



Review of Deemed Value Rates for Selected Stocks

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Requests for further copies should be directed to:

Publications Logistics Officer
Ministry for Primary Industries
PO Box 2526
WELLINGTON 6140

Email: brand@mpi.govt.nz

Telephone: 0800 00 83 33

Facsimile: 04-894 0300

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1 Submission Information

MPI welcomes written submissions on any or all of the proposals contained in the Consultation Document. All written submissions must be received by MPI no later than 5pm on 11 February 2016.

Written submissions should be sent directly to:
Inshore Fisheries Management
Ministry for Primary Industries
P O Box 2526
Wellington 6011

or emailed to FMsubmissions@mpi.govt.nz

1.1 OFFICIAL INFORMATION ACT 1982

All submissions are subject to the Official Information Act and can be released (along with personal details of the submitter) under the Act. If you have specific reasons for wanting to have your submission or personal details withheld, please set out your reasons in the submission. MPI will consider those reasons when making any assessment for the release of submissions if requested under the Official Information Act.

2 Executive Summary

The Ministry for Primary Industries (MPI) is seeking information and views from tangata whenua and stakeholders to inform a review of deemed value rates for 6 stocks managed under the Quota Management System.

Deemed values rates are prescribed by Gazette Notice under section 75 of the Fisheries Act 1996. Commercial fishers who do not balance catch with Annual Catch Entitlement (ACE) monthly must make deemed value payments. The deemed value regime is intended to constrain commercial catch to respective catch limits by encouraging fishers to balance their catch with ACE, while not discouraging them from landing and accurately reporting catch.

The rates can be grouped into three key types:

- Interim - the rate charged during the year on a month by month basis, which can be remitted if ACE is obtained by the end of the fishing year.
- Annual - the deemed value rate charged at the end of the fishing year for catch in excess of ACE.
- Differential- an increased deemed value payable at the end of the fishing year for catch generally between 120% and 200% of the ACE held. The standard differential rate is charged in 20% increments for overcatch between 120% and 200% of the ACE held by the fisher.

Application of the deemed value framework is explained in detail in MPI's Deemed Value Guidelines (the Guidelines).¹ The Guidelines have been used to identify stocks for review and formulate the following options for selected fishing stocks in the upcoming fishing year (Table 1):

Table 1: Current and proposed deemed value rates for April stocks

Species	Stock	Current				Proposed			
		Interim \$	Annual \$	Annual 200% \$	Differential	Interim	Annual \$	Annual 200% \$	Differential
Giant spider crab	GSC5	0.09	0.10	0.20	Standard		No change		
Southern blue whiting	SBW1	0.41	0.46	0.92	Standard		No change		
Triangle shell clam	SAE7	0.51	1.02	2.04	Standard	4.50	5.00	10.00	Standard
Deepwater tuatua	PDO7	0.72	1.44	2.88	Standard	4.50	5.00	10.00	Standard
Sea Cucumber	SCC3	1.80	2.00	8.00	Variable	13.50	15.00	30.00	Standard
Coromandel scallops	SCA CS	18.50	37.00	74.00	Standard		No change		

¹<https://mpi.govt.nz/document-vault/3663>

3 Purpose

3.1 THE DEEMED VALUE FRAMEWORK

The Quota Management System (QMS) is the backbone of the New Zealand fisheries management regime and includes a total of 638 fish stocks of about 100 species. Balancing catch against catch rights is known as the catch balancing regime and it is one of the keys to ensuring the integrity of the QMS.

On the first day of the fishing year all quota owners are provided with transferrable annual catch entitlements (ACE) based on their quota share and the current Total Allowable Commercial Catch (TACC). However, in most cases fishers are not required to hold ACE before they go fishing. Under the catch balancing regime, fishers are required to balance their catch with ACE or pay a deemed value on catch in excess of ACE after fishing.

Deemed values are charges commercial fishers must pay for every kilogram of QMS fish stocks landed in excess of their ACE holdings. The purpose of the deemed value framework is to encourage commercial fishers to balance their catch with ACE while not discouraging them from landing and accurately reporting catch. The intent is to protect the long term value of stocks and to support kaitiakitanga by providing incentives for the overall commercial catch for each QMS stock to remain within the total available ACE and/or the TACC. The effectiveness of this incentive is dependent on individual fishers' compliance with landing and reporting requirements, their responses to the incentives provided and on the impact of other incentives such as those created by market conditions.

