Quota market efficiency: The New Zealand Annual Catch Entitlement (ACE) market

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Characteristics of Efficient Markets

- Information on price is easy to obtain
- Information on characteristics of the good is readily available
- Price establishes market equilibrium
- Transaction costs are low
- No barriers to entry and exit
- Identical goods
Efficient ACE Markets

- Facilitate catch balancing
- Reduce barriers to entry
- Reduce transaction costs
- Provide price signals and efficient resource allocation
Quota "holding" in inshore fishery increased after ACE mechanism was introduced in 2001

Quota and ACE Concentration

- NZ inshore fishery had become more concentrated
- ACE market introduction (2001) has reduced concentration of ACE holding (quota held)
- Small fishers have entered fishery post 2001

Fishers and processors dominate ACE market participation
• Majority are long-stayers
• Majority of fishers buy ACE
- Multiple search channels are available in ACE market
- Search for ACE is a regular activity for participants
• LFRs play key role in providing ACE to fishers
• Some fish stocks have excess supply and zero price
• ACE market transaction costs are low
• Financial costs are the main transaction cost (e.g., brokerage)
THANK YOU