Ministry for Primary Industries
Manatū Ahu Matua

Review of Deemed Value Rates for Selected Stocks in 2016

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Growing and Protecting New Zealand

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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 Monday 11 July 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 19 stocks and the setting of 12 deemed value rates for 12 new stocks managed under the Quota Management System (QMS).

Deemed values rates are prescribed by Gazette Notice under section 75 of the Fisheries Act 1996 (the Act). Commercial fishers who do not balance catch with Annual Catch Entitlement (ACE) 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, which can be remitted if Annual Catch Entitlement is obtained.
- Annual - the base rate charged at the end of the fishing year for catch in excess of Annual Catch Entitlement.
- Differential- increased rates for higher levels of excess catch. The standard approach is to increase rates once a fisher has caught 120% of their entitlement, increasing in 20% increments up to 200% of the annual deemed value rate.

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 see Table 1.

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

		Current				Proposed			
Species	Stock	Interim $	Annual $	Annual at maximum excess $	Differential	Interim	Annual $	Annual at maximum excess $	Differential
Rubyfish	RBY 1	0.14	0.28	0.56	Standard	0.25	0.28	0.56	Standard
	RBY 2,5,6,9	0.11	0.21	0.21	Not set	0.25	0.28	0.56	Standard
	RBY 3	0.10	0.19	0.19	Not set	0.25	0.28	0.56	Standard
	RBY 4,8	0.21	0.42	0.84	Standard	0.25	0.28	0.56	Standard
Long-finned freshwater eel	LFE 11-16	Not set	Not set	Not set	Not set	9.00	10.00	20.00	Standard
Short-finned freshwater eel	SFE 11-16	Not set	Not set	Not set	Not set	7.20	8.00	16.00	Standard
Blue cod	BCO 3	2.50	3.75	7.50	Special	3.38	3.75	7.50	Special
Frostfish	FRO 4	0.12	0.24	0.24	Do not apply	0.22	0.24	0.24	Do not apply
Green-lipped mussel	GLM 9	3.00	6.00	12.00	Standard	5.40	6.00	12.00	Standard
Jack mackerels	JMA 7	0.08	0.15	0.30	Standard	0.14	0.15	0.30	Standard
Kahawai	KAH 8	0.31	0.61	1.22	Standard	0.55	0.61	1.22	Standard

[1]Available at www.mpi.govt.nz/document-vault/3663

		Current				Proposed			
Species	Stock	Interim $	Annual $	Annual at maximum excess $	Differential	Interim	Annual $	Annual at maximum excess $	Differential
Ling	LIN 7	1.20	2.38	6.00	Special	2.14	2.38	6.00	Special
Oreo	OEO 4	0.39	0.78	1.56	Standard	0.81	0.90	1.80	Standard
Ribaldo	RIB 7	0.40	0.80	2.50	Special	0.72	0.80	2.50	Special
Silver warehou	SWA 3	0.50	1.22	3.00	Special	1.57	1.74	3.00	Special
Tarakihi	TAR 2	1.38	2.75	5.75	Special	2.48	2.75	5.50	Special

See the Fisheries (Total Allowable Catch, Total Allowable Commercial Catch, and Deemed Value Rates) Notice 2015 (link) for descriptions of "standard" and "special" differential deemed value rates for specific stocks.

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 TACC. 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.

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 Total Allowable Commercial Catch (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, encourage harvesting to remain 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.

Incorrectly set deemed value rates may lead to catches in excess of the TACC (*i.e.*, if set too low), which may have negative implications for sustainability and the long-term value of the resource. Likewise, incorrectly set deemed value rates may also discourage landing and accurate reporting (*i.e.*, if set too high).

The deemed value system creates not a single value deemed value rate, but 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 and historically have been set at 50% 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 annual deemed value rates, if applicable, are also charged at the end of the fishing year if the fisher harvested well in excess of their ACE holdings. This results in an escalated schedule of rates as the percentage by which catch exceeds ACE increases. The standard approach increases in 20% increments up to a maximum of 200% of the annual deemed value (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 special annual deemed value schedule (*e.g.*, applying from 5% or 10% over-catch) may be more appropriate than the standard schedule.

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

3.2 THE ACT AND THE DEEMED VAUE 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 ACE that is not less than the fisher's total catch of each stock taken.

