



Fisheries New Zealand

Tini a Tangaroa

Review of Deemed Value Rates for Selected Stocks for 2021/22

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1 Executive Summary

- Deemed values are the charges that commercial fishers must pay for every unprocessed kilogram of fish¹ landed in excess of their Annual Catch Entitlement (ACE) holdings (\$/kg). Deemed values rates are set by the Minister, by Gazette Notice, under section 75 of the Fisheries Act 1996 (the Act). By providing incentives for commercial catch to not exceed the available ACE, deemed values are a key component of the catch balancing regime.
- As commercial catch of many fish stocks can be hard to accurately predict, the deemed values regime must be sufficiently flexible to provide fishers with a mechanism to deal with unintended and accidental catch in excess of ACE, whilst providing incentives and constraint to limit over-catch.
- Deemed value rates are grouped into three types:
 - Interim rates:** the rate charged during the year, which is remitted if ACE is obtained;
 - Annual rates:** the base rate charged at the end of the fishing year for catch in excess of ACE; and
 - Differential rates:** increased annual rates for higher levels of excess catch (also known as ramping).
- The setting of deemed value rates and differential schedules is guided by the Deemed Value Guidelines.² 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.
- Six stocks have been identified for deemed value rate review for the fishing year starting 1 October 2021 (Table 1).

Table 1: Current and proposed deemed value rates (\$/kg) for selected stocks from 1 October 2021.

Species	Stock	Current				Proposed			
		Interim \$/kg	Annual \$/kg	Annual at maximum excess \$/kg	Differential	Interim \$/kg	Annual \$/kg	Annual at maximum excess \$/kg	Differential
Alfonsino	BYX 2	1.98	2.20	4.40	Special	2.16	2.40	4.80	Special
Blue cod	BCO 7	1.21	1.34	2.68	Standard	4.05	4.50	8.25	Special
Bluenose	BNS 2	3.60	4.00	11.00	Special	4.05	4.50	11.50	Special
Gemfish	SKI 1	1.58	1.75	3.50	Standard	1.35	1.50	3.00	Standard
Gemfish	SKI 2	1.35	1.50	3.00	Standard	0.90	1.00	2.70	Special
Kingfish	KIN 8	8.00	8.90	17.80	Special	4.00	4.45	8.90	Standard

- The six stocks listed in Table 1 are not subject to catch limit reviews in the current October sustainability round. There are 15 other stocks in this sustainability round for which catch limits are being reviewed, and the consultation documents for those stocks also incorporate a review of the respective stock's deemed value rates. Please refer to those papers if you are interested in commenting on the deemed value rates for those stocks.³
- Fisheries New Zealand seeks the views of tangata whenua and stakeholders on the proposed deemed value rate adjustments as outlined in Table 1.

¹ Fish being those managed under the Quota Management System.

² <https://www.mpi.govt.nz/dmsdocument/40250-deemed-value-guidelines>

³ October 2021 sustainability round documents are available at <https://www.mpi.govt.nz/consultations/review-of-sustainability-measures-2021-october-round>

2 Deemed values regime

2.1 Deemed value framework

8. New Zealand's Quota Management System (QMS) 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.
9. On the first day of the fishing year all quota owners are provided with 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.
10. Deemed values are charges that commercial fishers must pay for every unprocessed kilogram of QMS fish landed in excess of their ACE holdings (\$/kg).
11. The purpose of the deemed values regime is to provide incentives for individual fishers to acquire or maintain sufficient ACE to cover catch taken over the course of the year while allowing flexibility in the timing of balancing, promoting efficiency, and encouraging accurate catch reporting. By achieving this purpose, deemed values act to protect the long-term value of stocks and support kaitiakitanga by providing incentives for the overall commercial catch for each QMS stock to remain within the total available ACE.
12. However, the effectiveness of the incentives provided by the deemed values regime are dependent on individual fishers' compliance with landing and reporting requirements, their responses to the incentives provided and the impact of other incentives (e.g. those created by market conditions).

2.2 Legal basis

13. The Fisheries Act 1996 provides the legal basis for managing fisheries in New Zealand, including the Minister's responsibilities for setting and varying sustainability measures. See the separate document *Overview of legislative requirements and other considerations* at <https://www.mpi.govt.nz/dmsdocument/45235> for more information.
14. 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.
15. 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; and
 - any other matters that the Minister considers relevant.

2.3 Types of deemed value rate

16. The deemed values regime does not create a standard deemed value rate, but a set of rates that apply under different circumstances:
 - **Interim deemed value rates** are charged each month for every kilogram of unprocessed fish landed in excess of ACE. If the fisher subsequently sources ACE to cover his or her catch, the interim deemed value payments are remitted. Operational policy requires that interim deemed value rates are set at 90% of the annual rate.

- **Annual deemed value rates** are charged at the end of the fishing year on all catch in excess of ACE. If the fisher has not sourced 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.
- **Differential deemed value rates** are the progressively increased deemed value rates that apply to some stocks as the percentage by which a fisher's catch exceeds their available ACE increases. The standard approach is to increase the annual rate in 20% increments, up to a maximum of double the basic annual deemed value rate.⁴ However, more or less stringent schedules may be applied depending on the specific circumstances of the stock.⁵ Differential rates provide fishers with a stronger incentive to remain within their ACE and reflect the increasingly detrimental impact of higher levels of over-catch on sustainability and the long-term value of the resource.

2.4 Review of the deemed values regime

17. A multi-stakeholder review of the operation of the deemed values regime was conducted during 2019. The outcome of the review was a series of recommendations on how the operation of the deemed values regime could be improved. These recommendations were subsequently accepted by Fisheries New Zealand and have been used to develop options for deemed value rate review within this paper.⁶

2.5 Deemed Value Guidelines

18. The Deemed Value Guidelines (2020) are the operational policy statement used to guide the development of advice on the setting of deemed value rates. The 2020 version of the Guidelines was developed as part of the deemed values review and supersedes the previous (2012) version.
19. In summary, the Guidelines provide six statements used to inform the setting of deemed value rates:
 1. Deemed value rates should incentivise fishers to balance catch against ACE
 2. Deemed value rates should incentive accurate catch reporting;
 3. Differential deemed values may be set;
 4. Other relevant matters may be considered when setting deemed value rates;
 5. The interim deemed value rates of all stocks should be set at 90% of the annual rate; and
 6. The deemed value rates for Chatham Island landings may be lower.
20. The Guidelines are not intended to be overly prescriptive and should provide for flexibility in the deemed value settings of individual stocks to meet the sustainability and utilisation objectives of the Act. As such, the deemed value rates of some stocks may depart from the Guidelines, if appropriate.

