

## **The Quota Management System and under fishing rights.**

The Quota Management System (QMS) is a rights based Individual Transferable Quota (ITQ) system. It is the administrative tool that supports the management of NZ fisheries in a sustainable way.

There are 100 fish species in the QMS. Each species is then divided into individual fish stocks, usually based on biological boundaries but sometimes based on management areas. There are 636 individual fish stocks in the QMS.

Each fish stock has 100,000,000 quota shares issued in perpetuity. The quota shares are a property right.

### **Catch entitlements**

For each fish stock a Total Allowable Catch (TAC) is set by the Minister for Primary Industries. Within the TAC there are allowances made for customary and recreational fisheries and other mortalities. Once these have been set, the Total Allowable Commercial Catch (TACC) forms the remainder of the TAC. In cases where there is zero allowance for customary and recreational fishing and no allowances for other mortality, the TACC will equal the TAC. However the TACC is generally lower than the TAC. The TACC is used as the basis for the calculation of the Annual Catch Entitlement (ACE).

Annually each quota holder receives ACE. The ACE amount is generated for each quota holder based on their percentage holding of a fish stock. ACE is allocated proportionally based on the number of quota shares held at the beginning of each fishing year. Each stock has a quota weight equivalent (in kilograms) which is multiplied by each share to give the annual ACE allocation in kilograms.

[Example: A person holds 15,000,000 shares of Blue Cod in QMA5 (BCO5). The TAC for BCO5 is 450 tonnes and the TACC is 400 tonnes. This quota holder will be allocated 15% of 400 tonnes which is 60 tonnes (60,000kgs) of ACE]

Each commercial fishing permit holder must balance their catch against their ACE holding. If the permit holder does not hold ACE, they must purchase ACE from another ACE holder. Note that some ACE is held by entities that do not intend to fish. They intend to sell their ACE to fishers who need to balance their catch against ACE.

As soon as practical after the 15<sup>th</sup> of each month during the fishing year, a comparison is made between the ACE holding and the year to date catch for

each individual permit holder at a fish stock level. This comparison is called a monthly balance. If they have caught 4 fish stocks then 4 balances are run.

These balances then show whether the fishing permit holder has caught more than their allocated share of a stock (overcaught) or has caught less (undercaught) for each fish stock they hold quota/ACE for.

At the end of each fishing year an annual balance is produced which compares the permit holder's final ACE holding for the year with the end of year total catch.

### **Catching more than your ACE holding**

If they have caught more fish than they have ACE holding, they will be issued a deemed value invoice for the weight of fish taken in excess of their available ACE.

See [elsewhere] for more information on deemed values.

### **Catching less than your ACE holding**

For all ACE holders, if their catch is less than their ACE holding, they are then entitled to an under fishing allocation.

Note that these transactions apply at an individual ACE holder level. So even if there is still uncaught ACE available in the market, deemed value invoices will be issued to those permit holders who do not balance their catch with ACE.

Where under fishing rights apply, ACE holders are allocated up to a maximum of 10% of the ACE they held at the end of the fishing year. The actual amount is either 10% of their ACE holdings or the difference between their ACE and the reported catch for that year whichever is the lesser. These under fishing rights are allocated in the following fishing year.

If an ACE holder owns 10,000kgs of ACE and does not fish it, he gets 1,000kgs of under fishing rights to be used in the next fishing year. If he catches 9,100kgs he will be allocated 900kgs of under fishing rights

Under fishing ACE is allocated after you have satisfied the reporting requirements and after balancing for that fishing year has been completed.

Under fishing is not allocated to any eligible stock<sup>1</sup> which has had a TACC reduction.

In a fishing year it is entirely possible that the 'available ACE' for a fish stock could exceed the TACC once under fishing has been allocated. This does not mean that the stock has been overfished.

Here are some examples of the under fishing calculation:

1. For the 2013/14 fishing year on 1 October 2013 you own 5,500kgs of ACE and still own that amount as at 15 October 2014. During that year you report catch of 5,000kgs. Your uncaught ACE is 500kgs. The calculation is as follows: 10% of 5,500 is 550kgs. . Your under fishing allocation is the lesser of these two amounts and is therefore 500kgs. This will be allocated at the start of the 2014/15 fishing year, meaning that in 2014/15 you can catch a total of 6,000kgs for that stock.
2. For the 2013/14 fishing year on 1 October 2013 you own 3,000kgs of ACE. During that year you report catch of 2,000kgs. As you cannot catch the remaining 1,000kgs you decide to sell the 1,000kgs. As at 15 October 2014 for the 2014/15 fishing year you therefore own 2,000kgs. You therefore have no under fishing entitlement. Your ACE for the 2014/15 fishing year is now 2,000kgs. If you want to catch more than 2,000kgs in the following year, you must obtain more ACE or risk paying deemed values if you overcatch your entitlement.
3. For the 2013/2014 fishing year on 1 October 2013 you own 3,000kgs of ACE. During that year you report catch of 2,000kgs. On 1 October 2014, this stock had a TACC reduction. You therefore have no under fishing entitlement.
4. For the 2013/14 fishing year on 1 October 2013 you own 3,000kgs of ACE. During that year you catch of 2,000kgs. As you cannot catch the remaining 1,000kgs you decide to sell the 500kgs and therefore own 2,500kgs as at 15 October 2014 for the 2013/14 fishing year. The calculation is as follows: 10% of 2,500kgs is 250kgs. Your uncaught ACE is 500kgs. Your under fishing allocation is the lesser of these two amounts and is therefore 250kgs. This will be allocated at the start of the 2014/15 fishing year, and in 2014/15 you will be able to catch a total of 2,750kgs for that stock.

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<sup>1</sup> All stocks other than those listed on Schedule 5A of the Fisheries Act 1996 are eligible for under fishing ACE