



**Fisheries New Zealand**

Tini a Tangaroa

# Review of Deemed Value Rates for Selected Stocks October 2019

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# 1 Executive Summary

Fisheries New Zealand seeks input from tangata whenua and stakeholders to inform a review of deemed value rates for eight stocks managed under the Quota Management System (QMS).

Deemed values rates are set by the Minister, by Gazette Notice, under section 75 of the Fisheries Act 1996 (the Act). Commercial fishers<sup>1</sup> who do not balance catch with Annual Catch Entitlements (ACE) must make deemed value payments. The deemed value regime is intended to constrain commercial catch to respective catch limits by encouraging fishers to balance their catch with ACE, while not discouraging them from landing and accurately reporting catch.

Deemed value rates are grouped into three types:

**Interim** – the rate charged during the year, which is remitted if ACE is obtained.

**Annual** – the base rate charged at the end of the fishing year for catch in excess of ACE.

**Differential** – increased annual rates for higher levels of excess catch. The standard approach is to increase rates once a fisher has caught 120% of his or her entitlement, increasing in 20% increments up to a maximum of 200% of the annual deemed value rate. A more stringent annual deemed value schedule may be applied to some stocks where utilisation and sustainability objectives are best met by providing stronger incentives for catch not to exceed the available ACE. Alternative differential schedules may also be applied to low value, low total allowable commercial catch (TACC) stocks where targeted fishing does not occur. The exact structure of the schedule and maximum annual differential rate will be tailored to the stock in question.

Under section 75 of the Act, the Minister is required to set both an interim and annual deemed value rate specific for each fisheries stock. The setting of deemed value rates and differential schedules is guided by the Principles of the Deemed Value Guidelines (the Guidelines).<sup>2</sup> However, in consideration of the particular circumstances relevant to each stock, the Minister has discretion on where to set the interim and annual rates, and what differential schedule to apply.

The Guidelines have been used to identify stocks for review and formulate options for the 2019/20 fishing year. The stocks identified for review are set out in Table 1, below. The shaded information shows where changes to the deemed values rates and/or differential schedules are proposed.

**Table 1: Current and proposed deemed value rates (\$/kg) for selected stocks from 1 October 2019**

		Current				Proposed			
Species	Stock	Interim \$/kg	Annual \$/kg	Annual at maximum excess \$/kg	Differ-ential	Interim \$/kg	Annual \$/kg	Annual at maximum excess \$/kg	Differ-ential <sup>3</sup>
Bluenose	BNS 7	2.70	3.00	10.00	Special	3.60	4.00	11.00	Special
Black cardinalfish	CDL 5	0.26	0.52	0.52	-	0.27	0.30	0.30	-
Jack Mackerel	JMA 7	0.14	0.15	0.30	Standard	0.18	0.20	0.30	Special
Kingfish	KIN 3	8.00	8.90	17.80	Standard	4.00	4.45	8.90	Standard
Rubyfish	RBV 5	0.25	0.28	0.56	Standard	0.25	0.28	0.28	-
	RBV 6	0.25	0.28	0.56	Standard	0.25	0.28	0.28	-
Silver warehou	SWA 3	1.57	1.74	3.00	Special	0.63	0.70	2.00	Special
	SWA 4	0.50	1.22	3.00	Special	0.63	0.70	2.00	Special

<sup>1</sup> As defined in section 76(1) of the Act

<sup>2</sup> Available at [www.mpi.govt.nz/document-vault/3663](http://www.mpi.govt.nz/document-vault/3663)

<sup>3</sup> Where there is already a special differential set, the change to the special in this column is due to the annual rate change and not to the differential percentages applied.

## 2 Purpose

### 2.1 The deemed value framework

The Quota Management System (QMS) is the backbone of the New Zealand fisheries management regime, and includes a total of 642 fish stocks representing 98 species or species groups. Balancing catch against catching rights is known as the catch balancing regime and is key to ensuring the integrity of the QMS. For more information about the QMS go to <https://www.mpi.govt.nz/law-and-policy/legal-overviews/fisheries/quota-management-system/>.

On the first day of the fishing year all quota owners are provided with annual catch entitlement (ACE), based on their quota share and the current total allowable commercial catch (TACC). Under the catch balancing regime, fishers are required to balance their catch with ACE or pay a deemed value on all catch in excess of ACE.

