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NZ Sport Fishing Council submission on the Review of Deemed Values for inshore stocks – 1 October 2012

NZ Sport Fishing Council

1. The New Zealand Sport Fishing Council (NZSFC) appreciates the opportunity to submit to the Ministry of Primary Industries (MPI) on the 2012 Review of sustainability measures and management controls for inshore fish stocks, in particular on the Review of deemed values for inshore stocks. MPI released their proposals on 5 July with submissions due by 30 July 2012.
2. NZSFC 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 Roz Nelson, secretary@nzsportfishing.org.nz.
3. The NZ Sport Fishing Council is a national sports organisation with over 32,000 affiliated members from 57 clubs nationwide.
4. The NZSFC has previously submitted on many proposals relating to deemed value rates for specific stocks, the regime in general and the proposed Deemed Value Standard (2011). Some of those submissions are online at http://www.option4.co.nz/Fisheries_Mgmt/deemedvalues.htm.
5. The New Zealand Sport Fishing Council has initiated LegaSea, a public fundraising mechanism, to generate support for the ongoing effort to protect and enhance the public's access to abundant fisheries in a healthy marine environment. www.legasea.co.nz
6. Our members and supporters acknowledge that by 2030 there could be 25% more people living in New Zealand. We want our children and grandchildren to have similar or better fishing compared to what we have today. Therefore we are committed to ensuring that sustainability measures and 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]

Recommendation

That all commercial catch taken in excess of the Total Allowable Commercial Catch (TACC) in a fish stock will be accounted for by proportionally reducing the amount of Annual Catch Entitlement (ACE) to be generated in that same stock in the following year.

Proposals

Legal parameters

7. The Section 75 of the Fisheries Act 1996 requires the Minister to set deemed value rates for all stocks in the Quota Management System (QMS). Section 75 criteria are applied as per Ministry of Primary Industries (MPI) Guidelines. These Guidelines replace the MFish Deemed Value Standard that the New Zealand Sport Fishing Council (NZSFC) submitted on in January 2011¹. MPI has decided to simultaneously review deemed value rates of all stocks of a particular species to “ensure consistent and proactive incentives are provided”².

Details for snapper stocks

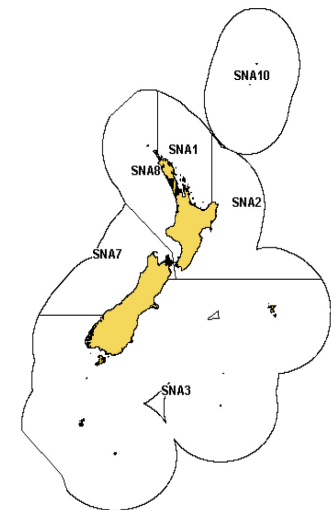
8. Details provided by MPI relating to various snapper stocks are below.

Table 1: MPI information contributing to proposed deemed value rates

Stock	Catch >TACC 10/11	2012 Reported port price/kg	10/11 ACE price/kg	10/11 DV invoices	Current rates		MPI Proposed rates		Differential apply when over ACE
					Interim	Annual	Interim	Annual	
SNA 1	100.4%	\$5.89	\$4.43	\$2.4M	\$6.50	\$13.00	\$7.20	\$8.00	5%
SNA 2	101.7%	\$5.71	\$3.72	\$47,328	\$4.60	\$5.60	\$5.40	\$6.00	10%
SNA 3		\$5.70	N/A	\$14.30	\$0.84	\$1.68	\$5.40	\$6.00	20%
SNA 7	104.2%	\$4.40	\$2.55	\$6,168	\$4.00	\$8.00	\$5.40	\$6.00	10%
SNA 8	101.0%	\$5.70	\$4.71	\$845,720	\$4.00	\$8.00	\$7.20	\$8.00	5%
SNA 10	-	-	-	-	\$6.50	\$13.00	\$7.20	\$8.00	20%

Review rationale for snapper

9. MPI rationale for reviewing snapper deemed value rates includes:
- Deemed value rates are higher than the reported port price (SNA1, 7 & 8)
 - Anecdotal information indicates illegal discarding and misreporting concerns
 - Industry requested a review of deemed value rates in SNA7.



