An analysis of the QMS - Why the status quo is untenable

The goals of the Quota Management System (QMS) are resource sustainability and economic efficiency. LegaSea expands on these goals as it continues to advocate for greater abundance and considers that none of the overarching goals have been achieved.

Any successful fisheries management regime that has the support and respect of the citizens must be based on strong principles. The set of principles LegaSea has adopted are:

1. *All fisheries laws will conform with the principles of the Treaty of Waitangi.*
2. *The living marine resources of Aotearoa New Zealand remain under the control of government and cannot become the private property of private companies or individuals or sold abroad.*
3. *All fisheries must be biologically, economically, and socially sustainable. The legislation will prevent private sales of licences or fishing rights.*
4. *To the greatest extent possible, commercial fishing rights will be granted in line with the principles of a market-based system.*
5. *Catches will be landed in New Zealand and processed here for added value.*
6. *Only New Zealand owned and registered companies, or private New Zealand citizens, paying taxes in New Zealand and complying with all relevant employment and maritime law will be able to participate in New Zealand's commercial fisheries.*
7. *In the Territorial Sea there will be complete fleet separation. That is, only vessel owners will be eligible to own and operate a permit. There is no vertical integration permitted.*

Discussion on the efficacy of the QMS must begin with examining current institutions and instruments in relation to how they have contributed to achieving the overarching goals of sustainability and economic efficiency while complying with the principles.

LegaSea considers the QMS as systemically flawed and unable to produce long run value for New Zealand. Furthermore, New Zealand has ignored the series of warning signs that have arisen over the last two decades and failed to learn from the systemic flaws that have become apparent in other jurisdictions that have embraced the 'rights based' framework to manage fisheries assets.

We can begin by asking how well the QMS has achieved sustainable fish stocks and delivered economic efficiency. This will take us on a journey that traverses the four major subsets of fisheries management - ecological, economic, administrative, and social.

Ecological

1. Failure to use international best practice and maintain stocks at 50% or above the unfished biomass levels. This is the point where the maximum sustainable yield is available and not at any other point.
2. Lack of precautionary principle. When information is unavailable or unreliable the Total Allowable Catches (TACs) need to be set at low levels to provide for increases when better information becomes available.

3. Failure to rebuild fish stocks once identified as being below the management target. Even the moderate targets in the Ministry's Harvest Strategy Standard have become unattainable once the stock is depleted below 30% of Bzero.
4. Failure to control dumping and high grading. There is a strong incentive for fishers to high grade and dump that stems from the core tenets of the QMS.
5. Failure to undertake stock monitoring and assessment to provide timely and reliable stock status reports that would provide reliable yield estimates.
6. Embracing shifting baselines. If you want to fight the loss of memory and knowledge about the past, you have to rely on past information. However, past information is viewed by most fisheries scientists as anecdotal and not expressed in the language of today's stock modellers. As the decades pass the depleted state of the resource is becoming normalised.

Economic

7. The Quota Management System is a simple feudal system of resource allocation and use that relies on monopoly, rent seeking, and private control over a public resource.
8. Failure to deliver resource rentals. A management regime operating without resource rentals for commercial exploitation gives away national resources to a few privileged firms, each and every year.
9. Cost recovery controlling research. The exchange of resource rentals for a cost recovery regime resulted in research spending being captured by Total Allowable Commercial Catch (TACC) shareholders.
10. Low profitability in industrial firms. Despite being given fish for free the profitability of New Zealand fishing firms remains low. Research & Development (R & D) spending and value creation remains poor as competition has diminished.
11. Diminishing gross revenue. As catches decline from overexploited fish stocks earnings are dropping as lower landings are not compensated by value adding.
12. Lack of innovation and R & D. The industry has R & D subsidised through Primary Growth Partnership (PGP) grants and innovation funding. These projects are designed to benefit private firms and reduces the incentive for internal investment.
13. Institutionalised rent seeking. It is inevitable that fisheries decline under rent seeking pressure if resource rentals are not capturing most of the rent.
14. Fishing rights market lacks liquidity. The notion of a market ensuring that fishing rights pass to those most efficient is defeated by the lack of trading – again being driven by a failure to capture rents.
15. Excessive consolidation of rights. Beyond the simple neoliberal doctrine of economic success being defined as the lowest possible consumer price, there is ample evidence of the social and economic costs caused by consolidation. These costs are externalised.
16. Massive overcapitalisation in TACC shares. The steady increase in Total Allowable Commercial Catch (TACC) share price for high value species has pushed prices to where the total value of all shares are earning about bank deposit rates.
17. Complete absence of competition for fish. Fishers are indentured to TACC shareholding companies through the provision of Annual Catch Entitlement (ACE). The competition for fish at the wharf has evaporated and now pricing is feudal in nature.
18. Barriers to entry and exit. An efficient and innovative industry needs to have very limited barriers to entry and exit. The use of perpetual fishing rights by its construct immediately imposes barriers that defeat efficiency aspirations.

Administrative

19. Industrial fishing interests control fisheries policy. The use of Individual Transferable Quota (ITQ) rights results in a lack of freedom to adjust policy.
20. Lack of a transparent process such as Production Possibility Frontiers (PPF) to test allocation choices. The tension between commercial TACC shareholders and non-commercial fishers exists as a consequence of commercial rights holders bullying. More importantly, there is no statutory transparent process to determine the value available or obtained by current allocation processes.
21. Lack of strategic planning in the national interest. MPI is book ended by a duty to service the industry they regulate and the policies in the national interest.
22. Advocates user group control of decision making. It is pointless putting user groups together with an expectation that they will overcome the tensions arising from systemic dysfunction. The problem has to be addressed.
23. Utilising feudal governance instruments that institutionalise rent seeking and value suppression.
24. Failure to provide for tino rangatiratanga and kaitiakitanga.

Social

25. Lack of anthropological studies to inform fisheries policy choices. The failure to internalise the social costs and benefits of adopting the QMS, at least making them explicit, makes for low quality institutions.
26. Failure to defend Māori customary catch. Allowing depletion to run down abundance and leave areas barren has destroyed, and continues to destroy, customary fishing ability.
27. Failure to provide for coastal fishing community wellbeing. Commercial fishing opportunities have strong economic benefits if domiciled in regional ports. The QMS has relocated these opportunities to major ports.
28. Citizens disenfranchised from their local fisheries resources.