

FINZ SUBMISSION ON DEEMED VALUES APPLYING TO THE BLUENOSE3 FISHSTOCK

Introduction

1. This submission has been developed by Fisheries Inshore New Zealand (FINZ) on behalf of its bluenose (BNS) quota owners particularly BNS3 but also members that hold BNS quota in other Quota Management Areas (QMAs) and industry organisations.
2. It responds to the Ministry for Primary Industries (MPI) paper 2013/37 that addresses deemed values (DVs) for BNS3 from 1 October 2013. FINZ appreciates that MPI has investigated this issue and is promoting changed DVs for BNS3 where that fishstock is landed into the Chatham Islands. FINZ notes that MPI have only allowed a short timeframe for industry to provide views but appreciates the opportunity to do so.
3. FINZ is the Sector Representative Entity (SRE) for inshore finfish, pelagic and tuna fisheries of New Zealand. It was formed in November 2012 as part of the restructuring of industry organisations. It currently has 132 members with 100 quota owners and 32 fishers, with membership steadily increasing. 19 of its quota owner members own BNS3 quota with the collective total being substantial.
4. FINZ role is to deal with national issues on behalf of the sector and to work directly with and behalf of its quota owners, fishers and affiliated Commercial Stakeholder Organisations (CSOs). As part of that work it will also work collaboratively with other industry organisations and SREs, Seafood New Zealand, Ministry for Primary Industries (MPI) and Department of Conservation. Its key outputs are the development of and agreement to appropriate policy frameworks, processes and tools to assist the sector to more effectively manage inshore, pelagic and tuna fishstocks, to minimise their interactions with the associated ecosystems and work positively with other fishers and users of marine space where we carry out our harvesting activities.
5. Responsibility for the implementation of these policies, processes and tools falls naturally on quota owners, fishers and CSOs who collectively choose the best ways to deal with particular issues in their region. CSOs will generally deal with all matters pertaining to fishstocks in their region. FINZ has the mandate to support this work where requested but does not have the ability to take on this work except where the fishery is managed as a single stock across the country. In that instance FINZ must work with all the relevant quota owners, fishers and CSOs in developing appropriate measures and submissions.
6. Bluenose is assessed as a single stock across New Zealand and MPI recommends consistent decisions to ensure this though these must still be applied at an individual QMA level. The single stock consistently managed provided FINZ with the responsibility to respond the earlier IPP on behalf of industry. FINZ collaborated with Southern Inshore Fisheries Management Company (SIFMC) to ensure full representation of all BNS stocks were presented in the submission.
7. One issue industry highlighted was the concerns we had with significant over-catch occurring in BNS3 with particular industry participants who had little ACE landing substantial catches into an LFR on the Chatham Islands and then only being subject to the more advantageous DV regime

applying in that circumstance compared with elsewhere in BNS3.

8. We are therefore appreciative that MPI has picked up this issue and has promoted a solution in its paper 2013/37. In the time available FINZ developed a draft submission and forwarded it to all FINZ BNS3 quota owner members as well as other FINZ members that own other BNS quota in other QMAs.
9. FINZ has also shared our concerns with SIFMC. We jointly agree that changes are needed to the DVs applying to BNS3 landed into the Chatham Islands.
10. This springs from the commitment of our members to ensuring sustainability of BNS fishstocks including agreeing collectively to fund additional analysis and catch sampling if the Minister decides to retain the existing TACCs.
11. As you will know all BNS fishstocks are subject to a rebuilding regime. On the basis of analysis of recent catches undertaken and provided to MPI, all quota owners through Fisheries Inshore New Zealand (FINZ) and Southern Inshore Fisheries Management Company (SIFMC) have strongly recommended to the Minister that he retain the current TACCs for BNS fishstocks for the coming year and not proceed with the next level of cuts.
12. DVs are an important tool that assists utilisation and sustainability of fishstocks. DVs should be set at the same time as decisions on the Total Allowable Commercial Catch (TACC). They must be set at an appropriate level that allows utilisation but where necessary constrains effort without being set so high as to provide perverse incentives.
13. DVs are set at a number of levels: interim, annual and then at higher ramped differential rates to limit excessive catch.
14. It is usual to set DV to apply to each Quota Management Area (QMA) for a stock. In the case of, catches landed to a Chatham Island LFR, the DVs for fishstocks whose QMA includes the islands have historically been set at lower levels than the DVs applying elsewhere in the QMA. The Chatham Island DVs have generally been set at 50% of the normal rate but have been set at higher percentages if there have been perceived issues of fishers taking advantage of the lower DV rate. BNS3 is one such stock that to date has had lower DV rates.
15. For other BNS fishstocks the current DVs are:

