Ministry for Primary Industries
Manatū Ahu Matua

Review of Deemed Value Rates for Selected Finfish Stocks

Consultation Document

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Insides

Page

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 17 July 2015.

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 ACT1982

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 17 finfish 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%.

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 October stocks

		Current				Proposed			
Species	**Stock**	**Interim $**	**Annual $**	**Annual 200% $**	**Differential**	**Interim**	**Annual $**	**Annual 200% $**	**Differential**
Frostfish	FRO8	0.08	0.15	0.15	Standard	0.135	0.15	0.15	Standard
	FRO9	0.08	0.15	0.15	Standard	0.135	0.15	0.15	Standard
Grey mullet	GMU1	0.61	1.21	2.42	Standard	1.35	1.50	3.00	Standard
Gurnard	GUR3	0.85	1.70	2.42	Standard	1.53	1.70	2.42	Standard
	GUR7	0.85	1.70	2.42	Standard	1.53	1.70	2.42	Standard
Kingfish	KIN7	8.00	8.90	17.80	Variable	No change			
	KIN8	4.45	8.90	17.80	Variable	No change			
Lookdown Dory	LDO1	0.21	0.42	0.42	Standard	0.378	0.42	0.42	Standard
Pilchard	PIL8	0.30	0.60	1.20	Standard	0.54	0.60	1.20	Standard
Redbait	RBT3	0.25	0.50	1.00	Standard	0.45	0.50	1.00	Standard
Ruby fish	RBY7	0.21	0.42	0.42	Standard	0.378	0.42	0.42	Standard
Ribaldo	RIB4	0.15	0.30	0.60	Standard	0.27	0.30	0.60	Standard
	RIB8	0.15	0.30	0.30	Standard	0.27	0.30	0.60	Standard
Red snapper	RSN2	2.05	4.09	8.18	Standard	3.681	4.09	8.18	Standard
Rig	SPO2	1.50	3.00	6.00	Variable	2.70	3.00	6.00	Variable
	SPO7	1.50	3.00	6.00	Standard	2.70	3.00	6.00	Variable
Stargazer	STA7	0.90	1.00	2.00	Standard	No change			

[1]Available at www.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 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 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 deemed value 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 variable 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 dump 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 2015;
- considered whether interim values were consistent with the Guidelines (90% of Annual DV rate and how DV rates relate to ACE and Port Price); and
- 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).

[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

- 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.

Table 3 sets out the prioritised stocks and the reasons for consideration.

Table 3: Rationale for fish stocks prioritised for review

Stock	Rationale for review
FRO8	- 122% caught in 2013/14 - Ratio of DV to QV is 3.86%
FRO9	- 188% caught in 2013/14 - Ratio of DV to QV is 12.62%
GMU1	- 102% caught in 2013/14 - Ratio of DV to QV is 1.21%
GUR3	- Subject to sustainability review in 2015 - 109% caught in 2013/14 - Ratio DV to QV is 1.93%
GUR7	- Subject to sustainability review in 2015 - 99% caught in 2013/14 - Ratio DV to QV is 0.11%
KIN7	- Industry request as a consequence of DV payments of $149,000 in 2013/14 - 170% caught in 2013/14 - Ratio of DV to QV is 17.21% in 2013/14
KIN8	- Industry request as a consequence of DV payments of $748,000 in 2013/14 - 195% caught in 2013/14 - Ratio of DV to QV is 27.56% in 2013/14
LDO1	- 120% caught in 2013/14 - Ratio of DV to QV is 7.03% in 2013/14
PIL8	- 138% caught in 2013/14 - Ratio of DV to QV is 38.56% in 2013/14
RBT3	- 115% caught in 2013/14

Stock	Rationale for review
	- Ratio of DV to QV is 6.19% in 2013/14
RBY7	- 131% caught in 2013/14 - Ratio of DV to QV is 21.39% in 2013/14
RIB4	- 126% caught in 2013/14 - Ratio of DV to QV is 12.25% in 2013/14
RIB8	- 195% caught in 2013/14 - Ratio of DV to QV is 5.84% in 2013/14
RSN2	- 109% caught in 2013/14 - Ratio of DV to QV is 7.65%
SPO2	- 108% caught in 2013/14 - Ratio of DV to QV is 3.68% - Subject to a sustainability review in 2015
SPO7	- Subject to a sustainability review in 2015 - 101% caught in 2013/14 - Ratio of DV to QV is 0.61%
STA7	- Subject to a sustainability review in 2015 - 102% caught in 2013/14 - Ratio of DV to QV is 0.33%

