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24 February 2020

## **Submission: Consultation on whether to enable Annual Catch Entitlement carry forward for rock lobster**

### **Recommendations**

1. **That the Minister is informed** that the TACC is already over 94% caught in CRA 1, 5, 7, and 9.
2. **That the Minister does not allow carry over** in CRA 1, 2, 3, 4, 7, and 8 because of sustainability concerns and or pending increases in TACC for 2020-21.
3. **That the Minister rejects changing the Fisheries Act 1996** to allow a one off ACE carry forward of more than 10% as proposed in option C.
4. **The Minister is advised** that the case for allowing 10% carry over for the short-term benefit in CRA 5, 6, and 9 (option B) is not sufficient to warrant permanently removing the no-carry forward provisions in Schedule 5A of the Fisheries Act 1996.

### **The submitters**

5. The New Zealand Sport Fishing Council (NZSFC) appreciates the opportunity to submit on the MPI Discussion Paper 2020/02, on whether to enable Annual Catch Entitlement carry forward for rock lobster. Advice was received on 14 February 2020 with submissions due by midday 24 February, 2020.
6. The New Zealand Sport Fishing Council is a recognised national sports organisation with over 36,200 affiliated members from 55 clubs nationwide. The Council has initiated LegaSea to generate widespread awareness and support for the need to restore abundance in our inshore marine environment. Also, to broaden NZSFC involvement in marine management advocacy, research, education and alignment on behalf of our

members and LegaSea supporters. [www.legasea.co.nz](http://www.legasea.co.nz).

7. The New Zealand Angling and Casting Association (NZACA) is the representative body for its 35 member clubs throughout the country. The Association promotes recreational fishing and the camaraderie of enjoying the activity with fellow fishers. The NZACA is committed to protecting fish stocks and representing its members' right to fish.
8. Together we are '*the submitters*'. The submitters are committed to ensuring that sustainability measures and environmental management controls are designed and implemented to achieve the Purpose and Principles of the Fisheries Act 1996, including "maintaining the potential of fisheries resources to meet the reasonably foreseeable needs of future generations..." [s8(2)(a) Fisheries Act 1996].
9. The submitters note the short timeframe of about 6 working days for this process. We have done our best to engage with local recreational interests, affected clubs and other representatives organisations including the New Zealand Underwater Association and Spearfishing New Zealand and recognise that commercial ACE holders and fishers need a decision as soon as possible.
10. Our representatives are available to discuss this submission in more detail if required. We look forward to positive outcomes from this review and would like to be kept informed of future developments. Our contact is Helen Pastor, [secretary@nzsportfishing.org.nz](mailto:secretary@nzsportfishing.org.nz).
11. New Zealand Sport Fishing Council has engaged in issues related to rock lobster management for over 10 years. Our members became particularly concerned about the overfished state of CRA 2 and the failure of the management system to reduce catch. This stock is hopefully in a rebuilding phase but will take years recover.

## **Submission**

12. The submitters acknowledge the disruption to rock lobster exports to main Chinese markets at this time of year is difficult for Annual Catch Entitlement (ACE) holders to manage and will result in some financial losses. The government has a role in trying to mitigate the impact on exporters of all seafood, agriculture and forestry products.
13. Trading rock lobster to China is a deliberate strategy to supply a single product into a single market, and this carries high rewards for high risk. China has managed to price most other markets out of rock lobster even though there is a steady demand for the product.
14. The Total Allowable Commercial Catch (TACC) shareholders have enjoyed a period of extraordinary rents from selling ACE and this has driven the price per share to treble over little more than a decade, all on the back of speculation that prices out of China would continue to rise.
15. Prices have dropped significantly in China but there remains a market demand at the lower prices that could take most of NZ production. Now these shareholders face a collapse in rent and strong downward pressure on the price of shares and they are

looking for an escape route. They now speculate that prices will return to historic levels by next year and demand will return – it is still speculation.