3 Identifying stocks for deemed value rate review

21. The stocks identified for deemed value rate review were primarily informed through the Catch Balancing Review Process ([Appendix 1](#)). The purpose of the Catch Balancing Review Process is to identify those stocks where catch balancing issues are of concern and provide options for management responses based on the potential causes of the over catch/economic changes in the fishery and stock specific considerations. The Catch Balancing Review Process was developed during the 2019 review of the deemed values regime.

⁴ The term 'basic annual deemed value rate' refers to the lowest annual deemed value rate i.e. before differential annual deemed values apply

⁵ For vulnerable or rebuilding stocks, or those taken with a high degree of selectivity, a more stringent differential schedule may be appropriate. Likewise, less stringent differential schedules may be more appropriate for low value, low TACC stocks where targeted fishing does not occur.

⁶ The final report of the deemed values working group is available online vis this link: <https://www.mpi.govt.nz/dmsdocument/40253-deemed-values-working-group-final-report>

22. The Commercial Catch Balancing Forum, comprising industry representatives, Te Ohu Kaimoana and Fisheries New Zealand officials meets annually as part of the Review Process. The purpose of the Forum is to discuss stocks where catch balancing issues are of concern and provide information and input into decision-making on what the appropriate management response may be.
23. The stocks prioritised for deemed value rate review are provided in Table 2.

Table 2: Rationale for stocks prioritised for review.

Species	Stock	Rationale for review
Alfonsino	BYX 2	<ul style="list-style-type: none"> - Landed price for this stock has increased by around 25% in the last year. - Catch regularly exceeds available ACE.
Blue cod	BCO 7	<ul style="list-style-type: none"> - Current deemed value rates much lower than neighbouring BCO 3 stock, and well under the landed price.
Bluenose	BNS 2	<ul style="list-style-type: none"> - Landed price for this stock has increased by over 15% in the last year. - Catch regularly exceeds available ACE. - Fishery rebuilding, ongoing need to ensure appropriate incentives for fishers to remain within ACE holdings.
Gemfish	SKI 1	<ul style="list-style-type: none"> - Basic annual rate increased by \$0.25/kg from 1 October 2020 based on an increase in landed price for 2020/21. - Landed price for 2021/22 has subsequently decreased back to the 2019/20 value.
Gemfish	SKI 2	<ul style="list-style-type: none"> - Decision to increase SKI 2 TACC from 1 Oct 2020 not given effect due to court injunction regarding '28N' rights. - No sustainability risk to stock if fishers catch up the level of where the TACC would be if court action had not been taken.
Kingfish	KIN 8	<ul style="list-style-type: none"> - Deemed values rates are double the rates of the adjoining KIN 7 stock. - Landed price for this stock has almost halved in the last year.

24. The review of the management settings for the other 15 stocks in the October 2021 sustainability round also provides the opportunity for a review of the deemed value rates applicable to these stocks. For more information please see the appropriate consultation papers available on the [Fisheries New Zealand sustainability consultation webpage](#).

4 Input and participation of tangata whenua

25. Input and participation into the sustainability decision-making process is provided through Iwi Fisheries Forums, which have been established for that purpose. Each Iwi Fisheries Forum has developed an Iwi Fisheries Forum Plan that describes how the iwi in the Forum exercise kaitiakitanga over the fisheries of importance to them, and their objectives for the management of these fisheries. Particular regard will be given to kaitiakitanga when making sustainability decisions.
26. Iwi Fisheries Forums may also be used as entities to consult iwi with an interest in fisheries.
27. Information on the stocks Fisheries New Zealand had initially identified for deemed value rate review was made available for Iwi Fisheries Forum hui held after 10 May. No specific feedback has been received to date.
28. Any input subsequently received will be included in the final advice and recommendations provided to the Minister.
29. Representatives of Te Ohu Kaimoana attended the Commercial Catch Balancing Forum meeting held in November 2020. At this meeting, the deemed value rates of the six stocks were discussed, and opportunity was provided for the discussion of the deemed value rates for other stocks.

5 Proposed Options

30. Table 3 sets out the key information that informed the development of proposals for the prioritised stocks. Relevant fishery information is also discussed alongside the options presented below.

Table 3: Information to support review of deemed value rates for stocks that meet the criteria.

Stock	2019/20 TACC (t)	% ACE caught 2019/20 ⁷	Average ACE price \$/kg ⁸	Interim DV \$/kg	Annual DV \$/kg	2021/22 Port Price \$/kg
BCO 7	70	74%	0.90	1.21	1.34	7.64
BNS 2	93	112%	3.81	3.60	4.00	3.13
BYX 2	1,574.8	102%	1.44	1.98	2.20	2.50
KIN 8	45 ⁹	256%	9.65	8.00	8.90	2.25
SKI 1	210 ¹⁰	187%	1.11	1.58	1.75	1.95
SKI 2	240 ¹¹	115%	1.01	1.35	1.50	2.18

31. Maps showing the Quota Management Areas of the six stocks are shown in [Appendix 2](#).

5.1 Alfonsino (BYX 2) – east coast North Island

Fishery information

32. Most alfonsino (*Beryx splendens* and *B. decadactylus*) in BYX 2 is taken through targeted midwater trawling. Smaller quantities are also taken as non-target catch by trawl vessels targeting species such as hoki, or bottom longline vessels targeting bluenose.
33. The TACC for BYX 2 has remained unchanged at 1,574.8 tonnes since 1996/97. Catch has exceeded available ACE in seven of the last 10 completed fishing years; in the three remaining years catch was between 95% and 99% of available ACE (refer Figure 1).

