

# REVIEW OF DEEMED VALUE RATES FOR SELECTED FISH STOCKS FOR THE APRIL 2008 SUSTAINABILITY ROUND: FINAL ADVICE PAPER

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## Purpose

- 1 The purpose of this paper is to set out the Ministry of Fisheries (MFish) recommendations for deemed value rates for selected fish stocks for the 2008-09 fishing season. The review has been undertaken using the deemed value standard. A summary of this standard can be found in Appendix 1.

## Executive summary

- 2 Under s. 75 (1) of the Fisheries Act 1996 (the Act) you are required to set interim and annual deemed value rates for each quota management stock. Once set, these rates continue to apply in each fishing year for that stock unless varied under this section. Section 75 (2)(a) of the Act requires you, 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) of the Act sets out the factors that you may have regard to when setting deemed values. These factors form the basis of the information sheets that have been produced for each stock under review.
- 3 The deemed value standard has been used to review the deemed value rates as part of this sustainability round.
- 4 The deemed value standard details a set of criteria which determine if a fish stock should be considered for a deemed value review. Table 1 details the stocks that met one or more of these criteria and therefore were eligible for a review. It also includes the recommended deemed value changes.

**Table 1: Stocks that met the review criteria set out in the Deemed Value Standard**

		Summary of Recommended deemed value changes		
Species Name	Fish Stock Reviewed	Annual	Interim	Differential
Spiny (Red) Rock Lobster	All CRA stocks	Increased to \$100 per kg	Increased to \$75 per kg	Adjusted to match annual rate
Large Trough Shell (Surf Clam)	All MDI and MMI stocks	No change	No change	No change
Packhorse Rock Lobster	PHC1	Increased to \$100 per kg	Increased to \$75 per kg	Adjusted to match annual rate
Southern Blue Whiting	SBW6A, SBW6B, SBW6I and SBW6R	Increased to \$0.36 per kg	Increased to \$0.32 per kg	Higher differential deemed values applied
Scallops	All SCA stocks	No change	No change	No change
Sea Cucumber	SCC1B and SCC7A	Increased to \$3 per kg	Increased to \$2.70 per kg	Differential deemed values applied
Sea Cucumber	All remaining SCC stocks	Increased to \$0.25 per kg	Increased to \$0.20 per kg	No change

- 5 All stocks on the review list were assessed at the deemed value review group meeting held Friday 16 November 2007. If the review group considered a deemed value adjustment was appropriate, a range of information sources were used to propose the new deemed value rates. The individual assessments for each stock can be found in this paper.
- 6 In a number of cases, stocks associated with the stock under review were also considered for a deemed value adjustment. These associated stocks include neighbouring stocks of the same species, e.g., SBW6A is included in the review of SBW6B.
- 7 A range of views on the proposed deemed value changes were received from stakeholders. MFish has taken these views into consideration and when appropriate has incorporated them into the recommended deemed value rates for your consideration.
- 8 You are not limited to choosing the deemed value rates proposed in this paper; rather you can set the deemed value rates at any level that you consider will best meet your obligations under the Act. You can also choose to leave the deemed value rates unchanged provided you are satisfied that this meets your statutory obligations, although MFish considers the proposed adjustments to the deemed value rates for the stocks listed in this advice paper are appropriate at this time.

## Submissions Received

- 9 Submissions were received from the following stakeholders:
  - Aurora Fisheries Limited (**Aurora**);
  - Ocean Fisheries Limited (**Ocean**);
  - Sanford Limited (**Sanford**);
  - The New Zealand Seafood Industry Council Limited (**SeaFIC**).
- 10 All submissions relate to specific stocks and the proposed deemed value rates for these

stocks.

## Background

- 11 The purpose of the deemed value framework is to provide an incentive for fishers to acquire sufficient annual catch entitlement (ACE) to balance against catch. The objectives of the catch balancing framework are:
  - a) Catch is harvested, landed and balanced with ACE;
  - b) There are no significant deemed value payments when ACE is left unused at the end of the fishing year;
  - c) Fishers are not able to use deemed values to undermine the Quota Management System (QMS).
- 12 The balancing regime is also 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 doing so constrain harvesting to the total allowable commercial catch (TACC). Incorrectly set deemed values have led to TACC breaches in recent years, which may have sustainability implications.
- 13 Utilisation objectives are achieved by providing flexibility for operators to manage unexpected and small overruns in ACE holdings by allowing periodic rather than continuous balancing. Low deemed value rates can reduce the value of quota, as fishers may choose to pay deemed values rather than purchasing ACE. In the long term, the sustainability implications that may result from overfishing could result in TACC reductions, which also impact on utilisation objectives.
- 14 MFish developed the deemed value standard in 2007 to ensure that deemed value rates are set so as to best meet the purpose of the Act. This deemed value standard provides greater flexibility in how deemed values are set and will ensure that the right incentives are in place to encourage fishers to balance catch with ACE instead of deemed values.
- 15 As a result, the deemed value standard will ensure effective deemed values are set for all stocks. The deemed value standard:
  - a) Allows a more flexible, robust and consistent approach to setting deemed values;
  - b) Sets deemed values following the analysis of a range of information sources;
  - c) Maintains interim deemed values but allows for interim deemed values to be set at a higher rate, if appropriate;
  - d) Maintains differential deemed values but allows their application to be varied on a stock by stock basis.
- 16 Adopting a more flexible approach means fisheries managers are able to use deemed values as a management tool to promote appropriate behaviour in the fishery.
- 17 As part of the review of the stocks listed in Table 1, the associated stocks of these key review stocks are also included in the review process. Associated stocks include

