



Regulatory Impact Statement: Fisheries Act Amendments – Alternative deemed value rates

Decision sought	Cabinet policy decisions on amending the deemed value regime in the Fisheries Act 1996.
Agency responsible	Ministry for Primary Industries
Proposing Ministers	Minister for Oceans and Fisheries
Date finalised	29 October 2025

The Fisheries Act 1996 (Fisheries Act) provides for the sustainable use of fisheries, including through the quota management system (QMS). The activity of individual commercial fishers is controlled through an annual catch balancing regime to limit their catch to within the commercial catch limits. This requires fishers to cover all their catch of quota species with catching rights (annual catch entitlement – ACE – which is generated from the quota share held for a particular fish stock).

Deemed values are the payment commercial fishers must make to the Crown when they do not have enough catching rights to cover the QMS species they catch. Deemed value rates are generally set above the average market price for ACE and below the average landed price (the market value of fish at the point it is landed ashore, before on-land processing or transport costs are added) of a fish stock to maintain the incentive for commercial fishers to source ACE and not exceed the sustainable catch limits, while encouraging accurate reporting.

The strength of the incentives provided by deemed values varies across commercial fishers or groups of commercial fishers depending on the value they can derive from the fish they land.

The proposed amendments to the Fisheries Act would change how deemed value rates for QMS fish stocks can be set.

Specifically, the changes would give the Minister for Oceans and Fisheries (the Minister) the flexibility to set deemed value rates that recognise situations where commercial fishers using deepwater freezer vessels receive significantly lower than average landed price for inshore fish stocks due to unavoidable operational differences. This would reduce costs to commercial fishers operating deepwater freezer vessels that result from significant differences in price received compared to cost incurred for landing certain fish stocks.

Summary: Problem definition and options

What is the policy problem?

The deemed value framework focuses on the value of the fish at a biological/stock level rather than the value of the fish to a particular fisher, with rates set on a stock-by-stock basis.

As noted, there are circumstances where deemed value rates exceed the landed price received by some commercial fishers for certain stocks due to unavoidable operational differences, such as method or length of fishing trips. For example, the majority of snapper is caught by inshore vessels and landed fresh, which fetches a high price s9(2)(j).

This is reflected in the average market ACE price and standard deemed value rates for snapper. However, deepwater vessels that take snapper as bycatch can only land it frozen due to the length of their fishing trips. Frozen snapper fetches a much lower price than fresh snapper s9(2)(j).

This can result in some deepwater fishers incurring higher costs for catching and landing the stock relative to the landed price received, compared to other commercial fishers that can land the same stock fresh.

When fish stocks become more abundant or widespread, ACE may run out quickly. This can lead to deemed values being charged for more landings — resulting in costs incurred for catching and landing the stock exceeding the price received — before catch limits are adjusted. Climate change may worsen these situations and make them more common in the future.

This issue of price differential between landed states and increasing abundance and distribution of some inshore stocks, in the context of the deepwater fleet, was raised by an industry member in their submission on the fisheries reform proposals. It appears the issue is largely confined to a relatively small number of inshore stocks that are taken by deepwater vessels; in particular, two kingfish, two snapper, one school shark, two gemfish and one common warehou stocks.

In some cases, deemed value rates may need to be set at a level high enough to create a strong incentive for fishers to avoid or/minimise bycatch of the species and incentivise high-value uses of the fisheries resource while ensuring sustainability of the stock and protecting quota value. However, if there are significant changes to a stocks' abundance and/or distribution delayed adjustments of catch limits and/or deemed value rates can result in industry incurring potentially unnecessary additional cost.

What is the policy objective?

The objective is to reduce costs to parts of the industry resulting from significant differences in price received compared to costs incurred from deemed values for landing certain fish stocks due to unavoidable operational differences, while ensuring the long-term integrity of the quota management system. This includes restraining catch to sustainable levels and protecting long-term value of quota.

What policy options have been considered, including any alternatives to regulation?

Both regulatory and non-regulatory (status quo) options were explored.

Option One - Status quo (Officials' preferred option)

This option uses existing, more immediate and/or direct regulatory tools to reduce costs to the industry. These include reviewing the catch limits of those inshore stocks that are posing the greatest operational and/or financial impact on deepwater fishers, for example increasing catch limits to make more ACE available (where appropriate), and where required, adjusting the deemed value rates.

The fisheries reform proposals currently being progressed will also provide tools to support more timely responses to changes in abundance and/or distribution of fish stocks. This will help address potential mismatches between the commercial catch limit and abundance of a fish stock and reduce unnecessary costs to fishers resulting from significant differences in price received compared to costs incurred (e.g., from deemed values).

These measures are less targeted in that there is no ability to set for the same stock multiple deemed value rates that vary based on fishing method used or fishing fleet. However, officials consider existing tools will be able to reduce costs to industry and has generally been achieved historically through lowering deemed value rates or increasing catch limits and therefore ACE availability.

Option Two – Introducing the ability to set alternative deemed value rates that could apply to any stock when caught by any specified method/fleet

This option would reduce costs to industry by amending the Fisheries Act to introduce a broad ability to enable alternative deemed value rates to be set for any QMS stock when caught by any specified method/fleet. These rates could be set lower than and/or differently structured to the standard rates that apply to the same stocks, if certain criteria and requirements are met.

This option recognises that differences in landed price exist across the fishing sector, to varying degrees. It provides the ability for the Minister to reduce costs to any part of the industry resulting from significant differences in price received compared to costs incurred (e.g., deemed values) for landing any specified fish stocks.

Implementing this option would require significant system-wide changes to the administration of the catch balancing regime. The cost of the required changes would be significant and be carried by all quota holders for the relevant stocks, including those who would not benefit from alternative rates.

Option Three – Introducing the ability to set alternative deemed values that could only apply to inshore stocks when caught by deepwater freezer vessels (the Minister's preferred option)

This option would reduce costs to a part of the industry by amending the Fisheries Act to introduce a limited scope ability to enable alternative deemed value rates to be set. These rates would be lower than and/or differently structured to the standard rates that apply to the same stocks and could only be set for specified inshore stocks when caught by specified deepwater freezer vessels, if certain criteria and requirements are met.

This option provides the Minister with the ability to reduce costs to commercial fishers operating deepwater freezer vessels resulting from significant differences in price received compared to costs incurred for landing specified inshore fish stocks.

It recognises that best available information indicates that differences in price received compared to costs incurred are more pronounced in situations where deepwater freezer vessels catch inshore stocks but can't land the fish fresh due to the length of their fishing trip.

Implementing this option would not require significant changes to the administration of the catch balancing regime. Instead, alternative deemed value rates would be manually applied at the completion of each fishing year, with costs associated with the application born only by the relevant commercial fishers.

What consultation has been undertaken?

The problem was raised by an industry submitter during consultation on the proposed fisheries reforms package earlier in 2025 (refer to *Regulatory Impact Statement: Amendments to the Fisheries Act 1996*).¹ Due to the tight timeframes for progressing the fisheries reform package of proposals, the proposed changes to the deemed value framework were not included in the package of proposed changes agreed by Cabinet in August 2025 [CAB-25-MIN-0263 refers].

While the proposal has not been broadly consulted on with stakeholders, it has been discussed with a sub-group of the Seafood Industry Forum (a group set up by the Minister in 2024 to identify opportunities to grow the commercial fishing sector). The sub-group noted that there are likely to be mixed views across industry. Those benefitting from the proposal may see it as an appropriate change to reduce regulatory costs to industry, while others may prefer the status quo.

Some sub-group members considered the proposal undermines the purpose of the deemed value framework and has the potential to negatively impact stock sustainability and quota value.

The proposal is likely to be controversial amongst a range of stakeholders, including quota owners, commercial fishers, recreational fishers, and environmental non-governmental organisations, due to the potential risk to the long-term value of quota and sustainability. Other commercial fishers also face issues with ACE availability or ability to pay market prices for ACE or deemed values, and they could see the proposal as giving eligible commercial fishers an unfair advantage.

If Cabinet agrees to this additional policy change being incorporated into the *Fisheries Act 1996 Amendment Bill* (the Amendment Bill), then the ability for the public, fisheries stakeholders, and iwi to make submissions on the proposal will occur through the Select Committee process.

Is the preferred option in the Cabinet paper the same as the preferred option in the RIS?

Officials prefer Option One. Officials consider reducing costs to industry resulting from significant differences in price received compared to costs incurred (e.g. from deemed values) for landing certain fish stocks could be at least partially achieved through more immediate/direct actions, using existing tools such as timely stock assessments, adjusting

¹ <https://www.regulation.govt.nz/our-work/regulatory-impact-statements/regulatory-impact-statement-amendments-to-the-fisheries-act-1996/>

catch limits, and/or adjusting deemed value settings, rather than amending the deemed value framework itself.