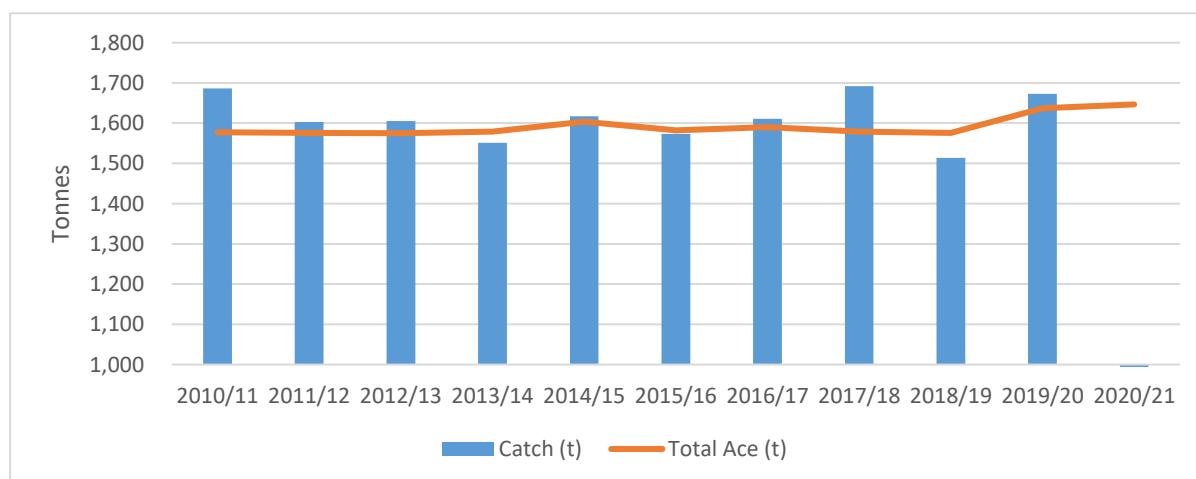


Figure 1: Catch vs available ACE for BYX 2 from 2010/11.

⁷ 2019/20 landings are compared to available ACE, rather than the TACC. Available ACE exceeds the TACC for most stocks as the Fisheries Act 1996 provides for up to 10% of ACE to be carried forward to the next fishing year.

⁸ Average price paid per kg of ACE transferred (exc. GST) during the 2019/20 fishing year (as reported by FishServe). Excludes transfers considered unrepresentative of true ACE price.

⁹ The TACC for 2020/21 was increased to 80 tonnes

¹⁰ The TACC for 2020/21 was increased to 252 tonnes

¹¹ The decision to increase the TACC for 2020/21 to 288 tonnes has not been implemented due to court action

Deemed value rates

34. The landed price of alfonsino in BYX 2 has increased in the last year. The port price increased from \$2.03/kg for the 2020/21 year to \$2.50 for 2021/22.¹² The deemed value rates for BYX 2 were last reviewed in 2012, when the basic annual rate was increased from \$2.00/kg to \$2.20/kg, and a stock-specific differential starting at 10% of catch in excess of ACE was introduced.
35. To reflect the increase in the landed price of alfonsino in BYX 2, Fisheries New Zealand proposes that the deemed value rates for this stock be increased as shown in Table 4.

Table 4: Current and proposed deemed value rates (\$/kg) for BYX 2.

Stock	Option	Interim	Annual 100-110%	Differential rates (\$/kg) for excess catch (% of ACE)				
				110-130%	130-150%	150-170%	170-190%	>190%
BYX 2	Current	1.98	2.20	2.64	3.08	3.52	3.96	4.40
	Proposed	2.16	2.40	2.88	3.36	3.84	4.32	4.80

36. The proposed change would increase the basic annual deemed value rate for BYX 2 by \$0.20/kg. The differential schedule would remain; however, the rates would increase to reflect the increase in the basic annual rate.

5.2 Blue cod / rawaru (BCO 7) – West Coast and top of the South Island

Fishery information

37. Blue cod (*Parapercis colias*) in BCO 7 is primarily taken through targeted potting or handlining in the Marlborough Sounds, and Tasman and Golden Bays, with smaller quantities taken as non-target catch in a variety of fisheries.
38. The TACC for BCO 7 has remained unchanged at 70 tonnes since the 1995/96 fishing year. Catch has not exceeded available ACE in any of the last 10 completed fishing years and has ranged between 51 and 71 tonnes during that period.

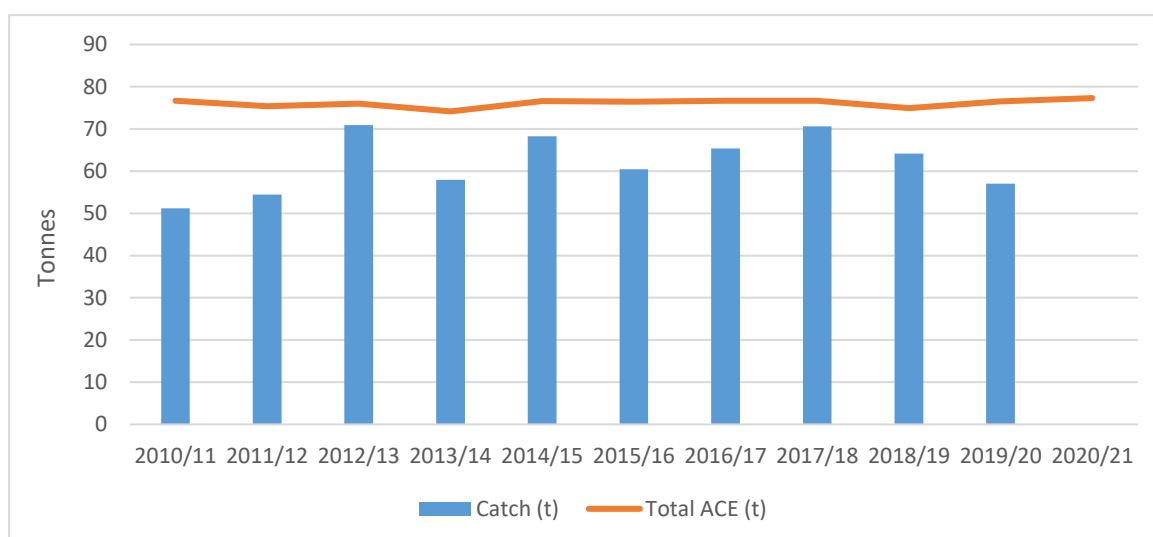


Figure 2: Catch vs available ACE for BCO 7 from 2010/11.

