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Mr D Bolger
Fisheries New Zealand
PO Box 2526
Wellington 6140

SEAFOOD NEW ZEALAND SUBMISSION ON WIDER ROLL-OUT OF ONBOARD CAMERAS

1. Thank you for the opportunity to respond on the consultation Wider Roll-out of Onboard Cameras.
2. This submission is prepared by Seafood New Zealand (SNZ) on behalf of the seafood industry. The submission content relates to the more generic issues with the implementation of cameras and cost recovery. SREs are providing comments focused on the implementation issues raised in the consultation. SNZ endorses their comments.

Seafood New Zealand

3. SNZ is a professional organisation delivering industry-good services for the wider benefit of the seafood industry, an industry which had annual export earnings of \$1.8 billion in 2020. SNZ plays a coordinating role in developing and presenting seafood responses on legislative and regulatory proposals affecting the industry.

The Proposal

4. Fisheries New Zealand (FNZ) proposes to install cameras on approximately 300 inshore fishing vessels, being those vessels 8 metres or over operating in marine waters. The vessels include those that operate on either a part time or fulltime basis using the following methods:
 - trawling
 - set netting where vessels are greater than 8 metres in length
 - longlining
 - danish seining
 - purse seining
5. Vessels not required to have cameras at this time but not precluded for future consideration include:
 - Set netting vessels less than 8 metres
 - Deepwater trawl
 - Potting
 - Diving
 - Freshwater
 - Tenders used for fishing

6. The introduction of cameras and electronic monitoring of the fleet is said to be premised on:
 - Obtaining improved and accurate information that is necessary for good fisheries management decisions
 - Reducing the risk to protected species and
 - Improving at-sea behaviour
7. FNZ has an appropriation of \$68m to fund the rollout, of which \$49m is expected to meet the operating costs for the first four years and \$19m the capital costs of purchase. We note that these costs are indicative only, the basis for which is not provided in the paper. We understand that FNZ is currently undertaking a purchase programme for the hardware, software and systems and that will provide better estimates of both the capital and operating costs.
8. FNZ is proposing to recover at least \$10m over the first four years from the fishing industry. While the future levels of cost recovery from the sector are not being consulted on at this time, the consultation document indicates that a substantially greater proportion of the post 2026 costs will be borne by industry (currently estimated to be more than \$15m pa).
9. The consultation focuses primarily on the implementation of the cameras and recovery of a share of the costs from industry. It seeks to progress the July 2021 decisions of Cabinet on the implementation of cameras in the inshore commercial fishing fleet.

Industry Position on Cameras

10. Industry's position has been the subject of much misrepresentation in the past. The industry remains conditionally supportive of cameras as a fisheries management tool provided that:
 - the objective of the tools being to *demonstrably*, not hypothetically, advance fisheries management through:
 - a) improved scientific information
 - b) more agile sustainability management
 - c) improving fisher behaviour
 - the overall system being cost effective
 - confidentiality and privacy being preserved
 - fishers and their approved agents gaining appropriate access to footage taken from their vessels
11. The industry does not resile from that position and recognises that electronic monitoring may, with more development of functionality, have the potential to provide additional significant benefits to a modern fisheries management regime that manages resources in a sustainable and prudent manner. However, we emphasise that fisheries management benefits must be demonstrable. The current consultation document continues to speak in vague terms about cameras providing more and better information without any specificity. We would have expected that information gaps would have been identified and it would be illustrated that cameras provide the best and most cost-effective means of providing that information. That no such analysis has been provided, suggests the justification for cameras remains theoretical with regard to fisheries management benefits.
12. Further, the use of electronic monitoring in fisheries management is still in its infancy. Looking at technical performance alone, it appears electronic monitoring can currently provide benefits in serial fisheries – those fisheries where fish are landed individually on a vessel – where the vessel is configured to maximise the potential of electronic monitoring.¹ However, electronic monitoring in batch fisheries – where the catch is landed *en masse* on the vessel – is still in its infancy. For these vessels in their normal set-up, currently the best that current camera technology can provide is coarse measurements. Internationally it has been found that to gain better information it is necessary to re-design such vessels to take advantage of the potential. That is not an option in many fisheries and in particular in most New Zealand fisheries where the

¹ It is another matter whether the technology is economically feasible for these fisheries.

scale of operations (and level of profitability) prevents high levels of investment in new vessels and technology. FNZ has confirmed that there is no intention of asking fishers and vessel owners to alter the vessel set-up as part of the requirements for electronic monitoring.