Submission

10. The deemed value regime is expected to serve as an arbiter between the incentive for commercial fishers to dump unintentional bycatch so as to avoid paying fees, and the incentive to land the catch and pay the deemed value penalty in lieu of obtaining Annual Catch Entitlement (ACE).
11. The New Zealand Sport Fishing Council is concerned that despite numerous manipulations, once ACE becomes unavailable catches are subject to the Deemed Value regime – a system that continues to reward either overfishing or dumping; both are highly undesirable outcomes in all regards.
12. The NZSFC acknowledges the need to provide for small amounts of unanticipated bycatch and overruns in mixed species fisheries, due to the variable nature of fishing.
13. The NZSFC supports the increase of the in-season payment for fish deemed (interim rate) from 50% to 90% for snapper. This will reduce the incentive for commercial fishers to keep fishing, gambling that

¹ http://www.option4.co.nz/Fisheries_Mgmt/deemedvalues.htm#2011

² Review of Inshore Fishstock Sustainability Measures for the 2012/13 Fishing Year. MPI. IPP Para 405.

ACE can be found late in the season to cover the excess landings.

14. Differential rates increase the final deemed value owed per kg if the landed catch is well over the ACE held. For most stocks, if the catch is 20% over the ACE held then the deemed value increases by 20% for any further landings. MPI propose to lower the threshold when differential deemed values are incurred in SNA 1 & 8 to 5% overcatch and in SNA 2 & 7 to 10% overcatch. The NZ Sport Fishing Council supports lower thresholds in key fisheries that need rebuilding.
15. The Ministry's deemed value regime must remain a real deterrent for the whole range of commercial operators with unbalanced Annual Catch Entitlement (ACE) portfolios, a dysfunctional ACE trading market lacking liquidity, vast Quota Management Areas (QMAs), variable costs and margins, and changing markets.
16. The lack of liquidity refers to the small amounts of ACE, relative to catch in some stocks, which is traded each year. It is our understanding that most snapper ACE is not traded on the open market to the highest bidder, but sold to insiders or associated companies. Alternatively, uncaught ACE is held by parties not willing to sell, yet deemed value penalties are being incurred by other fishers operating in that same stock.
17. Catch in excess of the Total Allowable Commercial Catch, whether deemed or discarded, undermines the credibility and effectiveness of the Quota Management System, the TACs and the TACCs that are meant to represent the upper bound of commercial catch in that stock.
18. Discards from vessels operating in mixed trawl fisheries have been the Achilles heel of output-controlled fisheries worldwide, and New Zealand is no exception. Unsurprisingly, the deemed value regime fails to solve what the rest of the world has found unsolvable, acting instead as a wafer-thin excuse for legalising otherwise illegal catch.
19. It is essential for future generations' needs that a more flexible mechanism is developed now to ensure that all legal commercial catch, intentional or not, is landed and accounted for, if no ACE is held and the species is not included in a Schedule of the Fisheries Act 1996.
20. The Crown is in the untenable position of profiting from commercial overfishing while meeting none of the costs, including those related to ecological, social, economic and cultural aspects. These costs are born by other stakeholders.
21. It is the New Zealand Sport Fishing Council's view that in trying to achieve both a public policy and an economic management outcome it is unjust to put the cost of commercial overfishing onto the public and our children.
22. The Minister of Primary Industries must stop the Ministry from trying to juggle numbers. Instead, we urge the Minister to implement practical controls to curb excessive commercial fishing so that our precious inshore fisheries can be restored to abundant levels.

