

REVIEW OF DEEMED VALUE RATES FOR SELECTED FISHSTOCKS FOR THE APRIL 2008 SUSTAINABILITY ROUND

Introduction

- 1 This Initial Position Paper (IPP) provides you with the Ministry of Fisheries' (MFish) initial position on the deemed value rates for selected fishstocks that MFish is reviewing for 1 April 2008.
- 2 This IPP has been developed for the purpose of consultation, as is required under the Fisheries Act 1996 (the Act). MFish emphasises the views and recommendations outlined in the paper are preliminary and are provided as a basis for consultation with stakeholders.
- 3 In February 2008, MFish will compile the Final Advice Paper. This document 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 All written submissions on this consultation document must be received by MFish by **Friday 15 February 2008**.
- 5 Written submissions should be sent directly to:

Tracey Steel,
Ministry of Fisheries,
P O Box 1020,
Wellington;

or faxed to 04 819 4208
or emailed to tracey.steel@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.

Purpose

- 1 This Initial Position Paper (IPP) proposes changes to the deemed value rates for selected fishstocks for the April 2008 sustainability round. The Ministry of Fisheries (MFish) has undertaken this review 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 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. These factors form the basis of the analysis spreadsheet that has been produced for all the stocks under review.
- 3 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 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 that determine if a fishstock should be considered for a deemed value review. Table 1 details the stocks that meet one or more of these criteria and therefore are eligible for a review.

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

Species Name	Fish Stock for review	Summary of Proposed deemed value changes		
		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)	MMI3 (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	SBW6B (SBW6A, SBW6I and SBW6R)	Increased to \$0.36 per kg	Increased to \$0.32 per kg	Higher differential deemed values applied
Scallops	SCA1 & SCA7 (All SCA)	No change	No change	No change
Sea Cucumber	SCC1B, SCC3 and SCC7A (All SCC stocks)	Increased to \$3 per kg	Increased to \$2.70 per kg	Differential deemed values applied

- 5 All stocks on the review list were considered 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 (for example, SBW6A is included in the

review of SBW6B), or the bycatch stocks of a target stock under review (for example, MDI is included because it is caught concurrently with MMI). These associated stocks are included in Table 1 in brackets.

Background

- 7 The purpose of the deemed value framework is to provide an incentive for fishers to acquire sufficient 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) Individual fishers are not able to use deemed values to undermine the QMS.
- 8 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 so doing 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, e.g., southern blue whiting (SBW6B).
- 9 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.
- 10 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.
- 11 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.
- 12 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.

- 13 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:
- a) Neighbouring stocks within the same species, e.g., SBW6A is included in the review of SBW6B;
 - b) Key bycatch stocks of the target stock that is under review when altering the deemed value of the target stock may impact on fishing activity in the bycatch fishery, e.g., MDI is included because it is a bycatch of MMI.

Rationale for management options

- 14 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 ACE that is not less than the total catch of that stock taken by the commercial fisher.
- 15 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.
- 16 While the interim deemed value will remain at 50% of the annual 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. 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.
- 17 The Act also permits the Minister 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.
- 18 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.
- 19 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 5%; for others it may mean applying differential deemed value rates at 20% overcatch.
- 20 Flexibility in setting the incremental increase in differential deemed value rates is also 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.

- 21 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

- 22 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.
- 23 All quota management system (QMS) stocks with a fishing year beginning 1 April were assessed against the following deemed value criteria:
- 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) The port price of a stock changed.
 - d) The New Zealand Seafood Industry Council Ltd (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.
- 24 Following an assessment of the stock's performance against the criteria described above an analysis spreadsheet was prepared. This spreadsheet details the stock's performance against the criteria described above.
- 25 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.
- 26 Information relevant to a deemed value adjustment is summarised in the analysis section for each stock. The analysis spreadsheet can be found in Appendix Two.

- 27 All stocks included on the list were reviewed by the deemed value review group at a meeting, held on Friday 16 November 2007. This review group consisted of a representative from SeaFIC and MFish officials. At this meeting, each stock was assessed using the information and analysis described above. This assessment determined if a deemed value adjustment was appropriate.
- 28 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.
- 29 MFish is presenting the following proposed deemed value adjustments for consultation only. This IPP is not final advice to the Minister but provides stakeholders with the opportunity to comment on, and provide supplemental information to draft advice.

Analysis

- 30 This section sets out a summary of the analysis for each stock and an assessment of the proposed deemed value adjustment.
- 31 Not all stocks included on the review list require a deemed value adjustment. Details of these stocks are presented at the end of the analysis section.
- 32 The analysis for each stock follows.

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

- 33 Spiny Rock Lobster is an important species to both commercial and non-commercial fishers.
- 34 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 the target of twice the port price of \$38.94 per kg (CRA1) and \$35.41 per kg (CRA2).
- 35 MFish believes it is important to continue the strategy of setting the annual deemed value rate at at least twice the port price for high value species. MFish proposes 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.

