

## Individual Transferable Quotas

# Chase profits, forget conservation

**The system of Individual Transferable Quotas fuels the corporate motive for profits, not the urge to conserve resources**

**N**ew Zealand is not the only country to use an Individual Transferable Quota (ITQ) system for fisheries management. But it has a more comprehensive programme than other nations and is therefore regarded by commentators as the leading exponent of this system.

As other countries consider privatising their fisheries, the New Zealand experience provides a salutary example to assess the effectiveness of ITQs for fisheries management.

During the 1960s and 1970s, commercial fishing in New Zealand expanded dramatically with the development of export markets, especially to Australia, Japan and the United States.

This period was marked by the declaration of the 200-mile Exclusive Economic Zone (EEZ), the introduction of sophisticated vessels and new fishing technology, and the beginnings of the systematic exploitation of the deep water fisheries.

Prior to this, the industry was mainly supplying the domestic market with prime inshore species such as snapper, grouper, tarakihi, trevalli, gurnard and rock lobster. Before international acceptance of the EEZ in 1983, the deep water species were fished mainly by foreign nations, principally the USSR, Japan, Korea and Taiwan. These fleets used mainly trawlers but also long-liners and squid-jiggers. The species they caught included particularly orange roughy, hoki tunas and squid and also orec dories and southern blue whiting.

With the declaration of the EEZ, the government initially entered into bilateral agreements with these nations.

These were the foreign ventures. The large New Zealand companies were, however, lured by visions of a lucrative virgin resource and they too became interested in fishing these species.

The government encouraged the formation of joint ventures. This eventually led to the phasing out of most foreign ventures. The fishery had become 'New Zealandised', as the largest companies bought deep water vessels which were made surplus by the collapse of over-fished Atlantic stocks.

The Quota Management System was introduced for deep water species in 1983 and for inshore species in 1986. Prior to this, the domestic inshore fisheries were operated from all the ports around the coast, with Auckland being the largest.

Under the ITQ system, quotas were aggregated to the larger companies. Operations, therefore, tended to become consolidated in the largest ports, reducing fleets in the smaller ones. With the development of the deep water fisheries, Nelson has become the largest fishing port in the country.

Officials in the Ministry of Agriculture and Fisheries (MAF) point to several reasons for the introduction of ITQs in the coastal fishery. These include the declaration of the EEZ, high inflation, a downturn in international markets, trade barriers and protectionist policies.

### Real impetus

The real impetus, however, came from an organization, the Federation of Commercial Fishermen, which comprised mainly owner-operators. They were adamant that a 40 percent reduction in fishing effort was necessary in order to save their fisheries.

These fishermen had already experienced the failure of various management regimes: limited entry, controlled fisheries, closed areas and seasons, and a plethora of input controls including horsepower reductions. They were thus ready to support innovative approaches.

ITQs are stated as a right to harvest a specified tonnage of the Total Allowable Catch (TAC) from a stock in a given Quota Management Area (QMA). However, they are widely regarded as a property right to the fish.

Issued in perpetuity, ITQs are freely transferable between New Zealand residents or companies with less than 20 per cent foreign ownership.

Aggregation limits restrict the quota holder from having more than 20 per cent of the TAC for any species in a given QMA for inshore species for 35 per cent for deep water species. Quota holders must pay resource rentals to the government. These are paid on quota held, not on catches.

Restructuring for the introduction of the new system began with stock assessments of the main commercial stocks. TACs were based on estimates of maximum sustainable Yield (MSY) from either reported catches of MAF trawl surveys. The former were probably too large because fishers had been intensively fishing for catch history, while the latter

were probably too small due to conservative assumptions about vulnerability to gear.