Deemed values are charges that commercial fishers must pay for every unprocessed kilogram of QMS fish landed in excess of their ACE holdings (\$/kg). The purpose of the deemed value framework is to encourage commercial fishers to balance their catch with ACE, while not discouraging them from landing and accurately reporting catch. The intent is to protect the long-term value of stocks and to support kaitiakitanga by providing incentives for the overall commercial catch for each QMS stock to remain within the total available ACE. The effectiveness of this incentive is dependent on individual fishers' compliance with landing and reporting requirements, their responses to the incentives provided, and on the impact of other incentives such as those created by market conditions.

Effective deemed value rates contribute to both sustainability and utilisation objectives under the Act. Section 8 of the Act states that '*The purpose of the Act is to provide for the utilisation of fisheries resources while ensuring sustainability*'. Sustainability objectives are achieved as appropriate deemed value rates encourage fishers to balance catch with ACE and, in doing so, encourage harvesting to remain within the TACC. Utilisation objectives relate not only to the long-term benefits of managing catches within limits, but the deemed value framework also provides flexibility for commercial operators to manage small, unexpected amounts of catch by balancing unintentional catches in excess of ACE.

Incorrectly set deemed value rates may lead to catches in excess of the TACC (i.e. if set too low), which may have negative implications for sustainability and the long-term value of the resource. Likewise, incorrectly set deemed value rates may also discourage landing and accurate reporting (i.e. if set too high) which can compromise fisheries management.

The deemed value system does not create a standard deemed value rate, but a set of rates that apply under different circumstances. The base rate is the annual deemed value which is charged at the end of the fishing year on catch in excess of ACE. Interim deemed value rates are charged each month to commercial fishers for every kilogram of unprocessed fish landed in excess of ACE. Annual deemed value rates must be set higher than the interim rate. If the fisher sources enough ACE to cover his or her catch, the interim rates paid are remitted. If the fisher does not source enough ACE by the end of the fishing year, the difference between the interim and annual deemed value rates is charged for all catch in excess of ACE.

Consistent with the Deemed Value Guidelines, Fisheries New Zealand recommends that interim deemed value rates for the majority of fish stocks be transitioned from the historic 50% of annual rate, to 90%. This is to incentivise fishers to cover deemed value payments on a regular basis should targeted or bycatch landings change throughout the fishing year.

For each stock, the Minister sets progressively increased, or differential, annual deemed value rates to be charged at the end of the fishing year if the fisher harvested well in excess of their ACE holdings. This is permitted under section 75(4) of the Act. This results in an escalated schedule of rates as the percentage by which catch exceeds ACE increases. The standard approach is to increase the annual rate in 20% increments, up to a maximum of 200% of the annual deemed value (Table 2). Differential

rates reflect the increasingly detrimental impact on sustainability of higher levels of over-catch and on the long-term value of the resource, providing stronger incentives to avoid over-catch.

**Table 2: Standard differential deemed value rate schedule for most stocks**

Catch in excess of ACE holdings	Differential deemed value rate as a percentage of the annual deemed value rate
0-20%	100%
>20%	120%
>40%	140%
>60%	160%
>80%	180%
>100%	200%

For vulnerable or rebuilding stocks, a more stringent non-standard differential or special annual deemed value schedule (e.g. applying from 5% or 10% over-catch) may be more appropriate than the standard schedule. For targeted stocks with high selectivity and low vulnerability to bycatch, a more stringent non-standard differential or special annual deemed value schedule may also be more appropriate than the standard schedule. Alternative differential schedules may also be applied to low value, low TACC stocks where targeted fishing does not occur.

The deemed value rate changes proposed in this paper are aimed at protecting the TACC, regardless of the level at which it is set, by encouraging balancing of landings with available ACE, while avoiding creating incentives to discard and misreport.

## 2.2 The Act and the Deemed Value Guidelines

Section 75(1) of the Act requires the Minister to set deemed value rates for all stocks managed under the QMS. 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 or maintain ACE that is not less than the fisher's total catch of each stock taken.