neighbouring stocks within the same species, e.g., SBW6A, SBW6I and SBW6R are included in the review of SBW6B.

## Rationale for management options

- 18 Under s 75(1) of the Act you are required to set interim and annual deemed value rates for each quota management stock. Section 75 (2)(a) requires you, when setting deemed value rates, to take into account the need to provide an incentive for every commercial fisher to acquire and hold sufficient ACE that is not less than the total catch of that stock taken by the commercial fisher.
- 19 The Act requires both annual and interim deemed value rates to be set for all stocks in time for the start of the fishing season. In the past, interim deemed value rates have been set at 50% of the annual rate. There is a risk that low interim deemed value rates will delay the balancing of catch until the end of the fishing season, when there is a race for ACE and insufficient ACE to cover all catch, therefore leading to the TACC being exceeded.
- 20 While the interim deemed value rate will remain at 50% of the annual deemed value rate for most stocks, as part of this process, MFish is recommending higher interim deemed value rates for some of the stocks under review. Details of these stocks can be found in the analysis section. In some instances it may be appropriate to set the interim rate closer to the annual rate to encourage more regular balancing throughout the year.
- 21 The Act also permits you to set differential deemed value rates. The purpose of differential deemed values is to create greater incentives at the individual level to balance catch with ACE.
- 22 Unlike both the annual and interim deemed value rates, differential deemed value rates apply at the individual fisher level only. MFish considers differential deemed value rates to be an important tool in addressing situations where fishers take excess catch with the intention of paying deemed values instead of balancing with ACE.
- 23 As part of the flexible approach to setting deemed values, MFish is recommending that differential deemed values are set at a level that will provide a strong incentive for fishers to balance catch with ACE. For some stocks this may mean applying differential deemed values at small percentages of overcatch such as 2%; for others it may mean applying differential deemed value rates at 20% overcatch.
- 24 Flexibility in setting the incremental increase in differential deemed value rates is available under the 2007 deemed value standard. Differential rates depend on the stock and the behaviours that we are trying to use deemed values 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 MFish considers is necessary to provide the maximum disincentive for fishers to take fish without ACE.
- 25 For each stock in this review interim, annual and differential deemed value rates are proposed at a level that MFish considers will ensure every incentive is provided to fishers to balance catch with ACE.

## Process

- 26 The deemed value standard sets out a process for reviewing and adjusting deemed value rates. This process is being followed for the April 2008 sustainability round.
- 27 All QMS stocks with a fishing year beginning 1 April were assessed against the following deemed value criteria:
  - a) Catch in excess of the TACC;
  - b) Catch in excess of an individual's ACE holdings and deemed values have been invoiced but ACE has remained unused;
  - c) The port price of a stock changed;
  - d) SeaFIC made a direct request on behalf of quota owners;
  - e) A stock's TACC or the TACC of key bycatch stocks was recently changed;
  - f) The stock recently entered the QMS and the initial deemed value rate was set using limited information.
- 28 Following an assessment of the stock's performance against the criteria described above, an analysis spreadsheet was prepared.
- 29 This information was analysed to determine why deemed value rates for some stocks may not be effective. The analysis spreadsheet described above was used to answer the following questions:
  - a) Likely reasons for the TACC over catch/ACE breaches;
  - b) An assessment of the bycatch fisheries associated with the stocks under review;
  - c) If there have been significant changes in the structure of quota/ACE holdings for the stocks;
  - d) Likely risk that the deemed value may not provide the appropriate incentive to balance catch with ACE;
  - e) Impact of changes in market price and/or structure for the fish product/species under review.
- 30 Information relevant to a deemed value adjustment is summarised in the analysis section for each stock. The analysis spreadsheet used in the initial review and the deemed value review group meeting can be found in Appendix Two.
- 31 All stocks included on the list were reviewed by the deemed value review group. This review group consisted of a representative from SeaFIC and MFish officials representing inshore and deepwater fisheries, Compliance Advice and the Socio-Economic team. Each stock was assessed using the information and analysis described above. This assessment determined if a deemed value adjustment was appropriate.
- 32 If a deemed value adjustment was considered appropriate, the following information sources were used to determine how the proposed new deemed value rate should be set. This information was available to participants at the deemed value review group meeting:
  - a) Port price;

- b) ACE trading price;
- c) Export prices as a proxy for market values (where appropriate);
- d) Bycatch ratios (where appropriate);
- e) Cost recovery levy rates.