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

Stock	TACC (tonnes)	%Caught*	Quota Value (QV) $/kg	ACE $/kg	Interim Deemed Value (DV)$/Kg	Annual DV $/kg	Port Price $/kg	Ratio of total DV paid to total QV
FRO8	649	122	$1.01	$0.09	0.08	0.15	$0.17	0.04
FRO9	138	188	$1.22	$0.11	0.08	0.15	$0.21	0.13
GMU1	925.5	102	$4.21	$0.45	0.61	1.21	$3.80	0.01
GUR3	1100	109	$11.24	$0.97	0.85	1.70	$1.98	0.02
GUR7	785	99	$5.38	$0.49	0.85	1.70	$1.82	0.00

KIN7	15	170	$66.40	$5.98	8.00	8.90	$2.78	0.17
KIN8	45	195	$69.38	$6.24	4.45	8.90	$4.15	0.28
LDO1	168	120	$1.58	$0.14	0.21	0.42	$2.02	0.07
PIL8	65	138	$1.34	$0.12	0.30	0.60	$0.83	0.39
RBT3	2190	115	$1.56	$0.14	0.25	0.50	$0.10	0.06
RBY7	33	131	$1.30	$0.12	0.25	0.42	$0.73	0.21
RIB4	357	126	$1.04	$0.09	0.15	0.30	$0.63	0.12
RIB8	1	195	$6.00	$0.12	0.15	0.30	$0.76	0.06
RSN2	21	109	$8.40	$1.20	2.05	4.09	$5.28	0.08
SPO2	108	110	$19.75	$1.78	1.50	3.00	$2.76	0.04
SPO7	221	101	$17.59	$1.58	1.50	3.00	$3.73	0.01
STA7	1042	102	$7.10	$0.64	0.90	1.00	$1.20	0.00

* 2013/14 landings against available ACE

5.1 FROSTFISH (FRO8 AND FRO9)

5.1.1 Fishery Information

Frostfish are primarily taken as a bycatch species of jack mackerel target fisheries by mid-water trawl in these stock areas. FRO8 catch has exceeded the TACC eight times in the last 10 fishing years. FRO9 catch has exceeded the TACC nine times in the last eleven fishing years.

5.1.2 Deemed Value Rates

Table 5: Current and proposed deemed value rates/kg for FRO8 and FRO9

Stock	Option	Interim	Annual 100-120%	Annual 120-140%	Annual 140-160%	Annual 160-180%	Annual 180-200%	Annual 200%+
FRO8	Current	0.0800	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500
FRO8	Proposed	0.1350	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500
FRO9	Current	0.0800	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500
FRO9	Proposed	0.1350	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500

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 rates for FRO8 and FRO9 are 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 FRO8 and FRO9 be adjusted as outlined in the shaded part of Table 5. 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.

5.2 GREY MULLET (GMU1)

5.2.1 Fishery Information

Grey mullet is caught by set net and mainly as a target species. Catch has been gradually increasing over the last five fishing years and exceeded the TACC in 2013/14.

5.2.2 Deemed Value Rates

Table 6: Current and proposed deemed value rates/kg for GMU1

Stock	Option	Interim	Annual 100-120%	Annual 120-140%	Annual 140-160%	Annual 160-180%	Annual 180-200%	Annual 200%+
GMU1	Current	0.6100	1.2100	1.4520	1.6940	1.9360	2.1780	2.4200
GMU1	Proposed	1.3500	1.5000	1.8000	2.1000	2.4000	2.7000	3.0000

The key triggers for the review of GMU1 deemed value rates are over catch and high deemed value payments compared to quota value (see Table 3). Whilst the level of over-catch is small, the current deemed value rates are set less than the ACE and port price and below that necessary to encourage fishers to balance catch with ACE.

The interim and differential rates for GMU1 are not consistent with the Guidelines. MPI proposes that deemed value rates for GMU1 be adjusted as outlined in Table 6. The proposed deemed value rates remain between the ACE price ($0.48) and port price for GMU1 ($3.80) but are increased to 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 throughout the year with ACE. Regular balancing should support greater awareness of the availability of ACE and promote catch to stay within the TACC.

