



Review of deemed value rates for giant spider crab stocks

Consultation Document

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1 Submission Information

MPI welcomes written submissions on the proposals contained in the Consultation Document. All written submissions must be received by MPI no later than 5pm on Tuesday 17 February 2015.

Written submissions should be sent directly to:

Deepwater 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 the 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 under the Act.

2 Executive Summary

This paper sets out the Ministry for Primary Industries' (MPI) initial proposals for changes to the deemed value rates for giant spider crab (GSC) stocks for the fishing year commencing 1 April 2015. The review was undertaken in response to the >90% decrease in port price for GSC stocks between the 2014/14 and 2014/15 financial years.

MPI proposes the following deemed value rates for all GSC stocks for the fishing year commencing on 1 April 2015.

Table 1. Current and proposed deemed value rates for all GSC stocks

	Stocks	Interim	Annual (including differential rates based on % in excess of ACE holding)					
			0-20%	20-40%	40-60%	60-80%	80-100%	>100%
Current	GSC1							
	GSC3							
	GSC5	\$1.62	\$1.80	\$2.16	\$2.52	\$2.88	\$3.24	\$3.60
	GSC6A							
	GSC6B							
	GSC10							
Proposed	GSC1							
	GSC3							
	GSC5	\$0.09	\$0.10	\$0.12	\$0.14	\$0.16	\$0.18	\$0.20
	GSC6A							
	GSC6B							
	GSC10							

3 Purpose

Deemed values are an economic tool, and are primarily viewed in the context of discouraging commercial fishers from catching fish in excess of annual catch entitlement (ACE) holdings. Deemed value rates are set pursuant to the Fisheries Act 1996 (the Act) and ensuring rates are set appropriately is a fundamental principle of the Quota Management System (QMS).

When setting deemed value rates, the Minister must, under section 75(2)(a) of the Act, take into account the need to provide an incentive for every commercial fisher to acquire or maintain sufficient ACE that is not less than the total catch of that stock taken by that commercial fisher during a particular fishing year.

In addition to what the Minister must take into account under section 75(2)(a), the Minister may also have regard to matters set out in section 75(2)(b) of the Act, including:

- The market value of the stock
- The desirability of commercial fishers landing catch for which they do not have ACE
- Any other matters the Minister considers relevant

The mandatory considerations under section 75(2)(a), and the relevant discretionary considerations under 75(2)(b), must be weighed by the Minister in coming to a decision on the appropriate deemed value rates for stocks. Factors relevant to this process for the giant spider crab stocks are discussed in the remainder of this consultation document.

Market value of giant spider crab

As a result of information provided during the 2014/15 port price survey process, the port price (a proxy for market value) for GSC stocks decreased from \$3.60 per kg to a nominal figure of \$0.20 per kg. The decrease reflects the fact that GSC is taken solely as bycatch and has no value to the operators of the vessels that take this species.

Deemed value rates are set based on the value of the fishery (see discussion below) and the large decrease in market value suggests that deemed value rates should be decreased commensurately. To not do so would increase the risk of catch not being reported accurately.

Desirability of landing catch for which fishers do not have ACE

The inherent risk of maintaining deemed value rates significantly higher than market value is that it may discourage accurate reporting.

MPI considers it desirable that fishers accurately report all GSC catch, including that for which they do not have ACE, as this information will inform ongoing research into these stocks' abundance.

Reducing deemed value rates is consistent with this approach. Retaining the existing rates may discourage accurate reporting, which would downgrade the information available on these stocks.

Any other matters

The Deemed Value Guidelines set out eight principles for setting deemed value rates as part of an operational policy to inform the advice that MPI provides to the Minister on setting deemed value rates. These eight principles are:

1. Deemed value rates must generally be set between the ACE price and the landed price
2. Deemed value rates must generally exceed the ACE price by transaction costs
3. Deemed value rates must avoid creating incentives to misreport
4. Deemed value rates for constraining bycatch species may be higher
5. Deemed value rates must generally be set at twice the landed price for high value single species subject to international catch limits
6. Deemed value rates for Chatham Island landings may be lower
7. Interim deemed value rates must generally be set at 90% of the annual deemed value rate
8. Differential deemed value rates must generally be set

Reducing the deemed value rates as set out in Table 1 is consistent with the principles set out in the Guidelines. In particular, an annual deemed value rate of \$0.10 per kg is less than the landed price (principle 1) bearing in mind that information on ACE prices will not become available until after 1 April 2015. The reduction in deemed value rates will also avoid incentives to misreport (principle 3).

4 Background Information

GSC stocks entered the Quota Management System (QMS) on 1 April 2004. At the time of QMS introduction the annual deemed value rate for all GSC stocks was set at \$1.80 per kg, which was 60% of the estimated port price of \$3.00 per kg. The estimated port price was based on expected interest in developing a target fishery using a comparison with ex-vessel prices in overseas target crab fisheries.

Prior to the start of the 2007/08 April fishing year, the Minister of Fisheries agreed to amend the deemed value rates for GSC stocks. The annual deemed value rate remained at \$1.80 per kg but the Minister decided to set differential deemed value rates for the first time. These rates started at \$8.00 per kg for catch between 10 and 20% of annual catch entitlement (ACE) holdings and reached \$26.00 per kg for catch in excess of 100% of ACE holdings.

The Minister's rationale for setting high differential deemed value rates was in response to indications from quota holders that a domestic crab potting fishery would develop. Deep water crab potting fisheries overseas can produce a very high value live product. If such a high value potting fishery were to develop in New Zealand, the previous annual deemed value rate was not considered to have provided sufficient incentive for fishers to catch within their ACE holdings. The high differential deemed value rates were designed to provide that incentive. In comparison, trawl-caught GSC taken as bycatch has no value.