Summary: Minister's preferred option in the Cabinet paper

Costs (Core information)

Under the Minister's preferred option (Option Three), fishers operating deepwater freezer vessels (including those who own no quota) could access certain inshore fish stocks (for example, kingfish and snapper) at lower costs than other fishers (e.g., inshore fishers) due to reduced deemed value rates. This may lead to the following direct and indirect costs:

- less incentive for these fishers to purchase ACE to cover their catch and instead they will fish on deemed values.
- sustained or increased fishing on deemed values (that is, fishing beyond ACE holdings and outside the commercial catch limits), with increased (although relatively low) risks to the sustainability of certain inshore stocks. This could undermine the sustainability principles of the QMS and the rights of quota owners and could impact the benefits obtained from the stocks by other users (e.g., recreational fishers).
- over time, a potential reduction in the catch limits of stocks to manage sustainability risks.
- a potential reduction in ACE price and quota value of fish stocks with alternative deemed value rates if they are set below the average price of ACE, reducing economic efficiency.

Implementation of this option would be done within baselines and ongoing application costs would be charged direct to relevant commercial fishers.

Benefits (Core information)

The proposal would provide an ability to set alternative deemed value rates for specified inshore stocks when caught by deepwater freezer vessels, if certain criteria and requirements are met.

Successful operation of deepwater fishing companies is important for New Zealand as they generate a substantial proportion of the export earnings from the seafood sector. The proposal would provide a direct benefit to those commercial fishers operating eligible deepwater freezer vessels and support this export industry by reducing unnecessary regulatory costs arising from unavoidable operational differences.

The limited scope and duration (three years- discussed later) of alternative deemed value rates would reduce the risk to the integrity of the QMS and cost of implementation.

Balance of benefits and costs (Core information)

This option would enable the Minister to set alternative deemed value rates that provide a reduction in costs for a specific group of fishers that operate deepwater freezer vessels.

There are around 13 commercial fishers that operate a total of approximately 40 deepwater freezer vessels that could benefit from this option. The quantitative benefit will depend on the stocks for which alternative rates are set and the level the rates are set at, as well as the level of catch not balanced with ACE.

Where alternative deemed value rates are set below average ACE price for a stock, eligible fishers would not be incentivised to source available catching rights to balance their catch,

which could lead to catch exceeding sustainable limits. Sustained and/or significant catch in excess of catch limits, if unmanaged, can have negative impacts on long-term sustainability of the relevant stocks and on the value of quota rights. In addition, it could lead to reductions to catch limits of relevant stocks, which would negatively impact other commercial fishers not eligible for the alternative deemed value rates.

Catch profiles and business models differ between different fishers. MPI does not have or collect the data needed to fully estimate what the general benefit for eligible fishers or potential general costs for non-eligible fishers and quota owners might be. As alternative deemed value rates would be set on a stock-by-stock basis, assessment of cost and benefits to both eligible and non-eligible fishers would be undertaken prior to rates being set for a stock.

To mitigate the impacts on the long-term integrity of the QMS, the option proposes certain criteria and requirements for setting alternative deemed value rates for inshore stocks when caught by deepwater freezer vessels. This includes enabling alternative deemed value rates to be set only if the price received is significantly below the average landed price, restricting the time period that alternative rates can apply for (three years), and enabling the amount of catch that is not covered by ACE to be limited by setting differential alternative rates that progressively increase as the volume of catch/level of catch in excess of ACE holdings increases.

Implementation

The proposal to change the deemed value framework will be implemented through the Amendment Bill. The new enabling provision would take effect upon enactment (planned for mid-2026).

In respect of MPI's costs, any subsequent introduction of alternative deemed value rates will be within existing baselines and use existing resources.

FishServe, an approved service delivery organisation under the Fisheries Act, will continue to be responsible for the operation of the deemed value regime. This includes administering the application of any alternative deemed value rates, which would be manually applied after the completion of each fishing year. The annual cost of administering this function is estimated to be s9(2)(j) per commercial fisher per stock, which would be charged directly to each relevant commercial fisher. Total costs to the sector will depend on the number of inshore fish stocks for which alternative deemed value rates are set and the number of eligible commercial fishers operating deepwater freezer vessels.

FishServe has indicated it would manually apply the alternative deemed values to eligible stocks and fishers, because of the cost of developing an automated system-wide solution. Manual application means there is a risk of human error, resulting in eligible fishers receiving higher or lower refunds. There is also a risk that the manual application is more complex than expected, resulting in a delayed process or fewer cases being able to be processed annually.

Alternative deemed value rates may be set or changed at any time during the fishing year, as long as it is done at least one month prior to the last day of the fishing year that the rates apply to. However, to simplify the implementation process, application (calculations) of alternative deemed will only be done at the end of each fishing year. This means eligible commercial fishers will pay the standard interim deemed value rates during the year and are then refunded after the fishing year concludes if they have overpaid.

MPI will work with FishServe to make sure there is good communication to commercial fishers about the nature and extent of the amendments and criteria around when they can be set and to whom they will apply.

Limitations and Constraints on Analysis

The Minister asked MPI to develop options to reduce costs to industry resulting from significant differences in price received compared to costs incurred (e.g., from deemed values) for landing certain fish stocks due to unavoidable operational differences. This issue was raised by an industry member during consultation on the fisheries reform and was not considered as part of those reforms.

The intention to include this proposal in the Amendment Bill, planned to have its first reading in early 2026, has meant that MPI has not been able to publicly consult on the policy options.

The proposal only introduces the general ability to set alternative deemed value rates (that is, it is an enabling provision). MPI does not have or collect the data needed to fully estimate what the general benefit for eligible fishers or potential general costs for non-eligible fishers and quota owners might be. Assessment of cost and benefits to both eligible and non-eligible fishers would be undertaken prior to alternative deemed value rates being set for stock, noting that there are limitations to the data available to MPI to undertake such assessment.

Summary: Officials' preferred option

Summary of Option, Costs, Benefits, and Implementation

Option One – status quo

Officials consider that reducing costs to industry resulting from significant differences in price received compared to costs incurred (e.g. from deemed values) for landing certain fish stocks could be achieved through alternative, more immediate and/or direct existing measures alongside additional tools set out in the reform proposals.

Option One would best ensure that the integrity of the QMS is maintained and have the least impact on the property rights of quota holders compared to Options Two or Three.

This option requires no legislative amendments and would be the least cost to implement. This option would not be as targeted in its ability to directly address significant differences in prices received versus costs incurred by different fleets for catching and landing specific fish stocks. However, existing tools have been used successfully to address similar issues at a stock-level by lowering deemed value rates and increasing commercial catch limits, where appropriate.

I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

s9(2)(a)

Responsible Manager's signature:

Emma Taylor

Director Fisheries Management

Fisheries New Zealand

Ministry for Primary Industries

29 October 2025

Quality Assurance Statement

Reviewing Agency: Ministry for Primary Industries

QA rating: Partially meets

Panel Comment:

A quality assurance panel from the Ministry for Primary Industries has reviewed the Regulatory Impact Statement: Fisheries Act Amendments – Alternative deemed value rates. The panel considers that it partially meets the Quality Assurance criteria. This rating is attributable to the limited consultation undertaken on the options.

Glossary

For a full glossary of all fisheries terms see <https://fs.fish.govt.nz/page.aspx?pk=77&tk=316>

Term	Acronym	Definition
Annual Catch Entitlement	ACE	An entitlement to harvest a quantity of fish, aquatic life, seaweed or other stock, taken in accordance with a fishing permit and any conditions and limitations imposed by or under the Fisheries Act 1996. ACE is generated from the quota share held for a particular stock. Quota is the property right of a stock represented as shares that can be bought and sold. Quota shares are generated when a stock is introduced into the QMS.
Bycatch	-	Fish species, or size classes of those species, caught unintentionally with target species.
Commercial fisher	-	Commercial fisher/fisher refers to a holder of a commercial fishing permit.
Deemed Values	-	The payment commercial fishers must make to the Crown when they do not have ACE to cover what QMS species they catch. An interim deemed value rate is a monthly charge per kilogram of fish landed in excess of a fisher's Annual Catch Entitlement (ACE). These interim payments are refunded when and if the permit holder subsequently sources ACE to cover landings. An annual deemed value rate is applied at the end of the fishing year if excess catch remains unbalanced. It is typically higher than the interim rate to discourage overfishing.
Deepwater freezer vessel	-	A deepwater freezer vessel is typically a vessel that fishes beyond the continental shelf and in depths ranging from 600 to 1,500 meters targeting species such as orange roughy, hoki, southern blue whiting, and squid. These vessels can stay at sea fishing for long periods at a time processing and freezing their catch on-board.
Fish	-	All species of finfish and shellfish, at any stage of their life history, whether live or dead.
Fish stock	-	Any fish, aquatic life, or seaweed of one or more species that are treated as a unit for the purposes of fisheries management.
Fleet	-	Refers to a fleet of fishing vessels that are a group of boats or ships that are used for commercial fishing and are typically categorized based on the type of fishing they perform, the gear they use, or the species they target
Inshore	-	Inshore refers to the area of ocean as far out as about 12 nautical miles from the coastline of New Zealand, and waterways within New Zealand (like lakes and rivers). Inshore fish stocks refer to fish populations that are found within this area (includes species like snapper, blue cod, and kahawai). Inshore vessel/fisher refers to a fisher or fishing vessel operating within this area.
Landed price		Landed price refers to the market value of fish at the point it is landed ashore, before any on-land processing or transport costs are added.
Landings	-	Fish caught at sea and brought back to port.
Licensed Fish Receiver	LFR	The primary entities that can receive fish from commercial fishers, and trade fish including trade fish to other LFRs.
Port price	PP	Refers to the price paid to a fisher when they land their catch to a Licensed Fish Receiver (LFR). It reflects the average price per kilogram paid to fishers for unprocessed fish.
Quota	-	Any individual transferable quota or provisional individual transferable quota that represent quota owners' share of a fishery.
Quota Management System	QMS	The system that sets the relationship between total catch allowed from a fishery and the catch allowed by an individual fisher.
Quota Management Area	QMA	a specific geographic region within New Zealand's EEZ used to manage individual fish stocks under the QMS. QMAs are established based on administrative and biological

