

Individual Transferable Quotas

Ding dong, carry on

Northland fishermen feel that the quota management system of New Zealand has failed to deliver

As a conservation measure in fisheries, the system of Individual Transferable Quotas (ITQs) has received considerable attention and some advocacy. The ITQ system was the New Zealand government's response to pleas by independent owner-operators and small-scale commercial fishermen, through their Federation, to save the coastal fisheries. They wanted their fisheries conserved first, then only would their economic situation improve, they believed.

It may now be time to assess the situation. The present status of the fishery in Northland (the region of New Zealand north of Auckland) and the consequences for its independent fishermen and their communities provide a critical evaluation of the efficacy of ITQs. Northland has always been strongly dependent on fisheries. It is also one of the most economically depressed regions of New Zealand, notorious for high unemployment rates. Northland is significant as the only region for which any attempt was made to determine the socio-economic importance of commercial fishing for local communities before this Quota Management System was introduced.

More recently, the New Zealand Fishing Industry Board (FIB) did a survey to show the economic benefit of the seafood industry for the region. Significantly, while demonstrating the importance of the industry, this study did not make any comparisons with the pre-ITQ survey. Although categories differ, there appears to be a major decline in direct employment. Excluding aquaculture which was not considered in the earlier study it appears that, in aggregate, direct employment in the fishing industry in Northland has been reduced from the 700

reported in the earlier study to 579 in the more recent one.

A recent two-week trip through Northland to obtain local perceptions of the impact of the ITQ system on the fisheries and communities introduces a more human dimension to the situation. In some cases, informants were old acquaintances and spokespersons for different fishery sectors. In other cases, they were new, sometimes opportune, contacts. Commercial fishermen at the wharves, always notoriously reticent with strangers, were, however, even more difficult to talk to than usual. They were possibly fearful of yet another undercover 'sting' by the Ministry of Agriculture and Fisheries Compliance. Not surprising, given the frequency of news reports of illegal fishing activities dragged to the courts.

The informants seemed convinced that without the restructuring that led to ITQs, the situation would be much worse than it is now, but the independent fishermen, who had been the system's strongest advocates, now talk of 'betrayal', apathy and disgust. Quotas have been aggregated, but there is still a lot of pressure on fishermen and the small companies to sell their quotas to the larger companies.

Downhill

One fishermen said, "I have fished for 20 years. After 20 years, I had to sell my quota to get out of financial strife. The last five years have been downhill." Having to lease quotas now, his operation is even more marginal. Another stated, "Paying off the quota costs too much! You had to catch as much fish as you could. If it were cheaper, then you would not have had to fish so hard." This also means that wages for the crew are low. The net effect appears

to be a transfer of profits from the local community to company shareholders. Smaller companies recognize quota aggregation as a problem. "If you have quotas and are fishing, you have quotas and are fishing. That is the way it's always been here; ding dong carry on," said one fisherman.

The quota system has consequences for conservation. As one fisherman remarked, "You have got market forces at full force in the fishing industry. When you have market forces and yet want to conserve the fish, it can not be done." The reduced profits from leasing quotas, for example, increases the incentive to fish for high grade. This means bringing in only fish that meets the size and quality required by the high-value Japanese 'Iki jimi' (ceremonial) snapper market. As an example, 95 per cent of fish landed by one Northland company is exported.

Other fish may be dumped and, therefore, wasted. "I never met a fisherman who liked dumping, putting good fish back," said a fisherman. But the deemed value (the surrender price for snapper caught over quota) was NZ\$20 per kg, while the port price was NZ\$4. Indeed, one recreational fisher reported seeing large numbers of fish, which he believes were discards from the commercial fishery, washed up on northern east coast beaches several times this season.

Alternatively, the fish could be landed for the black market. Many informants asserted that fishers traded *non-iki jimi* snapper in their local community. Indeed, there was even an admission that a quota broker had outlined a scam to avoid proper reporting. It was alleged that the fishing industry has taken out a High Court injunction preventing the release of a MAF report that documents the extent of the discrepancy between the fish caught and the fish actually landed at the sheds. There was certainly good anecdotal evidence that the informal economy was thriving.

Considering the poor state of the fisheries, the complexity of the system of quota balancing, by-catch trade-offs, deemed values, resource rentals and subsequent moves to 'user' pays, it is clear that fishermen regard the system as primarily a form of extra taxation. The fishermen see the quota management system as a source of revenue for the government that reduces their incomes and economic viability.

Fishers' voices

Listen to their utterances: "There is not a big future for the small guy, with 60 per cent of the fish going as taxes, lighthouse fees, MAF fees, you name it. And now DOC (the Department of Conservation) comes in for a piece too. For a guy that has got to lease snapper, he is not going to stay in. They are getting out. Taken over by the big

companies. MAF got millions from the surrender of overcaught fish last year". Or, "The catcher pays the price at the end of the day." Independent fishermen were being forced out not just by economic attrition but also because they were "tired of being treated like criminals."

For the general community, while most recreational fishers could get a 'feed', it was widely reported that much of the fish caught were undersized. The general scarcity of good fish, however, was such that good size and quality fish caught by recreational fishers could be traded in the community at a value matching world market prices. A good kingfish, for example, could be swapped with a farmer for a sheep. In most of the fish shops visited, there seemed to be relatively little fish on offer and that little amount was usually poorly presented and of relatively inferior quality.

Domestic consumers were certainly pessimistic, as this sampling of comments reveal:

"You know how hard it is to get fish here and you go to Sydney or Melbourne in Australia and all our beautiful fish are there, cheaper than we can get in New Zealand."

"I do not eat much. Who would at NZ\$22 a kg?"

"I do not understand how, with the amount of fishing going on, there can be any fish left. It's a disappearing resource. With the amounts being caught, how do they think it can reproduce fast enough?"

At least one Maori group wanted to place a *rahi* (closure) on their stretch of coastline to allow inshore stocks, their essential subsistence supplies, to rebuild.

Snapper is commercially the most important species for Northland, indeed one of the prime species the ITQ system was intended to save. Last year, fishermen opposed calls to reduce the Total Allowable Commercial Catch (TAC) from 4,900 tonnes to 4,000 tonnes, following the annual stock assessment. In a major campaign, they argued that their economic viability would be at stake.

Maori leaders, for their part, feared such cuts would force Maoris who had been encouraged to legalize their operations, back to the black market.

Finally, recreational catch limits were reduced and the minimum size of the catch increased. This year's call is to reduce the TAC to 1,600 tonnes or even 1,500 tonnes. If, in order to save the snapper, this is done, the larger, vertically integrated and diversified companies can probably hang on, but most of the remaining independent fishers, many already marginal, will face bankruptcy.

Clearly, the ITQ system has not saved the prime coastal fish species for which it was introduced in the first place nor has it realized the hopes of those who pushed hardest for restructuring the fisheries. In Northland, under the ITQ system, many in the local communities feel deprived. Both prime species of fish as well as independent fishers continue to become endangered. **3**

This report by Leith Duncan of New Zealand was written after a short trip around Northland earlier this year