Effective deemed values contribute to both sustainability and utilisation objectives. Sustainability objectives are achieved as deemed value rates encourage fishers to balance catch with ACE and, in doing so, ensure commercial harvesting remains within the TACC. Utilisation objectives relate not only to the long-term benefits from managing catches within limits, but the deemed value framework also provides flexibility for commercial operators to manage unexpected and small amounts of catch in excess of ACE.

If deemed value rates are set too low, this may lead to catches in excess of the TACC, which may have negative implications for sustainability and the long-term value of the resource. Likewise, if deemed value rates are set too high, this may also discourage landing and accurate reporting.

The deemed value system creates a set of rates that apply under different circumstances. The base rate is the annual deemed value which is charged at the end of the fishing year on catch in excess of ACE. Interim deemed value rates are charged each month to commercial fishers for every kilogram of fish landed in excess of ACE. Typically the interim deemed value rate is set less than the annual rate - usually between 50% and more recently 90% of the annual rate. If the fisher sources enough ACE to cover his or her catch, the interim rates paid are remitted. If the fisher does not source enough ACE by the end of the fishing year, the difference between the interim and annual deemed value rates is charged for all catch in excess of ACE. As mentioned the annual rate applies at the end of the fishing year only.

Differential deemed value rates, if applicable, are also charged at the end of the fishing year if the fisher harvested well in excess of his or her ACE holdings. The amount paid depends upon the percentage of catch harvested by the fisher in excess of ACE holdings, as well as the

stock. Depending on the stock, this could lead to an escalated schedule of ‘standard’ rates as the percentage by which catch exceeds deemed value increases in 20% increments up to a maximum of 200% of the annual deemed value if catch in excess of ACE holdings exceeds 100% (see Table 2). Differential rates reflect the increasingly detrimental impact of higher levels of over catch on sustainability and on the long term value of the resource, providing stronger incentives to avoid over catch.

Table 2 Standard differential deemed value rate schedule for most stocks

Catch in excess of ACE holdings	Differential deemed value rate as a percentage of the annual deemed value rate
0–20%	100%
> 20%	120%
> 40%	140%
> 60%	160%
> 80%	180%
> 100%	200%

For vulnerable or rebuilding stocks, a more stringent ‘non-standard’ differential or ‘variable’ deemed value schedule (e.g. applying from 5% or 10% over catch) may be more appropriate than the standard schedule. See discussion of individual stocks below.

The deemed value rate changes proposed in this paper are aimed at protecting the TACC, by encouraging balancing of landings with ACE while avoiding creating incentives to discard and misreport.

3.2 THE ACT AND THE DEEMED VALUE GUIDELINES

Section 75(1) of the Act requires the Minister to set deemed value rates for all stocks managed under the QMS. Section 75(2)(a) requires the Minister, when setting deemed value rates, to take into account the need to provide an incentive for every commercial fisher to acquire or maintain sufficient ACE in respect of each fishing year that is not less than the total catch of that stock taken by that commercial fisher.

Section 75(2)(b) allows the Minister, when setting deemed value rates, to have regard to:

- the desirability of commercial fishers landing catch for which they do not have ACE,
- the market value of ACE for the stock,
- the market value of the stock,
- the economic benefits obtained by the most efficient fisher, licensed fish receiver, retailer or any other person from the taking, processing or sale of the fish, aquatic life, or seaweed, or of any other fish, aquatic life, or seaweed that is commonly taken in association with the fish, aquatic life, or seaweed,
- the extent to which the catch of that stock has exceeded or is likely to exceed the TACC for the stock in any year; and
- any other matters that the Minister considers relevant.

The practical policy application of these statutory criteria is set out in the Guidelines, which are summarised below:

- deemed value rates must generally be set between the ACE price and the Landing (sometimes also known as Port) price,
- deemed value rates must generally exceed the ACE price by transaction costs,
- deemed value rates must avoid creating incentives to misreport,
- deemed value rates for constraining bycatch species may be higher,
- deemed value rates must generally be set at twice the landed price for high value single species fisheries and species subject to international catch limits,
- deemed value rates for Chatham Island landings may be lower,
- interim deemed value rates must generally be set at 90% of the annual deemed value rate; and
- differential deemed value rates must generally be set.

4 Background Information

4.1 IDENTIFYING STOCKS FOR DEEMED VALUE RATE REVIEW

Before determining which stocks' deemed value rates are to be reviewed, MPI:

- invited stakeholders to nominate stocks for deemed value rate reviews, in the context of discussions as part of the annual fisheries planning process;
- considered stocks where total allowable catch reviews were being undertaken for 1 April 2016;
- assessed April stocks against the Performance Measures outlined in the Guidelines for the deemed value framework.
 - Catch in excess of the TACC.
 - The percentage of catch for each stock for which catch is not balanced with ACE.
 - The ratio of the total deemed value payments to the value of quota (at a general and stock level) – the target in relation to this indicator is less than 0.1% of the value of quota in any fishing year, and;
- for stocks identified above, considered whether interim deemed value rates were consistent with the Guidelines (90% of annual deemed value rate and how deemed value rates relate to ACE and Landing Price)

Table 3 sets out the prioritised stocks and their assessment against the Performance Measures listed above.

