand to respond more effectively to disease outbreaks that may threaten New Zealand's agricultural exports. Funding has not been recommended in the capital package due to there being higher priorities.

Vote Fisheries

Treasury is supporting the bids for increased observer coverage and for *[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]*.

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Recommended Action

We recommend that you **read** the attached briefing and use it as the basis for making decisions in your bilateral with the Minister of Agriculture & Forestry and Fisheries at 10.30 a.m. on Tuesday 26th February 2008.

Kevin Guerin

Acting Manager, Natural Resource Management Team
for Secretary to the Treasury

Hon Dr Michael Cullen

Minister of Finance

Recommendations

VOTE AGRICULTURE AND FORESTRY

There are five capital initiatives within Vote Agriculture and Forestry. One initiative [*deleted – confidentiality of advice*] has been advanced by Hon Damien O’Conner and is not subject to discussion at this bilateral. Of the other four, two relate to the operations of Biosecurity New Zealand, which does not own assets and therefore does not make capital bids under Vote Biosecurity.

Initiatives Supported by Treasury

a Crown Forestry Te Manawa-O-Tuhoe Forest Bridge analysis p. 8

- The department seeks funding to build a bridge across the Waihua stream, a tributary of the Rangitaiki river north of Murupara, to allow 90,000 tonnes of mature radiata pine logs to be harvested.
- Treasury’s view is to support the bid.

	<i>\$million - increase/(decrease)</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12 & Outyears</i>
<i>Capital (GST excl)</i>					
Department	-	0.070	-	-	-
Treasury	-	0.070	-	-	-

Contested Initiatives

b

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

c National Animal Identification and Traceability/New Zealand FarmsOnLine analysis p. 9

- The department seeks capital associated with the Vote Biosecurity bid for National Animal Identification and Traceability and FarmsOnLine to enhance reaction capability to disease outbreaks and provide assurance to export markets on the safety of food products.
- Treasury's view is to not support the bid, as the initiative has yet to be brought to Cabinet for consideration. It has not been recommended in the capital package due to there being higher priorities.

	<i>\$million - increase/(decrease)</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12 & Outyears</i>
<i>Capital (GST excl)</i>					
Department	-	5.900	4.180	-	-
Treasury	-	-	-	-	-

Initiatives to be considered by Cabinet

d Pastoral and Food Innovation Fund analysis p. 9

- The department seeks to establish a fund whose capital and earnings will be used to transform the innovation system underpinning New Zealand's pastoral and food industries, over a period of 10-15 years, through focused expenditure on initiatives across the value chain in partnership with industry, research and education organisations.
- There is a parallel POL process for Ministers to consider this initiative.

VOTE FISHERIES

Initiatives Supported by Treasury

e Increased Observer Coverage analysis p. 12

- The department proposes to increase observer coverage from 4.4% to an average 10% across all fisheries.
- Treasury's view is to support the proposal.

	<i>\$million - increase/(decrease)</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12 & Outyears</i>
<i>Capital (GST excl)</i>					
Department	-	0.120	0.135	0.120	-

Treasury	-	0.120	0.135	0.120	-
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Contested Initiatives

g

[information deleted in order to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials]

h

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Vote Agriculture and Forestry – Analysis

Analysis of Initiatives

- Funding is being sought for capital initiatives in Vote Agriculture and Forestry through this bilateral and also through theme Economic Transformation. This is summarised in the table below:

	<i>\$million - increase/(decrease)</i>				
	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12 & Outyears</i>
<i>Funding sought for Vote Agriculture and Forestry (and Vote Biosecurity) in Budget 2008</i>					
<i>Operating (GST excl)</i>					
At this bilateral	-	-	-	-	-
Through Theme Economic Transformation	-	16.947	26.160	27.108	29.744
TOTAL OPERATING	-	16.947	26.160	27.108	29.744
TOTAL CAPITAL	-	710.083	4.780	0.600	0.600

- Of the operating funding sought, \$28.254 million relates to capital initiatives being discussed in this bilateral (all in Vote Biosecurity) for the years 2008/09 to 2011/12.

Crown Forestry Te Manawa-O-Tuhoe Forest Bridge (recommendation a)

- The department seeks funding to build a bridge across the Waihua stream, a tributary of the Rangitaiki River north of Murupara, to allow 90,000 tonnes of mature radiata pine logs to be harvested.
- Treasury considers that this initiative is value for money, and supports it, as the estimated net revenue from harvesting (\$3.6 million) would far outweigh the cost. The proposal is considered more cost-effective than the alternative, which would be to negotiate access with the owners of adjacent Maori land.

