



Ministry of
Fisheries
Te Tautiaki i nga tini a Tangaroa

Review of Deemed Value Rates for 1 October fish stocks

Initial Position Paper

June 2010



New Zealand Government

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INTRODUCTION

- 1 This Initial Position Paper (IPP) provides the Ministry of Fisheries (MFish's) initial views on proposals relating to the deemed value rates for selected inshore fish stocks for the 2010/11 fishing year, commencing on 1 October.
- 2 This IPP has been developed for the purpose of consultation, as is required under section 12 of the Fisheries Act 1996 (the Act). MFish emphasises that the views and recommendations outlined in the paper are preliminary and are provided as a basis for consultation with stakeholders.
- 3 In August 2010, MFish will compile the Final Advice Paper for consideration by the Minister of Fisheries. The Final Advice Paper summarises MFish and stakeholder views on those issues being reviewed, and provides final advice and recommendations for each issue. A copy of the Final Advice Paper and subsequently the Minister's letter setting out his final decisions will be posted on the MFish website as soon as it becomes available, and hard copies will be available on request.

Deadline for submissions

- 4 MFish welcomes written submissions on the proposals contained in the IPPs. **All written submissions on this consultation document must be received by MFish no later than Monday, 26 July 2010.**
- 5 Written submissions should be sent directly to:

Trudie Macfarlane,
Ministry of Fisheries,
P O Box 1020,
Wellington;

or faxed to 04 819 4208
or emailed to Trudie.Macfarlane@fish.govt.nz
- 6 All submissions are subject to the Official Information Act and can be released, if requested, under the Act. If you have specific reasons for wanting to have your submission withheld, please set out your reasons in the submission. MFish will consider those reasons when making any assessment for the release of submissions if requested under the Official Information Act.

Executive Summary

- 7 Under s 75(1) of the Act the Minister of Fisheries is required to set interim and annual deemed value rates for each quota management stock. 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 and hold sufficient annual catch entitlement (ACE) that is not less than the total catch of that stock taken by the commercial fisher. Section 75 (2)(b) sets out the factors the Minister may have regard to when setting deemed values. Section 75 (2) forms the basis of the analysis that has been produced for the stocks under review.
- 8 MFish developed a Deemed Value Standard in 2007 to set out a process for managing the setting, reviewing and amendment of deemed value rates. This process has been used to review the deemed value rates as part of this sustainability round. MFish is currently reviewing this standard and intends to publically consult on any proposed changes later in 2010.
- 9 The Deemed Value Standard identifies a specific set of criteria that indicate if a fish stock should be considered for a deemed value review. Tables 1 and 2 detail the stocks that meet at least one of the criteria and were recommended for review by members of the Deemed Value Review Group. Tables 1 and 2 also summarise the recommendations in this IPP.

Table 1: Inshore stocks recommended for review

Species Name	Fish Stock Reviewed	Summary of Recommended deemed value changes (if any)		
		Annual	Interim	Differential
Rough Skate	RSK8	No change	No change	No change
Smooth Skate	SSK8	No change	No change	No change
Snapper	SNA8	No change	No change	No change
Kingfish	KIN8	No change	No change	No change
Red Gurnard	GUR3 and GUR7	No change	No change	No change
Trevally	TRE1	Increased to \$1.25 per kg	Increased to \$0.70 per kg	Adjusted to match annual rate

Table 2: Deepwater stocks recommended for review

Species Name	Fish Stock Reviewed	Summary of Recommended deemed value changes (if any)		
		Annual	Interim	Differential
Cardinalfish	CDL2 and CDL3	No change	No change	Introduce non-standard rate at 120% ACE holdings
Hake	HAK1 and HAK4	Increased to \$1.60	Increased to \$0.80	Adjusted to match annual rate
Ribaldo	RIB7	No change	No change	Increased backstop to \$2.50

10 In addition to the stocks set out in tables 1 and 2, above, fishstocks being reviewed as part of the 1 October sustainability round and quota management system introduction processes will also have their deemed values reviewed. These stocks are set out below:

- (a) All Kahawai stocks
- (b) Trevally 2
- (c) Hapuka/Bass 3
- (d) Stargazer 7
- (e) Bladder Kelp 3
- (f) Bladder Kelp 4
- (g) Cardinalfish 2
- (h) Orange Roughy 3B
- (i) Orange Roughy 7A
- (j) Patagonian Toothfish 1
- (k) Rubyfish 4
- (l) Hoki 1

Background

- 11 The purpose of the deemed value framework is to provide an incentive for fishers to acquire sufficient ACE to balance against catch.
- 12 The catch balancing regime is a key fisheries management tool contributing to both sustainability and utilisation objectives. The sustainability objectives are achieved when deemed value rates encourage fishers to balance catch with available ACE and in so doing constrain harvesting to the total allowable commercial catch (TACC). Incorrectly set deemed values have contributed to catches in excess of TACC in some fisheries in the past, which may have sustainability implications.
- 13 Utilisation objectives are achieved by providing flexibility for commercial operators to manage unexpected and small overruns in ACE holdings by allowing periodic rather than continuous balancing. In the long term, the sustainability implications that

may result from overfishing could result in TACC reductions, which also impact on utilisation objectives.

Process

- 14 The 2007 Deemed Value Standard sets out a process for reviewing and adjusting deemed value rates. This process has been followed for the stocks outlined in this IPP. All quota management system (QMS) stocks with a fishing year beginning 1 October were assessed against the following deemed value criteria as set out in the Deemed Value Standard:
 - (a) Catch in excess of a TACC;
 - (b) Catch in excess of an individual's ACE holdings and deemed values have been invoiced but ACE has remained unused;
 - (c) Changes to the port price of a stock (Note that "2008-09 port price" is data collected in 2008 that is used for setting 2008-09 cost recovery levies);
 - (d) Direct request from SeaFIC on behalf of quota owners;
 - (e) Recent changes to a stock's TACC or the TACC of key bycatch stocks;
 - (f) Stock has recently entered the QMS and the initial deemed value rates were set using limited information.
- 15 Following an assessment of the stock's performance against the criteria described above an information sheet was prepared. Information sheets for each stock recommended for review can be found in Appendix 1.
- 16 MFish also sent letters to individuals and commercial stakeholder organisations that have considered on previous deemed value reviews. This was done to help identify fish stocks that could require a deemed value review and to get additional ACE and landed price data.
- 17 This information was analysed to determine why deemed value rates for some stocks may not be effective. The information sheets described above were used to answer questions such as:
 - (a) Likely reasons for the TACC over-catch/landings in excess of ACE.
 - (b) An assessment of the bycatch fisheries associated with the stocks under review (to ensure any changes to the target stock deemed value rates do not have an adverse effect on the sustainability of bycatch stocks).
 - (c) Likely risk that the deemed value may not provide the appropriate incentive to balance catch with ACE.
 - (d) Impact of changes in market price and/or structure for the fish product/species under review.
- 18 Initial analysis of all stocks were made available to the members of the deemed value review group to review and make comment on. If a stock met one of the review criteria and any member of the review group considered that a deemed value review was appropriate, the stock was included in this review round.

- 19 If a deemed value adjustment was considered appropriate, the following information sources were used to determine what new deemed value rate should be proposed. This information was made available to all participants in the deemed value review group:
- (a) Port price;
 - (b) ACE trading price;
 - (c) Export prices as a proxy for market values (where appropriate) and other information on price;
 - (d) Bycatch ratios (where appropriate);
 - (e) Cost recovery levy rates;
 - (f) Past deemed value payments; and
 - (g) Other information about the fish stocks in question.
- 20 The Act requires that changes to annual, interim and differential deemed value rates will take effect on the first day of each fishing year (1 October 2010).