13. Industry, both individually and collectively, have deployed cameras on vessels for many years as a means of observing at-sea fishing activity on their vessels. Those operators know the benefits and limitations of electronic monitoring, particularly in the batch fisheries. In such fisheries, events may be identified but the technology is unable to unbundle the footage to show detail of the event. We make our comments on the utility and potential of the technology from that position of knowledge and experience.
14. The sector also recognises that over time electronic monitoring may become a feature of New Zealand fisheries management – all that we seek is that it is productive, cost effective and appropriate. We need it to work and provide tangible benefits for the sector as much as the Government needs to prove to society that it is responsibly managing New Zealand's fisheries resources. We can see that electronic monitoring can provide a step change in future fisheries management but will not achieve that without the commitment and engagement of FNZ and the industry to ensure the initiative succeeds.

Summary of Our Submission

15. While not seeking dwell on the wider issue of cameras, given the importance of the programme and the gravity of its impacts, Seafood New Zealand considers it must provide wider comment on FNZ's proposal to implement electronic monitoring.

Rationale and Deliverables

16. Industry is disturbed that FNZ is over-selling the current benefits and capabilities of electronic monitoring in this consultation. Electronic monitoring has the potential to provide significant benefits, and a step change for fisheries management in New Zealand. However, current electronic monitoring technology and functionality are limited to a low-quality output that does little more than record an event occurring and is unlikely to be able to provide detail as to the specifics of the event, including species, size, state. The provision of high-quality management information via cameras requires significant research and development and may be years away before real fisheries benefits can be delivered. It is wrong to suggest to the wider New Zealand public that the implementation of the current programme will deliver the benefits the document claims.
17. The consultation makes repeated reference to the learnings from the "proof of concept" in the West Coast North Island (WCNI) fishery. Despite repeated requests for reports and an assessment of the efficacy of the technology, FNZ appears not to have compiled reports nor commissioned an independent assessment. Though that trial was principally focussed on the presence / absence of Maui dolphins, and a key focus of the overall cameras programme is to provide better information on protected species interactions, we understand the Department of Conservation has not been able to view any footage from the trial and assess the efficacy of the technology from a protected species management perspective. From our own experience of cameras on vessels, we have doubts as to the overall efficacy of the technology to meet the objectives for the "proof of concept" and consequently for the wider roll-out of the technology to the inshore fleet.
18. Rather than advertise what is hoped to be achieved eventually from a future camera programme, we consider that FNZ needs to detail exactly what the deliverables will be in this introductory phase and then define a strategic pathway to realise the potential benefits of the technology. In the short term, there will be little to no additional benefit from this first phase of the camera programme that better ensures the sustainability of New Zealand's fisheries.
19. If cameras are to have a place in fisheries management, they need to be integrated fully into the fisheries management framework. For example, we can see them being to gather specific science information on selected vessels as part of a research programme via discard chutes, or as part of a modern landings and return to the sea policy that achieves the Government's policy intents without the need for a simplistic "bring it all home" policy. Cameras are being imposed as an add-on to existing policy and processes rather than being viewed as a fundamental building

block for a modern, future-based fisheries management framework. There is no current, coherent and comprehensive strategy, notwithstanding the policy reforms that have been approved by Cabinet for implementation.

20. The development of such a strategy and an implementation path requires the involvement of industry in the process. It simply will not be achieved without the involvement and buy-in of industry.
21. We are concerned that the proposed programme entails a very high level of risk; we have no wish to see this initiative fail. No fishers should be forced out of the industry through unnecessary, high cost and non-performing technology. Done well, it can provide a significant step change and once again place New Zealand at the forefront of fisheries management. We share that common desire with Government.
22. We submit the Government, in conjunction with industry, needs to develop a transformation plan to provide a future strategic pathway for the management of New Zealand's fisheries resources. Until such a pathway is developed that allows fisheries management to be modernised, the role and potential of electronic monitoring will remain unfulfilled, policy reforms will be approved on an ad-hoc basis, and industry will be forced to continue to express its opposition to the implementation of electronic monitoring as proposed by FNZ in this consultation.