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National Animal Identification and Traceability/New Zealand FarmsOnLine (recommendation c)

10. The department seeks capital associated with the Vote Biosecurity bid for National Animal Identification and Traceability and FarmsOnLine, to enhance reaction capability to disease outbreaks and provide assurance to export markets on the safety of food products.
11. Treasury's view is that decisions concerning the funding of the initiative should be deferred until Cabinet has considered the initiatives, which is due to occur later in 2008.

Ministry of Agriculture and Forestry Comment

12. The capital for the National Animal ID project is definitely required - and the Minister will be seeking it (as well as the operating expenditure - but source yet to be determined).
13. Funding for this bid in 2008/09 is important given the current state of the Industry - Crown negotiations, and the increasing importance of traceability for market access of New Zealand primary products.

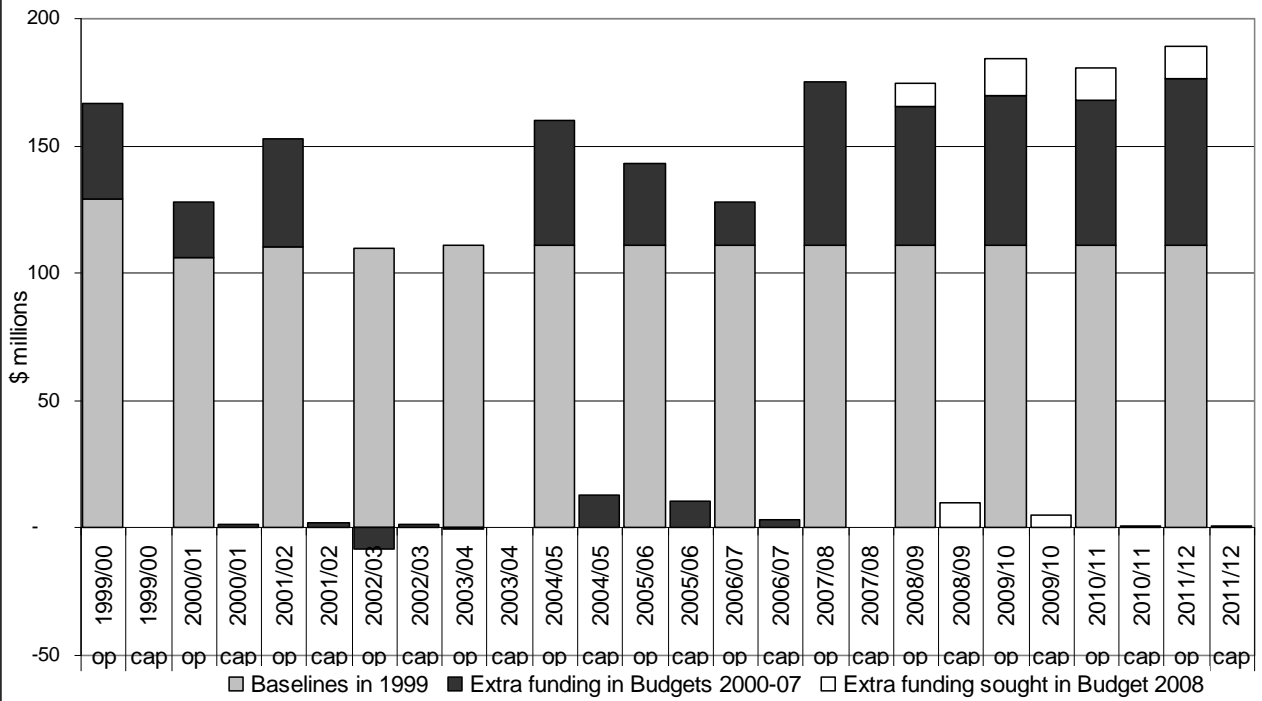
Pastoral and Food Innovation Fund (recommendation d)

14. The department seeks to establish a fund whose capital and earnings will be used to transform the innovation system underpinning New Zealand's pastoral and food industries, over a period of 10-15 years, through focused expenditure on initiatives across the value chain in partnership with industry, research and education organisations.
15. This matter is being progressed via the Cabinet Policy Committee