Prior to the commencement of the 2010/11 April fishing year, the Minister of Fisheries agreed to further amend deemed value rates for GSC stocks. Again, the annual deemed value rate remained at \$1.80 per kg but differential deemed value rates were reduced back to a maximum of \$3.60 per kg for catch in excess of 100% of ACE holdings based on the 2010/11 port price. The Minister recognised that as a targeted (i.e. potting) fishery had yet to develop, it was not appropriate to base deemed value rates on the market value of crabs taken in a fishery that did not exist. It was noted that if a potting fishery were to develop, the deemed value rates would be reviewed

Between QMS introduction in 2004 and 2013/14, the port price for GSC stocks varied between \$3.00 and \$3.63 per kg. As noted above, the first estimate of port price was based on the expectation of a target fishery developing. In the intervening decade port price has continued to be based on that initial expectation. However, despite intermittent interest from stakeholders, a target fishery has still yet to develop. The reduction in port price from \$3.60 per kg during 2013/14 to \$0.20 per kg for 2014/15 reflects the fact that GSC is taken solely as bycatch and has no value to operators when taken in this manner. The nominal port price of \$0.20 per kg would ensure that quota holders still make some contribution to the overall costs of fisheries registry and compliance.

4.1 FISHERY DESCRIPTION

There is no target fishery for GSC; all catch is taken as bycatch in trawl fisheries such as the squid, scampi and silver warehou target fisheries. Most vessels that take GSC as bycatch are not able to process this species and most catch is mealed, discarded under the authority of an MPI observer or reported as eaten on board the vessel. Only around 10% of reported catch taken during the last five years has actually been landed. This means that in most instances when GSC is taken, it has no value to the operator of the vessel that takes it.

There have been instances in recent years when the collective catch of GSC in certain stocks has exceeded both the TACC as well as the sum of available ACE. One of the reasons why

this has occurred is that fishers have been encountering aggregations of GSC, particularly when targeting squid south of Stewart Island. Catches of between 2 and 14 tonnes of GSC per individual tow have been reported, which represent between 14% and 74% respectively of the 19 tonne TACC for that stock. Encountering such aggregations has only been reported during the last four or five years. The location of catches suggests that several vessels have encountered the same aggregation.

MPI has commissioned research to investigate whether the increase in catch in recent years is consistent with an increase in abundance of this species. Work is not yet finalised and there is no concurrent proposal to review catch limits for GSC stocks.

Total deemed values of over \$100,000 were incurred for the GSC5 stock during the 2012/13 and 2013/14 April fishing years.

5 Legal Considerations

Section 75 of the Act requires the Minister to set deemed value rates for all stocks managed under the QMS. The Minister must 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.

The Act also specifies the matters that the Minister may have regard to when setting those rates. The most pertinent of these is detailed in section 2.

The practical application of the statutory criteria is developed in the Deemed Value Guidelines, the principles of which are also set out in section 2.

6 Proposed Options

As noted earlier the port price for GSC stocks decreased to \$0.20 per kg for the 2014/15 financial year. Relevant ACE price information is not available however, as all ACE price information to date is in the context of current or historical deemed value rates. In the absence of ACE price information, the basis for the proposed amendments to the deemed value rates is detailed below.

The existing annual deemed value rate of \$1.80 per kg is 50% of the 2013/14 port price of \$3.60 per kg. MPI proposes that the annual deemed value rate for all GSC stocks for the fishing year commencing 1 April 2015 be set at \$0.10 per kg, which is 50% of the 2014/15 port price of \$0.20 per kg.

MPI also proposes that: a) the interim deemed value rate for all GSC stocks be retained at 90% of the annual rate (i.e. \$0.09 per kg); and b) that differential annual deemed value rates remain based on the standard schedule (i.e. increasing to a maximum of \$0.20 per kg for all catch more than 100% in excess of ACE holdings).

The proposed deemed value rates for all GSC stocks for the fishing year commencing 1 April 2015 are set out in Table 1 above.

7 Other Matters

MPI will continue to monitor GSC catch. In the event of a potting fishery developing the deemed value rates would be reviewed.

As noted earlier, GSC generally has no value to the operators of the vessels that catch it. Rather than catching and discarding this species, it would be desirable to avoid catching GSC in the first place. One initiative addressing this will commence during the 2015 squid season. The initiative is led by the Deepwater Group Ltd (DWG), which is the industry organisation that represents owners of quota in the deepwater stocks. DWG is encouraging better communication between vessels to ensure skippers are made aware of the presence of crab aggregations and can avoid a specific location if an aggregation has been reported. This will reduce the likelihood of multiple vessels fishing the same aggregation, which is believed to have occurred in the past.

8 Conclusion

The port price for GSC stocks decreased from \$3.60 per kg during the 2013/14 financial year to \$0.20 per kg for 2014/15. The decrease reflected the fact that port prices had, until 2014/15, been based on the expectation of a target fishery developing. However, a decade after GSC stocks were introduced into the QMS, a target fishery has not eventuated. GSC is solely taken as bycatch and has no value to the operators of the vessels that catch it. The port price of \$0.20 reflects the current situation.

In response to the >90% reduction in port price, MPI proposes that the deemed value rates for all GSC stocks be decreased. Specifically, MPI proposes that the basic annual deemed value rate be reduced from \$1.80 to \$0.10 per kg for the fishing year commencing 1 April 2015.

MPI invites submissions on this proposal.