## Consultation process

- 33 Section 75A of the Act requires you to consult, if practicable, with persons or organisations that you consider represent classes of persons who have an interest in the stocks under review, including Maori, recreational, commercial and environmental interests. MFish followed its standard consultation process for IPPs in the April 2008 sustainability round. This involved posting all IPPs on MFish's website and alerting stakeholders to this through a letter sent to approximately 350 companies, organisations and individuals.
- 34 In addition to making the IPP publicly available, MFish also consulted with SeaFIC, DWG and NZRLIC to discuss the proposed deemed value rates.

### *SeaFIC*

- 35 SeaFIC participated in the deemed value review group meeting and MFish has also kept SeaFIC informed of the development of the deemed values rates that are recommended for your consideration in this advice paper.

### *Deepwater Group Ltd (DWG)*

- 36 The DWG were sent a letter on 23 November 2007 outlining the proposed deemed value rates for SBW developed by MFish for the deemed value review IPP. DWG provided MFish with feedback that summarised the views held by quota owners. DWG advised MFish that while these views were not universally held by all quota owners, they represented a broad consensus of quota owners views.
- 37 MFish acknowledges the input of the DWG and deepwater quota owners in developing the proposed deemed value rates for the SBW stocks for your consideration. Where individual companies have provided alternative options for deemed value rates for the SBW stocks, MFish has outlined them below.

### *New Zealand Rock Lobster Industry Council (NZRLIC)*

- 38 Before the deemed value review group meeting was held, MFish contacted the NZRLIC to get their views increasing the deemed values for all CRA stocks. The deemed value rates proposed at the deemed value group meeting and in the IPP were those recommended by the NZRLIC.

## Assessment of management options

- 39 This section sets out a summary of the analysis for each stock, an assessment of why a deemed value adjustment is appropriate and recommended deemed value rates for your consideration.

- 40 Not all stocks included on the review list required a deemed value adjustment. Details of these stocks are presented at the end of the analysis section.
- 41 MFish advises that for stocks that are subject to a TAC review in this sustainability round, you may need to reconsider the appropriate deemed value rate when you have set the TACC for that stock to insure consistency of the two decisions. Where there are different TACC choices for your consideration, this paper provides recommendations on deemed value rates that MFish believes provide an incentive to protect the new TACC level.
- 42 The analysis for each stock follows.

***Spiny (Red) Rock Lobster: CRA1-9 (inclusive)***

- 43 Spiny Rock Lobster is an important species to both commercial and non-commercial fishers.
- 44 It is a high value species to commercial fishers, and there has been an increase in both the port price for all CRA stocks (increases of between \$5.27 per kg to \$14.17 per kg) and the export price (increase of \$5.58 per kg). In CRA1 and CRA2 the current annual deemed value rates of \$52.00 per kg (CRA1) and \$62.00 per kg (CRA2) are less than twice the port price of \$38.94 per kg (CRA1) and \$35.41 per kg (CRA2).
- 45 MFish believes it is important to continue the strategy of setting the annual deemed value rate at least twice the port price for high value species. In the IPP, MFish proposed to shift the annual deemed value rate for all CRA stocks to \$100.00 per kg to account for the increase in port price and export price. This is approximately twice the current export price.
- 46 As lobster prices are similar in all CRA stocks, a uniform deemed value make sense. In addition, setting the same deemed value across all the CRA stocks will eliminate any incentive to misreport catch to take advantage of lower deemed values in an adjacent Quota Management Area (QMA).
- 47 MFish also proposed to set the interim deemed value rate at 75% of the annual deemed value rate to encourage fishers to balance their catch with ACE regularly instead of paying interim deemed values. This rate reflects advice from industry.
- 48 The differential deemed value rates for all CRA stocks would then be adjusted to match the proposed annual deemed value rate.
- 49 SeaFIC supports the deemed value rates set out in the IPP.
- 50 MFish recommends you approve the following deemed value rates for CRA1-9 (inclusive) for the 2008-09 seasons:
- a) Annual deemed value rate to increase (and for CRA8 decrease):
    - i) CRA1: from \$52.00 per kg to \$100.00 per kg;
    - ii) CRA2: from \$62.00 per kg to \$100.00 per kg;
    - iii) CRA3: from \$80.00 per kg to \$100.00 per kg;
    - iv) CRA4: from \$80.00 per kg to \$100.00 per kg;