Section 75(2)(b) allows the Minister, when setting deemed value rates, to have regard to:

- the desirability of commercial fishers to land catch for which they do not have ACE
- the market value of ACE
- the market value of the stock
- the economic benefits obtained by the most efficient fisher, licensed fish receiver, retailer or any other person from the taking, processing or sale of the fish or associated with the fish
- the extent to which the catch of that stock has exceeded or is likely to exceed the TACC for the stock in any year
- any other matters that the Minister considers relevant.

The Guidelines are a practical statement of how Fisheries New Zealand will use the criteria in the statute to develop its advice to the Minister on deemed value rates. These are summarised below:

- deemed value rates must generally be set between the ACE price and the reported landed (port) price
- deemed value rates must generally exceed the ACE price by transaction costs
- deemed value rates must avoid creating incentives to misreport
- deemed value rates for constraining bycatch species may be higher

- deemed value rates must generally be set at twice the port price for high value single species fisheries and species subject to international catch limits
- deemed value rates for Chatham Island landings may be lower
- interim deemed value rates must generally be set at 90% of the annual deemed value rate
- differential deemed value rates must generally be set.

Reported port prices are the average price per kg for unprocessed fish reported paid to independent fishers by licensed fish receivers (LFRs). These values ignore differences in size, quality and state of fish landed, location of landings, seasonal price variations, deductions that fishers may pay to LFRs, and price differentials for vertically integrated fishing companies. Reported port prices are therefore an indicator of limited reliability. In general, real port prices for average size and quality fish landed in the main ports by independent fishers would tend to be higher than the average prices reported by LFRs.

### 3 Identifying stocks for deemed value rate review

To identify which stocks may be suitable for deemed value review, Fisheries New Zealand:

- considers stocks where total allowable catch (TAC) reviews were proposed for 1 October 2019
- compares the deemed value rates of October stocks against the Principles of the Guidelines
- assesses October fishing year stocks against the performance measures outlined in the Guidelines; such performance measures include:
  - the percentage and/or quantity of catch for each stock which is not balanced with ACE
  - the ratio of the total deemed value payments to the value of quota (the target in relation to this indicator is less than 0.1% of the value of quota in any fishing year).

Table 3: Rationale for fish stocks prioritised for review sets out the prioritised stocks for 2019 and their assessment against these performance measures.

Table 3: Rationale for fish stocks prioritised for review

Species	Stock	Rationale for review
Bluenose	BNS 7	- Subject to a TAC review in 2019
		- 113% caught in 2017/18
Black cardinalfish	CDL 5	- 351% caught in 2018/19 (as of April 2019)
		- Predicted deemed value payments to quota value ratio of 63% (2018/19)
Jack mackerel	JMA 7	- 104% caught in 2017/18
Kingfish	KIN 3	- 421% caught in 2017/18, but since 1 October 2018 the TACC has been increased
Rubyfish	RBY 5	- 0 t TACC
	RBY 6	- Differential schedule not appropriate
Silver warehou	SWA 3	- 101% caught in 2017/18
	SWA 4	- Annual deemed value rate set higher than the port price
		- 107% caught in 2017/18
		- Annual deemed value rate set higher than the port price

## 4 Proposed Options

Table 4 sets out the key information that informed the development of proposals for the prioritised stocks. Relevant fishery information is also discussed alongside the options, below.

Table 4: Information to support review of deemed value rates for stocks that meet the criteria

Stock	2018/19 TACC (tonnes)	% caught 2017/18 <sup>4</sup>	ACE \$/kg <sup>5</sup>	Interim DV \$/kg	Annual DV \$/kg	2017/18 Port Price \$/kg	Ratio of 2017/18 DV payments to QV (%)
BNS 7	34	113	2.35	2.70	3.00	3.47	1%
CDL 5	22	351 (2018/19)	0.12	0.26	0.51	1.00	63% (2018/19)
KIN 3	6	421	7.45 <sup>6</sup>	8.00	8.90	3.62	12%
JMA 7	32,537	104%	0.15	0.14	0.15	0.20	0.5%
RBY 5	0	-	-	0.25	0.28	-	-
RBY 6	0	-	-	0.25	0.28	-	-
SWA 3	3,280	101%	0.71	1.57	1.74	0.73	0.24%
SWA 4	4,090	107%	0.70	0.50	1.22	0.70	0.91%

### 3.1 Bluenose (BNS 7) – West Coast South Island

#### Fishery information

Bluenose in BNS 7 are both targeted (primarily using the method of bottom longline but also by midwater trawl) and taken as bycatch in the hoki trawl and ling bottom longline fisheries. During the 2017/18 fishing year, approximately one third of bluenose in BNS 7 were taken during fishing events targeting bluenose.