Cost and Cost Recovery

23. The deployment of cameras on vessels incurs significant costs for the Government, industry and all those who are integral to making the programme work. On the face of the proposals, government expenditure on enforcement and monitoring will rise to over \$70m – over 50% of the total Government appropriation for fisheries management – and nearly triple the funds available for research. The industry considers that an inappropriate allocation of funds and a poor strategic decision. In essence, the Government is choosing to under-provide the research that underpins sustainable utilisation, and instead to spend funds on a draconian level of control to enforce fisheries management settings that are potentially inappropriate precisely because of the lack of underpinning research. Excessive enforcement cannot be a substitute for appropriately informed and balanced sustainability settings.
24. With regard to cost recovery, we cannot support recovery of camera expenditure during this initial phase. We consider the expenditure on this programme is not an integrated fisheries management response and does not identify industry as a beneficiary or risk exacerbator so as to contribute to the cost of the programme. We contend the proposal fails MPI's cost recovery criteria of transparency, justifiability, efficiency and equity.
25. An amendment to the Fisheries Act is required to ensure some activities related to electronic monitoring can be considered as fisheries services. While the Ministry for Primary Industries (MPI) is seeking to have the Fisheries Amendment Bill in force by 1 October 2022, any delay would preclude cost recovery in 2022/23 (and even if passed and commenced by 1 October 2022, would likely require retrospective approval of inclusion of this expense in the cost recovery order, we would object to any such retrospective recovery of costs).
26. We note that MPI has also signalled an intent to review cost recovery in the fisheries sector with that to commence in early 2022. We consider it is premature for MPI to continue to consult on cost recovery for camera activity in advance of that wider review. To that extent, we consider this section of the consultation to be unnecessary. The Crown will not incur a significant loss of revenue by deferring camera related cost recovery to 2022/23.

Operational Matters

27. The consultation does not provide any indication as to how the proposed objectives might be achieved operationally or any indication as to the operational framework for the management of the vessels, the imagery or the privacy framework to protect the confidential nature of the imagery and access by fishers to footage taken on their vessels. These are longstanding matters of concern to industry in respect of which FNZ has provided no answers nor invitations to discuss.

Use of Cameras in New Zealand Fisheries

28. While the introduction of electronic monitoring is being positioned by politicians and FNZ as something of a panacea to remedy all the perceived ills of commercial fishing, it may instead become yet one more millstone and impediment to the evolution of a modern fisheries management framework. This is because the technology cannot currently deliver what has been promised to politicians and the public, and the detailed work for the programme is yet to be determined.

The Objectives

29. FNZ has listed the perceived benefits of on-board cameras; we comment on those below.

Make Better Decisions

30. FNZ asserts improved information will provide more certainty and a greater evidence base to inform policy and regulation, scientific research, and fisheries management decisions. Industry agrees that improved information can well have those benefits. However, the information must be pertinent, and of sufficient quality, to address the management objective.
31. FNZ is yet to provide any reports, or detail operations or processes relating to the camera installation that will outline how or when the benefits might be achieved. The initial programme scope is for the installation of cameras and the provision of imagery for MPI staff to view.
32. We are aware that internationally, fisheries management information has been obtained from the uses of cameras in serial fisheries such as longline and setnet where fish are brought onto the vessel singly and systems are available to determine the species and in some instances the length. However, we know of no batch fisheries where such programmes exist.
33. If this rationale is legitimate, FNZ should be able to specify, *precisely*, what information is needed to enable better decision making and demonstrate that cameras will be the most effective and efficient tools available to obtain that information. We have seen no such analysis.

Improve information and intelligence

34. In reality this is little more than the first objective restated. As set out above, vague references to “better” or “more” information are insufficient justification for such a substantial cost increase proposed. Far more specificity and direct links to well-articulated management procedures are required to substantiate this assertion.

Improve species information

35. MPI contends that cameras will promote better management of the marine environment by minimising interactions with protected species and promoting the use of mitigation methods. MPI places high value on the benefits that could be obtained in this respect.
36. These are again vague statements with little or no substance. We understand that DOC has not been able to view the proof-of-concept imagery from the WCNI trial to establish the efficacy of the imagery for protected species management. Industry experience has shown that without a substantive interventionist change to on-board procedures, species identification is not achievable.
37. What will be provided is a greater supply of low-quality information – the number of interactions – and even that information will be available only as a result many, many hours of manual viewing of footage, for a few selected fishing events. Protected species risk assessments are based on reliable species identifications from fisheries observers on vessels. With cameras replacing observers, a more comprehensive assessment of the rate of capture will be possible but at the loss of species identifications.
38. MPI, DOC and industry need to discuss how reliable, high-quality information can be obtained under a camera rich framework.