Term	Acronym	Definition
		factors, like the distribution and population of different species, allowing for tailored catch limits and regulations to ensure the sustainability of each distinct fish stock.
Stock	-	Any fish, aquatic life, or seaweed of 1 or more species that are treated as a unit for the purpose of fisheries management.
Sustainability	-	The Fisheries Act 1996 defines ensuring sustainability as— “(a) Maintaining the potential of fisheries resources to meet the reasonably foreseeable needs of future generations; and (b) Avoiding, remedying, or mitigating any adverse effects of fishing on the aquatic environment.”
Total Allowable Catch	TAC	Total quantity of each fish stock that can be taken by commercial, customary, recreational fishery interests and OSFM, to ensure sustainability of that fishery in a given period, usually a year.
Total Allowable Commercial Catch	TACC	Total quantity of each fish stock that the commercial fishing industry can catch in a given year. The TACC is a portion of the TAC that is set after allowances have been made for customary and recreational fishing, and OSFM.
Utilisation	-	In the Fisheries Act 1996, section 8 outlines the purpose of the Act, to “provide for the utilisation of fisheries resources while ensuring sustainability.” Utilisation means conserving, using, enhancing and developing fisheries resources to enable people to provide for their social, economic and cultural well-being.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

An overview of the fisheries management system

1. New Zealand's wild caught fisheries are primarily governed by the Fisheries Act 1996 (the Fisheries Act). The purpose of the Fisheries Act is to provide for utilisation of fisheries while ensuring their sustainability. Most of the fish species that are important to New Zealanders are managed under the quota management system (QMS) (Figure 1).

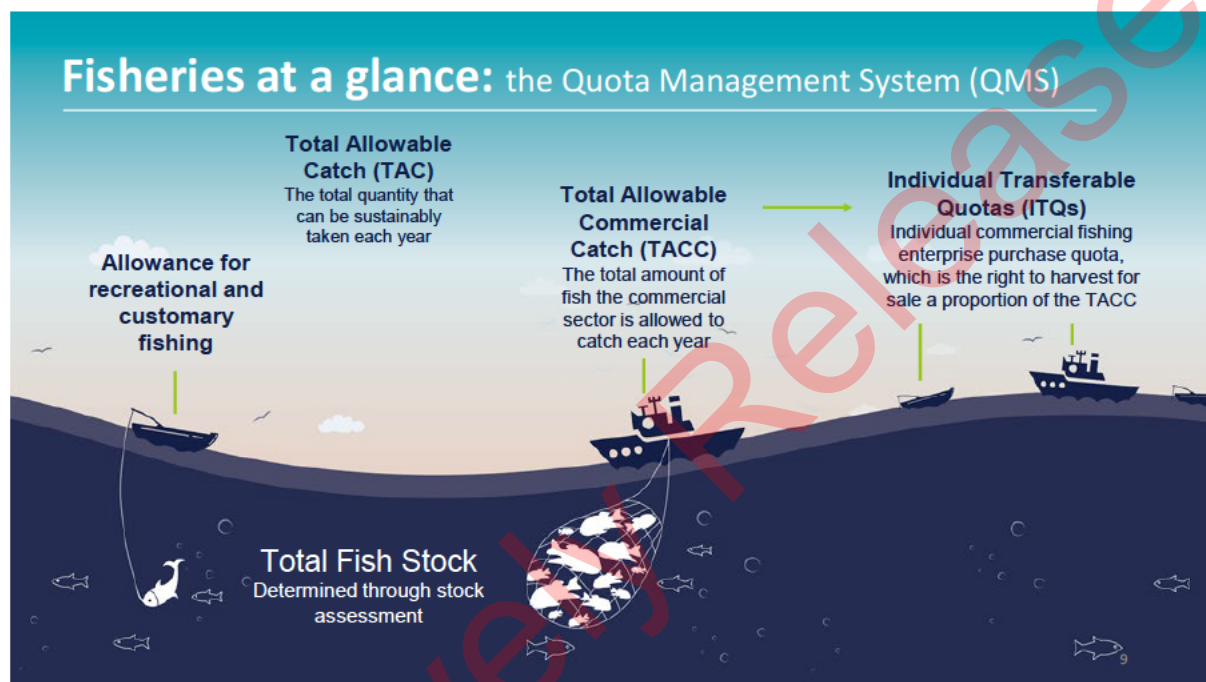


Figure 1: New Zealand's Quota Management System (QMS)

2. The QMS is a rights-based individual transferable quota system that supports the management of New Zealand's fisheries. It controls fishing activity through the setting of a catch limit, the total allowable catch (TAC). The TAC sets the quantity of fish that can be taken for each fish stock per fishing year. The total allowable commercial catch (TACC) is the tonnage portion of the TAC set aside for commercial quota once allowances for non-commercial (customary and recreational) interests have been considered, and allowance made for other sources of fishing mortality.
3. The activity of individual commercial fishers is controlled through an annual catch balancing regime to limit their catch to within the TACC. This requires fishers to cover all their catch of quota species with annual catch entitlement (ACE). If commercial fishers catch more fish than they hold or can acquire ACE for they are charged deemed values for the extra catch.
4. The catch balancing regime is central to the operation of the QMS and acts to limit commercial catches to be at-or-around the level of sustainable commercial harvest (i.e., the TACC).
5. Providing long-term fishing rights via quota incentivises sustainable fishing practices and economic efficiency. In principle, the QMS creates an incentive for fishers to fish within sustainable limits in a way that maximises the value from their ACE and minimises costs.

The deemed value framework

6. The deemed value framework is a key component of the catch balancing regime and is integral to maintaining the integrity of the QMS, and the economic efficiency and sustainability incentives driven by it.
7. The purpose of deemed values is to provide a financial incentive for commercial fishers to source ACE and not exceed sustainable catch limits, while encouraging accurate reporting. At the same time, they provide commercial fishers with a mechanism to deal with minor unintended and accidental catch exceeding their ACE holdings and enable fishers to reduce costs for trading ACE to cover minor over-catch by avoiding the need for many small trades.
8. The deemed value framework has three key elements:
 - i. during the fishing year, commercial fishers must pay monthly **interim** deemed values whenever their landings exceed current ACE holdings – these interim payments are refunded if and when the commercial fisher subsequently sources ACE to cover landings.
 - ii. an **annual** deemed value rate, which is higher than the interim rate, is charged at the end of the fishing year on each kilogram of catch in excess of ACE.
 - iii. if appropriate, **differential** annual deemed value rates, which get progressively higher as catches not covered by ACE increase (ramping), can be set for the same stock and charged at the end of the fishing year on each kilogram of catch in excess of ACE – creating an increasingly strong disincentive to land more fish on deemed values.

Setting deemed value rates under the Fisheries Act

9. The rules around how deemed value rates for QMS fish stocks are determined are set out in section 75 of the Fisheries Act. The section specifies that when setting deemed value rates, the Minister must consider the need to provide an incentive for every commercial fisher to acquire or maintain sufficient ACE to cover their catches. It also states that the Minister may have regard to:
 - 9.1. the desirability of commercial fishers landing catch for which they do not have ACE; and
 - 9.2. the market value of the ACE for the stock; and
 - 9.3. the market value of the stock; and
 - 9.4. the economic benefits obtained by the most efficient commercial fisher, licensed fish receiver, retailer, or any other person from taking, processing or sale of the stock, or any other stock that is commonly taken in association with the stock; and
 - 9.5. the extent to which catch of that stock has exceeded or is likely to exceed the commercial catch limit for the stock in any year; and
 - 9.6. any other matters the Minister considers relevant.
10. The deemed value framework focuses on the value of the fish at a biological/stock level rather than the value of the fish to a particular commercial fisher, with rates set on a stock-by-stock basis at the beginning of a fishing year. This is reflected in section 75(6) of the Fisheries Act, which specifically excludes consideration of the personal

circumstances of any individual or class of person paying deemed values and prohibits separate deemed value rates to be set in individual cases.