Rationale for management options

General principles for deemed value setting

- 21 Under s 75 (1) of the Act the Minister of Fisheries is required to set interim and annual deemed value rates for each quota management stock.
- 22 Under s 75(2)(a) the Minister must 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. This covers incentives under at least four circumstances:
- (a) First, to provide an incentive to balance catch with ACE when ACE is available. That is, fishers should not use deemed values instead of ACE when ACE can be acquired on the open market. Deeming when ACE remains unused is not consistent with s 75 (2) (a). Balancing with ACE is the preferred catch balancing method.
 - (b) Second, to provide an incentive to keep the catch level to the amount of ACE available in the fish stock. That is, fishers should not use deemed values as a way of exceeding the TACC for any given fish stock. This helps ensure that the sustainability of the fish stock is not put at risk by fishing on deemed values.
 - (c) Third, to provide an incentive not to misreport catch as being taken from a different fish stock to take advantage of lower deemed value rates. When such misreporting occurs, the fisher fails to acquire ACE for the fish stock from which the fish were actually caught. This can undermine the sustainability and utilisation of fish stocks and distorts the information used to make fisheries management decisions. Misreporting is an offence under the Fisheries Act.

- (d) Fourth, to provide an incentive not to illegally discard catch instead of paying the deemed value or acquiring ACE. When a fisher illegally discards, they fail to acquire ACE for the fish stock from which the fish were caught. Illegal discarding undermines the sustainability of fish stocks and is an offence under the Fisheries Act.
- 23 As a general guide to setting deemed value rates under s 75 (2) (a), MFish believes that a deemed value rate between ACE price and landed price generally provides the correct incentives. MFish believes the following actions will create the correct incentives for commercial fishers to acquire ACE to cover their catch:
- (a) When deemed value rates are below ACE price: Increase deemed value rates to a level between ACE price and landed price to provide the incentive to balance catch with ACE. There are transaction costs associated with finding, buying and registering transfers of ACE. Deemed values should be sufficiently above ACE price, such that fishers would not routinely pay the deemed values to avoid those transaction costs.
 - (b) When deemed value rates are above landed price: Decrease deemed value rates to a level between ACE price and landed price to provide an incentive not to illegally discard.
- 24 Section 75 (2) (b) outlines other factors that the Minister may have regard to when setting interim and annual deemed value rates. Section 75(2)(b) says that the Minister may have regard to:
- (a) The desirability of commercial fishers landing catch for which they do not have ACE; and
 - (b) The market value of ACE for the stock; and
 - (c) The market value of the stock; and
 - (d) The economic benefits obtained by the most efficient commercial fisher, licensed fish receiver, retailer, or any other person from the taking, processing or sale of fish, aquatic life, or seaweed, or of any other fish, aquatic life, or seaweed that is commonly taken in association with fish, aquatic life, or seaweed; and
 - (e) The extent to which catch of that stock has exceeded or is likely to exceed the TACC for the stock in any year; and
 - (f) Any other matters that the Minister considers relevant

Deemed values should exceed ACE price by the margin of transactions costs

- 25 If ACE price is close to the deemed value rate there may be an incentive for fishers to pay the deemed value instead of acquiring ACE to balance their catch. This is due to the transaction cost involved in making an ACE trade. Currently it costs \$13.50 to electronically register an ACE trade with FishServe. There is also the time it takes to find an appropriate package of ACE and possibly a brokerage fee (if ACE is

purchased through a broker). MFish believes the total transaction costs are approximately \$100.00 per ACE transaction.

- 26 MFish believes that in setting deemed values, it is appropriate to seek to avoid the transaction cost of small ACE trades. The question is: at what level of landings should fishers be expected to seek ACE rather than using the convenient option of paying deemed values? MFish suggests that when a fisher has one tonne of landings to cover with ACE or deemed values, the incentive should be to acquire ACE. If \$100.00 in transaction costs are spread over 1000 kilograms, the transaction cost would be \$0.10 per kg. This leads MFish to recommend that deemed value rates should usually exceed ACE price by about \$0.10 per kg. This would also imply that the lowest deemed value should be approximately \$0.10 per kg.
- 27 MFish will continue to advise the Minister that deemed values should be set above ACE prices by a margin that covers transactions costs. It is important to note that the joint MFish-industry working group on deemed values agreed that deemed values should exceed ACE by at least the amount of transactions costs. MFish believes that this remains a very relevant criterion.

Avoiding incentives to misreport

- 28 As discussed above, MFish's view is that incentives to misreport are a factor that fall within the ambit of s 75 (2) (a). When two adjacent QMAs for the same species have substantially different deemed values, there may be an incentive to misreport in order to qualify for the lower deemed value. MFish's view is that the Minister can consider the impact of differences in deemed values across QMAs in his decisions. For most species, prices across adjacent QMAs are likely to be similar, because arbitrage in markets will result in movements of fish to equalise prices. Because the upper bound on deemed values in most circumstances is landed price, the upper bound for adjacent QMAs will often be similar. Thus, setting similar deemed values across different QMAs is often likely to be feasible.
- 29 MFish believes that there are reasons to consider more uniform deemed values across QMAs, but that these reasons must be weighed against other considerations. MFish acknowledges that there are regional differences in the prices of some species and that these differences must be considered in setting deemed values.

Principles for constraining bycatch species

- 30 An important exception arises with respect to MFish's position that deemed values should generally be set below landed price. That exception arises when:
- (a) A species is a bycatch in a multi-species fishery, such as a mixed trawl fishery, and
 - (b) The catch of that bycatch species constrains the ability of the fishing fleet to capture other target species.
- 31 In this circumstance, the bycatch species is said to have a "shadow value" greater than landed value that reflects its value in permitting greater catches of other species in the overall fisheries complex. When the shadow value is high, the ACE value that will

constrain catch to the TACC can exceed the landed value. In this instance, the deemed value may need to exceed the landed value.

- 32 When the ACE price and the deemed values are above the landed value, incentives to illegally discard are created. This may be an inevitable result of providing appropriate incentives under s 75 (2) (a) for fishers to acquire ACE to cover their catches. How to balance incentives to illegally discard against the incentives to fish on deemed values is the most difficult deemed value advice that MFish must provide to the Minister. It may be necessary to rely on compliance and enforcement tools to deter illegal discarding.

High value single species fisheries

- 33 Previous Ministers have decided that the appropriate incentive for “high value single stocks” (no bycatch issues) is to provide a very strong incentive to catch only the amount for which fishers have ACE. This has been accomplished by setting the annual deemed value at approximately twice the landed price. A fisher would suffer a large loss on any catches in excess of ACE. By setting the deemed value at twice the landed price, it is very unlikely that even if prices increase during a fishing year that any incentive would arise to land catch in excess of ACE. This is consistent with s 75 (2) (a) as it provides a strong disincentive against catches in excess of ACE. This incentive has been applied to all spiny rock lobster (CRA) and paua (PAU) stocks.

Differential deemed values

- 34 Differential deemed values are set under s 75 (4) which states:

Section 75 (4) - The Minister may set different annual deemed value rates in respect of the same stock which apply to different levels of catch in excess of annual catch entitlement.

- 35 Differential deemed values have two effects. First, if a commercial fisher decides to fish on deemed values without ACE or with little ACE relative to landings, then the deemed value rate for the catch increases to the top step on the differential schedule. This provides a very strong incentive for commercial fishers to acquire ACE. Second, if the entire ACE is caught by the industry, then the differential deemed value increases as the industry increasingly over-catches the TACC. The result is an increasing economic disincentive to exceed the TACC.
- 36 In this IPP, the term ‘standard differentials’ refers to the most frequently used differential deemed value schedule. Those standard differentials increase the deemed value by 20% over the annual rate when catch equals more than 120% of ACE, by 40% when catch is more than 140% of ACE, by 60% when catch is more than 160% of ACE, by 80% when catch is more than 180% of ACE, and by 100% when catch is more than 200% of ACE. Prior to the 2007 deemed value standard, standard differentials were the norm when differentials were implemented.
- 37 Since 2007, MFish has recommended that some stocks be subject to other ramping schedules. Other schedules for differential deemed values are called ‘non-standard differentials’ in this IPP.