Deemed value rates

39. Deemed value rates for BCO 7 have remained unchanged since the 2003/04 fishing year. The basic annual rate (\$1.34/kg) is considerably less than the rate that applied to the neighbouring

¹² Each year, MPI surveys all licensed fish receivers to calculate the port price index. Port price represents the average price paid during a period using the greenweight price per kg paid at the dockside, or an LFR's best estimate of the price that would have been paid in the event of an arm's length transaction.

BCO 3 stock during the 2020/21 fishing year (\$3.75/kg) and is also well below the 2021/22 BCO 7 port price of \$7.64.

40. To ensure the appropriate incentives exist for fishers to keep catch within available ACE, Fisheries New Zealand proposes the deemed value rates for BCO 7 be increased to be the same as those that apply in BCO 3. In the corresponding BCO 3 sustainability round paper, Fisheries New Zealand is proposing that the deemed value rates for BCO 3 be increased.¹³ Fisheries New Zealand is proposing that the deemed value rates for BCO 7 are set at the same rates as those proposed for BCO 3. The proposed rates are shown in Table 5.

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

Stock	Option	Interim	Annual 100-120%	Differential rates (\$/kg) for excess catch (% of ACE)				
				120-140%	140-160%	160-180%	180-200%	>200%
BCO 7	Current	1.21	1.34	1.61	1.88	2.14	2.41	2.68
	Proposed		Annual 100-110%	110-120%	120-130%	130-140%	140-150%	>150%
		3.38	4.50	5.25	6.00	6.75	7.50	8.25

41. The proposed change would result in similar deemed value rates applying across all the larger blue cod stocks (BCO 3, BCO 4, BCO 5, and BCO 7).

5.3 Bluenose / matiri (BNS 2) – East Coast North Island

Fishery information

42. Although the majority of bluenose in BNS 2 has historically been taken through targeted bottom longline fishing, a greater proportion (approx. 30%) has been taken as bycatch in the alfonsino trawl fishery in the last 2-3 years. The amount of longline effort targeting BNS 2 has decreased and a greater than 50% increase in the amount of effort targeting alfonsino in BYX 2 has been recorded.
43. Smaller quantities of bluenose in BNS 2 are taken as bycatch in other bottom longline or trawl fisheries.
44. In response to concerns about the status of bluenose stocks nationwide, the TACCs of all bluenose stocks were progressively reduced between 2008/09 and 2017/18. The current TACC for BNS 2 is 247 tonnes. Since 2017/18, catch of BNS 2 exceeded available ACE during each of the three completed fishing years (refer Figure 3). The percentage of ACE caught was 108% in 2017/18, 119% in 2018/19, and 117% in 2019/20.

¹³ The BCO 3 sustainability round document is available at <https://www.mpi.govt.nz/consultations/review-of-sustainability-measures-2021-october-round>

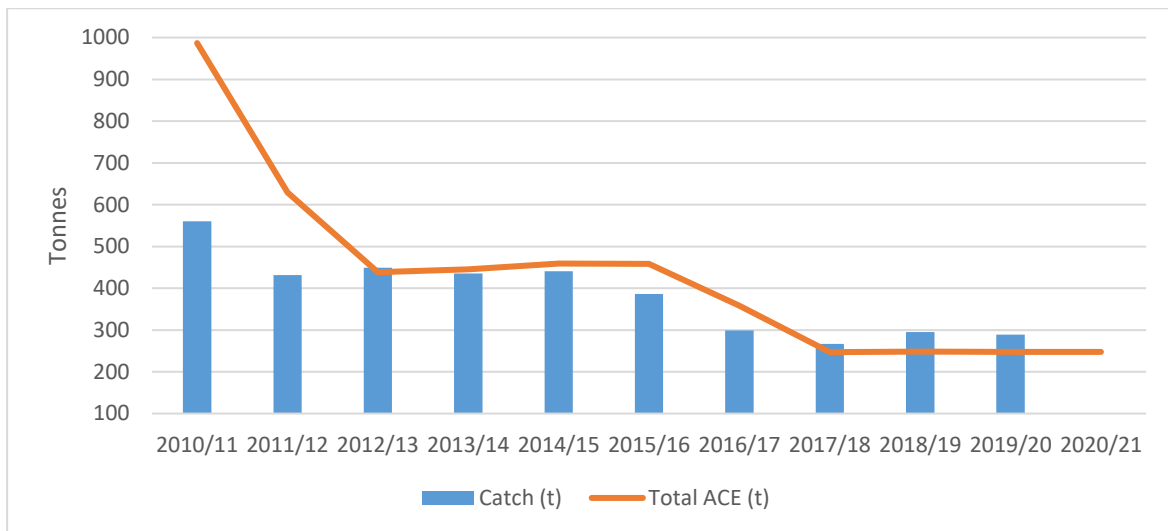


Figure 3: Catch vs available ACE for BNS 2 from 2010/11.

Deemed value rates

45. A stringent differential schedule currently applies to BNS 2, with the maximum rate of \$11.00/kg (incurred when catch exceeds 160% ACE holdings) nearly three times the basic annual rate of \$4.00.
46. The landed price of BNS 2 has increased from \$5.21 for the 2020/21 year to \$6.11 for the 2021/22 year. On this basis, Fisheries New Zealand proposes that the basic annual deemed value rate be increased from \$4.00/kg to \$4.50/kg. The existing differential schedule will be retained, although the rates themselves will increase to reflect the increase in the basic annual deemed value rate (Table 6).

Table 6: Current and proposed deemed value rates (\$/kg) for BNS 2.