- 36 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).
- 37 MFish proposes 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 a request from industry.
- 38 The differential deemed value rates for all CRA stocks will be adjusted to match the proposed annual deemed value rate.
- 39 The proposed deemed value rates for the 2008-09 fishing season are as follows:

CRA1-9 (inclusive)

- 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 to 75% of the proposed annual deemed value rate:
- 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

c) Differential deemed value rates adjusted 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 (\$)
120	62.40 per kg	74.40 per kg	96.00 per kg	107.364 per kg	105.370 per kg	108.732 per kg
140	72.80 per kg	86.80 per kg	112.00 per kg	125.258 per kg	126.444 per kg	126.854 per kg
160	83.20 per kg	99.20 per kg	128.00 per kg	143.152 per kg	147.518 per kg	144.976 per kg
180	93.60 per kg	111.60 per kg	144.00 per kg	161.046 per kg	168.592 per kg	163.098 per kg
200	104.00 per kg	124.00 per kg	160.00 per kg	178.940 per kg	210.74 per kg	181.220 per kg

Proposed differential rates	
Catch in excess of ACE holdings (%)	Proposed deemed value rate for all CRA stocks(\$)
120	120.00 per kg
140	140.00 per kg
160	160.00 per kg
180	180.00 per kg
200	200.00 per kg

Packhorse Rock Lobster: PHC1

40 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).

41 MFish proposes 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 proposes to set the deemed value rates for packhorse lobster at the same level as the spiny rock lobster deemed value rates.

42 The proposed deemed value rates for the 2008-09 fishing season are as follows:

PHC1

- a) Annual deemed value rate to increase from \$30.00 per kg to \$100.00 per kg.
- b) Interim deemed value rate to increase from \$15.00 per kg to \$75.00 per kg, which is 75% of the proposed annual deemed value rate.
- c) Differential deemed value rates adjusted 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 (\$)
120	36.00 per kg	120	120.00 per kg
140	42.00 per kg	140	140.00 per kg
160	48.00 per kg	160	160.00 per kg
180	54.00 per kg	180	180.00 per kg
200	60.00 per kg	200	200.00 per kg

Southern Blue Whiting: SBW6A, SBW6B, SBW6I & SBW6R

- 43 During the 2006/2007 fishing year, the TACC for SBW6B was over caught by 26% resulting 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 was overcaught by 9%, and will result in annual deemed values of around \$94,000.
- 44 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. MFish has discussed the proposals outlined below with SBW quota owners.
- 45 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. MFish proposes to increase the annual deemed value rate in line with these increases. An analysis of deemed value payments in 2006/2007 show 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. Accordingly MFish proposes to set the annual deemed value rate at \$0.36 per kg. SBW quota owners support this increase to the annual deemed value.
- 46 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. MFish proposes to increase the interim deemed value rate to 90% of the proposed annual deemed value rate (\$0.32 per kg). SBW quota owners support this increase to the interim deemed value.
- 47 MFish considers that large catch overruns are avoidable, as SBW is a clean target fishery and vessels prosecuting 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. MFish proposes to increase the differential deemed value rates to discourage fishers from continuing to fish once catch limits have been met. MFish proposes to set a single differential step of \$0.50 at 102% of ACE holdings as a

backstop to the annual rate. SBW quota owners support this change to the differential deemed value rates.

48 In the interests of providing the same incentives for all Area 6 SBW stocks, MFish proposes that the deemed value rates remain the same in all Area 6 SBW fisheries (i.e. SBW6A, SBW6B, SBW6I and SBW6R). This will ensure that no incentives exist to shift effort among the SBW6 stocks to take advantage of deemed value differences. Altering the deemed value rates in SBW6I will also address substantial TACC overruns in the recent past in that fishery; for example, \$295,530 in deemed values were invoiced in 2002/03. No change is proposed for SBW1; it is a true bycatch stock with a low TACC. SBW quota owners support this approach.

49 The proposed deemed value rates for the 2008-09 fishing season are as follows:

SBW6A, SBW6B, SBW6I & SBW6R

- a) Annual deemed value rate to increase from \$0.30 per kg to \$0.36 per kg.
- b) Interim deemed value rate to increase from \$0.15 per kg to \$0.32 per kg, which is 90% of the proposed annual deemed value rate.
- c) Differential deemed value rates adjusted 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 (\$)
120	0.36 per kg	102	0.50 per kg
140	0.42 per kg		
160	0.48 per kg		
180	0.54 per kg		
200	0.60 per kg		

Sea Cucumber: All stocks except SCC10

50 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.

51 In the 2005/2006 fishing year, the TACC was breached 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.

52 Information from the MFish compliance team 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.

53 MFish proposes 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 proposes to introduce differential deemed values into the fishery to discourage excessive deeming.