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,
- 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 or associated with the fish,
- 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 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 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 port 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 REVIEW

Before determining which stocks to review deemed value rates for, MPI:

- invited the fishing industry 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 considered for 1 October 2016;
- assessed October stocks against the Performance Measures outlined in the Guidelines for the deemed value framework.
    - Catch in excess of the TACC[2]
    - The percentage of catch for each stock not balanced with Annual Catch Entitlement (ACE).
- considered whether deemed value rates were consistent with the Guidelines (*i.e.*, interim deemed value rates 90% of annual DV rate and how annual DV rates relate to ACE and port price); and
    - 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.

[2] The below analysis uses catch in excess of ACE as an alternative to catch in excess of the TACC because a small amount of ACE can be carried over from the previous fishing year

Table 3: Rationale for fish stocks prioritised for review

Stock	Rationale for review
RBY3	- RBY3 subject to sustainability review in 2016 - 432% caught in 2014/15 - Ratio of DV to QV is 0.309
RBY all other stocks	- To address inconsistency between deemed value rates set for ruby fish stocks
LF E11-16	- New QMS stocks for longfin eel (previously managed within South Island freshwater eel stocks) - Subject to sustainability review in 2016
SFE 11-16	- New QMS stocks for shortfin eel (previously managed within South Island freshwater eel stocks) - Subject to sustainability review in 2016
BCO 3	- 103% caught in 2014/15 - Ratio of DV to QV is 0.004
FRO 4	- 230% caught in 2014/15 - Ratio of DV to QV is 0.415
GLM 9	- 106% caught in 2014/15 - Ratio DV to QV is 0.011
JMA 7	- 102% caught in 2014/15 - Ratio DV to QV is 0.006
KAH 8	- 107% caught in 2014/15 - Ratio of DV to QV is 0.024
LIN 7	- 108% caught in 2014/15 - Ratio of DV to QV is 0.011
OEO 4	- 101% caught in 2014/15 - Ratio of DV to QV is 0.002
RIB 7	- 120% caught in 2014/15 - Ratio of DV to QV is 0.141
SWA 3	- 114% caught in 2014/15 - Ratio of DV to QV is 0.063
TAR 2	- 105% caught in 2014/15 - Ratio of DV to QV is 0.009

5 Proposed Options

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 for stocks that meet the criteria above

Stock	TACC (tonnes)	%Caught in 2014/15*	ACE $/kg	Interim Deemed Value (DV)$/Kg	Annual DV $/kg	Port Price $/kg	Ratio of total DV paid to total QV
Stocks to be considered in conjunction with current TAC decisions							
RBY 3	3	432	0.21	0.10	0.19	0.26	0.31
LFE 11-16	New	N/A	2.00	Not set	Not set	4.31	N/A
SFE 11-16	New	N/A	2.00	Not set	Not set	4.31	N/A
Stocks with over-catch in 2014/15							
BCO 3	163	103	2.72	2.50	3.75	5.35	0.00
FRO 4	28	230	0.07	0.12	0.24	0.30	0.42
GLM 9	180	106	4.65	3.00	6.00	5.23	0.01
JMA 7	32537	102	0.15	0.08	0.15	0.20	0.01
KAH 8	520	107	0.27	0.31	0.61	0.49	0.02
LIN 7	3080	108	2.30	1.20	2.38	2.54	0.01
OEO 4	7000	101	0.44	0.39	0.78	0.87	0.00
RIB 7	330	120	0.25	0.40	0.80	1.03	0.14
SWA 3	3280	114	0.34	0.50	1.22	0.77	0.06
TAR 2	1796	105	1.44	1.38	2.75	3.60	0.01

* 2014/15 landings against available ACE

Stocks to be considered in conjunction with current TAC decisions

All bluenose stocks (BNS1, BNS2, BNS3, BNS7 and BNS8), John Dory (JDO7), Paua (PAU7) and snapper (SNA7) are subject to TAC reviews in 2016. However, no criteria apart from the TAC review is triggered and deemed value rates for these stocks are not reviewed in this paper.

5.1 RUBYFISH (ALL STOCKS)

5.1.1 Fishery information

In the RBY 3 quota management area, rubyfish is taken as a bycatch species of target fisheries for alfonsino and hoki by the fishing methods of bottom and mid-water trawl. Landings exceeded the TACC in 2014/15.

5.1.2 Deemed value rates

Table 5a: Current and proposed deemed value rates $/kg for RBY 3

Stock	Option	Interim deemed value rate	Annual deemed value rate	Differential deemed value rate
RBY 3	Current	0.10	0.19	Not set
RBY 3	Proposed	0.25	0.28	Standard

The key trigger for the review of RBY 3 is inclusion in the sustainability review in 2016 and over-catch with high deemed value payments compared to quota value (see Table 3).