- 38 MFish believes that differential deemed value rates depend on the stock and the behaviours that deemed values ought to manage. The actual rates at which the differentials are set are flexible and are not necessarily based on the annual rate. Instead, they can be set at any financial amount that the Minister considers necessary to provide the appropriate disincentive for fishers to take fish without ACE. For some stocks this may mean applying differential deemed values at small percentages of over-catch such as 2% to discourage any fishing on deemed values; for others it may mean applying standard differential deemed value rates.
- 39 MFish believes that differential deemed values can build in buffers that manage risk of future uncertainty in economic variables such as landed price and foreign exchange rates. Deemed values are economic tools. How they function will be determined by changes in economic conditions. Since New Zealand exports 92% of all fish caught, fluctuations in international fish prices and in exchange rates (especially the US\$) can make fishing on deemed values attractive or unattractive depending on the current economic situation.
- 40 In the absence of differentials, the fishing industry can harvest many multiples of the TACC by paying the fixed deemed value rate. MFish believes the Minister should consider whether targeted harvests well in excess of TACCs would be acceptable for the one to two years required to change deemed values. MFish believes that for many stocks, such a result would not be desirable. MFish also believes that to fail to consider this possible outcome may be inconsistent with a precautionary approach. Setting a differential deemed value that is currently “irrelevant” can be a costless way to allow for unforeseen events. Such a precautionary differential would not cost industry anything unless their fishing increased substantially and unexpectedly.
- 41 There are inherent delays in the deemed value setting process. Deemed values can only be changed once per year. So the deemed value rates proposed in this IPP seek to maintain the appropriate incentives for future conduct instead of only asking if the incentives were inappropriate in the past.
- 42 Differential deemed values are an important part of establishing robust deemed value settings for a stock that will provide appropriate incentives to balance catch with ACE throughout the fishing year. While differential deemed values cannot completely compensate for unexpected economic changes, they do limit the range of conditions within which inappropriate incentives to fish on deemed values, rather than to balance catch with ACE, will continue to operate. This will limit the impact until the necessary changes are implemented.

Interim deemed values

- 43 The Act requires both annual and interim deemed value rates to be set for all stocks. There is a risk that setting interim deemed value rates too low will delay the balancing of catch until the end of the fishing season. This may lead to a race for ACE and insufficient ACE to cover all catch, therefore leading to the TACC being exceeded.
- 44 Prior to 2007, interim deemed value rates were generally set at 50% of the annual rate. While MFish recommends that the interim deemed value rates should remain at 50% of the annual rates for most stocks, MFish may recommend higher interim deemed value rates for some of the stocks. MFish proposes that, in situations where more

regular balancing is warranted to ensure catch levels do not exceed available ACE, the interim deemed value should be set closer to the annual rate.

Analysis

45 This section sets out a summary of the analysis for each stock and an assessment of the proposed deemed value adjustment. Not all stocks included on the review list require a deemed value adjustment.

Rough Skate: RSK8

46 RSK8 has been included in this review because catch was in excess of ACE, deemed value payments have been made in previous years, port price has increased and quota owner, Egmont Seafood Limited (ESL), requested a review of the deemed value.

47 ESL believes that over the past 12-24 months the landed value of both RSK8 and SSK8 has decreased resulting in the annual deemed value rate being similar to the landed value. ESL also cites issues with the TACC setting process when rough skate and smooth skate were introduced into the QMS. MFish is aware that the fishing industry will seek a review of the RSK8 TACC next year.

48 The TACC for rough skate 8 is 21 tonnes. RSK8 has been over caught every year since being brought into the QMS. During the 2008-09 fishing year, 217% of ACE (24.5 tonnes above available ACE) was caught in RSK8 resulting in deemed value invoices of \$10,937 being issued. In the current fishing year (2009-10) catch of RSK8 reported up to April 2010 is 28.4 tonnes. RSK8 catch is therefore already 7.4 tonnes above the TACC with 5 months still left in the fishing year.

49 MFish is currently awaiting the 2009-10 port prices to be finalised, therefore MFish is not in a position to comment on ESL's reports of a recent decrease in landed price at this point in time.

50 MFish notes that it is difficult to distinguish rough skate from smooth skate after the wings have been removed from the skate. MFish considers it important to avoid creating incentives to misreport (in this case by misidentifying species), and therefore has considered both the RSK8 and SSK8 stocks when considering proposed deemed value recommendations for each stock.

51 MFish also notes that, although there is limited information specifically for New Zealand, there is international concern that skate populations may be especially vulnerable to over fishing.

52 RSK8 (and SSK8) is taken primarily as bycatch in inshore bottom trawl fisheries, in particular the gurnard, tarakihi and trevally target fisheries. TACCs and catches have remained stable in these fisheries in recent years.

53 Rough skate is listed on Schedule 6 of the Fisheries Act and therefore it can be returned to the sea provided it is likely to survive.

54 The over catch of RSK8 despite the annual deemed rate being similar to the landed price of RSK8 suggests deemed value rates are not currently influencing fisher

behaviour in target fisheries taking RSK8. MFish considers there is a risk that further increasing the deemed value to disincentivise harvesting of RSK 8 may encourage discarding in the fishery and affect the quality of information available for TAC setting considerations. However, MFish considers it difficult to justify decreasing the deemed value rates while the TACC continues to be over caught.

- 55 The proposed deemed value rates for RSK8 for the 2010-11 fishing season are as follow:
- (a) Annual deemed value rate to remain at \$0.44 per kg.
 - (b) Interim deemed value rate to remain at \$0.22 per kg.
 - (c) Differential deemed value rates continue to not be used in this fishery.

Smooth Skate: SSK8

- 56 RSK8 has been included in this review because catch was in excess of ACE, deemed value payments have been made in previous years, and quota owner, Egmont Seafood Limited (ESL), requested a review of the deemed value.
- 57 SSK8 (and RSK8) is taken primarily as bycatch in inshore bottom trawl fisheries, in particular the tarakihi, gurnard and barracouta (offshore) target fisheries. TACCs and catches have remained stable in these fisheries in recent years.
- 58 Smooth skate is listed on Schedule 6 of the Fisheries Act and therefore it can be returned to the sea provided it is likely to survive.
- 59 The TACC for SSK8 is 20 tonnes. During the 2008-09 fishing year, 104% of ACE (1 tonne above available ACE) was caught in SSK8 resulting deemed value invoices of \$1,346 being issued. SSK8 has been slightly over caught the last two fishing years. In this fishing year (2009-10) catch of SSK8 reported up to April 2010 is 10.5 tonnes. The catch of SSK8 this fishing year is higher than the previous fishing year over the same period (6.9 tonnes). Given this information, it is likely that the TACC will be over caught again this fishing year.
- 60 MFish notes that the over catch of 1 tonne last fishing year in SSK8 is small and as no changes to deemed values for RSK8 are proposed and information is not available indicating a significant change to port or landed price, MFish considers there is no reason to adjust the deemed value rates in SSK8 at this time.
- 61 The proposed deemed value rates for SSK8 for the 2010-11 fishing season are as follow:
- (a) Annual deemed value rate to remain at \$0.44 per kg.
 - (b) Interim deemed value rate to remain at \$0.22 per kg.
 - (c) Differential deemed value rates continue to not be used in this fishery.

Snapper: SNA8

- 62 SNA8 has been included in this review because catch was in excess of ACE, deemed value payments have been made in previous years, and quota owner, Egmont Seafood Limited (ESL), requested a review of the deemed value.