16. The problem is entirely a consequence of indulging in a single market - a choice willingly made by the industry as it hunts down top returns. The risks associated with such a strategy are well known and the possibility of a sudden loss of access, for whatever reason, are also well known. The industry can either sell their catch at whatever the market will bear, as its always has, or if it cannot do so profitably leave the fish in the water. There would be environmental benefits for doing so. What's more, there are many Kiwi families that would enjoy a special treat too if they could access crayfish in the water or at a more reasonable retail price.
17. The submitters do not agree that there are no sustainability concerns associated with allowing the carry forward of rock lobster ACE -
  - a. There will be no carry forward in CRA 1 and CRA 3 which must have a TACC reduction in 2020-21. Our [submission](#) on the 2020 rock lobster sustainability round highlights the low stock levels with further declines projected by the revised stock assessments. We also highlighted the poor process to change the rebuild targets at the last minute to reduce the size of TACC reductions required. We note FNZ state they are “not consulting on enabling changes to rules preventing carry forward for stocks with TACC reduced from the previous year (Section 67A(3)(b)).”
  - b. The Minister is considering significant increases in the TACC in CRA 4, CRA 7, and CRA 8, a combined increase of 148 t. The submitters do not support carry forward in these areas on top of TACC increases as they will risk local deletion, ecological disruption and reduce stock abundance. There are sustainability concerns in CRA 4 as five-year-old stock assessment model and Management Procedure is unreliable and overly optimistic, as it does not allow for both efficiency gains over the last 30 years or changes in catchability. There are sustainability concerns in CRA 7 as the CPUE collected using the new electronic monitoring system is out of step with the previous catch rates and is also an unreliable basis for increasing the TACC.
  - c. The CRA 2 stock is still recovering and any reduction in catch will only aid the rebuild from the levels assessed in 2017 to be 18% of the unfished spawning stock biomass and just 5% of the unfished vulnerable biomass. The submitters do not support carry forward of ACE in this severely depleted fishery.
18. The submitters do not support changes to the Fisheries Act 1996 to allow a one-off ACE carry forward of more than 10% as proposed in option C.
19. Of the rock lobster stocks not reviewed this year much of the ACE has already been caught (Fishserve data 20/02/2020) –
  - a. CRA 5 is 95% caught;
  - b. CRA 6 is 82% caught; and
  - c. Just 3.6 t of ACE is uncaught in CRA 9 (94% caught).
20. The submitters –
  - a. Do not support ACE carry forward in CRA 1, 2, 3, 4, 7, and 8 in 2020; and

- b. Are concerned that the case for allowing 10% carry over for the short-term benefit in CRA 5, 6, and 9 (option B) is not sufficient to warrant permanently removing the no-carry forward provisions in Schedule 5A of the Fisheries Act 1996.
21. The discussion document does not state the rationale for the current regulations that do not allow carry forward of ACE in rock lobster fisheries. As a high value targeted fishery rock lobster potting is different to the mixed species finfish fisheries where catch composition can vary from year to year and having a package of ACE that matches catch at the end of the year can be difficult. If CRA catch is poor in one year then under the current system the annual catch cannot exceed the TACC the following year, which can help ensure sustainability. Also, ACE prices may increase toward the end of the fishing year if traders can carry over ACE if they don't get their asking price.
  22. As a general rule there is no need for a carry forward provision for CRA as each TACC is fully caught. Providing for carry forward of ACE risks masking a drop in abundance that would otherwise leave a TACC uncaught, and also interfere with the CPUE index that is driving Management Procedures. The underlying risk to sustainability by permitting carry forward of ACE is enough to prevent it occurring. The disruption to the Chinese market from COVID-19 does not override the sustainability risks, and the disruption to the economics of the rock lobster industry is likely to be long term and be impervious to any short-term reduction in supply.
  23. Moreover, the economic squeeze that rock lobster TACC shareholders now find themselves in runs far deeper than the current market disruption in China. The source of the economic distress is the speculation that has been occurring in shares as the Chinese market steadily increases its buying price. This trend has drawn capital as it looks to the future to cash in on capital gains as the price continues to rise.
  24. It is another perverse incentive of the QMS that risks to a fishing business are not only limited to supply and demand of the seafood products, but now risks to the balance sheet from share purchases and long term ACE deals are becoming apparent. High share prices have created an asset bubble from believing the market would never fail - investment returns from selling ACE being dwarfed by the rising share price.
  25. Declines in share prices are common, and large declines probable when prices attract investment based on future prices increases that may never occur. The typical asset boom and bust.
  26. There is simply no rationale for the government to come to the aid of those caught in a bubble - the economic consequences are well known and accepted, and the losses lie with the speculator.