Table 3: Assessment of fish stocks prioritised for review (DV = deemed value)

Stock	Rationale for review
GSC5	<ul style="list-style-type: none"> - 422% of TACC caught in 2014/15 - 422% of available ACE caught in 2014/15 - Unable to derive a ratio of DV to QV
SBW1	<ul style="list-style-type: none"> - 364% of TACC caught in 2014/15 - 361% of available ACE caught in 2014/15 - Unable to derive a ratio of DV to QV

Stock	Rationale for review
SAE7	<ul style="list-style-type: none"> - 215% of TACC caught in 2014/15 - 213% of available ACE caught in 2014/15 - Unable to derive a ratio of DV to QV
PDO7	<ul style="list-style-type: none"> - 108% of TACC caught in 2013/14 - 102% of available ACE caught in 2014/15 - Unable to derive a ratio of DV to QV
SSC3	<ul style="list-style-type: none"> - 109% of TACC caught in 2014/15 - 100% of available ACE caught in 2014/15 - 219% already caught in 2015/16 - Unable to derive a ratio of DV to QV
SCACS	<ul style="list-style-type: none"> - Subject to a sustainability review in 2015 - 34% of TACC caught in 2014/15 - 34% of available ACE caught in 2014/15 - Unable to derive a ratio of DV to QV

5 Proposed Response

Table 4 sets out key information that informed the development of proposals for the prioritised stocks. Relevant fishery information is also discussed alongside the proposals in this section.

Table 4: Information to support review of deemed value rates

Stock	TACC (tonnes)	%Caught against TACC	Quota Value (QV) \$/kg	ACE \$/kg	Interim Deemed Value (DV)\$/Kg	Annual DV \$/kg	Landing/Port Price Survey \$/kg	Ratio of total DV paid to total QV
GSC5	19	422	n/a	1.11	0.09	0.10	0.20	n/a
SBW1	8	364	n/a	0.23	0.41	0.46	0.56	n/a
SAE7	112	215	n/a	0.54	0.51	1.02	0.83	n/a
PDO7	50	108	n/a	0.46	0.72	1.44	0.83	n/a
SCC3	2	109	n/a	2.05 ¹	1.80	2.00	1.20	n/a
SCACS	100	34	n/a	n/a	18.50	37.00	15.90	n/a

¹ 2011/12 value

5.1 GIANT SPIDER CRAB (GSC5)

5.1.1 Assessment against performance measure

The assessment against Performance Measures that provides the reasoning for undertaking this review is outlined in Table 3. Overcatch of 20 tonnes in 2014/15 triggered this review.

5.1.2 Fishery Information

In comparison to the high value product that can be supplied from a target fishery (that is reflected in the landing price and ACE price), trawl-caught GSC that is taken as bycatch has no

value. Crabs taken by trawl are often damaged and the vessels are not set up to process and supply niche markets for deepwater crabs. Despite the intermittent interest from quota owners in the development of a target fishery, none currently exist for GSC. All catch is currently taken as bycatch in trawl fisheries targeting other species.

5.1.3 Deemed Value Rates

MPI notes GSC is listed on the Schedule 6 of the Act and in certain circumstances may be returned to the sea alive in accordance with the Act. The deemed value rates were last adjusted for GSC5 for the fishing year commencing 1 April 2015. The interim deemed value rate was set at 90% of the annual deemed value rate at this time. Although this review has been triggered by overcatch in 2014/15, gauging the effectiveness of the 2015 deemed value rate change and industry-led measures to avoid catching GSC requires more time. No change in deemed value rates for GSC5 is proposed for the 1 April 2016 fishing year and the fishery will continue to be monitored.

5.2 SOUTHERN BLUE WHITING (SBW1)

5.2.1 Assessment against performance measure

The assessment against Performance Measures that provides the reasoning for undertaking this review is outlined in Table 3. Overcatch of 10 tonnes in 2014/15 triggered this review.

5.2.2 Fishery Information

Southern blue whiting is primarily taken as a bycatch species of trawl fishing in this stock area.

