

# New Directions For Rights-Based Fisheries Management

Minister of Fisheries Pete Hodgson Address to International Institute of Fisheries Economics and Trade 2002 conference, Victoria University, Wellington

Professor Anderson, members of the institute executive, ladies and gentlemen -

Let me add my welcome to that of Stuart McCutcheon, Vice-Chancellor of Victoria University. I am delighted that the institute has chosen to hold its 2002 biennial conference in Wellington. Many of you have travelled a long way to attend this conference and I hope you will take the opportunity to see some of what our capital city and the rest of New Zealand have to offer.

Your conference has themes of particular relevance to New Zealand and the Pacific region. I refer especially to the themes of rights-based fisheries management, indigenous fishing rights, and regional fisheries organisations. I also commend conference organisers and our Ministry of Foreign Affairs and Trade for arranging to fund 20 fisheries managers from 15 Pacific Island countries to participate in the conference. I extend a special welcome to Pacific Island conference participants.

This is the second of the institute's conferences to be held in New Zealand. The first was in Christchurch in 1984, just before the implementation of Individual Transferable Quotas in New Zealand fisheries. I understand that the ITQ proposals were discussed at the 1984 conference and I know that institute members were closely involved in the original design and further development of our ITQ system.

This conference offers a good opportunity for you to consider what has happened here in the nearly two decades since then, and to review the outcome of your colleagues' work.

New Zealand has been criticised — maybe justifiably — for not adequately analysing and reporting on our fisheries management experiences. Our usual response to this criticism is that, as one of the laboratory rats of the fisheries management world, we are too busy getting on with the job to undertake this analysis.

But it is pleasing to see that a good number of papers at this conference — from both New Zealand and overseas researchers — deal with aspects of New Zealand fisheries management. I hope this goes some way to addressing the need for analysis of fisheries management in New Zealand and stimulates further study in this area.

I appreciate your invitation to speak today. As some of you will know, we have recently had a general election in New Zealand. I have been and am again Minister of Fisheries and Minister Responsible for the development of an Oceans Policy. As my government starts its second term, it is timely to reflect on the future of rights-based fisheries management and management of the marine environment.

I want to take this opportunity to comment on New Zealand's experience with management in the fisheries sector, and then make some suggestions for future development. I make these suggestions, not as a fisheries economist, but as a participant in the fisheries management systems that specialists such as you have an important role in developing.

Like ministers of fisheries in other countries, I am frequently required to make difficult decisions that require me to balance competing demands for fisheries resources and to balance protection and use. So I have a strong interest in the development of improved frameworks within which such decisions can be made.

I propose two areas for future development of rights-based management systems: first, the incorporation of ecosystem considerations into fisheries rights, and second, the extension of rights-based systems to incorporate other uses of the marine environment.

There is an obvious link with two of your conference themes: Future Paths for Rights-Based Fisheries Management and Ecosystem and Oceans Policy Approaches to Fisheries Management.

This morning Professor Peter Pearse, gave an overview of the performance of rights-based fisheries management over recent decades from a global perspective. I will focus on the performance of one type of rights-based management — Individual Transferable Quotas — in New Zealand fisheries.

I will do this in relation to the so-called pillars of sustainable development: the three traditional pillars—environmental, economic and social—and a fourth pillar; Treaty.

"Treaty" is shorthand for the Treaty of Waitangi, the agreement signed in 1840 between British settlers and Maori tribes or iwi, the indigenous people of New Zealand. Although frequently breached over the last 150 years, this agreement is now seen as the basis for developing an ongoing partnership between the Government of New Zealand and the Maori people. As such, it forms an integral part of sustainable development in New Zealand.

But before commenting on the performance of our rights-based management system, I want to emphasise that it is only one part of a broader fisheries management system. In addition to ITQs we have a range of typical fisheries controls — including minimum legal sizes for some species, minimum mesh sizes for nets, and areas closed to fishing. We also have less-typical measures such as recovering management costs from the industry, and special provisions for customary Maori fishing rights. It is the combination of all these measures and controls that makes up the New Zealand fisheries management system.

From an environmental perspective, the ITQ system has provided New Zealand with a good basis for management, albeit with much work still to do. Importantly, the ITQ system provides an effective mechanism for restricting catches of major fishstocks. Our big challenge is to obtain the information necessary to set catch limits at the right levels—without imposing unreasonable costs on the industry.

We have detailed stock status information for a limited number of fishstocks in the ITQ system. It shows that fishstocks producing about two thirds of New Zealand's total landed value are at or above the stock size that produces maximum sustainable yield. Rebuilding strategies are in place for those that are below this level. We have less detailed information on other stocks but what we do have indicates that most are being harvested at sustainable levels.

It is pleasing to note that our largest orange roughy stock is now estimated to have rebuilt to above the level that produces maximum sustainable yield, and that our largest fishery—hoki—has been certified as a "sustainable and well-managed fishery" under the Marine Stewardship Council Certification Programme. So although we still have some way to go, it appears we are on the right track.