11. There is one exception to this rule, in which different rates can be set for stocks that are landed to licensed fish receivers (LFRs) in the Chatham Islands (section 75(5)). This exception acknowledges that the costs for all fishers of doing business on the Chatham Islands are much higher than on the mainland, and that deemed value rates should be set to reflect this to maintain the intent of the deemed value framework.

Setting deemed value rates relative to average ACE price and landed value

12. To maintain the appropriate incentives, deemed value rates are generally set between the average market ACE price and the landed price received for a stock (which is typically higher than the ACE price). However, in some cases it may be appropriate to set deemed value rates above the average landed price to meet sustainability and/or utilisation objectives – for example, for a stock under a rebuild or one of high value to another sector (e.g., recreational fishers).
13. Because average landed price is generally used to set deemed value rates for fish stocks, the strength of the incentives provided by deemed values varies across commercial fishers or groups of commercial fishers, depending on the cost of fishing, state of the landed product (e.g., fresh or frozen), and the markets the product is sold to.
14. For example, if one fleet mainly targets a fish stock and gets a higher price for it than another fleet that catches small amounts of it accidentally (as bycatch), the market value of ACE will reflect the high value of the stock when taken as target catch. Therefore, ACE prices and deemed value rates may exceed the landing price received by the fleet that catches the stock as bycatch. The fleet will keep catching the fish stock as bycatch so as long as the value obtained for their main catch exceeds the cost of catching both.
15. In this case, setting deemed value rates above the landing price received by the commercial fishers that take the stock as a bycatch creates a strong incentive for them to avoid/minimise catching the stock. This leads to more of the stock being available for higher value use while still constraining catches to the catch limits, ensuring sustainability of the fishery and protecting quota value. This is exactly the incentive that deemed values are designed to create.
16. If deemed value rates are set below the average price of ACE, commercial fishers would not be as constrained by the TACC because they could rely on paying deemed values instead of sourcing and balancing catches with ACE.
17. If a stock's commercial catch limit is fully caught, continued landing against deemed values would result in commercial catches exceeding the sustainable commercial catch limits, which could, in turn, cause the stock abundance to decline and impact other users both in the short and long run. This would be a particular issue for stocks where we are concerned about their status, such as stocks undergoing a rebuild.
18. If fishing on deemed values results in a stock's commercial catch limit not been fully caught, this may result in ACE being left unused, resulting in some quota owners earning less for their ACE, which could erode the quota value.

Limitation to information used to inform settings of deemed value rates

19. The best available information on landed prices of fish stocks is the port price survey, which is a voluntary paper-based survey of average prices paid by LFRs for fish landed. There are limitations to the survey, including that the response rate is often low, the

survey only reflects a small proportion of transactions and does not necessarily recognise internal transfers within vertically integrated companies (that is, companies that catch the fish and land it to themselves) and it does not distinguish between catching methods or whether the fish was landed fresh or frozen (factors that can significantly affect price differences for the same stock).

20. Commercial fishers are required to register all transfers of ACE. When doing so, fishers can voluntarily provide the price of the ACE they are transferring (e.g., selling price). As with the port price survey, there are limitations to this information, including that fishers don't always provide ACE prices when registering a transfer and that the price registered is often not a reflection of the actual selling/purchasing price (e.g., some fishers register all ACE transfer prices as \$1 per kg) with cost being reflected through other transactions.
21. Whilst recognising that information on average ACE and landed price can be limited, the port price survey and ACE trading prices represent the best available information and are considered an appropriate reference point when assessing whether deemed value rates are providing the correct incentives.

What is the policy problem or opportunity?

Significant differences in price received compared to costs incurred for landing certain fish stocks are imposing high costs to parts of the industry

22. During consultation earlier this year on the fisheries reform proposals, an industry submitter raised issues with the inability of the deemed value framework to recognise situations where some commercial fishers receive significantly lower than the average price for certain stocks due to unavoidable operational differences (e.g., fishing method used or whether they land the fish frozen). The submitter raised the issue in the context of inshore stocks caught as bycatch by deepwater freezer vessels and noted that this results in deepwater operators paying substantial deemed value bills for catch of inshore stocks that they do not hold quota or ACE for.
23. As deemed value rates are set on a stock-by-stock basis, the strength of the incentives provided by deemed values varies across individuals or groups of commercial fisher/s, depending on the value they can derive from the stock when landed.
24. Deemed value rates for a stock may exceed the landed price received by some fishers due to unavoidable operational differences. For example, snapper is targeted and caught by inshore vessels and landed fresh, which fetches a high price s9(2)(j) . Therefore, snapper ACE is highly sought after. Snapper is also taken in much smaller volumes as bycatch by some deepwater operators that can only land it in a frozen product state due to the length of the fishing trip. Frozen snapper fetches a much lower price than fresh snapper s9(2)(j) .
25. As most snapper is targeted and caught by inshore vessels and landed fresh, the higher price received for fresh fish is reflected in the average ACE price for the stock and the deemed value rates. In this situation, the average ACE price and the standard deemed value rates for the snapper stocks exceed the price of snapper when caught and landed frozen by commercial fishers operating deepwater vessels.
26. The issue has been further compounded by the shifting range of the species. However, it is expected that the deepwater fleet will continue catching fish such as snapper as bycatch as long as the value obtained for their target species exceeds the cost of catching both.

27. Setting deemed value rates based on the price obtained for the higher value product (e.g., fresh fish) may appear to penalise those who catch the species as bycatch and can only produce the lower value product. However, this creates a strong incentive for fishers to avoid/minimise bycatch of the species and incentives high-value uses of the fisheries resource while ensuring sustainability of the stock and protecting quota value.
28. Price differences for landed fish exist across the sector, to varying degrees. However, based on the information available the difference is more pronounced in situations where deepwater freezer vessels catch high value inshore stocks (i.e., that are mainly landed fresh by inshore vessels) but can't land the fish fresh due to the length of their fishing trips.

Changes in abundance and/or distribution of stocks can result in additional costs to industry

29. Where a stock's abundance or distribution significantly increases or expands, ACE may be quickly used up or become harder to access. If the catch limit is not adjusted to match the change in abundance, then significant landings against deemed values can occur. These types of stock abundance or distribution changes may be exacerbated by climate change and become more frequent in the future. For example, snapper has seen increases in abundance in the Tasman and Golden Bay region since 2010, and biomass is projected to continue to increase under warming waters, resulting in higher yields.²
30. Even where stocks are regularly scientifically assessed, there may be several years between assessments. For shared stocks that are highly valued by commercial and recreational fishers, the need for more extensive consultation and the differing views of harvesting groups can further extend the period for adjusting catch limits.
31. Sometimes such delays can result in high costs to the industry from having to pay deemed values for catch exceeding the available ACE. These will be incurred until or unless adjustments are made or catching the stock can be avoided.

Deemed values incurred by deepwater operators in the last six complete October fishing years

32. In the last six complete October fishing years, eleven out of a total of thirteen deepwater operators incurred deemed value charges (Table 1). Annual charges incurred by a single deepwater operator ranged between \$0 and \$977,000.

Table 1: Total annual deemed value charges for all stocks (K=\$1,000) and charges related to inshore stocks only (and percentage of total charges) incurred by deepwater operators in the last six complete October fishing years.

October fishing year	Total deemed value charges incurred by deepwater operators (for all stocks)	Total deemed value charges related to inshore stocks (total inshore stock deemed value charges as a proportion of total charges for all stocks) incurred by deepwater operators
2019/20	\$ 2,881K	\$ 2,300K (80%)
2020/21	\$ 1,307K	\$ 425K (33%)
2021/22	\$ 813K	\$ 160K (20%)
2022/23	\$1,885K	\$ 631K (33%)
2023/24	\$3,363K	\$ 615K (18%)

² Ref: <https://agupubs.onlinelibrary.wiley.com/doi/full/10.1029/2024EF004857>).

33. During this period, deepwater operators incurred deemed value charges for a total of 37 inshore stocks. The proportion of total deemed value charges incurred by deepwater operators that related to inshore stocks decreased during the period, with inshore stocks representing 80% of total charges incurred in 2019/20 but only 18% of total charges incurred in 2023/24.
34. There were eight stocks of five species responsible for 95% of the total combined charges incurred in the last six years: kingfish (KIN 7 & 8), snapper (SNA 7 & 8), school shark (SCH 5), gemfish (SKI 1 & 2), and common warehou (WAR 3). Charges for some of these stocks have decreased in recent years following an increase to catch limits (kingfish and gemfish) and therefore increased ACE availability, and/or following a decrease in deemed value rates (school shark). See **Appendix One** for more detailed information.

Proactively Released

Section 2: Assessing options to address the policy problem

What objectives are sought in relation to the policy problem?

35. The objective is to reduce costs to parts of the industry resulting from significant differences in prices received compared to costs incurred (e.g. from deemed values) for landing certain fish stocks due to unavoidable operational differences, while ensuring the long-term integrity of the quota management system (including restraining catch to sustainable levels and protecting long-term value of quota).

What criteria will be used to compare options to the status quo?