5.2.3 Deemed Value Rates

The availability and biomass of SBW1 appears to fluctuate from year to year and variable catch levels are not unexpected particularly for a stock taken as bycatch of fishing effort directed at other species. These fluctuations may be due also to variable recruitment since SBW1 is at the northern edge of its natural range. SBW1 is taken inadvertently in bulk target fisheries (e.g. hoki, white warehou and ling). For these fisheries fluctuating availability can have substantial consequences in terms of the amount of catch from year to year.

The current annual deemed value rates are set between the ACE price and reported landing price. The interim deemed value rate for SBW1 is currently set at 90% the annual rate. These are appropriate settings for deemed value rates in terms of the Guidelines.

In the particular circumstances of SBW1 of needing to better understand fluctuations in catch the primary consideration is for accurate reporting. No change in deemed value rates for SBW1 are proposed for the 1 April 2016 fishing year and the fishery will continue to be monitored.

5.3 TRIANGLE SHELL SURF CLAM (SAE7)

5.3.1 Assessment against performance measure

The assessment against Performance Measures that provides the reasoning for undertaking this review is outlined in Table 3. Substantial overcatch in 2014/15 triggered this review.

5.3.2 Fishery Information

Triangle shell is a surf clam species caught by dredge and mainly as a target species.

5.3.3 Deemed Value Rates

Standard differential rates have not been set for SAE7 to encourage landing and reporting small amounts of incidental catch. A single variable step of twice the Annual rate is set for landings in excess of ACE by 200% or more.

Table 5: Current and proposed deemed value rates/kg for SAE7

Stock	Option	Interim	Annual 100-120%	Annual 120-140%	Annual 140-160%	Annual 160-180%	Annual 180-200%	Annual 200%+
SAE7	Current	0.51	1.02	1.02	1.02	1.02	1.02	2.04
SAE7	Proposed	4.50	5.00	6.00	7.00	8.00	9.00	10.00

The level of over-catch is substantial, the current annual deemed value rates are set above the ACE and port price but below that necessary to encourage fishers to balance catch with ACE. MPI notes triangle shell is listed on Schedule 6 of the Act and may be returned to sea in accordance with the Act.

Recent discussions with vessel operators and quota owners have indicated the port price is greater than surveyed by the most recent port price index. These stakeholders assert port prices paid have risen from \$0.83/kg (in the most recent index) to \$5.00 / kg for target caught fish. MPI invites additional submissions from stakeholders on the port price of SAE7.

Assuming the port price has risen, the interim and differential rates for SAE7 are not consistent with the Guidelines. MPI proposes that deemed value rates for SAE7 be adjusted as outlined in Table 5. The appropriate incentive for high value single species fisheries (that is, with no or minimal bycatch) is to provide a very strong incentive to catch only the amount for which fishers have ACE. For such stocks this may be accomplished by setting the annual deemed value rate at approximately twice the landed price. The proposed annual deemed value rate for SAE7 is based on this principle and would provide a stronger incentive for fishers to balance their catch with ACE. The proposed changes to the interim and differential rates will support better balancing of catch with ACE.

5.4 DEEPWATER TUATUA (PDO7)

5.4.1 Assessment against performance measure

The assessment against Performance Measures that provides the reasoning for undertaking this review is outlined in Table 3. Overcatch in 2014/15 triggered this review.

5.4.2 Fishery Information

Deepwater tutatua is a surf clam species caught by dredge and mainly as a target species.

5.4.3 Deemed Value Rates

Standard differential rates have not been set for SAE7 to encourage landing and reporting small amounts of incidental catch. A single variable step of twice the Annual rate is set for landings in excess of ACE by 200% or more.

Table 6: Current and proposed deemed value rates/kg for PDO7

Stock	Option	Interim	Annual 100-120%	Annual 120-140%	Annual 140-160%	Annual 160-180%	Annual 180-200%	Annual 200%+
PDO7	Current	0.72	1.44	1.44	1.44	1.44	1.44	2.88
PDO7	Proposed	4.50	5.00	6.00	7.00	8.00	9.00	10.00

The current deemed value rates are set above the ACE and landed price but below that necessary to encourage fishers to balance catch with ACE.

Recent discussions with vessel operators and quota owners has indicated the landing price is greater than surveyed by the most recent port price index. These stakeholders assert landing prices paid has risen from \$0.83/kg (in the most recent index) to \$5.00 / kg for target caught fish. MPI invites additional submissions from stakeholders on the landing/port price of PDO7.