5.3 GURNARD (GUR3 AND GUR7)

5.3.1 Fishery Information

Gurnard are primarily taken as a bycatch species of bottom trawl in these stock areas. The TACC has been regularly exceeded in GUR3 for the last ten fishing years. Landings have been increasing in GUR7 over the last three fishing years and the TACC was exceeded in 2013/14 (although total ACE was slightly undercaught).

5.3.2 Deemed Value Rates

Table 7: Current and proposed deemed value rates/kg for GUR3 and GUR7

Stock	Option	Interim	Annual 100-120%	Annual 120-140%	Annual 140-160%	Annual 160-180%	Annual 180-200%	Annual 200%+
GUR3	Current	0.8500	1.7000	2.0400	2.3800	2.7200	3.0600	3.4000
GUR3	Proposed	1.5300	1.7000	2.0400	2.3800	2.7200	3.0600	3.4000
GUR7	Current	0.8500	1.7000	2.0400	2.3800	2.7200	3.0600	3.4000
GUR7	Proposed	1.5300	1.7000	2.0400	2.3800	2.7200	3.0600	3.4000

The over catch described above coincides with indications of relatively high levels of abundance in GUR3 and GUR7 and proposals for modest increases to the TACCs for GUR3 and GUR7 are being considered for 1 October 2015. A review of the deemed rates has been put forward to accompany decisions on the TACC.

The current annual deemed value rates are set between the ACE price and reported port price. The interim deemed value rate for GUR3 and GUR7 is currently set at 50% of the annual rate.

MPI proposes that deemed value rates for GUR3 and GUR7 are adjusted as outlined in the shaded part of Table 7. The proposed increased interim deemed value rate will 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.

5.4 KINGFISH (KIN7 AND KIN8)

5.4.1 Fishery Information

Kingfish is primarily taken as a bycatch species of jack mackerel and trevally target fisheries by bottom and mid-water trawl in these stock areas.

When introduced into the QMS in 2003 the TACC was set at the level of 80% of the catch history (average catch during the 2000/01 and 2001/02 fishing years) to raise the biomass to a higher level. TACs for kingfish have been set to provide for use while recognising the importance of the species to recreational fishers. TACCs have been set broadly at levels of unavoidable bycatch.

Deemed value rates for kingfish were set consistent with the framework and are designed to provide for rare and infrequent over catch as a result of unexpected events. Despite the deemed value incentives increasing amounts of over catch have been reported in KIN7 and KIN8 in recent years, primarily due to kingfish landings reported by the fleet targeting jack mackerels. MPI has recognised the need to better manage the bycatch of kingfish in the trawl fisheries, and has taken various steps to address the matter. These include:

- The TAC/TACC for KIN 8 was increased in 2011/12, and KIN 7 was reviewed and increased in 2013/14.

- The release of live kingfish was permitted under Schedule 6. This allows fishers to return kingfish to the sea that are not taken by the use of set netting and that are likely to survive return. In these circumstances, fishers do not necessarily have to retain, land and balance kingfish with ACE. This provides fishers with some flexibility to manage unintended bycatch.

- The current deemed value rates for KIN7 and KIN8 have been set well above the ACE price and reported port price and alongside the differential rates recognise the significance of the stocks to the recreational sector.

- MPI has recently become aware that a proportion of deemed value payments might be due to the use of generic conversion factors that overestimate the landed catch. Continued use of the generic conversion factors will result in kingfish landings being over-reported. MPI is currently seeking information and views from tangata whenua and stakeholders to inform a review of the conversion factor for dressed kingfish. For further details see the accompanying consultation document “Review of conversion factor for kingfish processed to dressed state”.

MPI recognises further improvements to the management of KIN7 and KIN8 stocks are required. The best available information for setting catch limits for both KIN7 and KIN8 is

trends in commercial catch and estimates of recreational catch. This provides little information to assess stock status and to inform the setting of the total allowable catch.

Given the range of interests in KIN7 and KIN8 MPI considers development of an agreed management approach including options to develop cost-effective monitoring of abundance of KIN7 and KIN8 would best be advanced through a multi-sector collaborative working group.

