

## **REGULATORY IMPACT STATEMENT**

### **Regulatory amendments to support electronic provision of catch effort returns**

#### **a. Executive Summary**

The Ministry of Fisheries (MFish) proposes to amend the Fisheries (Reporting) Regulations 2001 to provide permit holders with the ability to complete and provide catch effort returns electronically. This will enable the fishers to utilise the technologies that are currently available to them to provide the catch effort return more efficiently.

Industry has been seeking these regulatory amendments for a number of years.

The proposed amendments will also consider:

- The registration of those permit holders who elect or are required to provide their catch effort returns electronically;
- The approval process for the software packages that will be required for the delivery of the on-board systems that enable fishers to enter, save, sign and send electronic returns;
- Options in the event of systems failure or the permit holder electing not to continue with this system;
- Alternative reporting timeframes for returns completed electronically; and
- Whether or not electronic catch effort reporting should be mandatory. However, all Foreign Charter Vessels and High Seas permitted vessels will be required to provide returns electronically from the commencement of this regime.

#### **b. Adequacy Statement**

This Regulatory Impact Statement has been approved by the MFish's Regulatory Impact Analysis Steering Committee and is considered adequate according to the criteria agreed by Cabinet.

#### **c. Status Quo and Problem**

Fishing permit holders and High Seas permit holders are required to provide catch effort returns to the Chief Executive. The returns are important for scientific stock assessments and for maintaining the integrity of the Quota Management System. Currently, although all returns are completed manually (i.e. in paper format) before being posted to FishServe, (the agency contracted by MFish to deliver catch effort services) fishers are also entering the data into their own computer systems aboard vessels. Each of the approximately 170,000 returns received annually is scanned by FishServe and the data on the returns is manually entered into MFish catch effort database.

The existing paper-based catch effort return process has been in place for some 20 years. Fishers are familiar with its operation and the information provided is generally adequate for the purposes for which it is collected. Despite this, there are ongoing problems associated with it such as data entry errors (errors that arise when the hand-written data is transcribed into the database) and handwriting interpretation errors.

The existing process does not allow fishers to lodge returns electronically so they cannot take advantage of the new technologies now available to them.

The fishing industry pays for catch effort administration costs via the cost recovery levy process, currently \$2.1m per annum.

**d. Objectives**

The primary objective is to lower the costs to industry of adhering to the catch effort reporting system and if possible, to increase the quality and timeliness of data received.

**e. Alternative Options**

The alternative option is to not introduce these proposed regulations and to maintain the status quo. Existing costs will be maintained at current levels.

**f. Preferred Option**

MFish's preferred option is to amend the Fisheries (Reporting) Regulations 2001 such that all fishing permit holders are able to complete and provide catch effort returns electronically. In order for this to occur the Chief Executive must give approval under 296(1) of the Fisheries Act 1996 to allow the forms to be provided by electronic transmission. For High Seas permit and Foreign Charter Vessel holders these requirements will be placed on all respective permits.

At a high level, there will be little or no difference between the electronic and paper reporting options; permit holders will be required to provide the same information regardless of the method of provision. The only likely differences could be:

- Permit holders will be required to notify MFish that they wish to use the electronic option and this request will be recorded on a register. Registration will be required prior to using the electronic option;
- Permit holders using the electronic option may be required to provide completed returns to FishServe earlier than under paper-based reporting; and
- Overtime, the Chief Executive may require certain classes of permit holders to use electronic reporting rather than it being a voluntary option. This will happen after consultation with those affected permit holders.

Enabling electronic catch effort reporting is MFish's preferred option as there are benefits to both industry and MFish, amounting to an estimated \$440,000 over three years with subsequent savings to the order of \$181,000 per annum for MFish. All ongoing savings will be accrued to quota holders through a reduction in annual cost recovery levies. Additionally, electronic reporting is expected to result in better quality data by eliminating data entry errors and only accepting data in the correct format. In the last fishing year there were 27,350 forms returned for correction. This equates to 16.1% of the forms received. This will result in better quality information for fisheries managers. Receiving information electronically will also mean that information is in the database earlier than at present and will be available to inform management decisions that require the most up to date information.

There will be costs associated with the development of systems and databases to receive and manage all this information. The budgeted costs for MFish are \$388, 000 to cover capital and operating. FishServe has budgeted \$800,000 for systems development. The capital costs will be absorbed over time by the savings identified in the paragraph above. It is not anticipated that this will be a burden on the industry given the level of saving mentioned above. These amounts have been approved by both FishServe and MFish. All savings associated with delivery of this service will be passed back to the industry through reduced cost recovery levies.

If permit holders wish to use the electronic reporting option, and have no existing capability, they will incur set-up costs (estimated to start from around \$1,000) associated with purchasing a computer for use on board their vessel(s). FishServe will be providing a software package free of charge, although permit holders are not obliged to use that package and may purchase their own software provided that it meets the approved standard. MFish has no information regarding the costs of such packages.

By having the electronic option voluntary for most vessels set up costs to the industry will be minimised. It is anticipated that the set up costs for purchasing any additional equipment, if required, would be around \$6,000. However, MFish presumes that the operators most likely to choose to use the electronic option are those whose vessels already have the capability of doing so thus the costs to industry would be reduced. Those vessels that MFish proposes to require to use electronic reporting (Foreign Charter Vessels and High Seas permit holders) are assumed to be among the vessels most likely to be able to do so without incurring setup costs. There are approximately 30 Foreign Charter Vessels and 30 High Seas permit holders.

If the timeframes for providing returns are amended such that returns are required to be provided from a vessel at sea the costs of purchasing the additional technology to do this could start at around \$6,000 depending on the sophistication of the equipment purchased. The costs of providing returns once a vessel has arrived in port however are assumed to be negligible provided that the permit holder has access to the internet. Under this proposal all reporting will be required once a vessel has entered port and landed the fish.

MFish's proposal to require Foreign Charter Vessels and High Seas permit holders to provide returns electronically (and for the Chief Executive to have the ability to require further vessels or classes of vessel to complete and provide returns electronically) will provide compliance benefits to MFish. Providing forms electronically improve MFish's ability to monitor catch effort information as returns will be received sooner than in the current paper based reporting regime. There are minor costs to MFish associated with altering compliance monitoring and enforcement approaches to reflect a more electronically focused reporting procedure. The potential benefits, particularly with more frequent reporting, could add value to fishers and MFish in terms of deterrence and a reduced ability for fishers to misreport.

**g. Implementation and Review**

MFish proposes that the regulatory amendments necessary to support electronic catch effort reporting will be in place by 1 October 2009. MFish and FishServe have commenced building the systems necessary to enable returns to be provided electronically and they will be in place by early 2010.

The effectiveness of electronic catch effort reporting will be monitored to see if the industry is electing to join the scheme and to see whether the predicted cost savings are being achieved.

**h. Consultation**

MFish consulted Commercial Stakeholder Organisations, the New Zealand Seafood Industry Council Ltd and Te Ohu Kai Moana Trustee Ltd to obtain stakeholders' views on specific aspects of an electronic catch effort reporting system.

This feedback from stakeholders was used to inform options contained in the initial position paper. Industry participants strongly support this proposal.