The scientific symposium at last year's FAO conference, Sustainable Fisheries in the Marine Ecosystem, identified reduction of excess fishing effort as an important first step to implementing an ecosystem approach to fisheries management. The symposium also suggested that reducing excess effort is likely to require the use of some form of rights-based management. Our experience has shown that the ITQ system provides an effective mechanism for matching fishing effort with available catch levels.

We have done extensive work on limiting the by-catch of species such as seabirds and marine mammals but some species remain in a precarious situation. To protect biodiversity and benthic habitats we have established 16 marine reserves — which in New Zealand are closed to all fishing — and have closed other areas to fishing, including 19 seamounts. But more protection of benthic habitat is required.

A key problem is that we lack a clear framework within which to prioritise and manage environmental issues. The Environmental Management Strategy currently being prepared by my Ministry in consultation with fisheries stakeholders will go a long way to providing such a framework.

Another problem is a lack of appropriate incentives for fisheries rights holders to take greater responsibility for managing the adverse environmental effects of fishing — but more on this shortly.

From an economic perspective, the rights-based system has been very successful. The seafood industry has grown to be the country's fourth largest export earner, with exports increasing from about \$750 million at the time of your 1984 conference to \$1.4 billion in 2001 — both figures in today's dollar terms. Employment in the industry has increased by about 50 percent over the same period to more than 26,000, and the industry provides important income to coastal towns and regional centres around New Zealand.

The security provided to companies by the rights-based system has given them the confidence to make very large investments in additional quota and in the new vessels and equipment necessary to produce value-added products for specific export markets. More recently the industry has established new fishing ventures in high seas areas and in other countries, and has invested in the seafood supply chain in key markets. New Zealand seafood industry interests are now global.

Perhaps what is most remarkable about the sector's economic performance is that the industry receives no government subsidies and pays for all of the government's management and research costs associated with the operation of the commercial fishery. Recovery of costs from the industry means that management and research costs are now considered part of the industry's business cost structure.

As you would expect, the industry closely scrutinises all of the government's fisheries-related expenditure. While this poses challenges for my Ministry, it imposes a valuable discipline and forces us to consider what management and research services are really required to manage fisheries in a sustainable manner. The result is that New Zealand does well in international comparisons of fisheries management costs with fisheries production.

The New Zealand ITQ system was not designed to achieve specific social goals related to individual participation in the industry and to particular communities. Our focus has been to ensure that fisheries resources are sustainably managed and to provide a framework within which fishery participants can maximise the value they obtain from the use of those resources.

The ITQ system has been criticised by some for allowing quota owners to move away from small coastal communities. While this has undoubtedly occurred in some instances, maintenance of sustainable and profitable fisheries has seen fishing remain an important part of the economies of coastal communities.

In other areas of social performance our rights-based system has also generated good results. Access to world-class recreational fisheries and the knowledge that New Zealand's fisheries resources are managed in a sustainable way contributes to New Zealanders' sense of identity and well-being.

I do not claim that the New Zealand public would rush to agree that all was well. We have high expectations of our fisheries. But by international standards our recreational fisheries are still world class.

Through extensive consultation processes fisheries users and other interested parties participate in all significant government planning and decision-making related to fisheries management. Fishery users are taking increasing responsibility, for example with an industry-owned company now operating the registry system that tracks quota ownership and records catches. The company operates to government-set standards.

Many challenges remain, including development of improved policies to guide allocation of fisheries resources between the commercial, recreational and customary fishing sectors, but the rights-based system has generally served us well from a social perspective.

The rights-based management system has also provided a mechanism for addressing Treaty issues. Establishment of the ITQ system precipitated successful claims by Maori against the government for breach of the Treaty of Waitangi by preventing Maori from exercising their fishing rights. However, the ITQ system was soon seen as the means by which Maori could be compensated for the breach in an enduring manner.

Operating within the ITQ system the government bought quota from the industry and transferred it to Maori. Maori have used their new fisheries assets wisely and now own 40% of all New Zealand quota. Maori involvement in all aspects of the fishing industry continues to grow.

There is strong debate internationally about whether ITQs are a good fisheries management tool. I suggest that the focus of this debate is wrong. The real debate should be whether ITQs specifically — and other rights-based systems more generally — are effective in achieving the particular objectives that have been set for a fishery.

In New Zealand, our primary focus has been on maintaining fishstocks at appropriate levels and providing for efficient utilisation of our fishery resources. As you can see from my brief assessment, ITQs and the associated management systems have taken us a long way towards the objective of managing individual fishstocks well. We believe they will continue to serve us well in the future. Although I have focused on the New Zealand

experience, I understand that other countries using similar types of rights-based systems have also experienced generally positive outcomes.

However, after 16 years experience with ITQs, I believe it is time to look at objectives other than managing individual fishstocks, and see to what extent economic tools can deliver on those objectives as well. Specifically, I ask whether rights-based systems can be developed to address the adverse environmental effects of fishing and to integrate fisheries management with management of the wider marine environment.