The current annual deemed value rates for RBY 3 is set below ACE price and above the reported port price. The interim deemed value rate is set at 50% the annual rate and no differential deemed value rate is set for RBY 3.

MPI proposes that deemed value rates for RBY 3 be adjusted as outlined in the shaded part of Table 5a. The proposed annual deemed value rate is based at about the level of the port price for this stock. The proposed increased interim deemed value rate from 50% to 90% of the annual deemed value rate will lead to more regular balancing throughout the year with ACE. Regular balancing should support greater awareness of the availability of ACE and promote catch to stay within the TACC.

MPI notes there is considerable inconsistency between the deemed value rates for rubyfish stocks (see **Review of Management Controls for the Rubyfish 3 Fishery (RBY 3)** and Table 5b).

Table 5b: Current and proposed deemed value rates $/kg for the other RBY stocks

Stock	Option	Interim deemed value rate	Annual deemed value rate	Differential deemed value rate
RBY1	Current	0.14	0.28	Standard
RBY2	Current	0.11	0.21	Not set
RBY4	Current	0.21	0.42	Standard
RBY5	Current	0.11	0.42	Not set
RBY6	Current	0.25	0.21	Standard
RBY7	Current	0.378	0.42	Not set
RBY8	Current	0.21	0.42	Not set
RBY9	Current	0.11	0.21	Not set
RBY ALL	Proposed	0.25	0.28	Standard

MPI proposes to standardise deemed value rates for all rubyfish stocks as outlined in the shaded part of Table 5b. The rationale is the same as outlined for RBY3 and if adopted makes consistent deemed value rates for all stocks of rubyfish. MPI considers this approach is consistent with the Deemed Value Guidelines.

5.2 FRESHWATER EELS (SOUTH ISLAND LONGFIN EEL (LFE11-16) AND SOUTH ISLAND SHORTFIN EEL (SFE11-16))

5.2.1 Fishery information

Virtually all freshwater eels are target caught with fyke nets. The New Zealand eel fishery is based on two temperate species, the shortfin eel *Anguilla australis* and the longfin eel *A. dieffenbachia* . Under the QMS these two species have previously been managed as an assemblage within South Island stock areas.

5.2.2 Deemed value rates

Table 6: Current and proposed deemed value rates $/kg for LFE/SFE 11-16

Stock	Option	Interim deemed value rate	Annual deemed value rate	Differential deemed value rate
LFE 11-16	Current	Not set	Not set	Not set
LFE 11-16	Proposed	9.00	10.00	Standard
SFE 11-16	Current	Not set	Not set	Not set
SFE 11-16	Proposed	7.20	8.00	Standard

The Minister has decided to separate the South Island eel stocks into shortfin and longfin stocks from the 2016/17 fishing year. MPI is consulting on a range of TAC, TACC, and allowance options for the new stocks (LFE 11-16 and SFE 11-16) that take into account the individual needs of each species and the stock assessment information that has become available since the last review in 2000 (See **South Island eels (SFE 11-16 and LFE 11–16**). In addition, deemed value rates for the new stocks must be set.

MPI notes that an interim deemed value rate of $5.00 and an annual deemed value rate of $10.00 applies to the combined South Island freshwater eel stocks (ANG 11-16) until deemed value rates for the new stocks are gazetted.

MPI proposes that deemed value rates for SFE 11-16 and LFE 11-16 be set as outlined in the shaded part of Table 6. The proposed annual deemed value rate for shortfin eel (SFE 11-16) is based on the Guideline that deemed value rates for high value single species fisheries must generally be set at twice the port price. This is also consistent with the approach taken for the North Island stocks (SFE 20-23). The proposed interim deemed value rate based on 90% of the annual deemed value rate is also consistent with the Guidelines and will lead to more regular balancing throughout the year with ACE. In addition, it is proposed standard differential rates are set.

It is proposed that deemed value rates for longfin eel be set higher than for shortfin eel to reflect the species greater vulnerability. MPI proposes an annual deemed value rate for longfin eel stocks (LFE 11-16) of $10.00. The proposed interim deemed value rate of $9.00 for longfin is based on 90% of the annual deemed value rate to be consistent with the Guidelines. In addition, it is proposed standard differential rates are set.