- v) CRA5: from \$89.47 per kg to \$100.00 per kg;
- vi) CRA6: from \$80.00 per kg to \$100.00 per kg;
- vii) CRA7: from \$80.00 per kg to \$100.00 per kg;
- viii) CRA8: from \$105.37 per kg to \$100.00 per kg;
- ix) CRA9: from \$90.61 per kg to \$100.00 per kg.

b) Interim deemed value rate to increase:

- i) CRA1: from \$26.00 per kg to \$75.00 per kg;
- ii) CRA2: from \$31.00 per kg to \$75.00 per kg;
- iii) CRA3: from \$40.00 per kg to \$75.00 per kg;
- iv) CRA4: from \$40.00 per kg to \$75.00 per kg;
- v) CRA5: from \$44.74 per kg to \$75.00 per kg;
- vi) CRA6: from \$40.00 per kg to \$75.00 per kg;
- vii) CRA7: from \$40.00 per kg to \$75.00 per kg;
- viii) CRA8: from \$52.69 per kg to \$75.00 per kg;
- ix) CRA9: from \$45.31 per kg to \$75.00 per kg.

51 MFish recommends adjusting differential deemed value rates as outlined in the table below.

**Table 2: Proposed differential deemed value rates for CRA1, CRA2, CRA3, CRA4, CRA5, CRA6, CRA7, CRA8 & CRA9**

Current differential rates						
Catch in excess of ACE holdings (%)	Current deemed value rate CRA1 (\$)	Current deemed value rate CRA2 (\$)	Current deemed value rate CRA3, CRA4, CRA6 & CRA7 (\$)	Current deemed value rate CRA5 (\$)	Current deemed value rate CRA8 (\$)	Current deemed value rate CRA9 (\$)
20	62.40 per kg	74.40 per kg	96.00 per kg	107.364 per kg	105.370 per kg	108.732 per kg
40	72.80 per kg	86.80 per kg	112.00 per kg	125.258 per kg	126.444 per kg	126.854 per kg
60	83.20 per kg	99.20 per kg	128.00 per kg	143.152 per kg	147.518 per kg	144.976 per kg
80	93.60 per kg	111.60 per kg	144.00 per kg	161.046 per kg	168.592 per kg	163.098 per kg
100	104.00 per kg	124.00 per kg	160.00 per kg	178.940 per kg	210.740 per kg	181.220 per kg

Proposed differential rates	
Catch in excess of ACE holdings (%)	Proposed deemed value rate for all CRA stocks(\$)
20	120.00 per kg
40	140.00 per kg
60	160.00 per kg
80	180.00 per kg
100	200.00 per kg



### ***Packhorse Rock Lobster: PHC1***

- 52 Packhorse rock lobster (PHC) has been included in this review at the request of SeaFIC. SeaFIC was concerned that there was not a consistent approach to setting the deemed value rates of the different rock lobster species. SeaFIC requested that MFish consider using the same approach for packhorse rock lobster that is used for spiny rock lobster (CRA).
- 53 In the IPP, MFish proposed to use the strategy of having the annual deemed value rate set at at least twice the port price (for high value species) for packhorse rock lobsters. The current annual deemed value rate \$30.00 per kg is less than the target of twice the port price of \$24.98 per kg. MFish proposed to set the deemed value rates for packhorse lobster at the same level as the spiny rock lobster deemed value rates.
- 54 SeaFIC supports the deemed value rates set out in the IPP.
- 55 MFish recommends you approve the following deemed value rates for PHC1 for the 2008-09 seasons:
- i) Annual deemed value rate to increase from \$30.00 per kg to \$100.00 per kg;
  - ii) Interim deemed value rate to increase from \$15.00 per kg to \$75.00 per kg.
- 56 MFish recommends adjusting differential deemed value rates as outlined in the table below.

**Table 3: Proposed differential deemed value rates for PHC1**

Current differential rates		Proposed differential rates	
Catch in excess of ACE holdings (%)	Current deemed value rate PHC1 (\$)	Catch in excess of ACE holdings (%)	Proposed deemed value rate PHC1 (\$)
20	36.00 per kg	20	120.00 per kg
40	42.00 per kg	40	140.00 per kg
60	48.00 per kg	60	160.00 per kg
80	54.00 per kg	80	180.00 per kg
100	60.00 per kg	100	200.00 per kg