54 MFish proposes to introduce these new deemed value rates into all SCC fisheries to discourage this type of behaviour in the future.

55 The proposed deemed values will have some impact on those who take sea cucumber as a bycatch of their inshore trawling and dredging activities. However, sea cucumber is on the 6th Schedule of the Fisheries Act and unwanted animals can be returned to the sea if likely to survive.

56 The proposed deemed value rates for the 2008-09 fishing season are as follows:

All stocks except SCC 10

- a) Annual deemed value rate to increase from \$0.10 per kg to \$3.00 per kg.
- b) 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.
- c) Introduce differential deemed value rates as outlined in the table below.

Table 5: Proposed differential deemed value rates for SCC1A, SCC1B, SCC2A, SCC2B, SCC3, SCC4, SCC5A, SCC5B, SCC6, SCC7A, SCC7B, SCC7D, SCC8 & SCC9

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 (\$)
120	Differential deemed values currently do not apply	120	3.60 per kg
140		140	4.20 per kg
160		160	4.80 per kg
180		180	5.40 per kg
200		200	6.00 per kg

Stocks reviewed but no deemed value adjustment proposed

57 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

58 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.

59 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.

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

- 60 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.
- 61 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.

Scallop: SCA1, SCA1A, SCA2, SCA3, SCA4, SCA5, SCA7, SCA7A, SCA7B, SCA7C, SCA8A, SCA9A & SCACS

- 62 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.
- 63 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.

Stocks not reviewed

- 64 The remaining 1 April stocks were not reviewed at the deemed value review group meeting. Prior to the meeting, MFish carried out a preliminary review of the data for all 1 April stocks. No other stocks appeared to meet the criteria for a review. However, MFish invites submissions from stakeholders on any 1 April stocks they believe should be part of this review.

Compliance implications

- 65 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. There are indicators that suggest that such offending is occurring in the southern blue whiting stocks covered in this review.
- 66 Dumping and misreporting are serious offences and will be investigated and prosecuted wherever possible. MFish will continue to monitor fishing activities at sea to detect and deter potential dumping. These efforts will be supported by the increased surveillance capability at sea through Project Protector and upgraded aircraft. Likewise, MFish Compliance's activities will continue to include inspections of vessels, landings and transfers, and analysis of returns to detect and deter potential misreporting.

Statutory consideration

67 **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 ensure that possible TACC breaches do not occur which could undermine sustainability.

68 **Section 9** – Section 9 sets out the environmental principles that should be considered 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.

69 **Section 10** – The proposed amendments to the deemed value rates fulfil the requirements under s. 10 of the Fisheries Act in that the deemed value rates will be set using best available information.

70 **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 that the proposed adjustments to the deemed value rates best meet the requirements under this section of the Act.

71 **Section 75 (2)(a)** – Section 75 (2) (a) requires the Minister 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 the requirements under this section of the Act.

72 **Section 75 (2)(b)** – Section 75 (2) (b) sets out the matters the Minister 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 propose the deemed value adjustments as set out in the “*Analysis*” section of this IPP.

73 **Section 75A** – The Minister is consulting with representative persons or organisations, on these proposed deemed value changes as required under section 75A.

Summary of the Guidelines for Setting Deemed Values (2007)

Aim	<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>
When is a deemed value reviewed?	<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"> • Catch is in excess of a TACC • Deemed value payments invoiced in the previous fishing year but ACE remained unused • Changes to the port price of the stock • Direct request from SeaFIC on behalf of quota owners • Recent changes to a stock's TACC or the TACC of key bycatch stocks • Stock has recently entered the QMS and the deemed value rate was set using limited information.
How are deemed values set?	<p>Deemed values will be set on a stock by stock basis for all fish stocks apart from those categorised as high value fishstocks.</p>
High value fishstocks	<p>These are high value single species stocks: paua, rock lobster, scallops, oysters and eels.</p>
Information sources used	<p>Deemed values set following analysis of the following information sources:</p> <ol style="list-style-type: none"> 1. Port price 2. ACE trading price 3. Export prices as a proxy for market value (where appropriate) 4. Bycatch information (ratios and shadow values) 5. Review of previous deemed value payments 6. Cost recovery levy rates
Annual deemed values	<p>Set at 200% of the highest port price.</p>
Interim deemed values	<p>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</p>
Differential deemed values	<p>Differential deemed values maintained but flexibility in when and how they are applied.</p>

All other Fish stocks	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.
Information sources used	Deemed values set following analysis of the following information sources <ol style="list-style-type: none"> 1. Port price 2. ACE trading price 3. Export prices as a proxy for market value (where appropriate) 4. Bycatch information (ratios and shadow values) 5. Review of previous deemed value payments 6. Cost recovery levy rates
Annual deemed values	Annual deemed value set above the ACE price.
Interim deemed values	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.
Differential deemed values	Differential deemed values maintained but flexibility in when and how they are applied.