Between the 2001/02 and 2016/17 fishing years, landings of bluenose from BNS 7 remained within the available ACE. Due to sustainability concerns, the TACC of BNS 7 was adjusted from 51 tonnes to 34 tonnes (33% reduction) from 1 October 2017. Although catches of bluenose did reduce, BNS 7 landings for the 2017/18 fishing year exceeded the available ACE by 13%.

#### Deemed value rates

Table 5: Current and proposed deemed value rates (\$/kg) for BNS 7

Stock	Option	Interim deemed value rate	Special annual differential rates (\$/kg) for excess catch (% of ACE)							
			Annual and 100-105%	105-110%	110-120%	120-130%	130-140%	140-150%	150-160%	>160%
BNS 7	Current	2.70	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00
	Proposed	3.60	4.00	5.00	6.00	7.00	8.00	9.00	10.00	11.00

The interim and annual deemed value rates of BNS 7 differ from those of all other bluenose stocks (excluding BNS 10). Given that all bluenose quota management areas (QMAs) are considered to form one biological stock, Fisheries New Zealand proposes increasing both the interim and annual deemed value rates of BNS 7 to ensure consistency with the interim and annual deemed value rates of other bluenose stocks (Table 5). Such a change is consistent with Principle 3 of the Guidelines.

<sup>4</sup> 2017/18 landings against available ACE, as opposed to the TACC.

<sup>5</sup> Average price paid per kg of ACE transferred (exc. GST) during the 2017/18 fishing year (as reported by FishServe)

<sup>6</sup> The influence on the current ACE price of the TACC increase is unknown

Principle 1 of the Guidelines suggests that generally the annual deemed value rate should be set between the ACE transfer price and the landed (port) price. However, under certain circumstances this approach may be departed from.

Although the proposed change would set the annual deemed value rate of BNS 7 above the 2017/18 port price (\$3.47), Fisheries New Zealand considers such settings appropriate in this case given the importance of constraining BNS 7 catch to the available ACE under the proposed rebuild strategy. Fisheries New Zealand also notes that the proposed annual deemed value rate of BNS 7 is below the reported port price of BNS 7 from both the 2015/16 and 2016/17 fishing years (\$4.23 & \$5.48 respectively).

Fisheries New Zealand proposes that the special differential schedule for BNS 7 be retained, but that the rate at each step on the schedule be adjusted so as to continue to provide a strong incentive for catch to not exceed the available ACE.

## 3.2 Black cardinalfish (CDL 5) – Southland

### Fishery information

All black cardinalfish in CDL 5 are taken as bycatch by large trawl vessels targeting middle-depth or deepwater species (e.g. hoki or white warehou). No targeted fishing occurs. Catches of black cardinalfish in CDL 5 are very sporadic and likely unavoidable. However, catches can occasionally occur in large quantities. The stock status of black cardinalfish in CDL 5 is unknown.

As CDL 5 has a relatively low TACC (22 tonnes), variability in the size and frequency of CDL 5 catches can occasionally result in catches exceeding the available ACE by considerable margins. As of March 2019, the available CDL 5 ACE for the 2018/19 fishing year was 351% caught, with greater than 90% of all landed fish caught during one fishing event (tow).

The annual deemed value rate of CDL 5 is currently set at \$0.52, with no differential schedule applied. Based on current levels of over-catch, the 2017/18 ratio of deemed value payments to quota value for CDL 5 will be approximately 63%, greatly exceeding the performance measure target of 0.1%.

Given the low quota value of the CDL 5 stock (2018/19 estimate of approximately \$46,000), Fisheries New Zealand proposes reducing the annual deemed value rate of CDL 5 so as to reduce the deemed value payments to quota value ratio during those years when catch exceeds the available ACE.