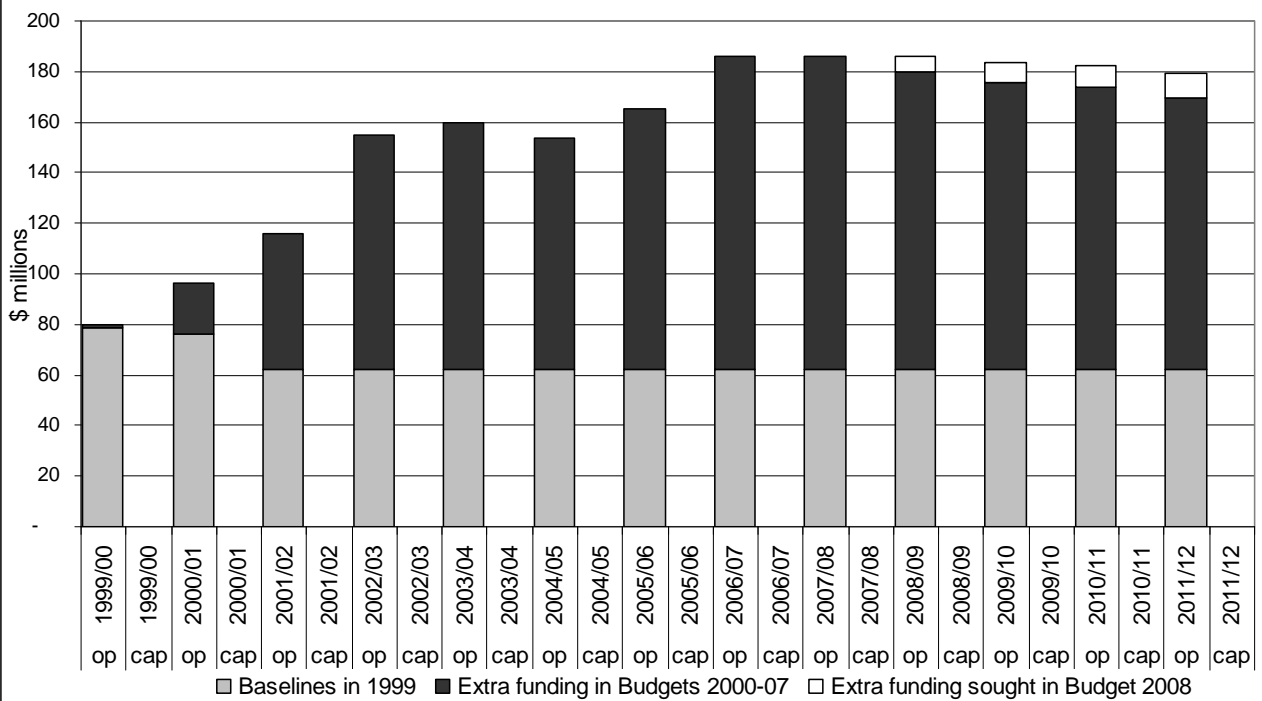
Analysis of Votes

16. Vote Agriculture and Forestry and Vote Biosecurity baselines are shown in the graphs below (excluding the proposed Pastoral and Innovation package). The variation in baseline funding for Vote Biosecurity largely reflects incursions responses.

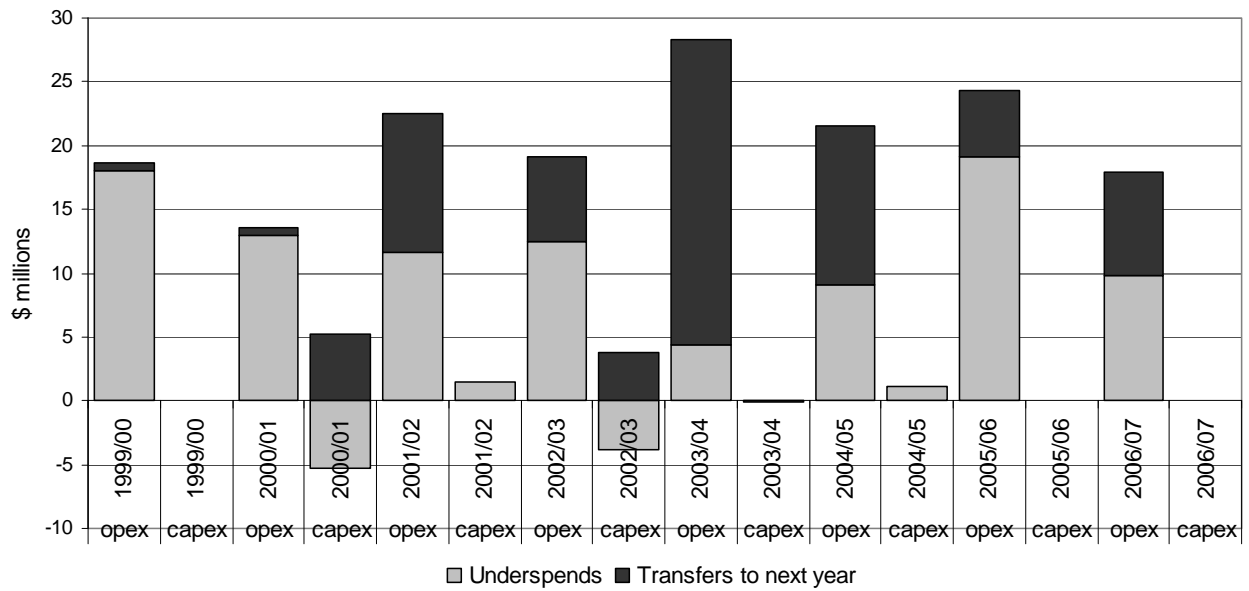
Baselines for Vote Agriculture and Forestry