- 63 SNA8 was also included in the October 2009 deemed value review at the request of ESL. ESL believes the current deemed values rates in this fishery are set too high and should be decreased. ESL reported that in 2009/10 fishing year, ACE price is around \$6.50 per kg for SNA8 and that the landed price for SNA8 is between \$5.50 and \$6.50 per kg. The current annual deemed value rate is \$8.00 per kg in SNA8.
- 64 ESL considers that as the fishstock abundance has improved, the ability to source ACE has become more difficult. The increasing deemed value and health of the fishery has now driven the ACE price to the same level as the landed price and in some cases higher (fishers wishing to avoid paying an excessive deemed value). ESL considers that the current deemed value rates for SNA8 also encourages fishers to discard or to high grade.
- 65 SNA 8 is both a target fishery (40% in 2008/09 fishing year – all fishing methods combined) and is taken as bycatch in trevally, gurnard and tarakihi bottom trawl fisheries (67% taken as bycatch in 2008/09 fishing year in the bottom trawl fishery, while ~28% was targeted).
- 66 The TACC for SNA8 is 1,300 t. During the 2008-09 fishing year, 102% of ACE was caught and deemed value payments of \$353,544 were incurred in SNA8 during the 2008-09 fishing year. However, the majority (\$327,257) was incurred by one operator, who has since had their permit suspended.
- 67 SNA8 is an important commercial and recreational species. SNA8 biomass is considered to be at a level below target biomass and a rebuilding strategy is in place. MFish therefore considers it important that catches are constrained to the current TACC. MFish believes that the current deemed value rates are providing the correct incentives in this fishery to constrain catches to the TACC. Therefore, MFish does not propose a deemed value adjustment at this time.
- 68 The proposed deemed value rates for SNA8 for the 2010-11 fishing season are as follow:
- (a) Annual deemed value rate to remain at \$8.00 per kg.
 - (b) Interim deemed value rate to remain at \$4.00 per kg.
 - (c) The current non-standard differential deemed value rates continue to be used in this fishery.

Kingfish: KIN8

- 69 KIN8 has been included in this review because catch was in excess of ACE, deemed value payments have been made in previous years, the port price has increased, and quota owner, ESL, requested a review of the deemed value.
- 70 ESL believes the current deemed values rates in this fishery are set too high and should be decreased. ESL reports that in 2009/10 fishing year, ACE price paid by fishers are up to \$9.00 per kg for KIN8 and that the landed price for KIN8 is between \$4.00 and \$5.00 per kg. The current annual deemed value rate is \$8.90 per kg in KIN8.

- 71 MFish notes that the deemed value rates for Kingfish (KIN7 and KIN8) were considered by the Minister of Fisheries in October 2008. The Minister decided to make no changes to the deemed value rates but he directed MFish and the industry to seek solutions to the persistent over catches of KIN7 and KIN8. He indicated that MFish should revisit these stocks in the October 2009 deemed value review. The deemed value rates for KIN7 and KIN8 were reviewed in October 2009 and no changes were made.
- 72 KIN7 and KIN8 are caught as bycatch in the JMA7 fishery. Because KIN7 and KIN8 are important non-commercial stocks, the Minister in the past has increased deemed value rates to discourage KIN7 and KIN8 commercial landings. Over catches of the TACCs have continued.
- 73 The over catch of KIN8 despite the annual deemed rate being increased previously, and being at a level higher than the landed price, suggests deemed value rates are not currently influencing fisher behaviour in the target fishery taking KIN8. MFish considers there is a risk that further increasing the deemed value to dis-incentivise harvesting of KIN8 may encourage discarding in the fishery and affect the quality of information available to inform management of the fisheries. However, MFish considers it difficult to justify decreasing the deemed value rates while the TACC continues to be over caught. The proposed deemed value rates for KIN8 for the 2010-11 fishing season are as follow:
- (a) Annual deemed value rate to remain at \$8.90 per kg.
 - (b) Interim deemed value rate to remain at \$4.45 per kg.
 - (c) The current standard differential deemed value rates continue to be used in this fishery.

Red Gurnard: GUR3 and GUR7

- 74 Gurnard (GUR3 and GUR7) have been included in this review because catch was in excess of ACE in GUR3, deemed value payments have been made in previous years in both fisheries, and MFish Field Operations staff have reported that illegal discarding may be occurring in GUR3 and GUR7.
- 75 The deemed value rates for GUR3 and GUR7 were reviewed in October 2009 as the TACs and TACCs for both fish stocks were reviewed. As a result the TACC for GUR3 was increased by 100 tonnes. At the same time the Minister decreased the annual deemed value rate to \$1.50 per kg and the interim deemed value rate to \$0.75 per kg. The Minister also altered the unique differential deemed value regime in GUR3 to begin a transition back to a standard differential deemed value regime since he had increased the TACC to allow for the increased abundance of GUR3.
- 76 The GUR7 TACC was increased by 34 tonnes. At the same time the Minister increased the annual deemed value rate to \$1.25 per kg and the interim deemed value rate to \$0.63 per kg. The Minister adjusted the standard differential deemed value rates to match the new annual deemed value rate.
- 77 GUR3 and GUR7 are taken bycatch in inshore bottom trawl fisheries targeting flatfish, red cod and tarakihi (for GUR 3) and flatfish and snapper (for GUR 7).

- 78 MFish considers the increases to the GUR3 and GUR7 TACCs should have reduced incentives to discards. MFish notes that for GUR3, where overcatch is still occurring, the deemed values implemented at the time of the TAC review do not significantly impact economic incentives; under the previous GUR3 TACC (800 tonnes) and unique differential deemed value regime (first ramp at catch 150% of ACE), fishers could catch 1,200 tonnes before the differential deemed value regime took effect. Under the new GUR3 TACC (900 tonnes) and unique differential deemed value regime (first ramp at catch 130% of ACE), fishers can catch 1,170 tonnes before the differential deemed value regime takes effect.
- 79 MFish considers low prices paid for small gurnard are more likely to be incentivising high grading discards and that this is not an issue that can be addressed via deemed value settings. Therefore, MFish does not propose an adjustment to the deemed value rate for GUR3 and GUR7 at this time.
- 80 The proposed deemed value rates for GUR3 for the 2010-11 fishing season are as follow:
- (a) Annual deemed value rate to remain at \$1.50 per kg.
 - (b) Interim deemed value rate to remain at \$0.75 per kg.
 - (c) The current unique differential deemed value rates continue to be used in this fishery.
- 81 The proposed deemed value rates for GUR7 for the 2010-11 fishing season are as follow:
- (a) Annual deemed value rate to remain at \$1.25 per kg.
 - (b) Interim deemed value rate to remain at \$0.63 per kg.
 - (c) The current standard differential deemed value rates continue to be used in this fishery.

Trevally: TRE1

- 82 TRE1 has been included in this deemed value review because there has been an increase in the port price (increased \$0.25/kg) and there was some deeming of fish (<\$200) when ACE was available (51% of ACE unused).
- 83 In addition, the TRE2 TAC and TACC are being reviewed as part of the October sustainability round and MFish is recommending that TRE2 deemed value rates are increased regardless of the decision the Minister makes in regards to the TAC and TACC. TRE1 is the adjoining stock to TRE2, and MFish considers it is important to ensure fishers have the correct incentives to limit their catch to the TACC and not to misreport catch as being taken from an adjoining stock.
- 84 MFish considers the increase in port price combined with the change in the deemed value rates of the neighbouring QMA (TRE2) means an increase in the deemed value rates for TRE1 is appropriate.
- 85 Therefore, MFish is proposing an increase in the deemed value rates for TRE1 to match the proposed deemed value rates for TRE2. This proposed increase will bring

the annual deemed value rate closer to the landed value (\$1.69) and will ensure fishers have the correct incentives not misreport.

86 The proposed deemed value rates for TRE1 for the 2010-11 fishing season are as follow:

- (a) Annual deemed value rate to increase from \$1.10 per kg to \$1.25 per kg.
- (b) Interim deemed value rate to increase from \$0.55 per kg to \$0.70 per kg.
- (c) Standard differential deemed value rates adjusted to reflect the proposed new annual deemed value rate, outlined in the table below.