### ***Southern Blue Whiting: SBW6A, SBW6B, SBW6I & SBW6R***

- 57 During the 2006/2007 fishing year, the TACC for SBW6B was over caught by 26% which resulted in deemed value invoices of \$258,313. Almost the entire allocation of ACE was used to balance catch in the fishery and it appears that problems with sourcing ACE is not the cause of high deemed value payments. To date, in the 2007/08 fishing year, the TACC for SBW6B has been overcaught by 9%, and will result in annual deemed values of around \$94,000.
- 58 MFish believes the current deemed value structure is providing an incentive for some fishers to fish on deemed values. This is particularly so in years in which the early completion of the West Coast hoki fishery allows for an extended fishing period in SBW6B, and this situation may occur more frequently subsequent to the reduction in the hoki catch limit in 2007/2008.
- 59 The port price is unchanged in 2007/2008, at \$0.35 per kg. The export price has increased from \$1.39 per kg to \$1.71 per kg. The average ACE price for SBW6 stocks has increased from a range of \$0.129 - \$0.146 per kg to \$0.150 - \$0.187 per kg. An analysis of deemed value payments in 2006/2007 shows that approximately 76% of the deemed value occurred

at the annual rate (\$0.30 per kg) and 24% occurred at the first ramping level (\$0.36 per kg). Less than 1% was deemed at the rate of \$0.42 per kg or above. In the IPP, MFish proposed to set the annual deemed value rate at \$0.36 per kg.

- 60 Fishers paying deemed values are not required to pay the full annual (or differential) rate until the end of the fishing year, approximately 5 months after the close of the fishery. This represents a cost saving for those fishing on deemed values, which undermines the effectiveness of the catch balancing regime. In the IPP, MFish proposed to increase the interim deemed value rate to 90% of the proposed annual deemed value rate (\$0.32 per kg).
- 61 Both Aurora and SeaFIC support the proposed changes to the interim and annual deemed value rates.
- 62 Sanford supports the annual deemed value rate, but notes that current market conditions might warrant a rate as high as \$0.50 per kg.
- 63 MFish considers that large catch overruns are avoidable, as SBW is a clean target fishery and vessels operating in this fishery have good control over their catch. ACE holdings by fishers are typically large, so sizeable and accidental overruns of ACE holdings are unlikely. In the IPP, MFish proposed to set a single differential step of \$0.50 per kg at 102% of ACE holdings as a backstop to the annual rate. In the interests of providing the same incentives for all Area 6 SBW stocks, MFish proposed that the deemed value rates remain the same in all Area 6 SBW fisheries (i.e. SBW6A, SBW6B, SBW6I and SBW6R).
- 64 The Aurora submission did not support the differential deemed value rate starting at 102% of ACE holdings for SBW6B. Aurora proposed that the differential deemed value rate starting at 110% of ACE holdings. Given the high catch rate of surimi vessels, Aurora argued that it would be difficult to stay within 2% of ACE when targeting SBW.
- 65 SeaFIC submitted that there was industry disagreement about whether the differential deemed value rates should start at 102% or 110% of ACE holdings.
- 66 Sanford supported the proposed differential deemed value, but noted that the differential deemed value rate could be set at \$0.75 per kg to reflect current market conditions.
- 67 Subsequent to receiving the Aurora's submission, MFish has released for consultation an IPP proposing to raise the TACC in SBW6B. An increase to the TACC would make it easier for industry to remain within 2% of ACE holdings and would largely address Aurora's concerns. Recent discussions with Aurora confirm that they agree with this position.
- 68 MFish notes that industry can carry forward up to 10% of ACE, so it is not necessary for a firm to catch exactly its ACE holdings.
- 69 The deemed value rates for the SBW stocks were developed with input from the DWG. MFish does not see compelling reasons in the submissions from Aurora, Sanford and SeaFIC to move away from that initial position.
- 70 MFish recommends you approve the following deemed value rates for SBW6A, SBW6B, SBW6I and SBW6R for the 2008-09 seasons:

- i) Annual deemed value rate to increase from \$0.30 per kg to \$0.36 per kg;

- ii) Interim deemed value rate to increase from \$0.15 per kg to \$0.32 per kg.

71 MFish recommends adjusting differential deemed value rates as outlined in the table below.

Table 4: Proposed differential deemed value rates for SBW6A, SBW6B, SBW6I & SBW6R

Current differential rates		Proposed differential rates	
Catch in excess of ACE holdings (%)	Current deemed value rate for SBW6A, SBW6B, SBW6I & SBW6R (\$)	Catch in excess of ACE holdings (%)	Proposed deemed value rate for SBW6A, SBW6B, SBW6I & SBW6R (\$)
20	0.36 per kg	2	0.50 per kg
40	0.42 per kg		
60	0.48 per kg		
80	0.54 per kg		
100	0.60 per kg		