### Deemed value rates

Table 6: Current and proposed deemed value rates (\$/kg) for CDL 5

Stock	Option	Interim deemed value rate	Annual deemed value rate	Annual differential rate (\$/kg) for excess catch (% of ACE)
				>100%
CDL 5	Current	0.26	0.52	0.52
	Proposed	0.27	0.30	0.30

Fisheries New Zealand proposes adjusting the deemed value rates of CDL 5 to those shown in the shaded part of Table 6. The proposed adjustment would set the annual deemed value rate of CDL 5 at \$0.30, the same level as those of adjacent black cardinalfish stocks CDL 6 and CDL 7, (consistent with Principle 3 of the Guidelines). Fisheries New Zealand considers such an adjustment appropriate given that all three stocks have relatively low TACC settings to account for occasional, unintended bycatch and show strong similarities in both port and ACE price between stocks.

The proposed adjustment would set the interim deemed value rate at 90% of the annual rate (consistent with Principle 7 of the Guidelines).

### 3.3 Jack mackerel (JMA 7) – West Coast North Island

#### Fishery information

Greater than 95% of jack mackerel in JMA 7 are taken by very large (>80 m) vessels as part of a target trawl fishery. The remainder are taken as bycatch by the same very large vessels targeting other middle-depth species (e.g. barracouta), with negligible quantities caught in other fisheries.

The TACC of JMA 7 is set at 32,357 tonnes and has remained unchanged since the 1992/93 fishing year. Since 2001/02, landings of JMA 7 have generally remained within the available ACE. However, during the 2017/18 fishing year landings of JMA 7 exceeded the available ACE by 4% (over 1,200 tonnes). Over-catch during the 2017/18 fishing year was driven by one significant JMA 7 ACE holder<sup>7</sup> catching in excess of their ACE holdings by 15%.

#### Deemed value rates

Table 7: Current and proposed deemed value rates (\$/kg) for JMA 7

Stock	Option	Interim deemed value rate	Standard annual differential rates for excess catch (% of ACE)					
			Annual and 100-120%	120-140%	140-160%	160-180%	180-200%	>200%
JMA 7	Current	0.14	0.15	0.18	0.21	0.24	0.27	0.30
	Proposed	0.18	Special annual differential rates for excess catch (% of ACE)					
			Annual and 100-105%	105-120%		>120%		
			0.20	0.25		0.30		

The annual deemed value rate and differential schedule of JMA 7 have remained unchanged since 2001 (although the interim rate was increased to 90% of the annual rate from 1 October 2016 as a result of the catch exceeding available ACE during 2014/15). Given that the vast majority of jack mackerel in JMA 7 are targeted, information from the 2017/18 fishing year suggests that the current deemed value settings do not provide a sufficient incentive for all individuals to balance all catch with ACE.

To provide a stronger incentive for fishers to balance catch with available ACE, Fisheries New Zealand proposes adjusting the interim deemed value rate, the annual deemed value rate and the differential schedule of JMA 7 to that shown in the shaded portion of Table 7. The proposed adjustment would increase the current interim and annual rates, and the proportion of catch in excess of ACE that would trigger increased rates would reduce from 20% to 5%.

The proposal to increase interim and annual deemed value is consistent with Principle 1.

Although the proposed adjustment is a departure from the standard differential schedule recommended for all stocks, Principle 8 of the Guidelines does allow for alternative differential schedules to be applied for different fisheries on a case by case basis. Given the information discussed above, Fisheries New Zealand considers the proposed differential schedule appropriate in this case.

<sup>7</sup> The operator in question held approximately 25% of JMA 7 ACE at the end of the 2017/18 fishing year.

### 3.4 Kingfish (KIN 3) – South Island

#### Fishery information

Almost all commercially caught kingfish in KIN 3 are taken as unintended bycatch in the coastal set net fishery.

The deemed value rates of KIN3 are set considerably higher than the port price (\$3.62) so as to incentivise fishers to avoid catching kingfish and return all live kingfish to the sea under schedule 6 of the Act. However, not all kingfish incidentally taken by commercial fishers meet the conditions of schedule 6. In particular, kingfish caught by set net may not be returned, and such fish are required to be landed and balanced with available ACE.

The KIN 3 stock has a TACC set to account for occasional, unintended bycatch. Prior to an increase to the TACC from 1 tonne to 6 tonnes in 2018 to account for increased availability, catches of kingfish from KIN 3 consistently exceeded the available ACE by substantial margins.