Table 3: Proposed differential deemed value rates for TRE1

Current differential rates		Proposed differential rates	
Catch in excess of ACE holdings (%)	Current deemed value rate for TRE1 (\$)	Catch in excess of ACE holdings (%)	Proposed deemed value rate for TRE1 (\$)
20	1.32 per kg	20	1.50 per kg
40	1.54 per kg	40	1.75 per kg
60	1.76 per kg	60	2.00 per kg
80	1.98 per kg	80	2.25 per kg
100	2.20 per kg	100	2.50 per kg

Black cardinalfish: CDL3 and CDL4

87 CDL3 and CDL4 have been included in this review because of the need to standardise the economic incentives across three neighbouring black cardinalfish stocks (CDL2, 3 and 4). Given the substantial reduction to the TACC that is being proposed for CDL2, it is important to ensure fishers have the correct incentives to limit their catch to the reduced TACC, and not misreport catch as being taken from an adjoining stock.

88 Management measures for CDL2 are under review because of concerns that the stock is currently below sustainable levels and a reduction to the TAC and TACC is proposed. In addition to a reduction in catch limits, MFish is also proposing that the deemed value rates are also altered in response to the reduced catch limit. Specifically, MFish proposes to:

- (a) standardise annual and interim deemed value rates across the three stocks; and
- (b) introduce a single differential deemed value rate of \$0.60 to apply to all catch that is 20% above ACE holdings.

89 CDL 2, CDL3 and CDL4 likely constitute a single stock, based on biological and physiological characteristics. The Deemed Value Standard supports implementation of consistent deemed value rates across neighbouring stocks, to remove incentives for fishers to take advantage of a lower deemed value rate by misreporting catch as being taken from a different fish stock. Removal of incentives to misreport catch is especially necessary for these stocks because:

- (a) they can be fished as part of a single fishing trip; and

- (b) the stocks display similar value characteristics.
- 90 MFish proposes setting standard deemed value rates across the three stocks. The Deemed Value Standard recommends setting the annual deemed value rate between the ACE trading price and the port price. The port price is currently \$0.72 per kg, while the average ACE trading price for both stocks is within the range of \$0.08 - \$0.22 per kg.
- 91 CDL4 currently has higher deemed value rates than the neighbouring CDL2 and CDL3 stocks. Given that the annual rate for CDL3 is only just above the ACE trading price, and given the need to explicitly provide an incentive for fishers not to misreport across stocks, MFish proposes increasing the deemed value rates in CDL3 to reflect the higher rates in CDL4.
- 92 MFish also expects incentives to overfish CDL2 will increase if the proposed TACC reduction is approved by the Minister. Implementing a single differential deemed value rate is proposed, to encourage fishers to limit catch to the TACC. Although there is no overfishing in any of the three CDL stocks at present, the single differential rate will maintain appropriate incentives for future conduct, once the CDL2 TACC is reduced.
- 93 MFish proposes that the following deemed value rates be implemented in CDL3 for the 2010-11 fishing year:
- (a) Annual deemed value rates to increase from \$0.30 to \$0.52
 - (b) Interim deemed value rate to increase from \$0.15 to \$0.262
 - (c) A single differential deemed value rate of \$0.60 to apply to all catch that is 20% in excess of ACE holdings.
- 94 MFish proposes that the following deemed value rates be implemented in CDL4 for the 2010-11 fishing year
- (a) Annual deemed value rates to remain unchanged at \$0.52
 - (b) Interim deemed value rates to remain unchanged at \$0.262
 - (c) A single differential deemed value rate of \$0.60 to apply to all catch that is 20% in excess of ACE holdings.

Hake – HAK1 & HAK4

- 95 HAK1 and HAK4 are being included in this review in order to standardise the deemed value rates across all hake stocks. Recent changes to HAK7 deemed value rates may be providing incentives for fishers to misreport catch between stocks, so as to take advantage of a lower deemed value rate in a neighbouring stock.
- 96 The deemed value rates for HAK7 were adjusted as part of the October 2009 sustainability round, due to the ACE price almost reaching the annual deemed value rate during the 2007-08 fishing year. This situation may have provided an incentive to fish on deemed values, rather than acquiring ACE, and MFish adjusted the deemed values accordingly. Following consultation on the 2009 sustainability round, several industry stakeholders indicated a preference for uniform deemed values across all

hake stocks, stating that HAK7 was no different from the remaining hake stocks and should not be treated as such.

- 97 Amendments to the deemed value rates for HAK1 and HAK4 were not included in the 2009 IPP and were therefore not consulted on. Section 75A of the Act sets out the requirement to consult with persons who have an interest in the stock before any deemed value rates are set under section 75. Due to this requirement not being fulfilled for HAK1 and HAK4 in 2009, MFish did not amend the deemed value rates for these stocks. However, MFish agreed to review the deemed value rates for these stocks during the 2010 sustainability round.
- 98 In order to provide the correct incentives to acquire ACE and not misreport catch, MFish recognises the importance of a uniform deemed value strategy across neighbouring stocks of the same species. Having two adjacent QMAs for the same species with substantially different deemed values, provides an incentive to misreport in order to qualify for the lower deemed value rate. This incentive will be particularly great if vessels fish across the two adjoining stocks during the same fishing trip, as can be the case with HAK1 and HAK7, and HAK1 and HAK4.
- 99 Adjustments to the HAK7 deemed values in 2009 may have increased the incentives to misreport. MFish therefore proposes to increase the deemed value rates for HAK 1 and HAK 4, to bring these stocks into line with HAK 7 deemed value rates.
- 100 Overfishing has not occurred in HAK1 since the 2003-04 fishing year, when 130% of the TACC was landed. The HAK4 TACC has not been fully landed since 1997-98, when 101% of the TACC was landed. Therefore, amending the deemed value rates for these stocks is proposed, not in response to recent incidences of overfishing, but to reduce the incentives to misreport and to encourage fishers to acquire the appropriate ACE for the harvested stock.
- 101 MFish proposes the following deemed value rates be applied in HAK1 for the 2010-11 fishing year:
- (a) Annual deemed value rate to increase from \$1.17 to \$1.60
 - (b) Interim deemed value rate to increase from \$0.59 to \$0.80
 - (c) Differential deemed value rates will be adjusted to reflect the proposed new annual rate, as outlined in table 3 below:
- 102 MFish proposes the following deemed value rates be applied in HAK4 for the 2010-11 fishing year:
- (a) Annual deemed value rate to increase from \$1.25 to \$1.60
 - (b) Interim deemed value rate to increase from \$0.63 to \$0.80
 - (c) Differential deemed value rates will be adjusted to reflect the proposed new annual deemed value rate, as outlined in table 3 below:

(d)

Table 4: Proposed differential deemed value rates for HAK1 and HAK4

Current differential rates			Proposed differential rates	
Catch in excess of ACE holdings (%)	Current deemed value rate for HAK1 (\$)	Current deemed value rate for HAK4 (\$)	Catch in excess of ACE holdings (%)	Proposed deemed value rate for HAK1 and HAK4 (\$)
20	1.404 per kg	1.50 per kg	20	1.92 per kg
40	1.638 per kg	1.75 per kg	40	2.24 per kg
60	1.872 per kg	2.00 per kg	60	2.56 per kg
80	2.106 per kg	2.25 per kg	80	2.88 per kg
100	2.340 per kg	2.50 per kg	100	3.20 per kg