Snapper facts

23. Snapper are highly valued by non-commercial, both recreational and customary, and commercial interests. In volume terms snapper is the largest fishery of interest to amateur fishers in New Zealand and is the major target species around most of the North Island.
24. The default target biomass in SNA1 is 40% of the virgin biomass level (B_0). The latest SNA1 assessment currently estimates spawning stock biomass at less than half that target. Recent 5-year projections suggest that current catches will not rebuild in East Northland and the Hauraki Gulf, and are

likely to reduce abundance in the Bay of Plenty³.

25. A stock target has not been established for SNA2 or SNA7, and the biomass level for each is unknown. In 2005 SNA8 was estimated to be between 8-12% of B_0 , and estimated to reach 20% B_0 after 2018.
26. In 2005 MFish noted that high grading and dumping is more common on the North Island west coast (SNA8)⁴. More recently there are concerns of high grading & dumping in the Hauraki Gulf (SNA1).
27. In SNA1 a fisher was recently prosecuted for deliberately exploiting the deemed value system in 2010-11, incurring huge deemed value charges with no intention of paying. [IPP 407]
28. In a depleted fishery excessive catch undermines the viability of the biomass that is required to rebuild the stock abundance.

Proposals for snapper

29. The proposed change in deemed value in SNA1, from \$13 to \$8 per kilo, represents a 40% reduction. In SNA7, the proposed change from \$8 to \$6 per kilo represents a 25% reduction.
30. There is no hard financial data included in the IPP upon which to make a judgment on the ACE-port price relationship. For example, SNA1 ACE price is largely set by two or three processors, most likely competing for the marginal amounts of ACE made available each year by shareholders. These same processors trade in a wide range of species into various global markets, permitting complex trade offs in ACE price and mixed species catches that maximise market returns.
31. Given current circumstances it is possible that some marginal SNA1 catch, even at the current deemed value rate, is very profitable when taken across the entire catch of the vessel. The snapper TACC in Area 1 may be acting as a constraint on the ability of fishers to harvest other species, leaving a latent demand for extra ACE.
32. The New Zealand Sport Fishing Council is not aware of any financial analysis of these market forces and how they are exerting pressure on fishers and processors.
 - If this analysis is available, the Council requests a copy from MPI.
33. At some point the Total Allowable Commercial Catch has to act as a maximum catch limit, and not just a notional figure. The NZ Sport Fishing Council requests answers from MPI to the following questions:
 - On what basis is behavioural change anticipated from changes to deemed value rates?
 - What change will result from reducing the SNA1 annual deemed value rate from 13 to 8 dollars?
 - Will fishers who dump snapper at \$13 report at \$8, and on what basis is that assumption made?
 - Will fewer snapper be harvested or killed with a deemed value reduction of 25 to 40%?
34. Excessive commercial catch, particularly for snapper and trevally, has been a major source of conflict in Area 2 for years. In 2002 the SNA2 deemed value rate was \$3.00, it is currently \$4.60/kg.
35. When deemed value rates were high in SNA2 fishers found ways to avoid catching excess snapper. It is disturbing, and indicative of a flawed system, that when SNA2 deemed values were low enough to make a profit, there was zero incentive to remain within the Total Allowable Commercial Catch.

³ SNA Working Group report FINAL 2012. Ministry of Primary Industries Plenary. May 2012.

⁴ Review of sustainability measures and other controls for the 2005-06 fishing year. MFish. IPP Para 116.
http://www.option4.co.nz/Fisheries_Mgmt/documents/sna8ipp.pdf

36. As evidenced by management in SNA2, chronic overcatch eventually leads to industry pressure to increase quotas - an undesirable and highly objectionable outcome in important inshore fisheries, such as snapper, when stocks are below target and there is inadequate stock assessment to support it.
37. Rather than addressing sustainability concerns arising from excess catch, the current proposals merely indicate an effort to make overfishing profitable by reducing transaction costs. This further reinforces the New Zealand Sport Fishing Council's recommendation to contain commercial overcatch within the Total Allowable Commercial Catch, by adjusting next year's Annual Catch Entitlement (ACE) to balance this year's overcatch.