36. The following criteria were used to assess options:
- **Reducing industry costs:** The extent to which each option reduces costs to industry resulting from significant differences in price received compared to costs incurred from deemed values for landing certain fish stocks due to unavoidable operational differences.
 - **Responsiveness:** The extent to which each option enables targeted reduction of costs to industry.
 - **Maintaining the integrity of the QMS:** The extent to which each option affects or maintains the key properties and principles of the QMS and enables it to perform its intended functions, including restraining catch to sustainable levels and protecting the long-term value of quota and the benefits obtained from the resource by other users.
 - **Regulatory efficiency:** How easy would it be to regulate and administer.

What scope will options be considered within?

37. The Minister asked MPI to develop options to alleviate the financial impacts of deemed values on commercial fishers in situations where they receive lower than average landed price for certain stocks due to unavoidable operational differences. These impacts can heighten when a stock's abundance or distribution significantly increases, which may be exacerbated by climate change and become more frequent in the future. When this happens ACE may quickly become exhausted and significant landings against deemed values occur before the catch limit can be adjusted.
38. The RIS contains policy options on how best to alleviate the financial impacts of deemed values in these specified circumstances.

What options are being considered?

Option One – Status Quo (Officials' preferred option)

Summary – using existing tools to address deemed value charges incurred by deepwater operators for inshore fish stocks

39. Officials consider that reducing cost to industry could be achieved through alternative, more immediate and/or direct existing tools to respond to increased catch of some species due to changes in abundance and/or distribution. These include more frequent and timely reviews of catch limits and/or deemed value rates of those stocks that are imposing the greatest costs on industry due to significant differences in price received compared to costs incurred from deemed values for landing the stocks due to unavoidable operational differences.
40. The fisheries reform proposals currently being progressed will also provide additional tools to support timely responses to changes in abundance and/or distribution of fish stocks. For example, enabling catch limits to be adjusted more quickly in response to changing information and to address potential mismatches between the commercial catch limit and abundance of a fish stock.

Fisheries reforms are aimed at improving the agility of the fisheries management system

41. Improving the agility of the management system is a key focus of the current legislative reform and associated operational improvements. Significant changes are proposed to enable more flexible management responses. For example, enabling catch limits to be adjusted more frequently and quickly in response to changing information, to address any potential mismatches between the commercial catch limit and abundance of a fish stock.
42. The reforms will add tools that improve our ability to manage more responsively, including in situations where we have low knowledge (as is often the case with bycatch stocks), specifically:
 - a) management procedures, set for a maximum period of five years, that would allow the Minister to define in advance, following consultation, the circumstances in which a change in abundance or distribution will result in a catch limit change and the size of that change.
 - b) multi-year catch limit proposals that include the ability to temporarily increase a catch limit for a stock for up to five years to gather more information on abundance. The catch limit would then revert to its previous level unless the information gathered suggests that a permanent increase is justified.
 - c) a low knowledge stock proposal that ensures the ability to set and adjust TACs for low information stocks. This enables us to respond more readily to signals of a change in abundance of these stocks, some of which have not had catch limits changed for the last 20 years.

Addressing deemed value charges incurred by deepwater fishers for inshore bycatch stocks

43. Based on deemed value payments made by deepwater operators in the last six complete fishing years and analysis of ACE, port prices and deemed value rates of stocks, it appears the issue raised is largely confined to a relatively small number of inshore stocks

that are taken by deepwater vessels; in particular, two kingfish, two snapper, one school shark, two gemfish and one common warehou stocks.

44. Adjusting catch limits and/or deemed value rates has effectively resolved high deemed value charges incurred by deepwater operators for certain inshore stocks in previous years by providing more ACE and/or lowering overall deemed value charges where a stocks' abundance has increased (see **Appendix One**).
45. Greater ACE availability only supports fishers who are able to access or purchase ACE, which can be highly sought after and more affordable for those fetching the higher landing price for the stock (e.g., landing it fresh rather than frozen). This dynamic reflects the market operating as intended, with the catching rights (ACE) flowing to the higher value fishery.
46. Operators receiving lower landed prices for the stock will be strongly incentivised to avoid/minimise catching it. This is exactly the incentives that the catch balancing regime was designed to create and reflects the outcomes desired from the operation of the QMS, that is, sustainability and economic efficiency.
47. However, in the case of incidental bycatch that is hard to avoid, fishers will continue catching it as long as the value obtained for their target species exceeds the cost of catching both target and bycatch species.
48. Adjusting catch limits and/or deemed value rates is done at a stock-level, with no ability to target responses to address high costs being incurred by specific fishing methods/fleets. For example, there is no ability to set multiple deemed value rates for the same stock within a fishery or between fishing fleets that use different types of fishing gear and/or operation (e.g., landing fresh or frozen product). Nonetheless these measures have generally been effective in the past in reducing costs for industry.

Option Two – Alternative deemed values that could apply to any specified stock when caught by any specified fleet

Summary – a broad scope option that introduces the ability to recognise landing price differences for any fish stock across any specified fleet

49. This option is broad in scope. It recognises situations where any fishers receive a price for certain stocks that is below average. Specifically, it would introduce the ability for the Minister to set alternative annual deemed value rates that are lower than or differently structured to the standard deemed value rates that apply to any specified QMS fish stock when caught by any specified method and/or fleet.
50. This option acknowledges that price differences between capture methods and/or fleets exist across the entire sector. For example, some stocks fetch a higher price when caught by long-line than when trawl caught, while some stocks fetch a higher price when landed fresh than when landed frozen.
51. As there are 642 QMS fish stocks and around 746 registered commercial fishers, introducing a broad ability to set alternative deemed values for any QMS stock when caught by specified methods and/or fleets (if certain criteria and requirements are met) is complex and would reduce regulatory and market efficiency. This option also carries a high risk to the integrity of the catch balancing regime and the QMS, as it could result in alternative deemed values being set for a large number of QMS stocks.

52. Implementing this option would require fundamental system-wide changes to the administration of the catch balancing regime, s9(2)(j)

The impacts of alternative deemed value rates within a fish stock

53. This proposal could reduce or remove the incentive to source ACE provided by standard deemed value rates and allow eligible fishers to fish outside of the TACC – which undermines the sustainability principles of the QMS and the rights of quota owners.
54. For example, under this option, eligible commercial fishers (including those who own no quota) could get access to a fish stock at a lower cost than other commercial fishers. This may result in the following outcomes:
- a) Reduced or no incentives on eligible commercial fishers to purchase ACE to cover their catch of the relevant stocks.
 - b) If unmanaged, sustained and/or significant catch on deemed values in excess of the catch limit can have negative impacts on long-term sustainability of the relevant stocks and on the value of quota rights.
 - c) Over time, this could result in a potential reduction in the commercial catch limits of the relevant stocks to manage sustainability risks, which would negatively impact other commercial fishers not eligible for the alternative deemed value rates.
 - d) A potential reduction in ACE price and quota value of those fish stocks as a result of setting deemed value rates below the average price of ACE, contrary to desired economic efficiency incentives.
55. This option would require an amendment to the deemed values framework to introduce the ability to set alternative deemed value rates for a stock. Officials note that such an amendment, in effect, could also be considered to be financially equivalent to providing ACE to the specified fleet at below market rates, at the cost of other users.
56. These impacts apply to Option Three as well.

Limiting the impacts of this option on the integrity of the QMS

57. Price differences for landed fish vary across the sector. Alternative deemed value rates are not meant to address all minor variations but rather provide a mechanism to address situations where significant price differences cause notable financial impacts on commercial fishers' business operations.
58. Therefore, it is proposed that alternative deemed value rates for any specified stock when caught by any specified method/fleet may only be set if the Minister is satisfied that the price received for the stock is significantly less than the estimated average landed price for the stock.
59. Applying lower rates on a permanent basis would increase the risk of undermining the long-term value of quota and sustainability of relevant stocks and reduce incentives to innovate to avoid fish or improve product value. To address this concern, it is proposed that alternative deemed value rates be set for a maximum of three years, after which they expire unless reviewed and extended.
60. To limit the amount of unbalanced catch and reduce the potential impacts on value of quota and sustainability, it is proposed that the alternative deemed value rate for a fish stock would progressively increase (or ramp up) as catch in excess of ACE increases (differential alternative deemed value rates). This would increase the incentive to find ACE or stop fishing as more fish is caught. The ability to ramp up rates based on level of

catch in excess of catching rights currently exists for standard deemed value rates. However, as alternative deemed value rates may be set below average price of catching rights, there is a need to enable ramping based on catch volume for alternative rates as well.