MPI recognises this recommendation is outside the setting of deemed value rates and is not a relevant consideration for the Minister's decisions on deemed value rates for the 1 October fishing year. Nevertheless, given the underlying drivers for this deemed value review MPI welcomes feedback on the proposed establishment of a working group as a priority for 2015/16.

5.4.2 Deemed Value Rates

Table 4: Current deemed value rates $/kg for KIN7 and KIN8

Stock	Interim	Annual	Differential (variable)				
		Status quo					
		100 - 120%	120-140%	140-150%	150-160%	160-170%	170%+
KIN7	8.00	8.90	10.68	12.46	14.24	16.02	17.80
KIN8	4.45	8.90	10.68	12.46	14.24	16.02	17.80

The key rationale for undertaking this review are the performance triggers of overcatch and high deemed value payments compared to quota value (see Table 3).

Current Deemed Value Rates
The current deemed value rates for KIN7 and KIN8 are set well above the ACE price and reported port price and the ramping rates recognise the significance of the stocks to the recreational sector. This level of deemed value rate is intended to encourage fishers to balance catch with ACE and return live kingfish to the water when possible. The interim deemed value rate of KIN7 is 90% of the annual deemed value rates in accordance with the Guidelines and to encourage regular balancing with ACE. The interim deemed value rate for KIN8 is set at 50% of the annual rate. A differential deemed value schedule is set for both stocks that financially penalises higher levels of over catch to a greater degree than the standard schedule.

Analysis
MPI is aware that deemed value rates are failing to provide an effective incentive for commercial fishers to constrain catch to the TACC. In circumstances such as this the Guidelines suggest that deemed value rates should be increased.

Deemed value rates for KIN7 and KIN8 are already set well above the port price and ACE price. However in this circumstance these prices may not be the best indicator of the value of harvesting KIN7 and KIN8. This is because the majority of catch is taken as bycatch while taking the much higher value overall target species, jack mackerel. This creates a shadow value (derived by its ability to allow a fisher to continue to catch the target species) for kingfish greater than its landed value. MPI estimates the maximum shadow price of kingfish

in the jack mackerel fishery is about $40/kg and should be considered alongside port price and ACE price. This estimate of shadow price suggests deemed value rates need to be set much higher before fishing for jack mackerels would be influenced by economic considerations due to payments of deemed value for kingfish.

Adopting deemed value rates based on the shadow price in theory means that fishers unable to source enough ACE to cover their catch for kingfish would need to change their fishing method selectivity or practices to avoid catching kingfish or stop fishing altogether. However, MPI considers that there would be unacceptable incentives to discard and/or higher costs associated with adopting this option.

Another alternative to the status quo is to reduce the annual deemed value rate to a level closer but above the landed price. Adopting this option takes into account that the frozen product taken by the jack mackerel fleet is low value and a reduced deemed value rate will maintain incentives where possible to catch within ACE. There is also evidence the high level of catch of KIN7 and KIN8 is unavoidable with current fishing practice. The basis for this is observations grounded on high observer coverage rates of the jack mackerel fleet. If the current landings are unavoidable and the bycatch rate of kingfish unable to be reduced by fishing adaptations this option has the advantage of lowering future deemed value payments by up to 48%.

However, adopting this option would require that certain circumstances be accepted for commercial fishers landing catch for which they do not have ACE. MPI's view is that such circumstances do not apply in KIN7 and KIN8.

Conclusion
MPI has reviewed the current deemed value rate settings for KIN7 and KIN8 given the high levels of overcatch and deemed value payments for these fishstocks. MPI does not consider there to be sufficient rationale to support either increases or decreases to the deemed value rates of KIN7 or KIN8. MPI does not think that changes to the deemed values for these stocks would be an effective management response to improve management of the fishery.

5.5 LOOKDOWN DORY (LDO1)

5.5.1 Fishery Information

Lookdown dory are primarily taken as a bycatch species by bottom trawl. Landings of LDO1 have increased over the last three years and exceeded the TACC in the last two fishing years.