Ribaldo: RIB7

- 103 RIB7 has been included in this review because chronic overfishing has occurred in this fishery. MFish considers that the current economic incentives do not encourage fishers to limit their catch to within the TACC.
- 104 RIB7 ACE has been over-caught each fishing year since 2001-02, despite the TACC being increased by nearly 500% in 2006. This 2006 TACC increase was set based on the average of the reported landings over the previous 7 years, plus an additional 10%, to allow for potential distortions from lower than average landings in the early years of the QMS as fishers adapted to the new management system. The TACC was increased from 55 to 330 tonnes.
- 105 The RIB7 TACC is now set at a level that is thought to be appropriate for the stock, given past utilisation patterns. However, it is clear that the current deemed values are not providing the appropriate incentives to constrain catches to the TACC, and MFish believes a review is required.
- 106 The current deemed value regime for this stock has been in place since 1 October 2008, when MFish introduced non-standard differential deemed value rates. Fishers catching between 110-120% of their ACE holdings are required to pay \$1.20 per kg, and if catch exceeds 120% of ACE holdings, a backstop rate of \$2.00 per kg is applied (see Table 5 below). It was thought that these differentials would provide an adequate incentive for fishers to constrain their catch, however, RIB7 was again overfished, by 138%, during the 2008-09 fishing year.
- 107 Overfishing by 138% shows that it remains economically viable for some fishers to catch in excess of their ACE holdings and pay up to \$2.00 per kg for this catch. This is not the case for all fishers operating in RIB7. Therefore, in order to avoid penalising fishers who are catching RIB7 as genuine bycatch, MFish proposes retaining the current annual and interim deemed value rates, but adjusting the non-standard differential deemed value rates.
- 108 In their 2009 submission, SeaFIC proposed introducing standard differential deemed value rates for RIB7; however MFish does not consider this would provide the correct incentives under section 75(2)(a) of the Act. If MFish introduces standard

differentials, based on the current annual rate of \$0.80/kg, the maximum differential rate that could be applied would be less than the current differential rate of \$2.00/kg, which has already been shown to be ineffective at constraining catches to the TACC. To have a meaningful differential deemed value regime using standard differential rates would require increasing the annual rate, which could then penalise fishers who harvest small quantities of over-catch. Adjusting the current non-standard differential deemed value rates is likely to be a more effective solution.

- 109 There is limited information on RIB7 port and export price which could be used to better inform deemed value setting. MFish therefore considers the most appropriate action is to increase the backstop differential deemed value rate, and continue to monitor catches from the RIB7 fishery. If it remains profitable for fishers to continue to harvest ribaldo and pay the proposed differential deemed value rate, MFish will review the deemed values again during the 2011 sustainability round.
- 110 MFish proposes that the following deemed value rates be applied in RIB7 for the 2010-11 fishing year:
- (a) Annual deemed value rate remains unchanged at \$0.80 per kg
 - (b) Interim deemed value rate remains unchanged at \$0.40 per kg
 - (c) Differential deemed value rates will be adjusted as outlined in table 5 below:

Table 5: Proposed differential deemed value rates for RIB7

Current differential rates		Proposed differential rates	
Catch in excess of ACE holdings (%)	Current deemed value rates for RIB7 (\$)	Catch in excess of ACE holdings (%)	Proposed deemed value rates for RIB7 (\$)
10	1.20	10	1.20
≥20	2.00	≥20	2.50

Stocks reviewed but no deemed value adjustment proposed

- 111 All remaining October stocks were also reviewed against the criteria set out in the Deemed Value Review Standard and MFish does not believe any further adjustment are warranted at this time, as the current deemed value rates seem to be providing the appropriate incentives.

Appendix One

Deemed Value Review 2010: RSK8

Rough and smooth skates occur throughout New Zealand, but are most abundant around the South Island in depths down to 500m. Most of the catch is taken as bycatch by bottom trawlers, but skates are also taken by longliners.

A. Overview:

Current deemed value rates:

Interim: \$0.22/kg

Annual: \$0.44/kg

Differential deemed values do not apply.

Key bycatch stocks: N/A

B. Criteria for determining if a review is appropriate:

RSK8:

Criteria	RSK8
a) Catch in excess of ACE	Yes – 217% of ACE was caught during the 2008/2009 fishing year
b) Deemed value payments in previous years	Yes – Deemed value invoices of \$10,937 were issued at the end of the 2008/2009 fishing season
c) Changes to the port price of the stock	Yes – port price has increased by \$0.09 per kg
d) Request from quota owners	Yes – Egmont Seafood Limited requested that this stock be reviewed
e) Recent changes to the stocks TACC or the TACC of key bycatch stocks	No
f) Stock has recently entered the QMS	No

RSK8 fulfils criteria a), b), c) and d) above and therefore is considered appropriate for a review.

C. Assessment of the fishery:

C.1 Assessment and analysis of information sources:

Information source	RSK8	
Port price 07/08	RSK8	\$0.33
Port price 08/09	RSK8	\$0.42
ACE trading price (most recent fishing year)	RSK8	\$.1711/kg
Export data* price	RSK	\$1.22

Bycatch: ratios	Not applicable	
Bycatch: shadow values	Not applicable	
Previous deemed value invoices**	RSK8	\$76,757
Cost recovery levies	RSK8	Not available

* Export price data for year ending December 2009

** Deemed value invoices issue for fishing in excess of ACE holdings for 2008-09 fishing season.

Key points:

- RSK8 was over fished in the 2008/2009 fishing year (217% of ACE caught) resulting in deemed values invoices of \$10,937 being incurred.

C.2 Recommended deemed value amendments

No change.

Deemed Value Review 2010: SSK8

Rough and smooth skates occur throughout New Zealand, but are most abundant around the South Island in depths down to 500m. Most of the catch is taken as bycatch by bottom trawlers, but skates are also taken by longliners.

A. Overview:

Current deemed value rates:

Interim: \$0.22/kg

Annual: \$0.44/kg

Differential deemed values do not apply.

Key bycatch stocks: N/A

B. Criteria for determining if a review is appropriate:

SSK8:

Criteria	SSK8
a) Catch in excess of ACE	Yes – 104% of ACE was caught during the 2008/2009 fishing year
b) Deemed value payments in previous years	Yes – Deemed value invoices of \$1,346 were issued at the end of the 2008/2009 fishing season
c) Changes to the port price of the stock	No
d) Request from quota owners	Yes – Egmont Seafood Limited requested that this stock be reviewed
e) Recent changes to the stocks TACC or the TACC of key bycatch stocks	No
f) Stock has recently entered the QMS	No

SSK8 fulfils criteria a), b) and d) above and therefore is considered appropriate for a review.

C. Assessment of the fishery:

C.1 Assessment and analysis of information sources:

Information source	SSK8	
Port price 07/08	SSK8	\$0.36
Port price 08/09	SSK8	\$0.36
ACE trading price (most recent fishing year)	SSK8	\$.1630/kg
Export price data*	SSK	\$1.22
Bycatch: ratios	Not applicable	
Bycatch: shadow values	Not applicable	

Previous deemed value invoices**	SSK8	\$1,346
Cost recovery levies	SSK8	Not available

* Export price data for year ending December 2009

** Deemed value invoices issue for fishing in excess of ACE holdings for 2008-09 fishing season.

Key points:

- SSK8 was over fished in the 2008/2009 fishing year (104% of ACE caught) resulting in deemed values invoices of \$1,346 being incurred.

C.2 Recommended deemed value amendments

No change.

Deemed Value Review 2010: SNA8

Snapper are demersal fish found down to depths of about 200m, but are most abundant in 15–60m. They are the dominant fish in northern inshore communities and occupy a wide range of habitats, including rocky reefs and areas of sand and mud bottom.

A. Overview:

Current deemed value rates:

Interim: \$4.00/kg

Annual: \$8.00/kg

Unique differential deemed values apply.