Stock	Option	Interim	Annual 100-105%	Differential rates (\$/kg) for excess catch (% of ACE)						
				105-110%	110-120%	120-130%	130-140%	140-150%	150-160%	>160%
BNS 2	Current	3.60	4.00	5.00	6.00	7.00	8.00	9.00	10.00	11.00
	Proposed	4.05	4.50	5.50	6.50	7.50	8.50	9.50	10.50	11.50

5.4 Gemfish / maka-tikati (SKI 1) – Northern East and West Coasts North Island

Fishery information

47. In SKI 1, gemfish is largely taken as non-target catch by trawl vessels targeting a variety of inshore and middle depth species. There is also a small target fishery.
48. The biomass of all gemfish stocks, including SKI 1, has increased considerably over recent years, which has resulted in increased catch. This has led to landings exceeding available ACE every year since 2016/17. Consequently, this created deemed value obligations for fishers, with invoices for the 2019/20 fishing year close to \$400,000. To reflect the increase in abundance, the Minister decided to increase the TACC of SKI 1 from 210 tonnes to 252 tonnes as part of the October 2020 sustainability round (refer Figure 4).

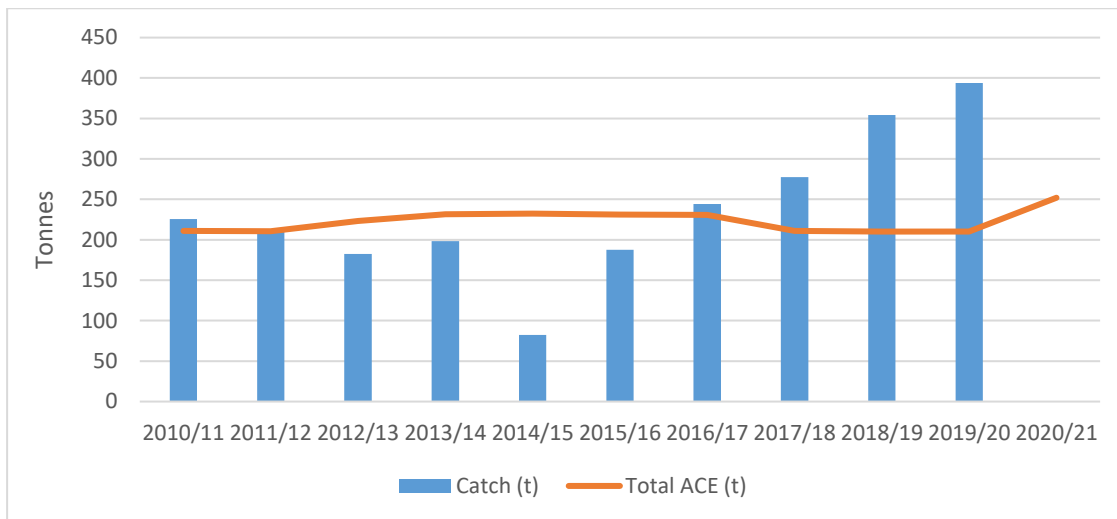


Figure 4: Catch vs available ACE for SKI 1 from 2010/11.

Deemed value rates

49. As part of the Minister's decisions on SKI 1 during the October 2020 sustainability round, the Minister decided to increase deemed value rates; the basic annual deemed value rate increased from \$1.50/kg to \$1.75/kg. Rationale for the increase was to increase incentives to avoid fishing in areas and at times where significant gemfish catch was likely. Additionally, the 2020/21 port price for SKI 1 increased from \$1.98 to \$2.68.
50. The 2021/22 port price for SKI 1 has decreased to \$1.95, which is very close to the 2019/20 value of \$1.98. The biomass of gemfish in SKI 1 appears to be continuing to increase, with good recruitment into the fishery expected in coming years.
51. On this basis, together with the reduction in port price, Fisheries New Zealand proposes that the deemed value rates for SKI 1 be reduced to the rates that applied during the 2019/20 fishing year. The proposed rates are shown in Table 7 below.

Table 7: Current and proposed deemed value rates (\$/kg) for SKI 1.

Stock	Option	Interim	Annual 100-120%	Differential rates (\$/kg) for excess catch (% of ACE)				
				120-140%	140-160%	160-180%	180-200%	>200%
SKI 1	Current	1.58	1.75	2.10	2.45	2.80	3.15	3.50
	Proposed	1.35	1.50	1.80	2.10	2.40	3.15	3.50

5.5 Gemfish / maka-tikati (SKI 2) – East Coast North Island

Fishery information

52. In SKI 2, gemfish is taken as both target and non-target catch by trawl vessels targeting a variety of inshore and middle depth species.
53. The biomass of all gemfish stocks, including SKI 2, has increased over recent years, which has resulted in increased catch. This has led to landings exceeding available ACE every year since 2017/18 (refer Figure 5 below). Consequently, this has created deemed value obligations for fishers, with invoices for the 2018/19 fishing year exceeding \$200,000.
54. To reflect the increase in abundance, the Minister decided to increase the TACC of SKI 2 from 240 tonnes to 288 tonnes as part of the October 2020 sustainability round. However, due to the association of preferential allocation ('28N') rights with this stock, the Minister's decision was subject to court proceedings and frozen by court order. As this issue has yet to be resolved, the TACC of SKI 2 remains at 240 tonnes.

55. SKI 2 is unique in that there are known to be no sustainability risks associated with catching in excess of the available ACE (providing that total catch does not exceed 288 tonnes, which equates to 20% in excess of the 240 tonne TACC).