39. We know from our experience that cameras cannot assess the details of mitigation measures on vessels – we know it can identify the presence, or otherwise, of mitigation measures but not the compliance with regulated or non-regulated measures.
40. We would also point out that with the mitigation in place through regulation or voluntary programmes, the risk to the sustainability of protected species from the commercial fishing sector has been reduced to levels below that necessary to achieve the requirements set out in the Fisheries Act. In nearly all cases, the level of risk has been reduced far lower than the legislated minimum level of acceptable risk. There is little substance in the claim that risks to protected species will be reduced by the implementation of electronic monitoring.
41. Again, there is no analysis of what specific information is required to bolster our understanding of the risk that fisheries pose to protected species. Significant modelling based on high quality observer inputs has been undertaken to assess this risk. The single largest component of risk and uncertainty in the modelling for seabirds is cryptic mortality which accounts for nearly 66% of the total mortality estimate. Cameras will do nothing to address that information gap; targeted research may. Why invest in technology that will not solve the problem at the expense of research that might. This example illustrates the lack of rigour that has been applied to justifying the implementation of cameras in the fishing fleet.

Maintain market access and improve industry's reputation

42. MPI considers that cameras will assist to maintain and enhance access to and value from overseas markets and build the trust and confidence levels of New Zealanders. That may or may not prove to be true, but in any case, it is not a sound basis for mandatory imposition of electronic monitoring and recovery of those costs from industry. It is for industry to respond to what are market demands not for government to second guess it and through regulation reduce any ability to innovate. That aside, the imposition of cameras on the inshore fleet is hardly likely to enhance overseas market access or create premiums when the vast majority of that product is consumed domestically.
43. Experience has shown the industry that, while certification has ensured access to overseas markets, it has not led to higher market returns from that access. With much of our exported finfish already being from certified fisheries and most of the export markets being from deepwater fisheries, where cameras are not to be installed, the advent of cameras in the inshore sector is most unlikely to result in increased access or returns. The MPI comments as to benefits are at best speculative and at worst misleading. If there was, indeed, a sound market-driven rationale for expanding the use of on-board cameras, regulation would hardly be required.
44. It is possible that camera coverage will increase transparency and support for the industry's social licence. Industry would be happy to discuss how we could work with government to make improvements in this regard. MPI could more actively promote New Zealand's sustainability credentials, its health benefits, and the importance of the seafood industry to coastal towns, to Maori, and as a great regional employer, all of which come with a significantly lower price tag.

Change Behaviours

45. Any industry operating in a highly complex regulatory environment will be subject to errors, oversights and behaviours that result in compliance action of some sort. MPI has estimated that there were some 9,000 regulatory provisions applying to commercial fishing and what are ordinarily detected are minor offences.
46. It is rare that offending is of significant scale that it compromises the sustainability of our fisheries resources and the marine environment. MPI's compliance team regularly undertakes inspections of fishing operators, with around 90+% having a clean bill of health. MPI has a robust compliance and monitoring framework which has identified and dealt with significant offenders. That offending has been detected and prosecuted without cameras.
47. Cameras are most unlikely to detect significant offending. FNZ is aware of exactly where our fishing vessels are – they automatically transmit their positions to MPI every ten minutes from the time they leave port to the time they arrive back. We report our catch to MPI within 8 hours

of a fishing event and report any protected species interactions on a daily basis. Observers are present on approximately 90% of fishing activity in the deepwater sector but less than 5% on average of our inshore fisheries. With small vessels and small tonnages being caught by such vessels, but with detailed reports on every catch within 8 hours and cross checks with landings information, it is highly unlikely that any illegal activity in the inshore sector would compromise the sustainability of inshore fisheries.

48. If compliance action and the significant associated spending is to be justified on the basis of ensuring sustainability, then the risks to sustainability should be well specified. We submit that commercial fishing mortality is known with relatively high precision when compared to the inaccurate and infrequent estimates of recreational fishing mortality that accounts for a substantial share of the Total Allowable Catch in some fisheries that are valued by all sectors. If there is genuine concern about the sustainability of fishing, imposing high cost camera systems on commercial fishing vessels represents a very poor marginal return when compared to greater investment in understanding recreational fishing mortality.