Implementing this option requires amendment to the Fisheries Act and fundamental changes to administration of the catch balancing system

61. Introducing the ability to set alternative deemed value rates for any QMS fish stock when caught by any specified method/fleet would mean that some stocks could have a number of deemed value rates. Those rates would apply to certain groups of commercial fishers/vessels only and, potentially, for a certain volume of catch only.
62. To provide for this ability, section 75 of the Fisheries Act would need to be amended so that it specifies that an alternative annual deemed value rate, including differential rates, may be set for any specified QMS fish stock caught by any specified method/fleet that is different from the deemed value rate set in respect of the same stock caught by all other fleets, if certain criteria are met.
63. Option Two would require system-wide changes to the administration of the catch balancing regime.^{s9(2)(j)}

The cost of implementing the changes would likely be recovered from the industry and have significant implications for cost recovery.³

Option Three – Alternative deemed value rates that could only be set for specified inshore stocks when caught by specified deepwater freezer vessels (Minister’s preferred option)

Summary – a limited scope option that introduces the ability to recognise more pronounced landing price differences where deepwater freezer vessels catch inshore stocks

64. This option would amend the Fisheries Act to introduce a limited ability to enable alternative deemed value rates to be set. Specifically, it would introduce the ability for the Minister to set alternative annual deemed value rates, that are lower than or differently structured to the standard deemed value rates that apply, for specified inshore stocks when caught by specified deepwater freezer vessels only, where certain criteria and requirements are met.
65. Price differences for fish landed in different states exist across the entire commercial sector, to varying degrees. However, based on the information available the difference is more pronounced in situations where deepwater freezer vessels catch inshore stocks (i.e., that are mainly landed fresh by inshore vessels) and are unable to land the fish fresh due to the length of their fishing trips.
66. Due to the restricted scope of this option its implementation would not require system-wide changes to the administration of the catch balancing regime. Instead, alternative

³ Cost recovery levies are usually allocated based on quota ownership, whereas in this case the beneficiary of the service would be those fishers who may not hold sufficient or any quota/ACE for that stock.

deemed value rates could be manually applied by FishServe to each relevant fisher after the completion of each fishing year. It also provides a very targeted mechanism to reduce costs to one part of the industry where there are more pronounced differences in price received compared to costs incurred (e.g. from deemed values) for landing certain fish stocks due to unavoidable operational differences.

The impacts of different deemed value rates within a stock

67. Like Option Two, this option reduces or removes the incentive to source ACE provided by standard deemed value rates and allows eligible commercial fishers to fish outside of the TACC. However, as the scope of Option Three is more restricted than Option Two the risk to sustainability and possible erosion of quota rights is lower in comparison.
68. Under Option Three, commercial fishers operating deepwater freezer vessels (including those who own no quota) could get access to an inshore fish stock at a lower cost (for example, kingfish and snapper) than other commercial fishers. This may lead to similar outcomes as noted for Option Two, but limited to commercial fishers that operate deepwater freezer vessels that catch inshore stocks, namely:
 - a) reduced or no incentives on commercial fishers operating deepwater freezer vessels to purchase ACE to cover their catch of certain inshore stocks.
 - b) sustained or increased fishing on deemed values (that is, fishing beyond ACE holdings) by fishers operating deepwater freezer vessels, with associated risks to sustainability of certain inshore stocks.
 - c) over time, a potential reduction in the commercial catch limits of relevant inshore stocks to manage sustainability risks.
 - d) a potential reduction in ACE price and quota value of certain inshore stocks caught as bycatch by deepwater freezer vessels as a result of lower deemed value rates, contrary to desired economic efficiency incentives.

Limiting the impacts of this option on the integrity of the QMS

69. As the scope of Option Three is more tightly confined, the risks of this option to the integrity of the QMS, such as the potential to erode the incentive to source ACE provided by standard deemed value rates, are lower than under Option Two.
70. To restrict its application and reduce the risks to the integrity of the QMS, the same considerations and qualifying criteria as proposed under Option Two would be applied.
71. As with Option Two, alternative deemed value rates could only be set for a maximum of three years, and different alternative rates could be set for the same stock that progressively increase as the volume of catch and/or level of catch in excess of ACE increases.

Implementing this option requires amendment to the Fisheries Act and changes to the catch balancing system

72. To provide for this ability, section 75 of the Fisheries Act would need to be amended so that it specifies that an alternative annual deemed value rate, including differential rates, may be set for any specified QMS inshore fish stock when caught by specified deepwater freezer vessels only, that is different from the standard deemed value rate set in respect of the same stock caught by all other vessels, if certain criteria are met.
73. Due to the restricted scope of this option, FishServe's preliminary view is that they would be able to do a manual end-of-year application of alternative deemed value rates.

FishServe have indicated that the annual cost of manual application may be s9(2)(j) per case which would be direct charged to each relevant commercial fisher.⁴ Total costs to the sector will depend on the number of inshore fish stocks to which alternative deemed value rates are set for and the number of eligible commercial fishers operating deepwater freezer vessels.

74. The cost of applying would lead to only those fishers incurring higher costs being likely to apply. In other words, where the cost reductions from alternative deemed value rates exceed the cost of applying the rate after the conclusion of the fishing year.

⁴ A case refers to calculating alternative deemed values for one stock caught by one commercial fisher. If a commercial fisher is eligible and catches two stocks for which alternative deemed value rates apply, that would be counted as 'two cases'.

How do the options compare to the status quo?

	Option One – Status Quo (Official's preferred option)	Option Two – Alternative deemed values that could apply to any specified stock when caught by any specified fleet	Option Three - Alternative deemed value rates that could only be set for any specified inshore stocks when caught by any specified deepwater freezer vessels (Minister's preferred option)
Reducing industry costs	0 Costs able to be reduced using existing tools and additional tools proposed currently being progressed under the fisheries reforms. Adjusting catch limits and/or deemed value rates has effectively resolved high costs incurred by industry in previous years by providing more ACE and/or lowering overall deemed value charges.	+ Costs able to be reduced more widely across the industry by introducing a broad scope ability to set alternative DV rates for any specified stock when caught by any specified method/fleet. If alternative DV rates lead to catches exceeding sustainable limits for stocks it could result in possible reduction to catch limits of relevant stocks which would negatively impact other commercial fishers not eligible for alternative DV rates.	+ Costs able to be reduced to a part of the industry (where price differences are more pronounced) by introducing limited scope ability to set alternative DV rates for any specified inshore stock when caught by deepwater freezer vessels. If alternative DV rates lead to catches exceeding sustainable limits for inshore stocks it could result in possible reduction to catch limits of relevant stocks which would negatively impact other commercial fishers not eligible for alternative DV rates.
Responsiveness	0 The current legislative reforms will enable more flexible and timely management responses to changes in stock abundance and/or distribution. Adjusting catch limits and/or deemed value rates is done at a stock-level, with no ability to target responses to address	+ Is a responsive option in that a new tool is introduced to enable DV cost reductions to be targeted to any stock and fishery in the QMS.	+ Is a responsive option in that a new tool is introduced to enable DV cost reductions to be targeted at specific stocks caught by deepwater freezer vessels.

	high costs being incurred by specific fishing methods/fleets.		
Maintaining the integrity of the QMS	0 The current system, and changes already underway, would maintain the integrity of the QMS.	--- Would remove incentive to source ACE and allow any fishers using any specified method/in any specified fleet to fish outside the TACC of any stock. This could lead to catch exceeding sustainable limits, which, if unmanaged, could have negative impacts on long-term sustainability and the value of quota, potentially across many stocks.	-- Would remove incentive to source ACE and allow fishers operating deepwater freezer vessels that catch specified inshore QMS stock(s) to fish outside the TACC. This could lead to catch exceeding sustainable limits, which, if unmanaged, could have negative impacts on long-term sustainability and the value of quota, across a limited number of stocks (inshore stocks only).
Regulatory efficiency	0 The status quo is the easiest to regulate and administer as it uses existing tools and approaches.	-- The cost of introducing and administering this option would be high, as it would require complex and costly system-wide changes to the administration of the catch balancing regime. Costs would be recovered from quota owners, irrespective of whether they directly benefit (i.e., are eligible for alternative DV rates) from the option or not.	- The cost of introducing and administering this option would be low/moderate as it could be manually applied. Costs would be charged directly to relevant fishers not quota owners, so only those that benefit from the option incur implementation costs.
Overall assessment	0	---	-

Key for qualitative judgements:

++ much better than doing nothing/the status quo/counterfactual
+ better than doing nothing/the status quo/counterfactual
0 about the same as doing nothing/the status quo/counterfactual

--- significantly worse than doing nothing/the status quo/counterfactual
- much worse than doing nothing/the status quo/counterfactual
-- worse than doing nothing/the status quo/counterfactual

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

75. Options One and Three can achieve the outcomes sought. However, in our analysis the status quo (Option One) can deliver the highest net benefit, in particular best maintaining the integrity of the QMS and having the least impact on the property rights of quota holders.

Option 1 - status quo (officials' preferred option)

76. This option would reduce costs to industry resulting from significant differences in price received compared to costs incurred (e.g. from deemed values) for landing certain fish stocks using existing tools to respond to increased catch of some species due to changes in abundance and/or distribution. These include reviewing the catch limits and deemed value rates of those inshore stocks caught by deepwater vessels that are posing the greatest operational and/or financial impact.
77. The fisheries reform proposals will provide additional tools to increase the flexibility of the fisheries management system, particularly regarding setting catch limits and responding to catch and price signals from fisheries.
78. This option requires no legislative amendments, beyond those already agreed by Cabinet as part of the fisheries reforms and would be least cost to implement. Use of existing tools have historically reduced costs to industry by increasing commercial catch limits and/or lowering deemed value rates.
79. Under this option reducing costs to industry would not be as targeted as envisioned under Options Two and Three. This is because catch limits and deemed value rates are set at a stock-level, not at a method/fleet/or fisher level.
80. This option would best ensure the integrity of the QMS and have the least impact on the property rights of quota holders compared to Options Two or Three.