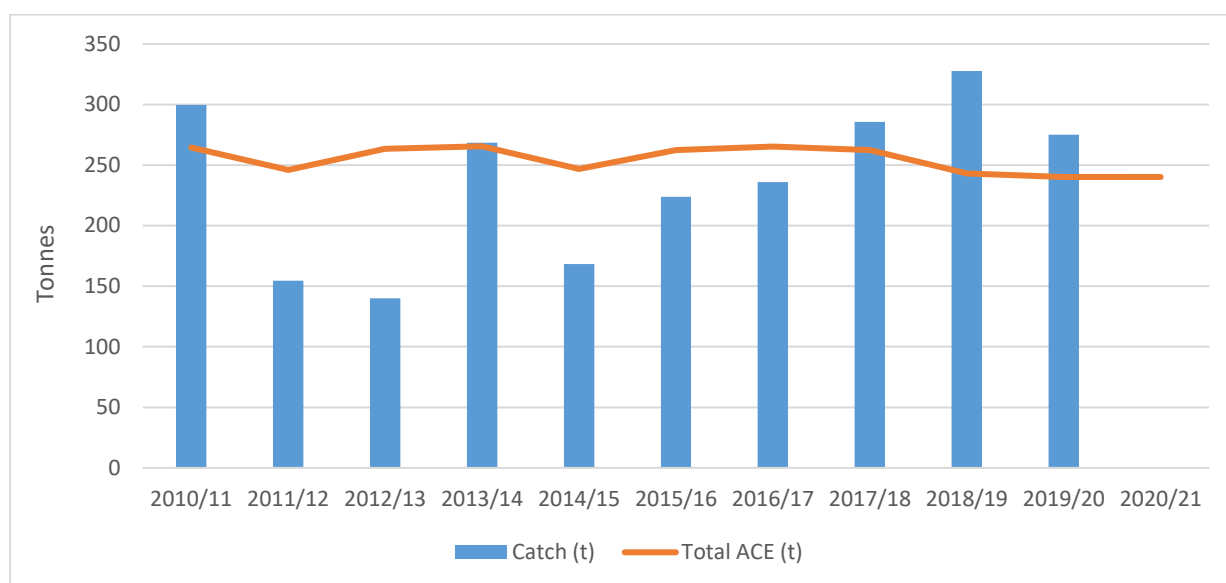


Figure 5: Catch vs available ACE for SKI 2 from 2010/11.

Deemed value rates

56. A similar scenario occurred with the SKI 7 stock during 2020. Based on an increase in the abundance of that stock, the Minister agreed to double the TACC as part of decisions made during the October 2019 sustainability round. However, that decision was also frozen by court order due to preferential allocation rights associated with that stock.
57. In recognition of the increased abundance, and delays with implementing the Minister's decision to increase the TACC, Fisheries New Zealand recommended the Minister reduce deemed value rates for that stock to provide some relief to fishers. The approach taken was to set the basic annual deemed value rate at the average ACE price during the preceding year, and for differential rates to commence at what fishers' collective ACE holdings would have been if the TACC decision had been given effect.
58. Fisheries New Zealand proposes that the deemed value rates for SKI 2 be reduced for 2021/22, utilising the same approach that was taken for SKI 7 in 2020.
59. Based on data collated by FishServe, the average ACE price for the 2019/20 fishing year was \$1.00/kg. The average annual ACE price for this stock has remained relatively stable at around \$1.00/kg throughout the last decade. It has not changed significantly since 2017/18, when the current period of increased abundance started to become apparent.
60. As noted above, the frozen TACC increase would have represented a 20% increase from the existing TACC. Rather than retain the standard schedule of differential rates, Fisheries New Zealand proposes to create a stock-specific schedule, with differential rates commencing at \$1.50/kg for catch between 120-140% of ACE holdings. This represents the point at which the current annual rate would apply if court action had not prevented the TACC increase from being implemented.
61. Using this information, the proposed deemed value rates for SKI 2 are shown in Table 8.

Table 8: Current and proposed deemed value rates (\$/kg) for SKI 2.

Stock	Option	Interim	Annual 100-120%	Differential rates (\$/kg) for excess catch (% of ACE)				
				120-140%	140-160%	160-180%	180-200%	>200%
SKI 2	Current	1.35	1.50	1.80	2.10	2.40	2.70	3.00
	Proposed	0.90	1.00	1.50	1.80	2.10	2.40	2.70

62. The proposal would result in a \$0.50/kg reduction to the current basic annual rate of \$1.50/kg and a reduction in the maximum annual differential rate from \$3.00/kg to \$2.70/kg.

5.6 Kingfish / haku (KIN 8) – West Coast North Island

Fishery information

63. Kingfish in KIN 8 are principally taken as non-target catch by large trawlers targeting jack mackerel and barracouta off the West Coast of the North Island. Some catch is also taken by inshore trawl vessels targeting species such as snapper and trevally. A significant proportion of KIN 8 catch is taken during tows that cross the KIN 7 / KIN 8 quota management area boundaries.
64. There is a considerable difference in the value of frozen kingfish landed by the large trawlers, compared to the value of fresh chilled kingfish taken by inshore vessels. Frozen kingfish is worth around \$2.00/kg, whereas in comparison, the 2021/22 port price for KIN 1, where all catch is assumed to be landed fresh chilled, is \$4.35/kg, which was down on the value of \$6.13/kg for 2020/21.¹⁴
65. The biomass of kingfish in most stocks, including KIN 7 and KIN 8, has increased in recent years. In KIN 8, catch during the last two completed fishing years has been double the amount of available ACE (refer Figure 6).
66. Management measures for four kingfish stocks were reviewed as part of the October 2020 sustainability round, with the Minister agreeing to increase the Total Allowable Catch (TAC) and TACC for KIN 2, KIN 3, KIN 7, and KIN 8. In the case of KIN 8, the TACC was increased from 45 tonnes to 80 tonnes.
67. The Minister also agreed to decrease the deemed value rates for KIN 7.¹⁵ Deemed value rates for this stock were reduced by 50% to reflect the landed price received by fishers; the basic annual deemed value rate was reduced from \$8.90 to \$4.45. The deemed value rates for KIN 8 remained unchanged.
68. Kingfish stocks are listed on Schedule 6 of the Fisheries Act 1996, which enables fishers to return kingfish to the sea subject to certain conditions including:
- The fish must be likely to survive and returned as soon as practicable
 - The fish must not be taken by the method of set-netting
69. Figure 6 below shows catch of KIN 8 compared to available ACE for the period since 2010/11. Catch is broken down into:
- Catch that is balanced with ACE; this is mostly fish product intended for sale but also includes some catch that is, for example, eaten on board fishing vessels
 - Catch that is not balanced with ACE, which consists almost entirely of catch released under Schedule 6 provisions
 - Sub-MLS catch: fishers have only been able to report catch of species that have an MLS since the introduction of electronic reporting in 2017/18.