Provide a more cost-effective fisheries review and verification capability for Fisheries New Zealand

49. It is hard to argue that cameras should provide a more cost-effective review and verification capacity than existing activities when significant cost increases are the outcome.
50. New Zealand currently spends \$54 million on monitoring and compliance of fisheries activity out of a total budget of \$115m for the management of wild fisheries. By way of contrast, FNZ spends only \$24m on research to maintain the sustainability of New Zealand's marine resources. The amount of expenditure on research which is needed to underpin sustainability has increased only marginally in the past two decades while expenditure on enforcement and monitoring has increased by \$16m or 42% in the past five years alone – at a time when the commercial fishing fleet has decreased by 20% and the total volume caught has decreased by 17%.
51. FNZ's own estimates indicate that the future operating costs for cameras will be in excess of \$15m per annum, with less than \$2.5m of that cost being for additional science and management information. The bulk of the funding will go to yet more monitoring and enforcement, taking the annual bill for such activities to over \$70m from a total budget of \$130m for fisheries management. That is not an appropriate allocation of the resources available to manage fisheries resources. New Zealand will invest \$27.5m (or 21% of the total appropriation) on future sustainability research while spending \$70m on monitoring and enforcement activities. For each vessel in the inshore fleet, MPI will be spending \$50,000 per annum on cameras. FNZ's own analysis shows that annual camera bill alone, for each vessel, will exceed the net profit from an inshore commercial fishing enterprise.
52. Industry currently pays approximately \$35m in cost recovery levies to the Government for Crown activities. We are the only sector in New Zealand that pays for itself to be regulated and policed. The Government is seeking to increase our levies by an estimated \$8m in the future taking the bill to \$43m per year.
53. FNZ notes that the imposition of additional levies to fund the camera programme will result in a forced reduction in the commercial fleet. The costs will fall on the small to medium operators in the inshore sector – the very sector that provides the team of 5 million New Zealanders with their share of the inshore fisheries resources the Government manages on their behalf. Those fishers, the licensed fish receivers that handle and process the fish and the quota owners that supply the ACE all contribute strongly to regional communities and local economies. The loss of fishers from the industry will be magnified by the impact on the local communities who provide them employees and services.
54. FNZ has no basis to assert the cameras will provide a cost-effective tool. In the 2017 Cabinet paper that established the legal regime for onboard cameras, it was stated that the installation of cameras would generate monetised benefits of \$158.6 million over a 15-year period. These benefits would come from securing and increasing access for New Zealand's wild-caught seafood to premium markets that require assurance of sustainable fish production and "boat to plate" tracking. Industry challenged MPI as to the integrity of those estimates, yet this

consultation continues to make unsubstantiated claims but – presumably in response to industry’s challenge – has removed any estimate of value.

55. The placement of cameras on inshore vessels and the provision of imagery would logically lead to a reduction in the need for observers for those fleets and enable Fishery Officers to transform their work patterns to adopt the new information stream rather than requiring new resources to use the new information stream. FNZ appears to see no savings to existing activities from the changes it is proposing. The inshore and HMS sectors currently pay over \$3.5 million per year for observer services, with inshore observers costing over \$1,500 per observer sea-day. The consultation document indicates a further \$2.5 million will be needed to fund scanning services to be undertaken by observers and a further \$2.3 million required for additional Fishery Officers to undertake any additional compliance and enforcement activity.
56. We would have expected an offset in the operational costs to reflect changes in activities for observers and Fishery Officers. In fact, in the 2017 Cabinet paper, the Minister stated that “MPI also acknowledges that savings in existing areas of cost recovery, such as observers, may offset additional recovery associated with IEMRS.” The opposite is now being imposed.

Verify and monitor inshore fishing activity

57. FNZ seeks to assert that electronic monitoring will add value through verifying catch composition, protected species captures and landings and discards.
58. We noted earlier that without a substantial investment and significant changes to vessel operations, verification of catch composition is not possible within the current functionality specification for cameras and not within the next 5 years. The same comment can be made of protected species interactions. Without species identification, cameras are unable to verify landings and discards with any degree of reliability and certainly not to an evidential level for prosecutions for offending.