Option 3 - Alternative deemed value rates that could only be set for specified inshore stocks when caught by specified deepwater freezer vessels (Minister's preferred option)

81. This option enables the Minister to set deemed value rates that are lower than or differently structured to the standard deemed value rates for specified inshore fish stocks when caught by specified deepwater freezer vessels only, where certain criteria and requirements are met.
82. Although price differences for fish landed exist across the entire sector, information available indicates the differences are more pronounced in situations where deepwater freezer vessels catch inshore stocks (i.e., that are mainly landed fresh) but can only land it frozen due to the length of their fishing trips.
83. This option endeavours to strike a balance between protecting the integrity of the QMS while reducing costs to certain parts of the industry resulting from significant differences in price received for inshore stocks due to unavoidable operational differences. However, this may negatively impact other parts of industry by, for example, by affecting the value of quota and ACE, and sustainability of a stock.
84. To mitigate impacts on the long-term value of quota and sustainability, it is proposed under this option that alternative deemed value rates can only be set for a maximum of three years, after which time they expire unless reviewed and extended. Also, differential alternative deemed value rates could be set that progressively increase (or ramp up) as

the volume of catch and/or level of catch in excess of ACE increases, so that the incentive to find ACE or stop fishing increases as more fish is caught.

85. To further restrict the application of this option and limit the risks to the integrity of the QMS, qualifying criteria would be applied. These would restrict its application and reduce the risks to the integrity of the QMS.
86. Limiting the scope and duration of alternative deemed values would reduce the risk to the integrity of the QMS, such as the potential to erode the incentive to source ACE provided by standard deemed value rates. It would also reduce implementation costs, and those costs could be charged directly to relevant commercial fishers instead of recovered from quota owners.
87. To reduce the complexity of implementing the proposal, it is proposed that alternative deemed value rates are only applied at the end of each fishing year. This means commercial fishers pay the standard deemed value rates during the year and are then refunded if they have “overpaid” because they are eligible for alternative rates.

Is the Minister’s preferred option in the Cabinet paper the same as the agency’s preferred option in the RIS?

88. The Minister’s preferred option is to progress Option Three, that focuses on reducing costs to fishers operating the deepwater freezer vessels resulting from significant differences in price received compared to costs incurred (e.g. from deemed values) for landing certain inshore fish stocks due to unavoidable operational differences. This differs from the officials’ preferred approach, which is Option One to retain the status quo.

What are the marginal costs and benefits of the preferred option in the Cabinet paper?

Affected groups	Comment <i>nature of cost or benefit (e.g., ongoing, one-off), evidence and assumption (e.g., compliance rates), risks.</i>	Impact <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.</i>	Evidence Certainty <i>High, medium, or low, and explain reasoning in comment column.</i>
Additional costs of the preferred option (option three) compared to taking no action			
Commercial fishers operating deepwater freezer vessels	Costs of implementation would be charged directly to relevant commercial fishers operating deepwater freezer vessels. Some commercial fishers operating deepwater freezer vessels may hold quota of inshore stocks for which alternative deemed value rates are set. If alternative DVs result in catches exceeding sustainable limits it could negatively impact the value of their quota.	Medium Scale of any impacts not able to be predicted. s9(2)(j)	Medium
Commercial fishing sector (other than those benefitting from the proposal)	Could remove the incentive for some fishers to source available ACE to balance catch of certain inshore stocks, which could lead to catch exceeding sustainable limits. If unmanaged, sustained and/or significant catch in excess of catch limits can have negative impacts on long-term.	Medium Scale of cost impacts not able to be predicted.	Medium

	sustainability of the relevant stocks and value of quota rights. In addition, it could result in reduction to catch limits of relevant inshore stocks, which would negatively impact other commercial fishers not eligible for the alternative deemed value rates.		
Fisheries New Zealand (regulator)	Greater upfront costs (money and time) to assess and implement any alternative deemed value rates. Ongoing costs of maintaining and running the change to the framework. Will create a precedent and thus pressure to apply to other fleets	Medium FishServe, which administers the QMS, will need to manually apply alternative DV rates. Annual costs of application will be charged directly to relevant fishers. FNZ will need to review and assess FishServe application of alternative DVs and approve adjustments to DV charges annually.	Medium
Others (e.g., Customary fishers, recreational fishers, ENGOs)	Other stakeholders may oppose any changes (e.g. lowering DVs) that they consider may result in significant over catch and have an impact on stock sustainability and therefore their benefit from the stock. For recreational fishers the recognition of their interest in an inshore stock would need to continue to be considered (e.g., as is the case for kingfish DV rates).	Low/medium The views of other stakeholders have yet to be heard as there has not yet been public consultation on this proposal.	Low/medium
Total monetised costs	-	Not possible to estimate until eligible fishers and stocks are selected.	-

Non-monetised costs	-	Medium	Medium
Additional benefits of the preferred option compared to taking no action			
Commercial fishers operating deepwater freezer vessels.	Benefit of reduced costs commercial fishers operating deepwater freezer vessels through lower DV rates for certain inshore stocks. This reduction in regulatory costs would support an important export industry.	Medium Benefits limited to a maximum of 40 out of a total of approximately 746 registered commercial fishers. Exact cost reduction to that group of fishers (i.e., those who operate deepwater freezer vessels) depends on extent of application to inshore stocks.	Medium
Commercial fishing sector (other than those benefitting from the proposal).	No identified benefits.	Low	
Fisheries New Zealand (regulator)	No identified benefits.	Low	High
Others (e.g., wider govt, consumers, etc.)	No identified benefits.	Low	Medium
Total monetised benefits		-	-
Non-monetised benefits		Low	Medium/High

Section 3: Delivering an option

How will the proposal be implemented?

89. Under Option Three, legislative amendments are required to the Fisheries Act and associated regulations to make any changes proposed to introduce flexibility to how deemed value rates for QMS fish stocks are set. It is expected that these changes will be incorporated in the Amendment Bill that will be introduced in early 2026 and progressed through the Parliamentary process, with enactment expected in mid-2026. New provisions would take effect upon enactment.
90. All proposals that are part of the Amendment Bill will be subject to evaluation by the select committee, who will be hearing views from the public and a range of fisheries stakeholders.
91. FishServe will continue to be responsible for the administration of the catch balancing regime, including deemed values. Under Option Three, alternative deemed value rates would be manually applied after the completion of each fishing year and application costs directly charged to each relevant fisher.
92. To reduce the complexity of ongoing application of the proposal, alternative deemed value rates are proposed to only be applied at the end of each fishing year. This means that commercial fishers eligible for alternative deemed value rates would pay the

standard interim deemed value rates during the year and then be refunded after the fishing year concludes if they have overpaid.

93. MPI would work with FishServe to make sure there is good communication to commercial fishers about the nature and extent of the amendments and criteria around when they can be set and to whom they will apply.

How will the proposal be monitored, evaluated, and reviewed?

94. MPI and FishServe are best placed to collect information and monitor the status quo and impact of any changes to the deemed value framework and the fisheries management system. Existing means of data collection would be used during and post the transition phase of the introduction of any legislative changes. This information includes ACE prices and landed value of catch for commercially caught species and stocks, changes in catch levels and quantity of deemed values incurred across different fisheries.
95. The extent of monitoring will vary depending on which option is progressed but will be applicable to all three options. We would continue to operate the catch balancing regime and use the best available information to support making the most meaningful changes to management settings, including to reduce costs to industry where possible and appropriate alongside ensuring sustainability.
96. Regular engagement with Iwi and stakeholders would provide an opportunity for questions to be asked about any changes and to assess any concerns that are raised.

Appendix One: Deemed value charges incurred by deepwater operators in the last six complete October fishing years.

In five out of the last six years, less than 34% of the total combined deemed values paid by deepwater operators were related to inshore stocks. (**Figure 1**).