***Sea Cucumber: All stocks except SCC10,***

- 72 Sea cucumber (SCC) was brought into the QMS on 1 April 2004. The initial annual deemed value rate was set low (\$0.10 per kg) because of limited information on realistic port price and because sea cucumber is typically an unavoidable bycatch in some inshore trawl and dredge fisheries.
- 73 In the 2005/2006 fishing year, the TACC was exceeded in SCC3 (143% of TACC caught) and SCC7A (109% of the TACC caught). In addition, over 2 tonnes of sea cucumber was caught on deemed values while most of the ACE remained unused in the SCC1B fishery.
- 74 Information received by MFish suggests the landed price for sea cucumber is between \$16 and \$19 per kg (wet) for sea cucumber at the Auckland markets (SCC1B). This indicates the market price is clearly well above the annual deemed value rate and provides no or little incentive to balance catch with ACE.
- 75 In the IPP, MFish proposed to increase the annual deemed value rate to \$3.00 per kg and to set the interim deemed value rate to 90% of the annual (\$2.70 per kg) to encourage fishers to balance their catch with ACE. MFish also proposed to introduce differential deemed values into the fishery to discourage excessive deeming.
- 76 MFish proposed to introduce these new deemed value rates into all SCC fisheries to discourage this type of behaviour in the future.
- 77 Ocean does not support the proposed deemed value rates for the SCC stocks in SCC3. Ocean proposed that the current deemed value rates are retained and that the TACC for SCC3 be reviewed before any deemed value rate changes is considered.
- 78 SeaFIC does not support the proposed deemed value rates for the SCC stocks in SCC fisheries where there was not established market for SCC. SeaFIC does support the proposed annual deemed value rate of \$3.00 per kg in SCC1B and SCC7A. SeaFIC proposed that all other SCC stocks remain at the current deemed value rates.
- 79 SeaFIC proposed that in SCC1B and SCC7A that the interim deemed value be set at \$1.50 per kg (50% of the annual deemed value rate) not at \$2.70 per kg (90% of the annual deemed value rate). SeaFIC submits there is no valid reason to set the interim at 90% of the annual deemed value rate.

- 80 SeaFIC does not support the proposed differential deemed value rate. SeaFIC proposes that the differential deemed value rate be set at \$4.00 per kg at 120% of ACE holding for SCC1B and SCC7A. SeaFIC proposes that differential deemed values are not used in the remaining SCC stocks.
- 81 MFish recommends setting the annual deemed value for SCC1B and SCC7A at \$3.00 per kg.
- 82 MFish recommends setting the interim deemed value for SCC1B and SCC7A at \$2.70 per kg. As fishing on deemed values has been a problem in the past, MFish believes that it is appropriate to set interim deemed value rates at 90% of the annual deemed value rate.
- 83 MFish recommends introducing differential deemed value rates as in table 5 for SCC1B and SCC7A. These are the differential deemed value rates that were proposed in the IPP. MFish believes that the differential deemed value rates are necessary to encourage balancing with ACE.
- 84 MFish agrees that the SCC by-catch fishery in SCC3 should not be treated the same as the dive fisheries in SCC1B and SCC7A. MFish recommends treating all SCC stocks, except for SCC1B and SCC7A, the same.
- 85 MFish believes that the current deemed value rates in SCC3 are too low to encourage balancing with ACE. MFish recommends a moderate increase in the annual deemed value rate and the interim deemed value rate to encourage balancing with ACE.
- 86 MFish recommends setting the annual deemed value rate for SCC1A, SCC2A, SCC2B, SCC3, SCC4, SCC5A, SCC5B, SCC6, SCC7B, SCC7D, SCC8 and SCC9 at \$0.25 per kg.
- 87 MFish recommends setting the interim deemed value rate for SCC1A, SCC2A, SCC2B, SCC3, SCC4, SCC5A, SCC5B, SCC6, SCC7B, SCC7D, SCC8 and SCC9 at \$0.20 per kg.
- 88 MFish recommends that differential deemed value rates should continue to not be used in SCC1A, SCC2A, SCC2B, SCC3, SCC4, SCC5A, SCC5B, SCC6, SCC7B, SCC7D, SCC8 and SCC9.
- 89 MFish recommends you approve the following deemed value rates for SCC1B and SCC7A for the 2008-09 seasons:
- i) Annual deemed value rate to increase from \$0.10 per kg to \$3.00 per kg;
  - ii) Interim deemed value rate to increase from \$0.05 per kg to \$2.70 per kg, which is 90% of the proposed annual deemed value rate.
- 90 MFish recommends introducing differential deemed value rates as outlined in the table below.