Additional Matters to be Considered

59. In addition to the above comments, we would also seek to draw the Minister’s attention to the following matters:

No Proof-of-Concept Assessment

60. The consultation document makes repeated reference to the benefits and the results of the proof-of-concept placement of cameras on the WCNI inshore fleet. For the last two years, we have repeatedly asked for copies of MPI reports on the proof-of-concept trial but with no success. We understand there is no such report completed by either MPI personnel or an independent assessor. We understand the Department of Conservation has had no access to any footage to assess the capability and efficacy of electronic technology to provide meaningful information for the management of protected species.
61. We are aware that the “proof-of-concept” trial did not include providing and testing a facility that allowed a fisher (or his or her approved agent) to view the footage from the vessel even though there are requirements under the Privacy Act that ensure individuals are able to obtain copies of any information held regarding them and their activities. This access is required and critical. MPI confirmed in 2016 when starting the IEMRS programme that there would be a sharing of information and no requirement for industry to duplicate systems in order to also have information to improve its operations.
62. The Government is being asked to invest another \$68 million into the installation of electronic monitoring on the inshore fleet without any assessment of the success of the trial. Industry is being told it must fund a significant proportion of the spending – a cost which will place many fishing companies in dire financial straits, and which may provide none of the benefits promised by FNZ.
63. We note that the costs provided in this consultation are indicative only and may only be reliably estimated once the acquisition process has been completed. As with all other purchases of external services with a novel and significant IT component, it may be that FNZ has underestimated the costs of the programme.

64. We recommend that the implementation of cameras should be delayed until the degree to which the “proof-of-concept” trial fulfilled its objectives and provided a cost-effective service is reported through an assessment by an independent consultant experienced in the field. That report should also look at and comment on estimates and risks to provide the other ancillary services needed in the system and either the ability of the currently proposed system to achieve the objectives with current technology or the expected costs if those objectives are to be achieved.

The Degree of Risk

65. There is no assessment of the risk of failure in FNZ’s consultation. The tone of the document and advice to Government is this is a programme without risk.
66. The industry however considers that the proposals as presented are not without significant operational risk. Nowhere else in the world is seeking to implement such a comprehensive approach. From our understanding, less than 1,500 vessels in the world operate under regulated electronic monitoring and none of those include vessels with bulk fishing gear such as trawls, danish seine or purse seine.
67. New Zealand is looking to add 300 vessels to the world stock of regulated vessels. The majority of those are bulk catchers, a type of vessel not electronically monitored elsewhere in the world. FNZ asserts that it will be able to provide scientific information and catch verification at levels that cannot be achieved with current technology and functionality.
68. Industry does not accept that rewards in the programme are sufficient to warrant the risks.

Need for a Transformation Plan

69. The use of electronic monitoring is a modern and developing area of technological advance. It has the potential to provide a step change in the management of New Zealand’s marine resources. However, FNZ is still only able to review sustainability measures for less than 10% of the stocks in the QMS, has no means to manage stocks as an assemblage or portfolio, has only a rudimentary understanding of recreational harvest, has no agreed methodology to manage low information and low value stocks, has an outdated Harvest Strategy Standard, and has inadequate resources to match the demands for proper management of the QMS.
70. At a time when FNZ is proposing to implement the most ambitious electronic monitoring system, it is also proposing to introduce a landings and discard policy with significant uncertainties about how it will be operationalised, and which makes no use of potential electronic monitoring benefits. Properly installed and functional, electronic monitoring could be used to monitor any returns to the sea from vessels and be integrated into a modern fisheries management approach that uses this technology to fill identified, *specific*, information needs (as detailed above).
71. Before FNZ proceeds with the proposal, we consider there would be great value in the Ministry working with the industry and other stakeholders to define the strategic direction and future management framework for our fisheries resources.
72. FNZ has no strategic plan for the future management of New Zealand’s fisheries resources. The most recent strategic plan, and the only plan ever developed for the management of New Zealand, is *Fisheries 2030*, released in 2008. That Plan has not been updated and a strategic approach is absent for most of FNZ’s activities.