Stocks with over-catch in 2014/15

5.3 BLUE COD (BCO 3)

5.3.1 Fishery information

Blue cod is caught by cod pots and lines and mainly as a target species. Catch is usually constant at about the level of the TACC, although the TACC was exceeded in 2014/15.

5.3.2 Deemed value rates

Table 7: Current and proposed deemed value rates/kg for BCO3

Stock	Option	Interim	Annual	Differential
BCO 3	Current	2.50	3.75	Special
BCO 3	Proposed	3.38	3.75	Special

The key trigger for the review of BCO 3 deemed value rates is over-catch (see Table 3). MPI proposes that the interim deemed value rate for BCO 3 be adjusted as outlined in Table 7. The proposed rate ($3.38) remains between the ACE price ($2.72) and port price for BCO 3 ($5.35) but the increase in interim deemed value will provide a stronger incentive for better balancing of catch throughout the year with ACE. Regular balancing should support greater awareness of the availability of ACE and promote catch to stay within the TACC.

5.4 FROSTFISH (FRO 4)

5.4.1 Fishery information

Frostfish is primarily taken as a bycatch species of barracouta and to a lesser extent jack mackerel target trawl fisheries in this stock area. FRO 4 catch exceeded the TACC in 2014/15 for the first time since the TACC was increased nine years ago.

5.4.2 Deemed value rates

Table 8: Current and proposed deemed value rates/kg for FRO4

Stock	Option	Interim	Annual	Differential
FRO 4	Current	0.12	0.24	Do not apply
FRO 4	Proposed	0.22	0.24	Do not apply

The key rationale for undertaking this review are the performance triggers of over-catch and high deemed value payments compared to quota value (see Table 3). The current annual deemed value rate for FRO 4 is set between the ACE price and reported port price. The interim deemed value rate for frostfish is set at 50% of the annual rate and there is no differential rate for increasing levels of over catch.

MPI proposes that deemed value rates for FRO 4 are adjusted as outlined in the shaded part of Table 8. The proposed increased interim deemed value rate from 50% to 90% of the annual deemed value rate is consistent with the Guidelines and expected to lead to more regular balancing throughout the year with ACE. Regular balancing should support greater awareness of the availability of ACE and promote catch to stay within the TACC.

5.5 GREEN-LIPPED MUSSEL (GLM 9)

5.5.1 Fishery information

Commercial harvesting occurs primarily on spat and is a target fishery. Catch has been variable but recently increased to exceed the TACC with payments of deemed value as a result.

5.5.2 Deemed value rates

Table 9: Current and proposed deemed value rates/kg for GLM9

Stock	Option	Interim	Annual	Differential
GLM 9	Current	3.00	6.00	Standard
GLM 9	Proposed	5.40	6.00	Standard

The key trigger for the review of GLM 9 deemed value rates is over-catch (see Table 3). The current annual deemed value rate for GLM 9 is set at about the level of the reported port price. The interim deemed value rate for GLM 9 is currently set at 50% of the annual rate.

MPI proposes that the interim deemed value rate for GLM 9 is adjusted as outlined in the shaded part of Table 9. The proposed interim deemed value rate will increase from 50% to 90% of the annual deemed value rate and increase the incentive for more regular balancing throughout the year with ACE. Regular balancing should support greater awareness of the availability of ACE and promote catch to stay within the TACC.

5.6 JACK MACKERELS (JMA 7)

5.6.1 Fishery information

JMA 7 is taken primarily by target fishing by mid-water trawlers. Catch has been at about the level of the TACC every year since 2003/04.

5.6.2 Deemed value rates

Table 10: Current and proposed deemed value rates/kg for JMA 7

Stock	Option	Interim	Annual	Differential
JMA7	Current	0.08	0.15	Standard
JMA7	Proposed	0.14	0.15	Standard

The key rationale for undertaking this review is the performance trigger of over-catch (see Table 3). The current annual deemed value rate for JMA 7 is set between the ACE price and the reported port price. The interim deemed value rate for JMA 7 is currently set at 50% of the annual rate.

MPI proposes that the interim deemed value rate for JMA 7 is adjusted as outlined in the shaded part of Table 10. The proposed interim deemed value rate will increase from 50% to 90% of the annual deemed value rate and increase the incentive for more regular balancing throughout the year with ACE. Regular balancing should support greater awareness of the availability of ACE and promote catch to stay within the TACC.