Table 5: Proposed differential deemed value rates for SCC1B and SCC7A

Current differential rates		Proposed differential rates	
Catch in excess of ACE holdings (%)	Current deemed value rate for all SCC stocks (\$)	Catch in excess of ACE holdings (%)	Proposed deemed value rate for all SCC stocks (\$)
20	Differential deemed values currently do not apply	20	3.60 per kg
40		40	4.20 per kg
60		60	4.80 per kg
80		80	5.40 per kg
100		100	6.00 per kg

91 MFish recommends you approve the following deemed value rates for SCC1A, SCC2A, SCC2B, SCC3, SCC4, SCC5A, SCC5B, SCC6, SCC7B, SCC7D, SCC8 and SCC9 for the 2008-09 seasons:

- i) Annual deemed value rate to increase from \$0.10 per kg to \$0.25 per kg;
- ii) Interim deemed value rate to increase from \$0.05 per kg to \$0.20 per kg, which is 80% of the proposed annual deemed value rate.

92 Differential deemed value rates do not apply in these fisheries.

## Stocks reviewed but no deemed value adjustment proposed

93 The remaining stocks listed in Table 1 were also reviewed. Following their assessment at the deemed value review meeting, MFish does not consider an adjustment is warranted at this time. A discussion on the rationale behind this decision follows.

### *Trough Shell: MDI1, MDI2, MDI3, MDI4, MDI5, MDI7, MDI8 & MDI9*

94 Trough shell (MDI) was included in this review as it is caught when fishers are targeting large trough shell (MMI), and the latter was included in this review.

95 MFish considers that, given the TACC for all MDI stocks were not close to being reached, the current deemed value rates are appropriate. Therefore MFish does not propose an adjustment at this time.

96 SeaFIC supports retaining the current deemed value rates.

97 MFish recommends that you retain the existing deemed value rates for all MDI stocks for the 2008-09 seasons:

- i) Annual deemed value rate of \$1.56 per kg;
- ii) Interim deemed value rate of \$0.78 per kg.

### *Large Trough Shell: MMI1, MMI2, MMI3, MMI4, MMI5, MMI7, MMI8 & MMI9*

98 Large trough shell (MMI) was included in this review because when MFish introduced MMI into the QMS there was some confusion over the true port price of MMI so a conservative deemed value was set.

- 99 MFish considers that, given the TACC for all MMI stocks were not close to being reached, the current deemed value rates are appropriate. Therefore, MFish does not propose an adjustment at this time.
- 100 SeaFIC supports retaining the current deemed value rates.
- 101 MFish recommends that you retain the existing deemed value rates for all MMI stocks for the 2008-09 seasons:
- i) Annual deemed value rate of \$1.92 per kg;
  - ii) Interim deemed value rate of \$0.906 per kg.

***Scallop: SCA1, SCA1A, SCA2A, SCA3, SCA4, SCA5, SCA7, SCA7A, SCA7B, SCA7C, SCA8A, SCA9A & SCACS***

- 102 Scallop (SCA) was included in this review because of increases in the port prices of SCA1 and SCA7 from \$14.17 per kg (SCA1) and \$6.19 per kg (SCA7) to \$15.93 per kg (SCA1) and \$13.47 per kg (SCA7) respectively.
- 103 MFish considers that the port price increase does not currently provide any incentive to fish on deemed values. Therefore MFish does not propose an adjustment at this time.
- 104 SeaFIC supports retaining the current deemed value rates.
- 105 MFish recommends that you retain the existing deemed value rates for SCA1, SCA4 and SCA7 for the 2008-09 seasons:
- i) Annual deemed value rate of \$28.00 per kg;
  - ii) Interim deemed value rate of \$14.00 per kg.
- 106 MFish recommends that you retain the existing deemed value rates for SCA1A, SCA2A, SCA3, SCA5, SCA7A, SCA7B, SCA7C, SCA8A and SCA9A for the 2008-09 seasons:
- i) Annual deemed value rate of \$7.00 per kg;
  - ii) Interim deemed value rate of \$3.50 per kg.
- 107 MFish recommends that you retain the existing deemed value rates for SCACS for the 2008-09 seasons:
- i) Annual deemed value rate of \$37.00 per kg;
  - ii) Interim deemed value rate of \$18.50 per kg.

**Stocks not reviewed**

- 108 In the IPP, MFish invited submissions from stakeholders on any 1 April stocks they believe should be part of this review. MFish received no submissions asking for additional stock to be added to this review.

## Compliance implications

- 109 The proposed changes to the deemed value rates could provide an incentive for commercial fishers to dump or misreport their catch rather than pay the higher deemed value rates.
- 110 By setting the same deemed value rates for stocks of the same species in SBW and CRA, incentives for misreporting areas are reduced.
- 111 Dumping and misreporting are offences and will be prosecuted whenever possible. MFish Compliance will continue to monitor activity on the water to deter dumping and misreporting. Compliance efforts will be supported by the increased surveillance capability at sea through Project Protector and increased aerial surveillance.
- 112 MFish notes that SCC is a 6<sup>th</sup> Schedule stock. Ocean noted that the proposed deemed value rates in the IPP for SCC3 may create incentives to dump sea cucumber that is not likely to survive (e.g. when caught as bycatch in trawl). MFish has addressed Ocean's point by recommending a deemed value rate that is well below the landed value of about \$2.00 per kg.