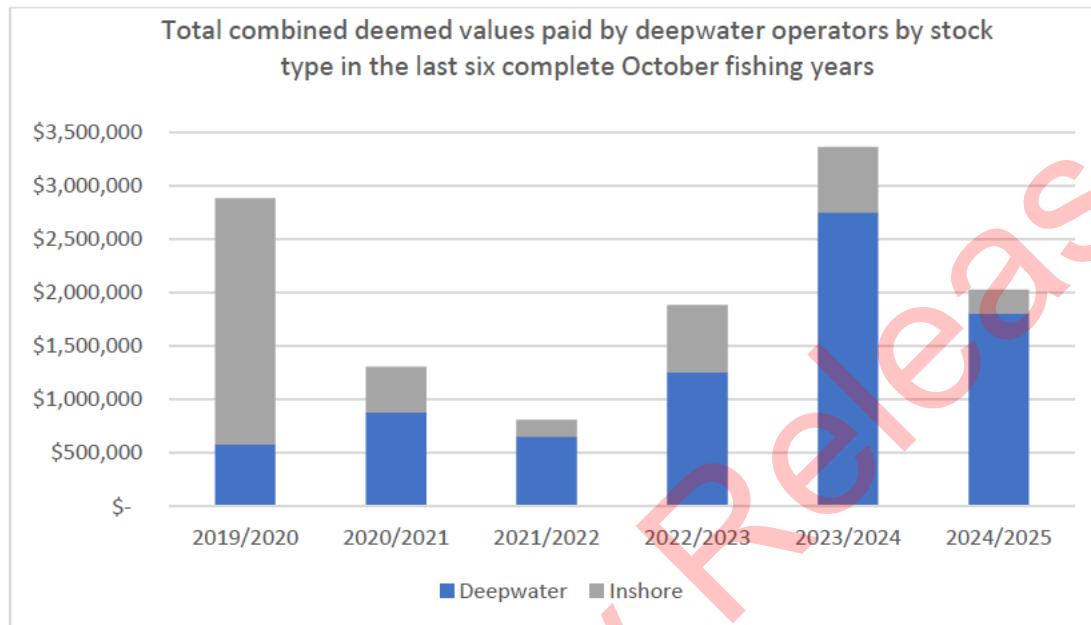


Figure 1: Total combined deemed values incurred by deepwater operators by stock type in the last six complete October fishing years.

Over the same period, deepwater operators incurred deemed value charges for a total of 37 inshore stocks, with eight stocks responsible for 95% of the total combined charges (**Figure 2**).

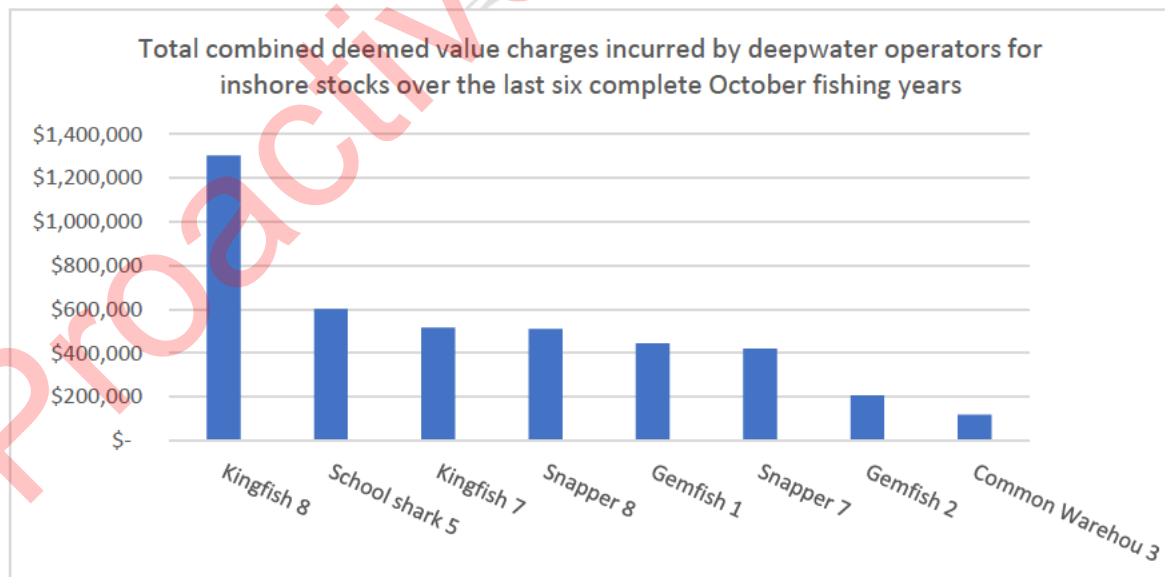


Figure 2: Total combined deemed values incurred by deepwater operators for the top eight inshore stocks with highest charges over the last six complete October fishing years.

Inshore stocks for which deepwater operators have incurred high deemed values in recent years

Kingfish

In the last six complete fishing years, the highest deemed values for inshore stocks incurred by deepwater operators (42%) were related to kingfish (KIN 7 and 8).

Most of the deemed values for kingfish were incurred in 2019/20. During this year, increased abundance of both kingfish stocks resulted in significantly increased catches for all sectors.

Due to the high value of kingfish to non-commercial fishers, the goal of the overall management framework is to manage commercial catch to unavoidable bycatch levels only. This is achieved through a combination of low commercial catch limits and high deemed value rates. As commercial catch limits are set around the level of unavoidable bycatch, it is generally fully caught each year and any increase in catches results in commercial fishers incurring high deemed value charges.

Most of kingfish caught in KIN 7, and approximately 40% of kingfish in KIN 8, are taken by deepwater vessels that land kingfish in a frozen state. This product has a relatively low landed value when compared to kingfish landed fresh.

s9(2)(j)

As most kingfish caught in KIN 7 and 8 is caught as bycatch by deepwater vessels and landed frozen, the lower price received for kingfish is reflected in the average ACE price for the stocks (approximately \$2.96 and \$1.85 for KIN 7 and KIN 8 respectively based on recent reported ACE transfer prices).

To reflect the value of kingfish to non-commercial fishers, deemed value rates of all kingfish stocks are set above the average ACE and landing price to provide a strong incentive for commercial fishers to avoid kingfish (where possible) and return any live kingfish to the sea, with current rates ranging from \$3.30 to \$5.00 per kg.

Following the observed increase in kingfish abundance and catches in 2019/20, catch limits for both stocks were increased in 2020/21. Since then, deemed value charges incurred by deepwater operators for KIN 7 and 8 have significantly dropped, with total combined charges incurred by all deepwater operators in the last three years averaging around \$18,000, compared to \$1.6 million in 2019/20.

Snapper

The total combined deemed value charges incurred by deepwater operators for snapper fluctuate between years, with the highest charges in the last six years incurred in 2019/20.

Snapper is a bycatch for some deepwater freezer vessels that can only land it in a frozen product state due to the length of their fishing trips, and it fetches a much lower price than fresh snapper. s9(2)(j)

As most snapper is targeted and caught by inshore vessels and landed fresh, the higher price received for fresh snapper is reflected in the average ACE price for the stocks (about \$3.50 per kg based on recent reported ACE transfer prices). However, anecdotal information indicates recent ACE transfer prices may not accurately reflect the average price of snapper ACE,

indicating it is closer to \$5.00 to \$5.50 per kg. The average value of ACE and average landing prices is also reflected in the standard deemed value rates, with differential rates ranging from \$4.50 to \$10.40, depending on the extent to which catch exceeds ACE holdings.

In this situation, the average ACE price and the standard deemed value rates for the snapper stocks exceed the value of snapper when caught and landed frozen by commercial fishers operating deepwater vessels. This means the ACE price and/or deemed values deepwater operators pay relative to the value of the landed snapper is much higher than for most other commercial fishers (e.g. inshore fishers) that can land snapper fresh. However, the deepwater fleet is expected to continue catching snapper as long as the value obtained for their target species exceeds to cost of catching both target and bycatch species.

Setting deemed value rates based on the price obtained for the higher value product (e.g., fresh fish) may appear to penalise those who catch the species as bycatch and can only produce the lower value product as the deemed value rates would be set above the landed price they receive. This could create an incentive to not accurately report catch.

Conversely, setting deemed value rates based on the price obtained for the lower value product (e.g., frozen fish) may result in the deemed value rate being lower than the price of ACE and, unless restricted to the deepwater fleet, create an incentive for the commercial fishers producing the higher value product (e.g., fresh fish) to catch more than their ACE holdings.

School shark

Deemed value charges incurred by deepwater operators for school shark significantly increased in 2021/22 and then again in 2023/24. This increase reflected changes in sustainability measures to support the rebuild of the stock, which was shown to be declining in 2021, with a 30% decrease in commercial catch limits implemented in 2021 and an increase in deemed value rates in 2023, from \$1.25-\$2.50 per kg to \$3.60-\$7.20 per kg.

Most school shark is caught as a target species by inshore vessels, with smaller volumes caught as bycatch by both the inshore and deepwater fleet.

s9(2)(j)

Most school shark is landed fresh and therefore the higher price received for fresh school shark is reflected in the average ACE price for the stocks (average of \$1.37 per kg based on recent reported ACE transfer prices).

This years' assessment of the stock indicated that abundance of school shark has increased in recent years, and that all school shark stocks, including SCH 5, were very unlikely to be below either the soft or hard limits or to be experiencing overfishing. As a result, deemed value rates were dropped to \$2.08-\$4.16 per kg.

Although deemed value rates have recently been decreased, they still sit above the average ACE and landing price for school shark. However, it is likely that deemed value charges incurred by deepwater operators for school shark will significantly decrease in the coming years.