Key bycatch stocks: N/A

B. Criteria for determining if a review is appropriate:

SNA8:

Criteria	SNA8
a) Catch in excess of ACE	Yes – 102% of ACE was caught during the 2008/2009 fishing year
b) Deemed value payments in previous years	Yes – Deemed value invoices of \$353,544 were issued at the end of the 2008/2009 fishing season
c) Changes to the port price of the stock	No
d) Request from quota owners	Yes – Egmont Seafood Limited requested that this stock be reviewed
e) Recent changes to the stocks TACC or the TACC of key bycatch stocks	No
f) Stock has recently entered the QMS	No

SNA8 fulfils criteria a), b) and d) above and therefore is considered appropriate for a review.

C. Assessment of the fishery:

C.1 Assessment and analysis of information sources:

Information source	SNA8	
Port price 07/08	SNA8	\$4.98
Port price 08/09	SNA8	\$4.98
ACE trading price (most recent fishing year)	SNA8	\$3.9481/kg
Export price data*	SNA	\$9.92
Bycatch: ratios	Not applicable	

Bycatch: shadow values	Not applicable	
Previous deemed value invoices**	SNA8	\$353,544
Cost recovery levies	SNA8	Not available

* Export price data for year ending December 2009

** Deemed value invoices issue for fishing in excess of ACE holdings for 2008-09 fishing season.

Key points:

- SNA8 was over fished in the 2008/2009 fishing year (102% of ACE caught) resulting in deemed values invoices of \$353,544 being incurred.
- One fisher was responsible for 92.5% (\$327,257) of the deemed values incurred in 2008/2009. This fisher has since had their fishing permit suspended.

C.2 Recommended deemed value amendments

No change.

Deemed Value Review 2010: KIN8

In New Zealand, kingfish are predominantly found in the northern half of the North Island but also occur from 29° to 46° S, Kermadec Islands to Foveaux Strait and to depths of 200m.

A. Overview:

Current deemed value rates:

Interim: \$4.45/kg

Annual: \$8.90/kg

Standard differential deemed values apply.

Key bycatch stocks: N/A

B. Criteria for determining if a review is appropriate:

KIN8:

Criteria	KIN8
a) Catch in excess of ACE	Yes – 106% of ACE was caught during the 2008/2009 fishing year
b) Deemed value payments in previous years	Yes – Deemed value invoices of \$35,639 were issued at the end of the 2008/2009 fishing season
c) Changes to the port price of the stock	Yes – port price has decreased by \$0.18 per kg
d) Request from quota owners	Yes – Egmont Seafood Limited requested that this stock be reviewed
e) Recent changes to the stocks TACC or the TACC of key bycatch stocks	No
f) Stock has recently entered the QMS	No

KIN8 fulfils criteria a), b), c) and d) above and therefore is considered appropriate for a review.

C. Assessment of the fishery:

C.1 Assessment and analysis of information sources:

Information source	KIN8	
Port price 07/08	KIN8	\$5.33
Port price 08/09	KIN8	\$5.15
ACE trading price (most recent fishing year)	KIN8	\$5.9625/kg
Export price data*	KIN	\$12.71
Bycatch: ratios	Not applicable	
Bycatch: shadow values	Not applicable	

Previous deemed value invoices**	KIN8	\$35,639
Cost recovery levies	KIN8	Not available

* Export price data for year ending December 2009

** Deemed value invoices issue for fishing in excess of ACE holdings for 2008-09 fishing season.

Key points:

- KIN8 was over fished in the 2008/2009 fishing year (106% of ACE caught) resulting in deemed values invoices of \$35,639 being incurred.
- One fisher was responsible for 59% (\$20,983) of the deemed values incurred in 2008/2009. This fisher has since had their fishing permit suspended.

C.2 Recommended deemed value amendments

No change.

Deemed Value Review 2010: GUR3 and GUR7

Red gurnard are a major bycatch of inshore trawl fisheries in most areas of New Zealand, including fisheries for red cod in the southern regions, and flatfish on the west coast of the South Island (WCSI) and in Tasman Bay.

A. Overview:

Current deemed value rates:

Stock	Interim (\$/kg)	Annual (\$/kg)
GUR3*	0.75	1.50
GUR7**	0.63	1.25

* Unique differential deemed values apply.

** Standard differential deemed values apply.

Key bycatch stocks: N/A

B. Criteria for determining if a review is appropriate:

GUR3:

Criteria	GUR3
a) Catch in excess of ACE	Yes – 115% of ACE was caught during the 2008/2009 fishing year
b) Deemed value payments in previous years	Yes – Deemed value invoices of \$214,622 were issued at the end of the 2008/2009 fishing season
c) Changes to the port price of the stock	No
d) Request from quota owners	No
e) Recent changes to the stocks TACC or the TACC of key bycatch stocks	Yes – TACC increased by 100 tonnes at the start of the 2009/2010 fishing year
f) Stock has recently entered the QMS	No

GUR3 fulfils criteria a), b) and e) above and therefore is considered appropriate for a review

GUR7:

Criteria	GUR7
a) Catch in excess of ACE	No
b) Deemed value payments in previous years	Yes – Deemed value invoices of \$73 were issued at the end of the 2008/2009 fishing season
c) Changes to the port price of the stock	No
d) Request from quota owners	No
e) Recent changes to the stocks TACC or the TACC of key bycatch stocks	Yes – TACC increased by 34 tonnes at the start of the 2009/2010 fishing year
f) Stock has recently entered the QMS	No

GUR7 fulfils criteria b) and e) above and therefore is considered appropriate for a review

C. Assessment of the fishery:

C.1 Assessment and analysis of information sources:

Information source	GUR3		GUR7	
Port price 07/08	GUR3	\$1.71	GUR7	\$1.86
Port price 08/09	GUR3	\$1.71	GUR7	\$1.86
ACE trading price (most recent fishing year)	GUR3	\$0.9323/kg	GUR7	\$0.3315/kg
Export price data*	GUR	\$4.85	GUR	\$4.85
Bycatch: ratios	Not applicable		Not applicable	
Bycatch: shadow values	Not applicable		Not applicable	
Previous deemed value invoices**	GUR3	\$214,622	GUR7	\$73
Cost recovery levies	GUR3	Not available	GUR7	Not available

* Export price data for year ending December 2009

** Deemed value invoices issue for fishing in excess of ACE holdings for 2008-09 fishing season.

Key points:

- GUR3 was over fished in the 2008/2009 fishing year (115% of ACE caught) resulting in deemed values invoices of \$214,622 being incurred.
- Both GUR3 and GUR7 had TACC increases at the start of the 2009/10 fishing year.

C.2 Recommended deemed value amendments

No change.

Deemed Value Review 2010: TRE1

Trevally is caught around the North Island and the north of the South Island, with the main catches from the northern coasts of the North Island. Trevally is taken in the northern coastal mixed trawl fishery, mostly in conjunction with snapper.

A. Overview:

Current deemed value rates:

Interim: \$0.55/kg

Annual: \$1.10/kg

Standard differential deemed values apply.

Key bycatch stocks: N/A

B. Criteria for determining if a review is appropriate:

TRE1:

Criteria	TRE1
a) Catch in excess of ACE	No
b) Deemed value payments in previous years	Yes – Deemed value invoices of \$200 were issued at the end of the 2008/2009 fishing season
c) Changes to the port price of the stock	Yes – port price has increased by \$0.25/kg
d) Request from quota owners	No
e) Recent changes to the stocks TACC or the TACC of key bycatch stocks	No
f) Stock has recently entered the QMS	No

TRE1 fulfils criteria b) and c) above and therefore is considered appropriate for a review.

C. Assessment of the fishery:

C.1 Assessment and analysis of information sources:

Information source	TRE1	
Port price 07/08	TRE1	\$1.44
Port price 08/09	TRE1	\$1.69
ACE trading price (most recent fishing year)	TRE1	\$0.3480/kg
Export price data*	TRE	\$2.54
Bycatch: ratios	Not applicable	
Bycatch: shadow values	Not applicable	

Previous deemed value invoices**	TRE1	\$200
Cost recovery levies	TRE1	Not available

* Export price data for year ending December 2009

** Deemed value invoices issue for fishing in excess of ACE holdings for 2008-09 fishing season.

Key points:

- TRE1 had deemed values invoices of \$200 incurred during the 2008/09 fishing year.
- There was a \$0.25 per kg increase in port price in 2008/09.

