

REGULATORY IMPACT STATEMENT

PAU 4 Management by Meatweight

a. Executive Summary

The Ministry of Fisheries (MFish) has received a request from PAUMAC 4 Industry Association Incorporated to alter management of the Chatham Island paua fishery (PAU 4) from greenweight¹ to meatweight. Managing by meatweight would improve the productivity and sustainability of the fishery by removing incentives to overfish those parts of the fishery with high meatweight recovery.

MFish proposes to allow paua to be landed in meatweight form and therefore to amend the Fisheries (Reporting) Regulations 2001 to specify the use of the conversion factor specified in the Fisheries (Conversion Factors) Notice 2005 to estimate greenweight from meatweight.

b. Adequacy Statement

This Regulatory Impact Statement has been reviewed by MFish's Regulatory Impact Analysis Review Group and is considered adequate according to the criteria agreed by Cabinet.

c. Status Quo and Problem

All paua is required to be landed and weighed in the green state.² Paua in some parts of PAU 4 are characterised by extreme fouling by encrusting organisms. Fouling can comprise up to 15% of the total greenweight of paua in these areas and meat recovery rates can vary from 32%, for heavily encrusted paua, to 45%, for paua with clean shells. This means fishers are using methods to avoid having to use a large proportion of their annual catch entitlement (ACE) in landing low value shell instead of high value paua meat. These methods reduce the amount of greenweight paua reported from the fishery and, therefore, increase the meatweight return to ACE and quota holders.

As a result, there are strong incentives for PAU 4 fishers to fish in ways that, while maximising the meatweight return, lower the quality of the product produced. Fishers do overfish parts of the fishery where there is high meatweight recovery. This causes some sustainability concerns.

The paua fishery is a very important economic resource for the Chatham Island economy worth \$11m per annum, with \$6m of this remaining on Chatham Island through income sourced from diving, processing, freight and associated services. Reduced value from the PAU 4 resource would impact negatively on the Chatham Island economy.

d. Objectives

The fisheries management objectives being addressed by this proposal are:

- Sustainable utilisation of PAU 4; and
- Value of the PAU 4 resource is maximised.

¹ Greenweight in relation to any fish, aquatic life, or seaweed, means the weight of fish, aquatic life or seaweed before any processing commences and before any part is removed:

² According to regulation 32 and 33 of the Fisheries (Commercial Fishing) Regulations 2001, as well as regulations set out by New Zealand Food Safety Authority.

e. Alternative Option

An alternative option is to manage the fishery using meatweight reporting. This would allow landing of paua by meatweight and would allow reporting to MFish in meatweight. Some believe this option would improve reporting behaviours. Under this option fishers estimate catch in meatweight on paua catch effort landing returns. The licensed fish receiver (LFR), once the product is processed, will report back meatweight on a tax invoice to the fisher and complete the monthly harvest return in meatweight.

MFish considers improvements to reporting behaviour hypothetical at this stage, and a shift to meatweight could in fact have negative compliance implications.

Managing on the basis of meatweight would also require a complex set of changes to regulations and computer systems. There would be changes to the reporting regulations, the PAU 4 section 18 notice, total allowable catch (TAC) and total allowable commercial catch (TACC) statutory reporting forms. Changes to MFish's computer system would also be required. MFish's ability to trace product through the supply chain (and between the Chatham Islands and mainland) would be compromised due to different reporting that would occur in LFRs returns. This would hamper the ongoing discrepancy analysis carried out by MFish compliance. By making changes to the TACC, a TAC with non-commercial allowances would also need to be set for PAU 4 as these have not been set previously. PAU 4 has a TACC set only at this stage.

Introducing the new reporting framework would involve additional education and compliance effort over the first year of operation. No significant or ongoing costs are anticipated.

f. Preferred Option

MFish's preferred option is to allow meatweight landing for the Chatham Island paua fishery and to amend the Fisheries (Reporting) Regulations 2001 to specify the use of the conversion factor specified in the Fisheries (Conversion Factors) Notice 2005 to estimate greenweight from meatweight as it retains the TACC in greenweight.

This option should not generate added costs as the LFRs will simply extract the meat from the shell and weigh per consignment. This avoids the need to grade the fish before processing. This method of reporting using a conversion factor to convert back to greenweight is an industry standard. Many Quota Management System species are landed in different states and are reported in greenweight.

This option would increase the return that fishers secure from their paua quota. A 10% increase in meat recovery rates (from low recovery areas which is not considered unreasonable) could increase the value of this fishery by \$800,000 per annum with no increased (and arguably lesser) sustainability risk to the fishery.

This option would remove incentives to over-fish those parts of PAU 4 with high meatweight recovery. Also, incentives that have driven illegal fishery practices, such as shell chipping and delayed landing of paua, would be reduced, increasing compliance with reporting requirements.

The compliance effort rather than being in the field checking whether fishers have chipped the shell or delayed landing will be at the LFR premise where the meatweight of the paua is recorded.

MFish prefers this option as it fits within the existing reporting and recordkeeping framework. This option avoids the complications that arise as a result of paua being reported differently elsewhere in the country. The analysis of reporting and record keeping is an important compliance tool that is maintained under this option.

The impact of this change will be felt by the processor as they will be required to apply the conversion factor to the meatweight in order to provide the necessary information back to the fisher. On the Chatham Islands this will affect four individual LFR's processors. The approximate 26 fisher/divers will still report as usual although the fisher advice from the LFR will have the additional step of the conversion included.

g. Implementation and Review

If approved, the new framework will be introduced on 1 October 2009 to coincide with the start of the new fishing year.

Prior to that, a workshop will be held with PAU 4 fishers on the Chatham Islands to outline the framework, along with additional education over the first year of operation.

To assist compliance with proposed new framework, PAU 4 fishers are implementing harvest contracts to ensure best harvest, landing and reporting practice. A contractual processing specification is proposed for all LFRs for the 2009/2010 fishing year.

MFish will incorporate this new regulatory regime into its long-term management strategy for the PAU 4 fishery. These management strategies will be reviewed regularly to ensure the utilisation objectives within the sustainability constraints are maximised.

h. Consultation

The proposal to review management of the fishery was initiated by PAU 4 industry representatives. It is part of a suite of measures aimed at improving the productivity and sustainability of PAU 4. MFish has held ongoing discussions with PAU 4 representatives over the past year, including with community and other sector representatives on the Chatham Islands. These representatives are supportive of the proposal.