Fishstock	BNS1	BNS2	BNS7	BNS8
Interim	\$3.60	\$3.60	\$2.70	\$3.60
Annual value	\$4.00	\$4.00	\$3.00	\$4.00
Ramped rate				

16. For BNS3 the current DVs are:

BNS3	Chatham Islands	Elsewhere in BNS3 QMA
Interim value	\$0.53	\$2.70
Annual value	\$1.05	\$3.00
Ramped rate	\$2.10 when 200% greater than ACE	\$10 when 60% greater than ACE

17. It appears that when the BNS DVs were reviewed in 2011 to take into account the need to protect the decreased TACCs, the DV rates for BNS3 landed to Chatham Islands LFRs were not adjusted and remained at their previous low levels.
18. Recent events suggest that the lower DVs for landing BNS3 on the Chatham Islands warrant adjustment, given the state of the fishery in that QMA and the commitment by all across the country to act with restraint and undertake measures to assist the recovery of the BNS fishery.
19. The TACC for BNS3 is 171 tonnes. As at 22nd August based on reporting to the end of July, the total reported catch for BNS3 was 218.9 tonnes – the fishery that is meant to be in a rebuild phase is 27.4% over caught, 2 months before the end of the year. With the current catch already exceeding the TACC, there is no ability for some fishers to be able to purchase sufficient ACE to balance their catch and they will either be paying the annual DV rate or, if they are well in excess of the ACE they have obtained at year end, the ramped differential rates.
20. Characterisations of longline fishing around the Chatham Islands indicate that fishing for the target species of HPB4, LIN4, SCH4 and BNS3 are relatively ‘clean’ fisheries with low to moderate by-catch levels of other fishstocks. Thus it appears possible to catch the other longline targets without having high levels of BNS3 catch at the same time.
21. When the 2012/13 fishing activity is examined further it appears that a high percentage of the over-catch is by a small number of operators who appear to be fishing in a different manner to previous years and landing the BNS3 into the Chatham Islands
22. At present therefore for some operators, these DV differentials for BNS3 landed into the Chatham Islands do not appear to provide sufficient deterrent to restrain catch even when those operators have catch well in excess of the ACE they hold. On-going activity strongly suggests it remains cash positive for the operators concerned at the current DVs and that they may be targeting BNS3 despite the need for rebuilding. This activity obviously acts against the combined efforts of all other quota owners and fishers committed to rebuilding the fishery. Such practices cannot be condoned in the light of the requirement to act to rebuild the BNS fishery.

Proposal

23. MPI propose to adjust the DVs for BNS3 being landed into the Chatham Islands as set out in para 27 below.
24. MPI notes in its paper that 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.
25. Section 75(2)(b) allows the Minister, when setting deemed value rates, to have regard to:
 - the desirability of commercial fishers landing 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.

26. The practical application of these statutory criteria is set out in the guidelines MPI uses, which are summarised below:

- deemed value rates must generally be set between the ACE price and the 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; and
- differential deemed value rates must generally be set.

27. MPI proposals are shown in the table below. It shows the DV for BNS3 elsewhere in the BNS3 QMA, the DV for BNS3 landed into the Chatham Islands at present and the DVs proposed.

BNS 3	interim	Annual 100-105%	105-110%	110-120%	120-130%	130-140%	140-150%	150-160%	>160%	>180%	>200%
BNS3 Elsewhere	2.70	3.00	4.00	\$5.00	\$6.00	\$7.00	\$8.00	\$9.00	\$10.00	\$10.00	!0.00
BNS3 Chathams now	0.53	1.05	1.05	1.05	1.26	1.26	1.47	1.47	1.68	\$1.89	\$2.10
BNS3 Chathams Proposed	0.53	1.05	1.05	1.05	1.26	1.26	1.47	1.47	10.00	10.00	10.00

Comment and Recommendations

28. The current DV settings for BNS3 in the Chatham Islands cannot be left unchanged as it appears to be cash positive for those currently involved at current DVs, and the knowledge that this is legally possible also creates unhealthy incentives for others to take advantage of the conditions. If that occurred it could further endanger the sustainability of the BNS3 fishery and based on a

single stock approach the broader BNS fishery. FINZ considers the actions of the few must not be able to compromise the positive efforts of many in this shared resource.