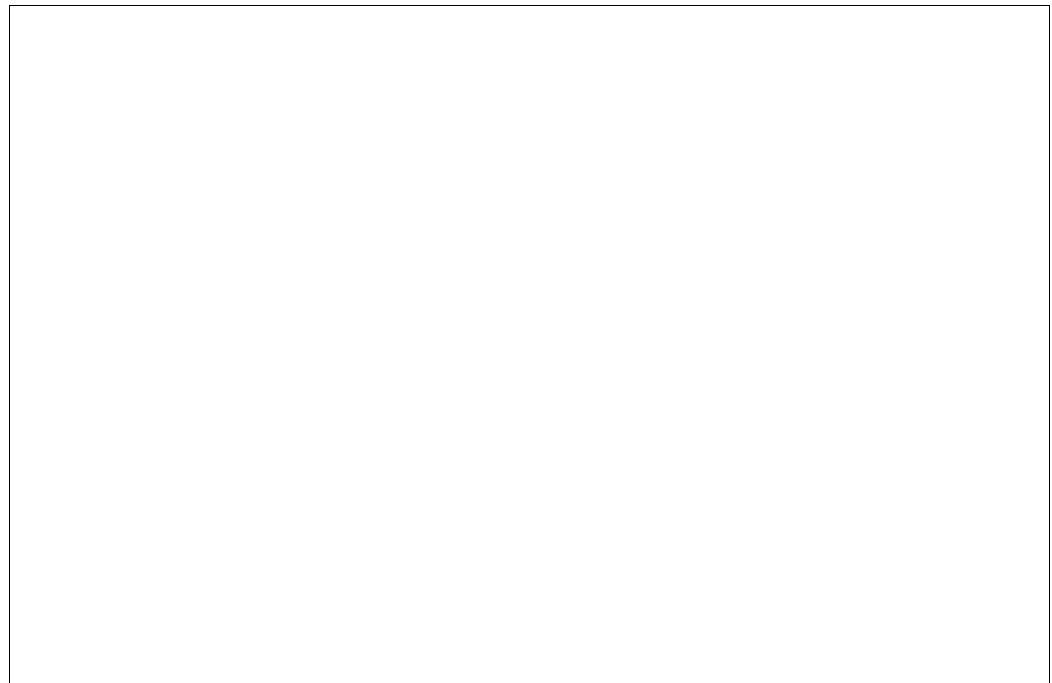
At present, 32 species in some 169 management units are managed under the quota system. In addition, there are 117 species fished under a permit system. In addition, there are 117 species fished under a permit system.

Preliminary investigations showed that in a fleet of nearly 4,000 vessels, the top 50 landed 45.2 per cent of the catch, while the bottom 2,500 landed just 4.6 per cent. Clearly, therefore, these 50 vessels were the largest trawlers operated by the big companies who were already working in the deep water.

If the real intention had been to reduce fishing effort in the inshore fishery by 40 per cent, then surely restructuring should have started here. Instead, in the name of 'professionalising' the industry, the first step taken was to eliminate the 'part-timers'.

**Maori fishers**

This had a serious impact on several sections: Maori fishers working in small ports and communities, seasonal workers—both Maori and Pakeha (non-Maori New Zealander)—as well as the so-called 'life-sytle' or subsistence fishers.



The already high levels of rural unemployment were aggravated and the livelihood of many coastal communities disrupted, creating major social and economic hardship.

Meanwhile, the real part-timers—corporates such as Fletchers and Carter Holt Harvey (CHH), who had their primary activities in other domains such as construction, forestry, and pulp and paper—finished up with most of the quota. Clearly, social justice was not a major objective.

After eliminating the part-timers, provisional allocations were made to the remaining fishers, based on the average catch during the best two of the last three fishing years. For certain species, some of these allocations were greater than the TACs. So there were two rounds of tender (an auction system) to buy back the excess quota at NZ \$42.4 million.

For the species where insufficient quota was tendered, pro rata cuts were made. Then as it turned out, 1,400 of the 1,800 fishermen involved appealed against their allocation. The appeal process, only recently completed, led to more quota for many fishermen.