¹⁴ The figure of \$2.00/kg was mentioned in two submissions received as part of the October 2020 sustainability round. Submissions are available [here](#)

¹⁵ The Minister's decisions are available [here](#)

70. Figure 6 shows that the overall catch of KIN 8 has increased every year since 2017/18. It also shows that in the same period, the quantity released under Schedule 6 provisions has been broadly equal to the quantity balanced with ACE.

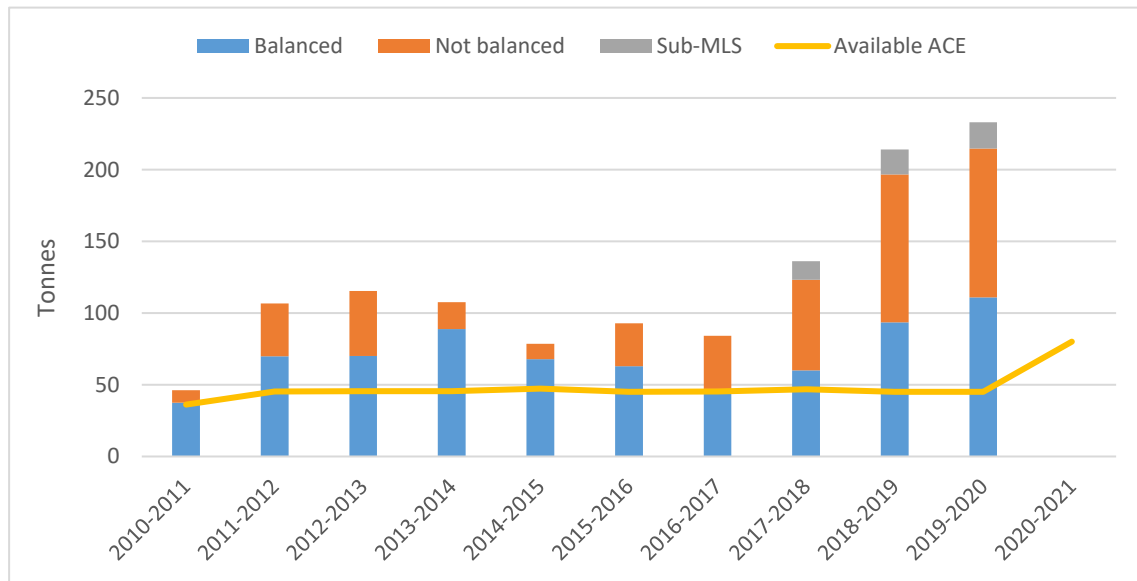


Figure 6: Catch vs available ACE for KIN 8 from 2010/11.

Deemed value rates

- 71. As noted above, in 2020 the then Minister of Fisheries agreed to reduce the deemed value rates for the neighbouring KIN 7 stock to reflect the fact that most catch is landed as low value frozen product. The decision has resulted in the deemed value rates for KIN 7 being half those of KIN 8.
- 72. In the advice to the Minister, Fisheries New Zealand noted that the difference in deemed value rates between the two stocks could create a risk of area misreporting to take advantage of the lower deemed value rates in the adjacent KIN 7 stock.
- 73. Figure 7 below summarises port price, ACE price and annual deemed rate information for KIN 8 since the 2010/11 fishing year.

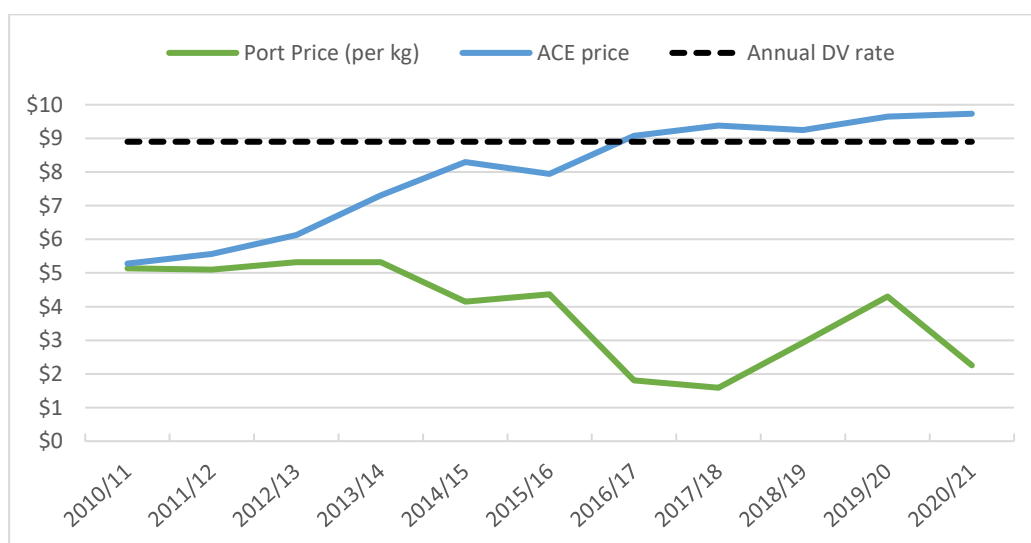


Figure 7: Summary of port price, ACE price and annual deemed value rate information for KIN 8 from 2010/11.

74. Figure 7 shows the average ACE price and basic annual deemed value rate are well above the port price for this stock. It also shows that the average ACE price has been above the basic annual deemed value since the 2016/17 fishing year.

75. When viewed in conjunction with Figure 6, it is evident that the ACE price for KIN 8 reflects the deemed value rates for this stock, rather than the value of the fish product.
76. Fisheries New Zealand proposes to reduce the deemed value rates for KIN 8 to align them with KIN 7 (as shown in Table 9). Rationale for the proposal includes:
- Most kingfish landed in KIN 8 is also landed as low value frozen product (60-70% over the last two completed fishing years compared to 80-90% for KIN 7)
 - The quantity of KIN 8 landed as low value frozen product is higher than for KIN 7 (60-70 tonnes during the last two completed fishing years compared to 40-50 tonnes for KIN 7)
 - It will reduce the risk of area misreporting

Table 9: Current and proposed deemed value rates (\$/kg) for KIN 8.