Kingfish deemed values have generally been set high to some extent because of the shadow value<sup>8</sup> effect it has as a bycatch species for target fisheries such as jack mackerel. Such considerations do not necessarily extend to KIN 3, and this is reflected in a lower port price for KIN 3 than for other stocks of kingfish. Given the recent increase in TACC, there should be more ACE available and more flexibility for fishers to manage unintended catch. Therefore, deemed value rates based on maintaining consistency with the deemed values set for other stocks of kingfish may no longer be justified.

#### Deemed value rates

Table 8: Current and proposed deemed value rates (\$/kg) for KIN 3

Stock	Option	Interim deemed value rate	Annual differential rates for excess catch (% of ACE)					
			Annual and 100-120%	120-140%	140-160%	160-180%	180-200%	>200%
KIN 3	Current	8.00	8.90	10.68	12.46	14.24	16.02	17.80
	Proposed	4.00	<b>4.45</b>	<b>5.34</b>	<b>6.23</b>	<b>7.12</b>	<b>8.01</b>	<b>8.90</b>

The current annual deemed value rate is set far above the port price, and would continue to provide a strong incentive for fishers to avoid kingfish and where possible to return all live kingfish to the sea under the sixth schedule. The current deemed value rates are likely to result in substantial amounts of deemed value payments incurred by the KIN 3 fishery if over catch continues.

Fisheries New Zealand proposes decreasing both the interim and annual deemed value rates, and the rate at maximum excess of KIN 3 by 50%, and to retain the standard differential rates (Table 8).

The annual deemed value rate proposed would be set higher than the 2017/18 port price for KIN 3 of \$3.62. Adopting this option would therefore continue to provide a strong incentive for fishers to avoid kingfish and return live kingfish to the sea under schedule 6 of the Act.

As the proposal would reduce both the annual deemed value rate and the rate at maximum excess, this option would result in a larger decrease to the deemed value payments associated with KIN 3 if over catches continue, compared to the *status quo*.

<sup>8</sup> A bycatch species is said to have a 'shadow value' greater than the landed price when the continued catch of such species allows a greater catch of the target species within the overall fisheries complex.

### 3.5 Rubyfish (RBY 5 & RBY 6) – Southland and sub-Antarctic

#### Fishery information

Very small quantities of rubyfish in RBY 5 and RBY 6 are occasionally taken as bycatch by trawl vessels targeting middle-depth species such as hoki, hake or ling. Approximately five tonnes of RBY 5 have been landed (in total) since Oct 2001, with annual landings exceeding one tonne on only two occasions. Less than one tonne of RBY 6 have been landed since Oct 2001 (all years combined). Both RBY 5 and RBY 6 have a zero tonne TACC (and have had since introduction to the QMS). The stock status of rubyfish in RBY 5 and RBY 6 is unknown.

#### Deemed value rates

Table 9: Current and proposed deemed value rates (\$/kg) for RBY 5 & RBY 6

Stock	Option	Interim deemed value rate	Standard annual differential rates for excess catch (% of ACE)						
			Annual and 100-120%	120-140%	140-160%	160-180%	180-200%	>200%	
RBY 5 RBY 6	Current	0.25	0.28	0.34	0.39	0.45	0.50	0.56	
	Proposed	0.25	<b>&gt;100%</b>						
			0.28						

As no ACE is available for either stock with which to balance catch, the interim and annual deemed value rates and differential schedules of both RBY 5 and RBY 6 are ineffective, as any catch automatically results in deemed value invoices at the highest possible rate (\$0.56). Fisheries New Zealand proposes removing the differential schedule of both stocks entirely so that any catch incurs deemed value invoices at the current annual rate, \$0.28 (Table 9).

While Principle 8 of the Guidelines states that differential deemed value rates must generally be set, Fisheries New Zealand considers departing from this Principle appropriate in this case given that both RBY 5 and RBY 6 have zero tonne TACCs set.

While the interim deemed value rate of both stocks is also redundant, section 75 of the Act requires the Minister to set an interim deemed value rate that is less than the annual rate. Fisheries New Zealand therefore proposes to retain the current interim rate while recognising that such a rate has no effect.

### 3.6 Silver warehou (SWA 3 & 4) – east coast South Island, Chatham Rise and sub-Antarctic

#### Fishery information

Approximately one third of silver warehou in both SWA 3 and SWA 4 is taken as part of a target trawl fishery with the remainder taken as bycatch by predominantly large trawl vessels targeting squid, hoki or barracouta.