29. DVs need to be set at a level that encourages fishers to buy ACE and record catch (not discard). It is unusual to have different DVs within the same QMA – to look after the fishery where there is such a differential, those different DVs should be as consistent as possible. There also needs to be sensible consistency between the different QMAs (fishstocks) of the same species.
30. All of this is particularly important for BNS when it is considered to be one stock and managed as a whole. That means that problems in one area may affect the whole stock.
31. In BNS3 it is obvious that some participants in the fishery are not only taking advantage of the DVs applying to BNS3 landed into the Chathams Island, it appears that from the level of catch they are average pricing (ACE + DVs). This behavior needs to be considered when setting DVs for BNS3 being landed into the Chatham Islands.
32. FINZ considers that the current settings for BNS are generally appropriate across the QMAs.
33. It agrees that the DVs for BNS3 being landed into the Chatham Islands needs to change from 1 October 2013.
34. FINZ notes the proposals set out in the MPI paper 2013/37 but consider that, given the commitments and actions by all BNS quota owners and fishers throughout the country to assist the recovery of the BNS fishery contrasted with the behaviour of a single party landing BNS3 onto the Chatham Islands, the Deemed Values for BNS3 fished into the Chatham Islands should be further lifted so there is greater parity with the rest of the BNS3 fishery and more strongly incentivise fishers to hold ACE or stop fishing so the BNS continues to rebuild.
35. FINZ notes that while it is usual for the interim DV for a fishery to be only 50% of the annual DV, this is a guide only and not required. With a fishery subject to rebuild, it is proposed that this be higher to more closely match Principle 7 of the Deemed Value Guidelines so more strongly incentivise fishers to purchase ACE. FINZ recommends the interim value should be lifted to 90 cents / kilogram.
36. FINZ recommends that, while the Chatham Island situation should be recognised and a differential applied between the DV applying to BNS3 fish landed into the Chatham Islands and landed elsewhere in BNS3, this should only strongly apply within the TACC and a reasonable margin for incidental bycatch, and to better assist the rebuild of the fishery the difference should reduce and disappear at higher catches. FINZ considers this would more closely reflect the Deemed Value Guidelines for rebuilding stocks (p 10 of guideline).
37. FINZ therefore recommends that while the Annual DV should remain at the same level as present , the ramped differential levels of DV for fish being landed into the Chatham Islands should be progressively lifted from the current and proposed rates as set out on the bottom row of the table on the next page:

BNS 3 \$/kg	Inter im	Annual 100-105%	105-110%	110-120%	120-130%	130-140%	140-150%	150-160%	>160%	>180%	>200%
BNS3 Elsewhere	2.70	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00	10.00	10.00
BNS3 Chathams now	0.53	1.05	1.05	1.05	1.26	1.26	1.47	1.47	1.68	1.89	2.10
BNS3 Chathams MPI proposal	<i>0.53</i>	<i>1.05</i>	<i>1.05</i>	<i>1.05</i>	<i>1.26</i>	<i>1.26</i>	<i>1.47</i>	<i>1.47</i>	<i>10.00</i>	<i>10.00</i>	<i>10.00</i>
BNS3 Chathams FINZ recommendation	0.90	1.05	1.50	2.00	3.00	4.00	6.00	8.00	10.00	10.00	10.00

38. This set of DVs for BNS3 landed into the Chatham Islands will still appropriately allow for fishers to have a reasonable margin when catching with the ACE held by the fisher, but also send clear signals to not continue fishing when well in excess of the ACE held and reasonably available.
39. FINZ considers these DVs, along with the commitment from BNS quota owners to fund additional analysis and catch sampling proposed by FINZ and SIFMC collaborating together, provide the Minister with the ability to retain the current TACCs for BNS fishstocks throughout the country, confident that these sets of measures are sufficient to continue the rebuild of the BNS fishery within a suitable timeframe.
40. Please contact Laws Lawson 021 529 701 or laws@inshore.co.nz if there are any queries on any aspect of the submission.