Operational Implementation

73. FNZ has been unable to provide industry with any information or assurances as to operational matters such as:
- The scanning levels of footage for various fleets
 - Who within FNZ can access imagery and for what purpose
 - How will imagery be released to other Crown agencies and what controls will be placed on their access and use

- How the release of imagery to external parties will be protected or be made available consistent with the Privacy Act and Official Information Act
- The ability of fishers/permit holders to access footage taken on their vessel
- The operational guidelines as to breakdowns or failure of the gear – the ability for fishers to continue operations when equipment breaks, and / or the inability to supply replacements and effect system repairs in short time frames across the country
- The liability of vessel owners or operators for the replacement cameras

Our Assessment

74. As stated previously, industry conditionally supports the use of electronic monitoring in New Zealand fisheries management as set out in paragraph 10. However, we cannot support the current proposal.
75. An investment in electronic monitoring technology is a major undertaking with significant technological and operational risk.
76. Before industry can support the implementation of electronic monitoring, it needs to see:
- A strategic plan developed collaboratively by the Government, industry and Maori that outlines how New Zealand's fisheries resources will be managed in the future
 - Where electronic monitoring fits in that strategy – what roles it will play, what specific information it will provide on a cost-effective basis
 - What functionality will be needed and how it will be achieved
 - How fisheries management practices and activities including observers, science and enforcement, will be redefined to realise the potential of new information streams
 - How the operational risk will be managed to acceptable levels
 - The costs and benefits of the implementation
 - Appropriate staging of implementation to allow for and ensure lessons are learned along the way

Cost Recovery of Camera Activity

77. FNZ is seeking cost recovery of the implementation of cameras in the inshore sector.² The proposal is to levy a minimum of \$10 million in the first four years as follows:

2021/22	2022/23	2023/23	2024/25	Total
\$0.0m	\$2.4m	\$3.5m	\$4.1m	10.0m

78. MPI has provided no justification for the levy or the annual pattern above. With there being every likelihood that the delivery of electronic monitoring or the passage of legislation that qualifies electronic monitoring for cost recovery will be delayed, a recovery of \$2.4m in 2022/23 is unlikely to be justified.
79. MPI has advised that an amendment will be required to the definition of fisheries services in the Fisheries Act to include all components of the electronic monitoring framework so as to subject to cost recovery. The presentation of the Fisheries Amendment Bill to the Select Committee has been deferred to 2022. Given that there will need to be detailed consideration of the Bill by Select Committee to address circumstances not provided for in the Cabinet approvals, passage of the Bill by 1 October 2022 will be difficult to achieve. To allow for cost recovery of electronic monitoring to commence on 1 October 2022, both the Fisheries Act and the Fisheries (Cost Recovery) Rules 2001 would need to be amended and commenced by 1 June 2022 to allow for

² That said, the proposed allocation of costs among stocks is highly questionable. Included in the table on page 51 are HOK1, LIN, ORH that are almost exclusively deepwater stocks. The vessels catching these species are not proposed to be recipients of cameras. This exemplifies the highly dubious justification for cameras on the basis of receiving some benefit or exacerbating risk.

consultation on the 2022/23 levies to commence if those services are to be included in cost recovery from 1 October 2022.