C.2 Recommended deemed value amendments

Increase in the annual deemed value rate to \$1.25 per kg, increase in the interim deemed value rate to \$0.70 per kg and adjust the standard differential deemed value regime to match the proposed annual deemed value.

Deemed Value Review 2010: CDL3 and CDL4

Cardinalfish are long-lived fish that is widely distributed in New Zealand waters between depths of 300-1100 metres, with a preferred depth range of 600-900 metres. Cardinalfish was originally caught as a bycatch of the orange roughy, Alfonsino and bluenose fisheries but was later developed into a major target fishery in its own right.

A. Overview:

Current deemed value rates:

Stock	Interim (\$/kg)	Annual (\$/kg)
CDL3	0.15	0.30
CDL4	0.262	0.52

Non-standard differential deemed value rates do apply

Key bycatch stocks: N/A

B. Criteria for determining if a review is appropriate:

CDL3:

Criteria	CDL3
a) Catch in excess of ACE	No
b) Deemed value payments in previous years	Yes – Deemed value invoices for \$1.20 were issued at the end of the 2008/2009 fishing year
c) Changes to the port price of the stock	No
d) Request from quota owners	No
e) Recent changes to the stocks TACC or the TACC of key bycatch stocks	No
f) Stock has recently entered the QMS	No

CDL4:

Criteria	CDL4
a) Catch in excess of ACE	No
b) Deemed value payments in previous years	No
c) Changes to the port price of the stock	No
d) Request from quota owners	No
e) Recent changes to the stocks TACC or the TACC of key bycatch stocks	No
f) Stock has recently entered the QMS	No

C. Assessment of the fishery:

C.1 Assessment and analysis of information sources:

Information source	CDL3		CDL4	
Port price 07/08	CDL3	\$0.72	CDL4	\$0.72
Port price 08/09	CDL3	\$0.72	CDL4	\$0.72
ACE trading price (most recent fishing year)	CDL3	\$0.2205/kg	CDL4	\$0.0886/kg

Export price data*	CDL	\$3.31	CDL	\$3.31
Bycatch: ratios	Not applicable		Not applicable	
Bycatch: shadow values	Not applicable		Not applicable	
Previous deemed value invoices**	CDL3	\$1.20	CDL4	\$0
Cost recovery levies	CDL3	Not available	CDL4	Not available

* Export price data for year ending December 2009

** Deemed value invoices issue for fishing in excess of ACE holdings for 2008-09 fishing year

Key Points:

- The CDL2 TAC is being reviewed as part of the 2010 Sustainability round, the CDL3 and CDL4 deemed value reviews are taking place to align the deemed value rates for these stocks with those proposed for CDL2

C.2 Recommended deemed value amendments

Retain the current annual and interim deemed values and introduce a single differential rate of \$0.60 to apply to catch 20% in excess of ACE holdings.

Deemed Value Review 2010: HAK1 and HAK4

Hake are widely distributed throughout the middle-depths of New Zealand's EEZ. Hake are usually taken by large commercial trawlers, often as a bycatch in the hoki fishery, but some targeting does occur.

A. Overview:

Current deemed value rates:

Stock	Interim (\$/kg)	Annual (\$/kg)
HAK1	0.59	1.17
HAK4	0.63	1.25

Non-standard differential deemed value rates do apply

Key bycatch stocks: hoki, ling

B. Criteria for determining if a review is appropriate:

HAK1:

Criteria	HAK1
a) Catch in excess of ACE	No
b) Deemed value payments in previous years	No
c) Changes to the port price of the stock	No
d) Request from quota owners	Yes – through consultation as part of the 2009 sustainability round
e) Recent changes to the stocks TACC or the TACC of key bycatch stocks	No
f) Stock has recently entered the QMS	No

HAK4:

Criteria	HAK4
a) Catch in excess of ACE	No
b) Deemed value payments in previous years	No
c) Changes to the port price of the stock	No
d) Request from quota owners	Yes – through consultation as part of the 2009 sustainability round
e) Recent changes to the stocks TACC or the TACC of key bycatch stocks	No
f) Stock has recently entered the QMS	No

HAK1 and HAK4 fulfil criteria d) above and therefore is considered appropriate for a review.

C. Assessment of the fishery:

C.1 Assessment and analysis of information sources:

Information source	HAK1		HAK4	
Port price 07/08	HAK1	\$1.00	HAK4	\$1.00

Port price 08/09	HAK1	\$1.00	HAK4	\$1.00
ACE trading price (most recent fishing year)	HAK1	\$0.8025/kg	HAK4	\$0.4806/kg
Export price data*	HAK	\$5.38/kg	HAK	\$5.38/kg
Bycatch: ratios	Not applicable		Not applicable	
Bycatch: shadow values	Not applicable		Not applicable	
Previous deemed value invoices**	HAK1	\$0	HAK4	\$0
Cost recovery levies	HAK1	Not available	HAK4	Not available

* Export price data for year ending December 2009

** Deemed value invoices issue for fishing in excess of ACE holdings for 2008-09 fishing year

Key points:

- HAK1 and HAK4 have not been overfished in recent years, however quota owners have requested a deemed value review due to suspected incentives to misreport catch.

C.2 Recommended deemed value amendments

Increase the interim and annual deemed value rates to \$0.80 per kg and \$1.60 per kg, respectively. Increase the differential deemed value rates to match the proposed annual rate.

Deemed Value Review 2010: RIB7

Ribaldo is widespread in New Zealand and has been caught by research trawls at depths of between 200-1300m. It appears to be most common at 500-1000m. Relatively high catch rates by bottom longliners indicates that this species favours rough bottom habitats.

A. Overview:

Current deemed value rates:

Stock	Interim (\$/kg)	Annual (\$/kg)
RIB7	0.40	0.80

Differential deemed values do apply (non-standard)

Key bycatch stocks: N/A

B. Criteria for determining if a review is appropriate:

RIB7

Criteria	RIB7
a) Catch in excess of ACE	Yes – 138% of ACE was caught during the 2008/2009 fishing year
b) Deemed value payments in previous years	Yes – Deemed value invoices of \$185,554 were issued at the end of the 2008/2009 fishing year
c) Changes to the port price of the stock	Yes – port price has decreased by \$0.58/kg
d) Request from quota owners	Yes – through consultation as part of the 2009 sustainability round
e) Recent changes to the stocks TACC or the TACC of key bycatch stocks	No
f) Stock has recently entered the QMS	No

RIB7 fulfils criteria a), b), c) and d) above and therefore is considered appropriate for review

C. Assessment of the fishery:

C.1 Assessment and analysis of information sources:

Information source	RIB7	
Port price 07/08	RIB7	\$1.06
Port price 08/09	RIB7	\$0.48
ACE trading price (most recent fishing year)	RIB7	\$0.3126/kg
Export price data*	RIB7	N/A
Bycatch: ratios	Not applicable	
Bycatch: shadow values	Not applicable	

Previous deemed value invoices**	RIB7	\$185,554
Cost recovery levies	RIB7	Not available

* Export price data for year ending December 2009

** Deemed value invoices issue for fishing in excess of ACE holdings for 2008-09 fishing season

Key points:

- RIB7 was overfished in the 2008/2009 fishing year (138% of ACE caught), resulting in deemed value invoices of \$185,554 being incurred
- Four stakeholders incurred deemed value invoices, although only two were required to pay significant amounts.

C.2 Recommended deemed value amendments

Retain the current interim and annual deemed value rates, and increase the backstop differential to \$2.50