As Minister of Fisheries I am faced with the constant challenge of managing the adverse effects of fishing on the marine environment. Every year I close one of New Zealand's most important squid trawl fisheries when the bycatch limit for New Zealand Sealions is reached. Every year I consider what further areas should be closed to fishing to protect marine ecosystems. Every year I am frustrated at the number of seabirds killed in longline fishing operations and must consider what additional mitigation measures fishers should be required to use.

In these areas and others I am forced to use heavy-handed government intervention through very specific regulations controlling fishing operations. Regulations are important for defining standards and bottom lines, but government intervention at an operational level is inefficient and is a bad way to do business.

Operational regulations are inefficient for the government, which should be focused on more strategic issues. They are inefficient for the industry, because complying with large numbers of regulations increases the difficulty of running a fishing operation. And operational regulations result in conflict: I am constantly having to arbitrate in passionate debates between industry, environmental groups and officials about the appropriateness of environmental regulations.

My job — and that of fishers — would be much easier if the rights-based management system incorporated stronger incentives for fishers to run their fishing operations in a way that achieves government-set environmental standards. My job would be easier because what I want and what fishers want would be aligned, rather than conflicting. Fishers' jobs would be easier because they would have opportunity to do what they are good at—finding innovative solutions to meet challenges.

In our experience it is fishers who are best placed to develop cost-effective mechanisms and systems to reduce bycatch and other adverse effects of fishing. They have the knowledge, the skills and the experience. What they lack is the right incentives.

Good incentives operating within clear, government-set, standards would also give rights-holders increased confidence by specifying how the government will respond in different situations likely to affect their fishing rights. Building this confidence is an important step in encouraging rights-holders to undertake collective action, and to invest in the research and management systems necessary to reduce the adverse environmental effects of fishing activities.

I'm not sure how appropriate incentives should most effectively be incorporated into fishing rights—that is my challenge to you. But I am sure that such a move would result in significantly improved environmental management outcomes—in the same way that we have seen the industry take a more conservative approach to the management of fishstocks for which they hold long-term rights.

Governments at national and regional levels also face the challenge of integrating the many competing uses of the marine environment. Should a particular area be used for a marine reserve, commercial fishing, recreational fishing, marine farming, dumping dredge spoil, a pipeline, undersea mining or reclamation? New Zealand is currently in the midst of a process to develop an Oceans Policy to address issues such as these.

As people who are intimately involved in a variety of ways with the process of making decisions about the marine environment I don't need to tell you why we need an Oceans Policy. You will know the ad hoc nature of decision-making, the conflict and competition between different aspirations for the marine environment. You will know of the deadlocks and additional costs that result, of inconsistent decisions and uncoordinated processes that require resource users to engage separately with different government agencies about the same thing, in different ways with different timetables.

So there is no need to debate that an Oceans Policy is a good idea. More than that, it is critical to the future of the marine environment and to us as an island nation that derives national identity and considerable income from ocean.

As I indicated earlier, rights-based management has served us well in the management of fishstocks and has given us a good start in managing environmental issues associated with fishing. With further development, it should better address environmental issues. But the challenges of managing fisheries to achieve both good economic and good environmental outcomes is certainly not the biggest problem on my agenda at the moment.

The bigger challenge is to manage our total interaction with the marine environment. We need a good policy framework and we need good management instruments. The Oceans Policy can provide the policy but we need better management instruments if the Oceans Policy is to be most effective.

So my second challenge to you — and to your colleagues working in non-fisheries areas of marine resource management — is to build on the rights-based frameworks that have been so successful in the fisheries context to help us manage the wider marine environment. I want to hear from people like you about how a rights-based framework could contribute to achieving the integrated comprehensive management framework for the marine environment that we all agree is so important.

Can a rights-based framework assist me make the right trade-offs between competing aspirations and uses for the marine environment? Can it provide clear and certain outcomes for all those with an interest in our oceans — whether that interest is spiritual, social, cultural or economic?

Can a rights-based framework help ensure that ministers' time isn't primarily spent refereeing between competing interest groups? Can it create the incentives and the means for them to deal directly with each other, leaving ministers to focus on strategic goals? Can it help establish accountability for the responsibilities that come with rights to use the marine environment?

We all agree we want an Oceans Policy. We all agree we already know something about how to achieve good economic and environmental outcomes in relation to fisheries management. I want to know what you think about how we can use that knowledge to develop an Oceans Policy that will allow us to manage the marine environment in an innovative and effective manner.

In 1991 Professor Peter Pearse reviewed the New Zealand ITQ system and made recommendations for improvements. The title of his report was, *Building on Progress*. We followed much of his advice through the 1990s. We believe the ITQ system is delivering good fisheries management outcomes and we will look to improve it still further.

My request to you is similar to Professor Pearse's advice to us a decade ago: build on progress. Considerable progress has been made in fisheries management through the use of rights-based management systems. It is time to build on this foundation to better address the environmental effects of fishing and to develop tools for managing the wider marine environment.

I wish you well for the remainder of your conference and I look forward to reading the results of your deliberations.