Stock	Option	Interim	Annual 100-120%	Differential rates (\$/kg) for excess catch (% of ACE)				
				120-140%	140-150%	150-160%	160-170%	>170%
KIN 8	Current	8.00	8.90	10.68	12.46	14.24	16.02	17.80
	Proposed	4.00	4.45	5.34	6.23	7.12	8.01	8.90

77. The proposal will result in consistent deemed value rates applying to the two stocks, which, as noted above, are mostly taken by the same fleet, and can often be taken during the same fishing event.
78. The incentives for commercial fishers to continue to return live kingfish wherever possible will remain, as the proposed basic annual deemed value rate of \$4.45/kg remains well above the 2021/22 port price of \$2.25/kg.
79. Fisheries New Zealand notes that ACE prices for KIN 8 would be expected to decrease to reflect the reduced deemed value rates. For KIN 7, when the basic annual deemed value rate was \$8.90/kg, the average ACE price for the 2019/20 fishing year was \$9.18/kg. For the 2020/21 fishing year, and a basic annual deemed value rate of \$4.45/kg, the average ACE price to date is \$3.85/kg.
80. Fisheries New Zealand will continue to monitor deemed value settings for KIN 8. If evidence suggests that the deemed value rates are not providing the appropriate incentive for fishers to remain within their ACE holding, they will be reviewed.

6 Questions for submitters on options for adjusting deemed value rates

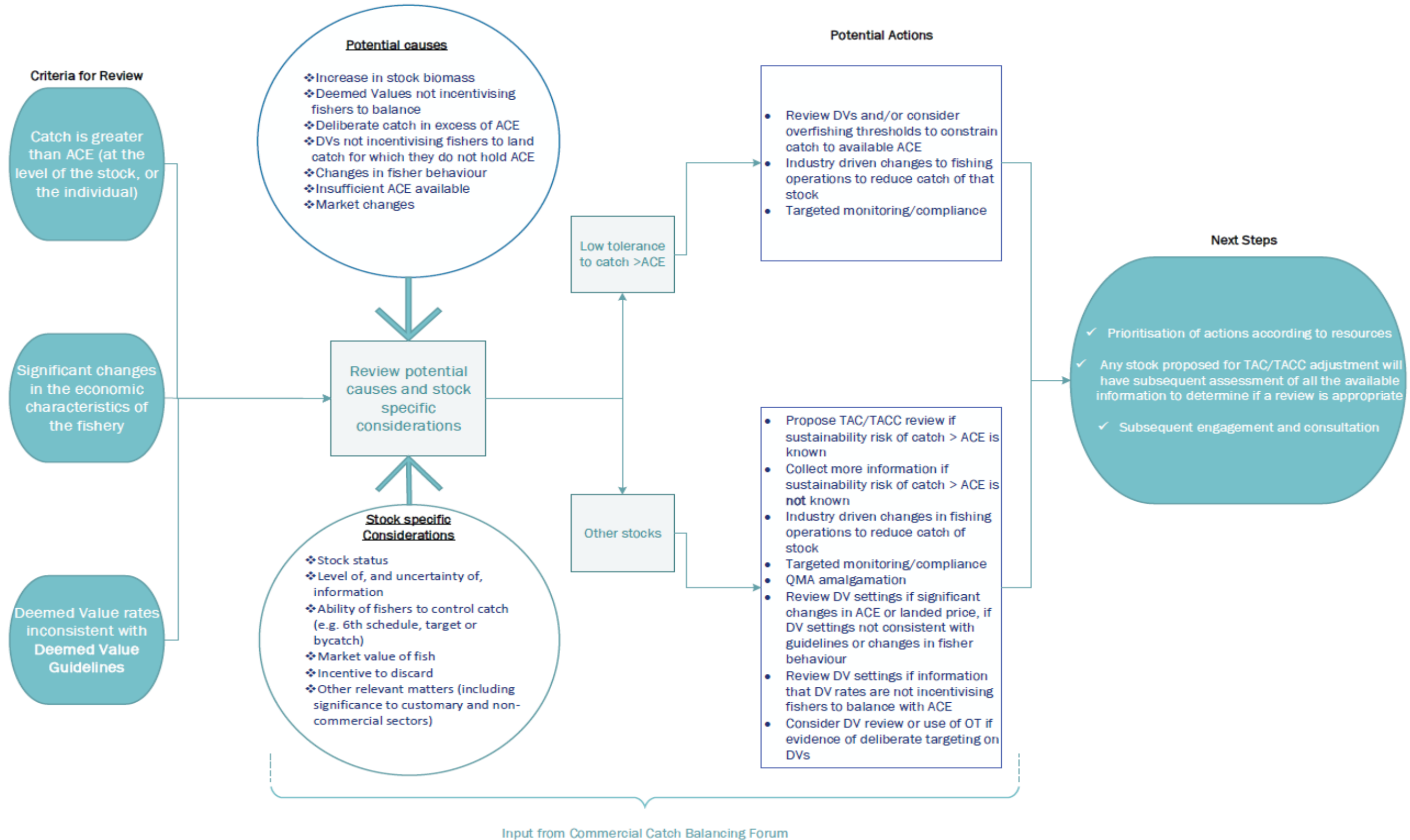
- Do you support the proposed deemed value adjustments? Why?
 - If you do not support the proposed options, what alternative(s) should be considered? Why?
81. Fisheries New Zealand is seeking information and views from tangata whenua and stakeholders to support the development of final advice to the Minister on the setting of revised deemed value rates for the fishing year commencing 1 October 2021.

7 How to get more information and have your say

82. Fisheries New Zealand invites you to make a submission on the proposals set out in this discussion document. Consultation closes at 5pm on 27 July 2021.
83. Please see the Fisheries New Zealand sustainability consultation webpage (<https://www.mpi.govt.nz/consultations/review-of-sustainability-measures-2021-october-round>) for related information, a helpful submissions template, and information on how to submit your feedback. If you cannot access to the webpage or require hard copies of documents or any other information, please email FMSubmissions@mpi.govt.nz.

Appendix 1 – Catch Balancing Review Process

Catch Balancing Review Process



Appendix 2 – Quota Management Areas