## Statutory considerations

- 113 **Section 8** – Section 8 of the Act describes the purpose of the Act as being to provide for the utilisation of fisheries resources while ensuring sustainability. The proposed options presented will continue to provide for utilisation and will reduce the likelihood of possible TACC breaches which could undermine sustainability.
- 114 **Section 9** – Section 9 sets out the environmental principles that you are required to consider when performing functions, duties or powers under this Act. These principles have been taken into consideration and MFish is of the view that they do not impact on this proposal.
- 115 **Section 10** – The proposed amendments to the deemed value rates fulfil the requirements under s. 10 of the Act in that the deemed value rates recommended in this paper have been developed using best available information.
- 116 **Section 75** - Section 75 of the Act sets out the purpose of the catch balancing regime including when and how deemed value rates should be set. MFish considers the proposed adjustments to the deemed value rates fulfil the requirements under this section of the Act.
- 117 **Section 75 (2)(a)** – Section 75 (2)(a) requires you to take into account the need to provide an incentive for every commercial fisher to acquire or maintain sufficient ACE that is not less than the total of that stock taken by the commercial fisher. MFish considers that the proposed amendments to the guidelines satisfy your requirements under this section of the Act.
- 118 **Section 75 (2)(b)** – Section 75 (2)(b) sets out the matters you may have regard to when setting deemed value rates. These factors have formed the basis of the content of the information sheets. They have also been used to guide where appropriate deemed value rates could be set for the coming season.
- 119 **Section 75A** – MFish consulted, on your behalf, with representative persons or organisations, on the proposed deemed value changes as required under section 75A.

## Summary of the Guidelines for Setting Deemed Values (2007)

<b>Aim</b>	<p>To set a deemed value rate above the ACE price to encourage fishers to balance catch through the purchase of ACE rather than the payment of deemed values.</p> <p>For high value single species stocks, the deemed value rate will be considerably above the ACE price.</p>
<b>When is a deemed value reviewed?</b>	<p>(1) When a fish stock enters the QMS.</p> <p>(2) If one of the following indicators listed below is met:</p> <ul style="list-style-type: none"> <li>• Catch is in excess of a TACC</li> <li>• Deemed value payments invoiced in the previous fishing year but ACE remained unused</li> <li>• Changes to the port price of the stock</li> <li>• Direct request from SeaFIC on behalf of quota owners</li> <li>• Recent changes to a stock's TACC or the TACC of key bycatch stocks</li> <li>• Stock has recently entered the QMS and the deemed value rate was set using limited information.</li> </ul>
<b>How are deemed values set?</b>	Deemed values will be set on a stock by stock basis for all fish stocks apart from those categorised as high value fishstocks.
<b>High value fishstocks</b>	These are high value single species stocks: paua, rock lobster, scallops, oysters and eels.
<b>Information sources used</b>	<p>Deemed values set following analysis of the following information sources:</p> <ol style="list-style-type: none"> <li>1. Port price</li> <li>2. ACE trading price</li> <li>3. Export prices as a proxy for market value (where appropriate)</li> <li>4. Bycatch information (ratios and shadow values)</li> <li>5. Review of previous deemed value payments</li> <li>6. Cost recovery levy rates</li> </ol>
<b>Annual deemed values</b>	Set at 200% of the highest port price.
<b>Interim deemed values</b>	Greater flexibility in setting interim deemed value rates. Interim deemed values will continue to be set at 50% of the annual deemed value as standard, but higher interim values may be used to ensure regular balancing
<b>Differential deemed values</b>	Differential deemed values maintained but flexibility in when and how they are applied.
<b>All other Fish stocks</b>	The goal is to set the deemed values set on a stock by stock basis using the best available information for that stock. The goal will be to set the deemed value rate at some level above the marginal price of ACE.
<b>Information sources used</b>	<p>Deemed values set following analysis of the following information sources</p> <ol style="list-style-type: none"> <li>1. Port price</li> <li>2. ACE trading price</li> <li>3. Export prices as a proxy for market value (where</li> </ol>



	<p>appropriate)</p> <ol style="list-style-type: none"> <li>4. Bycatch information (ratios and shadow values)</li> <li>5. Review of previous deemed value payments</li> <li>6. Cost recovery levy rates</li> </ol>
<b>Annual deemed values</b>	Annual deemed value set above the ACE price.
<b>Interim deemed values</b>	Greater flexibility in setting interim deemed value rates. Interim deemed values will not automatically be set at 50% of the annual deemed value as standard.
<b>Differential deemed values</b>	Differential deemed values maintained but flexibility in when and how they are applied.