5.5.2 Deemed Value Rates

Table 8: Current and proposed deemed value rates $/kg for LDO1

Stock	Option	Interim	Annual 100-120%	Annual 120-140%	Annual 140-160%	Annual 160-180%	Annual 180-200%	Annual 200%+
LDO1	Current	0.2100	0.4200	0.4200	0.4200	0.4200	0.4200	0.4200
LDO1	Proposed	0.378	0.4200	0.4200	0.4200	0.4200	0.4200	0.4200

The key triggers for the review of LDO1 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 currently set between the ACE price and reported port price. The interim deemed value rate for LDO1 is set at 50% the annual rate and no differential deemed values are set.

MPI proposes that deemed value rates for LDO1 be 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 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.

5.6 PILCHARD (PIL8)

5.6.1 Fishery Information

Pilchard are primarily taken as a bycatch species of jack mackerel target fisheries by bottom and mid-water trawl. Landings have increased over the last four fishing years and exceeded the TACC in 2013/14.

5.6.2 Deemed Value Rates

Table 9: Current and proposed deemed value rates $/kg for PIL8

Stock	Option	Interim	Annual 100-120%	Annual 120-140%	Annual 140-160%	Annual 160-180%	Annual 180-200%	Annual 200%+
PIL8	Current	0.3000	0.6000	0.7200	0.8400	0.9600	1.0800	1.2000
PIL8	Proposed	0.5400	0.6000	0.7200	0.8400	0.9600	1.0800	1.2000

The key triggers for the review of PIL8 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 pilchard is set at 50% the annual rate.

MPI proposes that deemed value rates for PIL8 be adjusted as outlined in the shaded part of Table 9. 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.

5.7 REDBAIT (RBT3)

5.7.1 Fishery Information

Redbait are taken as both a target and bycatch species of mid-water trawl. Redbait have fluctuated over time, increasing in the last four fishing years and exceeding the TACC in 2013/14.

Deemed Value Rates

Table 10: Current and proposed deemed value rates $/kg for RBT3

Stock	Option	Interim	Annual 100-120%	Annual 120-140%	Annual 140-160%	Annual 160-180%	Annual 180-200%	Annual 200%+
RBT3	Current	0.2500	0.5000	0.6000	0.7000	0.8000	0.9000	1.0000
RBT3	Proposed	0.4500	0.5000	0.6000	0.7000	0.8000	0.9000	1.0000

The key triggers for the review of PIL8 deemed value rates are overcatch 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 RBT3 is set at 50% the annual rate.

MPI proposes that deemed value rates for RBT3 be adjusted as outlined in the shaded part of Table 10. 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 RUBYFISH (RBY7)

5.8.1 Fishery Information

In the RBY7 quota management area, ruby fish are taken as a bycatch species of bottom and mid-water trawl. Landings exceeded the TACC in RBY7 in 2013/14 for the first time since the 2004/05 fishing year.

5.8.2 Deemed Value Rates

Table 11: Current and proposed deemed value rates $/kg for RBY7

Stock	Option	Interim	Annual 100-120%	Annual 120-140%	Annual 140-160%	Annual 160-180%	Annual 180-200%	Annual 200%+
RBY7	Current	0.2100	0.4200	0.4200	0.4200	0.4200	0.4200	0.4200
RBY7	Proposed	0.378	0.4200	0.4200	0.4200	0.4200	0.4200	0.4200

The key triggers for the review of RB7 deemed value rates are overcatch 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 RBY7 is set at 50% the annual rate and no differential deemed values are set.

MPI proposes that deemed value rates for RBY7 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.

5.9 RIBALDO (RIB4 AND RIB8)

5.9.1 Fishery Information

RIB4 and RIB8 are primarily taken as a bycatch species of the ling bottom longline fishery. 2013/14 was the first year that landings of RIB4 have exceeded the TACC. RIB8 landings have exceeded the TACC for the past four fishing years, however the TACC is only set at 1 tonne.

5.9.2 Deemed Value Rates

Table 12: Current and proposed deemed value rates $/kg for RIB4 and RIB8

Stock	Option	Interim	Annual 100-120%	Annual 120-140%	Annual 140-160%	Annual 160-180%	Annual 180-200%	Annual 200%+
RIB4	Current	0.1500	0.3000	0.3600	0.4200	0.4800	0.5400	0.6000
RBY4	Proposed	0.2700	0.3000	0.3600	0.4200	0.4800	0.5400	0.6000
RIB8	Current	0.1500	0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
RBY8	Proposed	0.2700	0.3000	0.3600	0.4200	0.4800	0.5400	0.6000

The key triggers for the review of RIB4 and RIB8 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 RIB4 and RIB8 is set at 50% of the annual rate. No differential deemed value rates are set for RIB8.