5.7 KAHAWAI (KAH 8)

5.7.1 Fishery information

Kahawai is primarily taken as a bycatch species by bottom trawl. Catch is usually constant well within the level of the TACC, although the TACC was exceeded in 2014/15.

5.7.2 Deemed value rates

Table 11: Current and proposed deemed value rates/kg for KAH8

Stock	Option	Interim	Annual	Differential
KAH 8	Current	0.31	0.61	Standard
KAH 8	Proposed	0.55	0.61	Standard

The key triggers for the review of KAH 8 deemed value rates are over-catch and high deemed value payments compared to quota value (see Table 3).

The current annual deemed value rates are set between the ACE price and reported port price. The interim deemed value rate for KAH 8 is set at 50% the annual rate and standard differential deemed values are set.

MPI proposes that deemed value rates for KAH 8 be adjusted as outlined in the shaded part of Table 11. The proposed increased interim deemed value rate from 50% to 90% of the annual deemed value rate will lead to more regular balancing throughout the year with ACE. Regular balancing should support greater awareness of the availability of ACE and promote catch to stay within the TACC.

5.8 LING (LIN7)

5.8.1 Fishery information

Ling is 40% taken as a target of bottom longline fishing and 60% as a trawl bycatch of hoki/hake. The TACC has regularly been exceeded including the 2014/15 fishing year.

5.8.2 Deemed value rates

Table 12: Current and proposed deemed value rates/kg for LIN7

Stock	Option	Interim	Annual	Differential
LIN 7	Current	1.20	2.38	Special
LIN 7	Proposed	2.14	2.38	Special

The key triggers for the review of LIN 7 deemed value rates are over-catch and high deemed value payments compared to quota value (see Table 3).

The current annual deemed value rates are set between the ACE price and reported port price. The interim deemed value rate for LIN 7 is set at 50% the annual rate. Special differential annual deemed value rates are set for LIN 7. The maximum annual deemed value rate of $6.00/kg applies to catch more than 120% in excess of ACE holdings.

MPI proposes that deemed value rates for LIN 7 be adjusted as outlined in the shaded part of Table 12. The proposed increased interim deemed value rate from 50% to 90% of the annual deemed value rate will lead to more regular balancing throughout the year with ACE.

5.9 OREOS (OEO 4)

5.9.1 Fishery information

Oreos are an assemblage of four species managed as one stock on the Chatham Rise (OEO 4). Most catch is targeted with smaller amounts taken as bycatch in fisheries such as orange roughy. Landings are consistently at about the level of the TACC but exceeded the TACC in 2014/15.

5.9.2 Deemed value rates

Table 13: Current and proposed deemed value rates $/kg for OEO 4

Stock	Option	Interim deemed value rate	Annual deemed value rate	Differential deemed value rate
OEO 4	Current	0.39	0.79	Standard
OEO 4	Proposed	0.78	0.87	Standard

The key trigger for the review of OEO 4 deemed value rates is over-catch (see Table 3).

The current annual deemed value rates are set between the ACE price and reported port price. The interim deemed value rate for OEO 4 is set at 50% the annual rate.

MPI proposes that deemed value rates for OEO 4 be adjusted as outlined in the shaded part of Table 13. The proposed annual deemed value rate is at the level of the port price. The modest increase to the annual deemed value will improve incentives for fishers to retain OEO 4 ACE for orange roughy fishing (that occurs late in the season). As a consequence the deemed value rates under the standard differential rate schedule will increase to the maximum of $1.74 (*i.e.*, twice the annual rate of $0.87). The proposed increased interim deemed value rate from 50% to 90% of the annual deemed value rate will lead to more regular balancing throughout the year with ACE. Regular balancing should support greater awareness of the availability of ACE and promote catch to stay within the TACC.

5.10 RIBALDO (RIB 7)

5.10.1 Fishery information

RIB 7 is primarily taken as a bycatch species of the hake trawl and ling bottom longline fisheries. 2014/15 was the first year that landings of RIB 7 have exceeded the TACC since 2008-09.

5.10.2 Deemed value rates

Table 14: Current and proposed deemed value rates/kg for RIB 7

Stock	Option	Interim	Annual	Differential
RIB 7	Current	0.40	0.80	Special
RIB 7	Proposed	0.72	0.80	Special

The key triggers for the review of RIB 7 deemed value rates are over- catch and high deemed value payments compared to quota value (see Table 3).

The current annual deemed value rates are set between the ACE price and reported port price. The interim deemed value rate for RIB 7 is set at 50% of the annual rate. Special differential annual deemed value rates are set for RIB 7 with a maximum rate of $2.50/kg applying to catch more than 120% of ACE holdings.