Baselines for Vote Biosecurity



Underspends and Transfers in Vote Agriculture and Forestry



Vote Fisheries – Analysis

Analysis of Initiatives

17. Funding is being sought for Vote Fisheries through this bilateral and also through theme Economic Transformation. This is summarised in the table below:

	<i>\$million - increase/(decrease)</i>				
<i>Funding sought for Vote Fisheries in Budget 2008</i>	<i>2007/08</i>	<i>2008/09</i>	<i>2009/10</i>	<i>2010/11</i>	<i>2011/12 & Outyears</i>
<i>Operating (GST excl)</i>					
At this bilateral	-	-	-	-	-
Through Theme Economic Transformation	-	9.380	9.575	9.625	10.265
TOTAL OPERATING	-	9.380	9.575	9.625	10.265
TOTAL CAPITAL	-	5.836	0.215	0.170	0.050

18. Of the total operating funding of \$38.845 million sought through theme Economic Transformation for the period 2008/09 to 2011/12, \$15.621 million relates to capital initiatives being discussed in this bilateral.

Increased Observer Coverage (recommendation e)

19. The department proposes to increase observer coverage to an average 10% across all fisheries. There is a capital component relating to this bid to provide equipment required for observation to occur.
20. The associated operating bid, commencing at \$1 million per annum in 2008/09 and ramping up to \$3 million per annum in out-years, will be cost recovered from the industry and have no net fiscal impact.
21. Treasury considers that enhancement of the Observer programme is the most cost-effective way of gathering data that can be used to ensure the sustainability of fish catches.