MPI proposes that deemed value rates for RIB4 and RIB8 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. The proposed differential deemed value rates for RIB8 will support better balancing of catch with ACE and is consistent with all the other stocks of ribaldo.

5.10 RED SNAPPER (RSN2)

5.10.1 Fishery Information

Red snapper are primarily taken as a bycatch species of bottom trawl. Landings have been exceeded for RSN2 for the first time in the 2013/14 fishing year.

5.10.2 Deemed Value Rates

Table 13: Current and proposed deemed value rates $/kg for RSN2

Stock	Option	Interim	Annual 100-120%	Annual 120-140%	Annual 140-160%	Annual 160-180%	Annual 180-200%	Annual 200%+
RSN2	Current	2.0500	4.0900	4.9080	5.7260	6.5440	7.3620	8.1800
RSN2	Proposed	3.681	4.0900	4.9080	5.7260	6.5440	7.3620	8.1800

The key triggers for the review of RIB4 and RIB8 deemed value rates are overcatch 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 RSN2 is set at 50% the annual rate.

MPI proposes that deemed value rates for RSN2 be adjusted as outlined in the shaded part of Table 13. 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 RIG (SPO2 AND SPO7)

5.11.1 Fishery Information

Rig are primarily taken as a target fishery by setnet and bycatch species of bottom trawl. Landings of SPO2 have exceeded the TACC regularly for over ten years. Landings of SPO7 have exceeded the TACC by smaller amounts.

5.11.2 Deemed Value Rates

Table 14: Current and proposed deemed value rates $/kg for SPO2 and SPO7

Stock	Interim	Annual 100-120%	Annual 120-140%	Annual 140-160%	Annual 160-180%	Annual 180-200%	Annual 200%+
SPO2	1.5000	3.0000		variable		6.000	6.000
SPO2	2.700	3.0000		variable		6.000	6.000
SPO7	1.5000	3.0000	3.6000	4.2000	4.8000	5.4000	6.0000
SPO7	2.700	3.0000	3.6000	4.2000	4.8000	5.4000	6.0000

Proposals for modest increases to the TACCs for SPO2 and SPO7 are being considered for 1 October 2015. A review of the deemed rates has been put forward to accompany decisions on the TACC.

The current annual deemed value rates are set between the ACE price and reported port price. The interim deemed value rate for SPO2 and SPO7 are set at 50% the annual rate.

MPI proposes that deemed value rates for SPO2 and SPO7 are 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.

5.12 STARGAZER (STA7)

5.12.1 Fishery Information

In the STA7 quota management area stargazer is primarily taken as a bycatch species of bottom trawl. A proposal for a modest increase to the TACC for STA7 is being considered for 1 October 2015.

5.12.2 Deemed Value Rates

Table 15: Current deemed value rates $/kg for STA7

Stock	Interim	Annual 100-120%	Annual 120-140%	Annual 140-160%	Annual 160-180%	Annual 180-200%	Annual 200%+
STA7	0.9000	1.0000	1.2000	1.4000	1.6000	1.8000	2.0000

The deemed value rates were adjusted for STA7 for the 2013/14 fishing year. The interim deemed value rate was set at 90% of the annual deemed value rate at this time. No changes are proposed for the 1 October 2015 fishing year.

6 Conclusion

The Guidelines have been used to identify 17 stocks for review of deemed value rates. Proposals for adjustments have been developed based on statutory requirements, the Guidelines and key information.

The majority of the 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 deemed value rates for GMU1 to provide a stronger incentive for fishers to balance their catch with ACE.

A review of all rates is considered for KIN7 and KIN8 as requested by Industry. MPI does not consider there to be strong rationale for change to the deemed value rates for KIN7 and KIN8 and recommends that the underlying issues in KIN7 and KIN8 require a more comprehensive review of management approach. A multi-sector working group is proposed to progress this work and this is not a consideration for this consultation paper.

MPI has also analysed relevant information for STA7 and is not recommending any changes.

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 2015.

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.