80. We note that MPI has stated it will commence a review of cost recovery in the fisheries sector in early 2022. We consider it would be premature for MPI to continue to consult on cost recovery for camera activity in advance of that wider review. To that extent, we consider this consultation to be unnecessary and it should be deferred.
81. MPI has advised that the wider cost recovery review will not be completed with a time span that would allow for the proposed 2022/23 cost recovery to be managed under any revised levy structure. Industry has been pressing for a review of cost recovery for at least the past 5 years. We see no reason why the review could not be completed in a faster timeframe or, given the low level of recovery planned for 2022/23, cost recovery should not occur in 2022/23. That latter course of action would provide for any cost recovery for electronic monitoring to be undertaken in any amended wider context.
82. FNZ does not provide any firm indication as to the cost recoverability of electronic monitoring activity beyond 2025 other than the Crown share will “decrease substantially”. We take this to mean that a greater share of the projected \$15m of future annual operating costs will be cost recovered from industry. Imposing a further \$10m or more of cost recovery on the inshore sector would be sufficient to drive a number of participants from the industry. As the number of participants declines, the activity costs will be spread over a smaller number of participants placing yet more in a fragile financial state.
83. FNZ correctly states the principles and regulated provisions that underpin cost recovery but fails to interpret them correctly in the context of electronic monitoring. As outlined earlier in this submission, electronic monitoring will provide neither benefits to the industry nor address risks posed by the industry.
84. The objectives and benefits stated are illusory and unsupported by robust policy development or operational realities.
85. The guidelines of transparency, justifiability, efficiency and equity apply to the nature of services that might be cost recovered – they do not replace the principles of cost recovery in the Fisheries Act.
86. In any event, cost recovery of electronic monitoring would fail all those guidelines:
 - Transparency – there is no description of the services to be delivered that would enable industry to assess the utility of the implementation. The deliverables are presented in conceptual terminology without reference to objective outputs or outcomes.
 - Justifiability – the costs as presented are excessive and will result in inshore vessel operators being forced from the industry. Relative to the (unqualified) benefits, the costs are not justifiable. FNZ’s own analysis indicates that the annual operating costs for a vessel exceeds the average net profit earned by a small and medium commercial fishing enterprise. Furthermore, the Ministry’s performance statements in their Annual Report indicate that industry compliance is already achieving the targets. An imposition of such costs without any tangible benefits to New Zealand or the operator cannot be justified.
 - Efficiency – there is no supporting analysis that indicates benefits are being maximised. There are no benefits in the initial phase where the technology will merely replicate existing fishing management services, at increased cost.
 - Equity – it is not equitable that the industry should bear the operational costs in the circumstances outlined.
87. We cannot agree that industry should be cost recovered for the operational costs as proposed:
 - FNZ is the sole decision-maker as to the equipment to be purchased. Industry is to play no role in that decision. As owner of the hardware, FNZ should be responsible for the upkeep, maintenance, and viability of the hardware. Any failures are a cost to the Crown as purchaser and owner, not industry.

- FNZ will be the sole decision-maker as to the purchaser of the transmission service and the sole recipient of the statutory information. The absence of industry good or industry benefits obviates any justification for industry being responsible for the transmission costs of the imagery.
 - FNZ will be the sole beneficiary of the storage of the imagery. The imagery is being retained to inform FNZ officers (and other government agencies).
 - Review of footage – the scanning of footage is akin to the function of an observer in observing fishing activity. On those grounds, and presuming that observer services provide fisheries or conservation services benefits, footage review would be cost recoverable. However, we can see no justification for industry having to pay for duplicate service delivery – observers and scanners – at the same time. If both are required, then cameras are demonstrably not fit for purpose. We expect observer services to be withdrawn or converted to a scanning role with a consequential offset to cost recovery for the services. That MPI acknowledge this is recorded in the 2017 Cabinet paper but not present in the current formulation that is adding more staff and proposing these also be cost recovered.
 - We see no reason why the level of compliance activity should necessarily lift with the implementation of electronic monitoring. There is potential for a greater number of minor offences to be detected but the amendments to the penalty regime should provide for lower surveillance, enforcement delivery and analysis costs with savings to the existing baseline services.
88. Whether the costs of electronic monitoring should be recovered from quota-holders, operators or vessel owners should be considered in the context of the wider cost recovery review and be consistent with any decisions made in that principled review.
89. The industry has suffered financial setbacks from the impacts of COVID-19 on costs and access and revenue from markets. There is no secret to this with two of our more diverse companies that are better able to ride the shocks than smaller inshore operators making clear the impacts on them: Sanford has recently announced a 16% fall in profits and has announced it will not make a final dividend payment to shareholders and Moana Pacific has indicated that its expected profit will be less than a 4% return on asset value. FNZ's own analysis shows that annual camera bill alone will exceed the net profit before owner's drawings from an inshore commercial fishing enterprise. That analysis is based on 2019/20 IRD data and does not reflect either the impact of COVID-19 or the increased costs associated with electronic position and catch reporting. The current position would reflect a lower net earnings position. Many vessel owners chose to exit the industry when faced with increased electronic reporting costs. Maintenance has been deferred and vessels are not becoming so poorly maintained that they are failing sea worthiness certificates.
90. The industry and in particular the inshore sector do not have the capacity to absorb the additional costs being imposed by MPI. The levies for 2021/22 were increased by \$5.3m (16%) over the 2020/21 levies. Financial relief through lower levies was sought but was declined by MPI.
91. For the above reasons, we cannot support cost recovery of any costs associated with electronic monitoring at this time.

Yours



Jeremy Helson
Chief Executive
Seafood New Zealand