Assuming the landed price has risen, the interim and differential rates for PDO7 are not consistent with the Guidelines. MPI proposes that deemed value rates for PDO7 be adjusted as outlined in Table 6. The appropriate incentive for high value single species fisheries (that is, with no or minimal bycatch) is to provide a very strong incentive to catch only the amount for which fishers have ACE. For such stocks this may be accomplished by setting the annual deemed value rate at approximately twice the landed price. The proposed annual deemed value rate for PDO7 is based on this principle and would provide a stronger incentive for fishers to balance their catch with ACE. The proposed changes to the interim and differential rates will support better balancing of catch with ACE.

5.5 SEA CUCUMBER (SCC3)

5.5.1 *Assessment against performance measure*

The assessment against Performance Measures that provides the reasoning for undertaking this review is outlined in Table 3. Overcatch in 2014/15 triggered this review.

5.5.2 *Fishery Information*

Sea cucumber in SCC3 (located off the south-east coast of the South Island) has historically been taken as a bycatch in the inshore terakihi and red cod bottom trawl fisheries. Targeted fisheries for SSC are currently being developed that show potential to become economically important if sustained.

5.5.3 *Deemed Value Rates*

The deemed value rates were last adjusted for SSC3 for the 2013/14 fishing year. The annual deemed value rate was ramped from \$2.00 per kilogram to \$8.00 under a differential schedule set steeper than the standard.

Table 7: Current and proposed deemed value rates/kg for SSC3

Stock	Option	Interim	Annual 100-120%	Annual 120-140%	Annual 140-160%	Annual 160-180%	Annual 180-200%	Annual 200%+
SSC3	Current	1.50	2.00	3.20	4.40	5.60	6.80	8.00
SSC3	Proposed	13.50	15.00	18.00	21.00	24.00	27.00	30.00

Recent discussion with vessel operators and quota owners has indicated the port price is greater than surveyed by the most recent Landing/Port Price index. These stakeholders assert landing prices paid has risen from \$1.20 (in the most recent index) to \$15.00 for target caught fish. MPI recognises the difference in quality between trawl and target caught sea cucumber is likely reflected in landing prices. This may be resulting in distinct landing prices (\$1.20-\$15.00) depending on how sea cucumber is caught. Deemed values rates based on either extreme of the landed price may result in different incentives to land and report. MPI considers a balance is best achieved by deemed value rates set on the higher port price. MPI invites submissions from stakeholders on the approach suggested and on the landing/port prices being offered for SSC3.

Assuming a higher landing price, the interim and differential rates for SSC3 are not consistent with the Guidelines. MPI proposes that deemed value rates for SSC3 be adjusted as outlined in Table 7. The appropriate incentive for high value single species fisheries (that is, with no or minimal bycatch) is to provide a very strong incentive to catch only the amount for which fishers have ACE. For such stocks this may be accomplished by setting the annual deemed value rate at approximately twice the landed price. The proposed annual deemed value rate for SSC3 is based on this principle and would provide a stronger incentive for fishers to balance their catch with ACE. The proposed changes to the interim and differential rates will support better balancing of catch with ACE. MPI also proposes this fish stock reverts to standard differential rates as the added incentive to balance as proposed no longer requires variable deemed value rates to be set.

5.6 COROMANDEL SCALLOPS (SCACS)

5.6.1 *Assessment against performance measure*

The assessment against Performance Measures that provides the reasoning for undertaking this review is outlined in Table 3. As a matter of course MPI reviews deemed value rates of stocks when sustainability reviews are undertaken.

5.6.2 *Fishery Information*

In the SCACS quota management area scallops are taken as a target species of dredging.

5.6.3 *Deemed Value Rates*

The deemed value rates for SCACS remain unchanged from 2002 when the stock was introduced into the QMS. No changes are proposed for the 1 April 2016 fishing year since in terms of the current deemed value rates the fishery is performing within the Performance Measures.

6 Conclusion

The Guidelines have been used to identify 6 stocks for review of deemed value rates. Proposals for adjustments for three of the stocks have been developed based on statutory requirements, the Guidelines and key information.

The proposals are to increase interim and annual deemed value rates and to change differential rates to lead to more regular balancing throughout the year with ACE.

MPI is seeking information and views from tangata whenua and stakeholders to support the development of final advice to the Minister on the setting of revised deemed value rates for the fishing year commencing 1 April 2016. In particular MPI invites submissions from stakeholders on the landing/port price information used to develop options.

It is important to note that the Minister has broad discretion in exercising his powers of decision-making. The Guidelines do not bind the Minister. When making decisions on deemed value rates, the Minister uses the statutory criteria in making decisions and can act within the bounds of the statute, notwithstanding the Guidelines. The Minister makes his own independent assessment of the information presented to him before making final decisions on deemed value rates.