Due to some operators deliberately targeting silver warehou without sufficient ACE, between the 2001/02 and 2006/07 fishing years, landings from both SWA 3 and SWA 4 consistently exceeded the available ACE, often by considerable margins.<sup>9</sup> As a consequence, from 1 October 2007 the annual deemed value rates of both stocks were noticeably increased and a more stringent differential schedule applied.

<sup>9</sup> During the 2006/07 fishing year, catch of SWA 3 and SWA 4 exceeded the available ACE by 175% (2,539 t) and 145% (1,901 t) respectively.

Since 2007, catches of silver warehou in SWA 3 have generally remained within the available ACE, however landings exceeded the available ACE by between 1% and 14% during four of the previous six years. Catches of silver warehou in SWA 4 have remained within the available ACE for each year, except for 2017/18 when landings exceeded the available ACE by 7%. Fisheries New Zealand does not consider that such catches represent a return to operators deliberately targeting silver warehou without sufficient ACE.

The annual deemed value rates of both SWA 3 and SWA 4 are set above the current port price. Given the high annual deemed value rates, the 2017/18 ratio of deemed value payments to quota value for both stocks exceeds the performance measure target of 0.1% (0.24 and 0.91 for SWA 3 and SWA 4 respectively). Therefore, Fisheries New Zealand proposes to reduce the annual deemed value rate of both stocks so that the annual rate is set between the ACE price and the port price (consistent with Principle 1 of the Guidelines).

## Deemed value rates

Table 10: Current and proposed deemed value rates (\$/kg) for SWA 3

Stock	Option	Interim deemed value rate	Special annual differential rates (\$/kg) for excess catch (% of ACE)		
			Annual and 100-110%	110-130%	>130%
SWA 3	Current	1.57	1.74	\$2.00	\$3.00
	Proposed	0.63	0.70	\$1.00	\$2.00

Table 11: Current and proposed deemed value rates (\$/kg) for SWA 4

Stock	Option	Interim deemed value rate	Special annual differential rates (\$/kg) for excess catch (% of ACE)		
			Annual and 100-110%	110-130%	>130%
SWA 4	Current	0.50	1.22	1.74	\$3.00
	Proposed	0.63	0.70	\$1.00	\$2.00

Fisheries New Zealand proposes adjusting the deemed value rates of SWA 3 and SWA 4 to those shown in Table 10 and Table 11 respectively. The proposed adjustment would set the annual deemed rate for both stocks at the highest possible rate while ensuring consistency with Principle 1 of the Guideline.

Given the history of catch in excess of available ACE for both SWA 3 and SWA 4, Fisheries New Zealand considers it appropriate to maintain a stringent differential schedule for both stocks. However, the rate at each step on the schedule would be adjusted accordingly.

As both stocks are contiguous and have relatively similar port prices (+/- 10% for each of the last five years), the proposed deemed value rates for both stocks are identical (consistent with Principle 3 of the Guidelines).

## 5 Conclusion

The Guidelines have been used to identify eight stocks for review of deemed value rates. Proposals for adjustments have been developed based on statutory requirements, the Guidelines and other key information.

Fisheries New Zealand is seeking information and views from tangata whenua and stakeholders to support the development of final advice to the Minister on the setting of revised deemed value rates for the fishing year commencing 1 October 2019.

It is important to note that the Minister has broad discretion in exercising his powers of decision-making. He will make his own independent assessment of the information presented to him before making final decisions on deemed value rates.

## **6 Questions for submitters on options for varying TACs, TACCs and allowances**

- Do you support the proposed deemed value adjustments? Why?
- If you do not support the proposed options, what alternative(s) should be considered? Why?

## **7 How to get more information and have your say**

Fisheries New Zealand invites you to make a submission on the proposals set out in this discussion document. We must receive your submission by 5pm on 26 July 2019. Please see the Fisheries New Zealand sustainability consultation webpage (<https://www.fisheries.govt.nz/news-and-resources/consultations/review-of-sustainability-measures-for-1-october-2019>) for related information, a helpful submissions template, and information on how to submit your feedback. If you cannot access the webpage or require hard copies of documents or any other information, please email [FMSubmissions@mpi.govt.nz](mailto:FMSubmissions@mpi.govt.nz).