MPI proposes that deemed value rates for RIB 7 be adjusted as outlined in the shaded part of Table 14. The proposed increased interim deemed value rate from 50% to 90% of the annual deemed value rate will lead to more regular balancing throughout the year with ACE.

5.11 SILVER WAREHOU (SWA 3)

5.11.1 Fishery information

Silver warehou is taken as a target species by trawl but also taken as a trawl bycatch of barracouta, hoki and squid. Landings fluctuate about the level of the TACC and exceeded the TACC in 2014/15.

The key trigger for the review of SWA 3 deemed value rates is over-catch (see Table 3).

5.11.2 Deemed value rates

Table 15: Current and proposed deemed value rates $/kg for SWA3

Stock	Option	Interim deemed value rate	Annual deemed value rate	Deemed value rate at 10-30% excess catch of ACE	Deemed value rate at more than 30% excess catch of ACE
SWA 3	Current	0.50	1.22	1.74	3.00
SWA 3	Proposed	1.57	1.74	2.00	3.00

The current annual deemed value rate is above the reported port price but is less than the export value for this species. Based on information prepared by Seafood New Zealand (available here), MPI has calculated that SWA has an export value of around $2.15/kg. The interim deemed value rate for SWA 3 is set at 50% the annual rate.

MPI proposes that deemed value rates for SWA 3 be adjusted as outlined in the shaded part of Table 15. The proposed annual deemed value rate is set at less than the export value for this species. The modest increase to the annual deemed value rates will improve incentives for fisher to retain SWA 3 ACE for bycatch. The proposed increased interim deemed value rate from 50% to 90% of the annual deemed value rate will lead to more regular balancing throughout the year with ACE. Regular balancing should support greater awareness of the availability of ACE and promote catch to stay within the TACC. MPI also proposes to retain the Special deemed value rate for catch in excess of 30% ACE of $3.00. MPI proposes to amend the Special annual deemed value rate to $2.00 for catches in excess of 10-30% of ACE to maintain incentives and to maintain relativity with the annual deemed value rate (1.74) and the deemed value rate for catch at the maximum access ($3.00).

5.12 TARAKIHI (TAR2)

5.12.1 Fishery information

Tarakihi is taken as both a target and a trawl bycatch species. Tarakihi catches are usually constrained at about the level of the TACC and exceeded the TACC in 2014/15.

5.12.2 Deemed value rates

Table 16: Current and proposed deemed value rates $/kg for TAR2

Stock	Option	Interim deemed value rate	Annual deemed value rate	Deemed value rate at more than 20% excess catch of ACE
TAR2	Current	1.38	2.75	5.75
TAR2	Proposed	2.48	2.75	5.50

The key trigger for the review of TAR 2 deemed value rates is over-catch.

The current annual deemed value rates are set between the ACE price and reported port price. The interim deemed value rate for TAR 2 is set at 50% the annual rate.

MPI proposes that deemed value rates for TAR 2 be adjusted as outlined in the shaded part of Table 16. The proposed increased interim deemed value rate from 50% to 90% of the annual deemed value rate will lead to more regular balancing throughout the year with ACE. Regular balancing should support greater awareness of the availability of ACE and promote catch to stay within the TACC. MPI also proposes to amend the special annual deemed value rate to maintain consistency with the Guidelines. This has the effect of reducing the deemed value rate for 20% excess of ACE or greater from $5.75 to $5.50 (*i.e.*, twice the deemed value rate of $2.75/kg)

6 Conclusion

The Guidelines have been used to identify 23 stocks for review of deemed value rates (and 8 additional stocks to maintain consistency). Proposals for adjustments have been developed based on statutory requirements, the Guidelines and key information.

Deemed value rates are being set for separate stocks by species of South Island Freshwater eels for the first time. MPI is proposing deemed value rates for longfin eel be set higher than for shortfin eel to reflect the species greater vulnerability.

The majority of the other proposals are to increase interim deemed value rates from 50% to 90% of the annual deemed value rate and will lead to more regular balancing throughout the year with ACE.

Increases are proposed for the annual deemed value rates for oreos (OEO4) and silver warehou (SWA3) to provide a stronger incentive for fishers to balance catch 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 October 2016.

It is important to note that the Minister has broad discretion in exercising his powers of decision-making. He will make his own independent assessment of the information presented to him before making final decisions on deemed value rates.