

May 2007

Dear Stakeholder

## **Review of the Catch Balancing (Deemed Value) Guidelines: Deemed Value Standard**

1 This letter sets out details of the new Deemed Value Standard which I recently approved. This is the first standard that has been fully developed and approved.

2 Deemed values are an integral part of the catch balancing regime and their purpose is to provide an incentive for every commercial fisher to acquire or maintain sufficient annual catch entitlement (ACE) to cover their catch each year. If deemed value rates are set incorrectly, and if they are not regularly reviewed and updated, there is a risk that individuals may continue fishing in excess of their ACE holdings. This can lead to sustainability concerns as fishing in excess of ACE may lead to a breach of the TACC. Incorrectly set deemed value rates can also undermine quota owners' property rights as fishers may choose to pay the deemed value rather than purchasing ACE.

3 The Deemed Value Standard sets out:

- a) When a deemed value should be set;
- b) When a deemed value should be reviewed;
- c) When a deemed value should be amended;
- d) What information should be considered when setting a deemed value;
- e) A process for monitoring, reviewing and when necessary recommending changes to deemed value rates on a regular basis.

4 In deciding to approve this standard I carefully considered the purpose of the catch balancing regime, the role of deemed values as a management tool and how they contribute to utilisation and sustainability objectives. I approved this standard for the following reasons:

- a) The Deemed Value Standard gives greater flexibility to set deemed value rates on a stock by stock basis. This flexibility means that interim, annual and differential deemed value rates can be employed in such a way as to ensure fishers have every incentive to balance their catch with ACE.
- b) Ongoing monitoring of stocks against a set of robust criteria will ensure that fisheries managers are able to react when incentives may have changed in a fishery and existing deemed value rates are no longer achieving their purpose.

- c) The opportunity for fishers to request a deemed value rate adjustment either through SeaFIC or through the fisheries plan process means that stakeholders, concerned about the sustainability of their fisheries and/or the value of their property right, have an opportunity to directly input into any deemed value review process.
- d) In some fisheries, low interim deemed value rates may encourage fishers to delay sourcing ACE until the end of the fishing year. At the end of the fishing year it may not be possible to balance all catch since sufficient ACE may not be available. In such situations incorrectly set interim deemed value rates may directly contribute to the TACC being breached. The increased flexibility permitted by the Deemed Value Standard means that, when appropriate, interim deemed values can be set so that they encourage more regular balancing of catch through out the fishing year.
- e) The Deemed Value Standard also permits greater flexibility in how differential deemed values are used. In the future differential deemed values can be set at any value and at small percentages of catch in excess of ACE. In the appropriate circumstances, this will ensure there is no economic value in targeting without ACE and will provide the strongest incentive that additional bycatch is covered by ACE.

I believe this Deemed Value Standard will ensure that deemed value rates are set so as to provide the necessary incentive to ensure both bycatch fishers and target fishers' balance all catch with ACE.

This standard has been used to set the new deemed value rates for all the deepwater crab stocks which I recently approved, prior to the start of the 1 April 2007 fishing year. It will be used to review and possibly amend the deemed value rates for a range of fish stocks as part of the October sustainability round.

For further information on this deemed value standard and its application please contact either Aoife Martin on (04) 819 4675 or Scott Walker on (04) 819 4272 at the Ministry of Fisheries.

Yours sincerely

Jim Anderton  
**Minister of Fisheries**