In the case of some species, particularly snap

per, it raised the TAC to levels higher than before the ITQ system was introduced. This thereby negated the process. Further, crew were completely overlooked in the buy-back operation. Also, some of those who had sold their operations later obtained permits to fish for non-quota species. They thus re-entered the fishery and could then lease quota from other quota holders.

The ITQ system has particularly hit Maoris, the indigenous people of New Zealand who have played a major role in fisheries. They were seriously affected by the exclusion of part-timers.

Maoris believe that the exclusive property rights aspect of the ITQ system was contrary to their fishery rights under Article 2 of the Treaty of Waitangi.

Consequently, they took the Muriwhenua, Ngai Tahu and other claims to the Waitangi Tribunal. They also resorted to other court actions during the latter 1980s.

Together these resulted in a successful High Court injunction on the progressive expansion to bring more species under the Quota Management System (QMS). Although subsequent agreements did allow the inclusion of four more species (squid, jack mackerel, rock lobster and southern scallops), it generally prevented others from being through in.

Under the 1840 Treaty of Waitangi, Maoris believed they were entitled to 'full, exclusive right entitled to 'full, exclusive right to their fisheries', i.e. 100 per cent. But 'in a spirit of partnership', they claimed only 50 per cent. The Maori Fisheries Act of 1989 provided for the transfer of a mere 10 per cent of total fishing quota to the Maori Fisheries Commission.

These claims were, however, supposedly settled at the end of 1992 in two ways: by the Treaty of Waitangi (Fisheries Claim) Settlement Act and the government financing a 50 per cent Maori shareholding for the purchase of Sealord products Ltd., New Zealand's largest fishing company, through a partnership between Maoris and Brierly Investments Ltd.

This purchase, together with other quota already held by the Maori Fisheries Commission, gave Maoris control of a large portion of New Zealand fisheries.

Yet, 13 Iwi (tribes) opposed the settlement, saying their 'treaty rights were not for sale'. They wanted quota to provide jobs for their people, not shares in Sealord. The issue is one of sovereignty and traditional rights versus monetary values and capitalistic enterprise.

This 'deal' however, does clear the way for MAF to bring in more of the 117 non-quota species currently managed under a permit system. The fishing industry is arguing that 30 of these species should come under the ITQ system.

ITQs were introduced ostensibly to conserve the stocks, improve economic efficiency and reduce government regulation. The system has, however, failed to achieve these objectives.

The contest between catch levels and conservation is very stark. After seven years of ITQ management in the inshore fishery and three more in the deep water, six of New Zealand's seven main export species are in danger.

Ownership has far from fostered an attitude of harvesting a renewable but finite resource. Instead, it seems to encourage an ethos where everything in the marine ecosystem is perceived as available for exploitation and maximising of profit.

The basic point is that, large or small, the operators are 'driven' by a profit goal; they do not identify with the goal of conservation which they push as hard as they can. Indeed, the industry seems to be in a feeding frenzy, seemingly interested only in maximising profits. It aims to

double its achievement of NZ \$1 billion in export earnings by the year 2000. With quota brokers adding an additional profit layer and non-fishing owners of quota leasing it at exorbitant rates to fishers, the conservation incentive seems lost.

Thus, in practice, ownership of quota does not provide the claimed incentive to conserve. Most of the quota has been aggregated to the bigger companies.

In fact, the three largest control 53 per cent of the quota. Such enterprises are more driven by balance sheets, return on investment and pressure from shareholders than by any concern for the long-term state of the marine ecosystem.

Despite legal limitations on foreign ownership, there is a real fear of growing foreign control. ITQs are a transferable property right linked in various ways to the global market. The species under most severe pressure of depletion are all fished for lucrative markets overseas.

**Fear of foreign control**

In this context, mechanisms such as joint ventures and financing arrangements for new vessels increase the potential for overseas interests, especially transnational corporations, to gain greater control of New Zealand fisheries.

This article is written by Leith Duncan, an environmental fisheries consultant based in New Zealand