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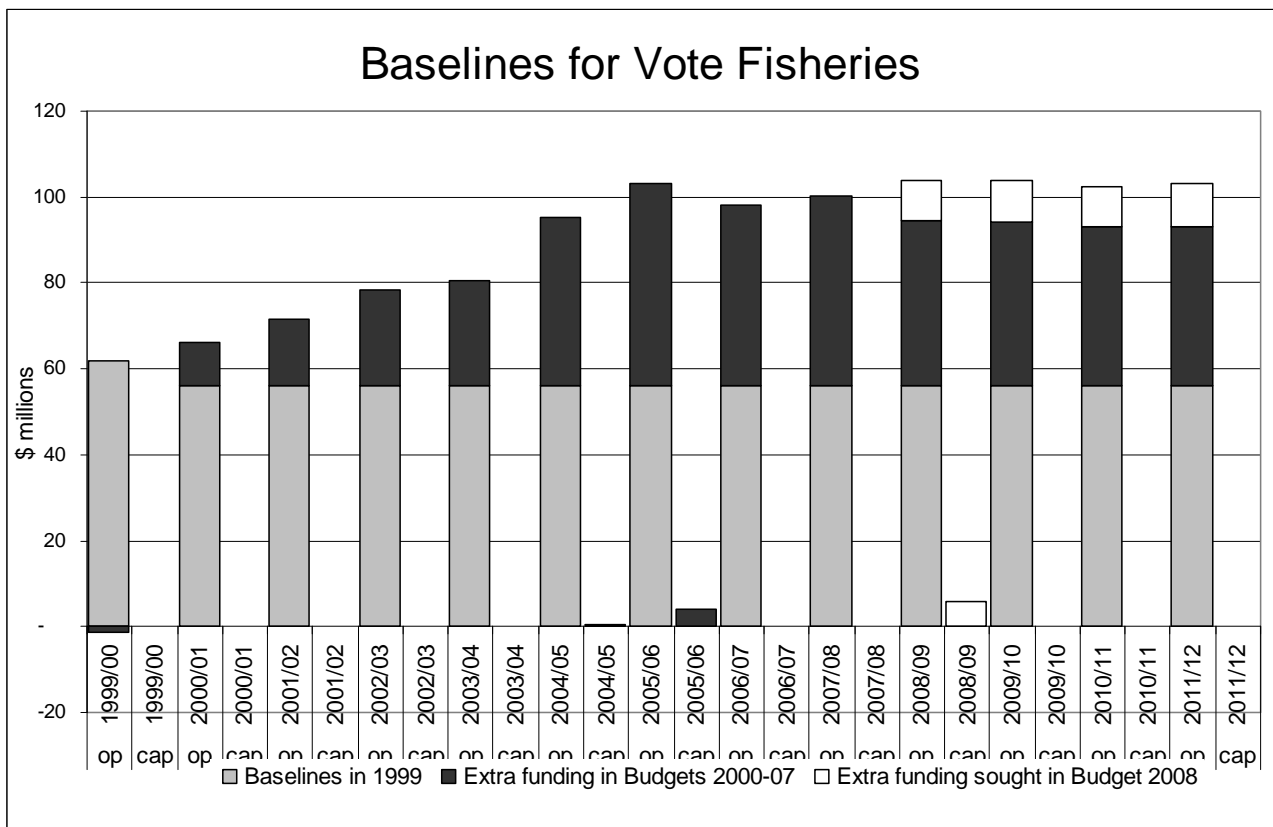
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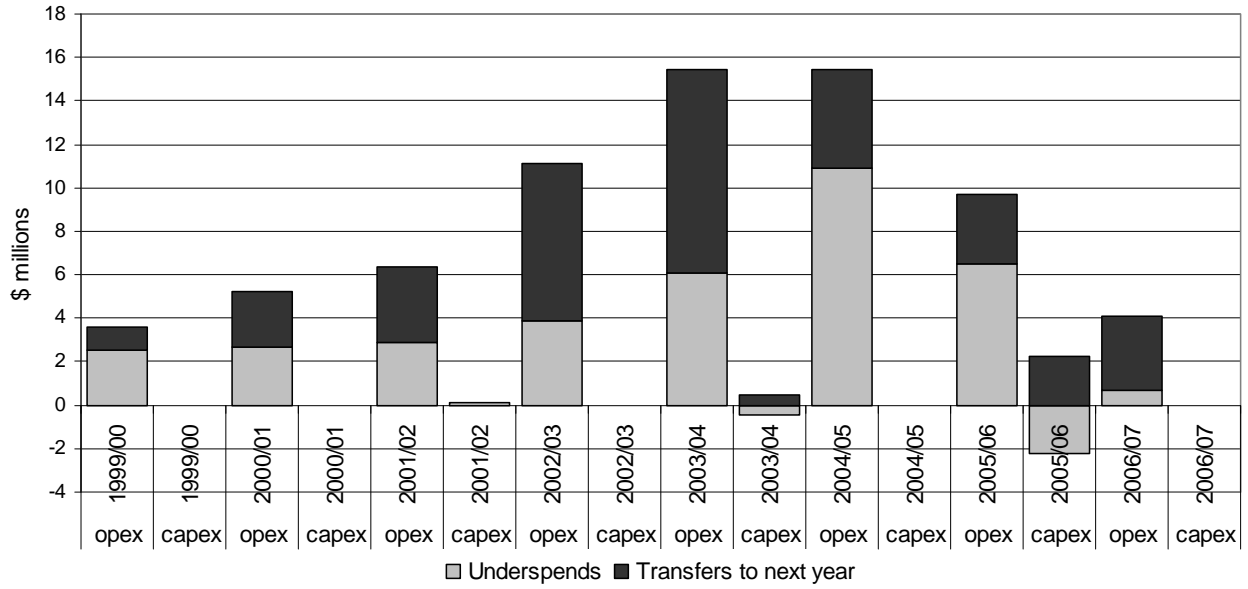
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Analysis of Vote

34. Vote Fishery baselines are shown in the graph below. The vote has received significant increases in funding in the past 6 years due to new service provision, such as poaching and black market deterrence, funding for the Fisheries Deed of Settlement implementation, and the development of an objectives-based management approach. There have been some increases in baselines for existing services, such as for fisheries research and improvements to corporate infrastructure.



Underspend and Transfers in Vote Fisheries



One-page Initiative Summaries

One-page summaries of the initiatives for discussion at this bilateral are attached on subsequent pages.