

**Institutions for
Sustainable Development**

The Political Economy of MBIs: Three NZ studies

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Three case studies

- ITQ in NZ's inshore fisheries
- Coastal occupation charges
- Transferable water permits





ITQ for fisheries

□ 1980

- Deepwater fishery under pressure
- Inshore stocks declining, in part due to subsidies for expansion

□ 1982

- Proposal for company quotas for deepwater stocks
- FCF calls for “effort reduction” in inshore fishery



ITQ for fisheries

□ 1983

- Decision on deepwater quota
- Fisheries Act - Part-time fishers excluded
- NAFMAC consultation on inshore fisheries
- National Govt delays decision

ITQ for fisheries

- 1984
 - Labour Government elected
 - proposes ITQ for inshore fisheries
- 1985 – ITQ confirmed for inshore
- Oct 1986 – inshore ITQ begins



ITQ – Key factors

- Deepwater quota experience
 - reduced uncertainty
- Extensive consultation
 - FIB helped to develop ideas
 - sector leaders were out front
 - options clearly laid out



ITQ – Key factors

- ITQ package offered:
 - Funding for effort reduction
 - Cap on catch to re-build stocks
 - Protection for existing fishers
- Other options not attractive



ITQ – Key factors

- Funding from deepwater quota; possible long-term revenue gain
- Significance of 1984 election?



ITQ – Key factors

- Indigenous issues largely ignored
- customary fishing considered beyond scope of reforms
- ITQ actually facilitated fisheries settlement in 1992



Coastal charges

- ❑ 1991 - RMA requires Regional Councils to collect coastal occupation 'charges' on behalf of the Crown
- ❑ 1993 - Officials consult on charges to be set by regulation -- boating lobby fiercely and vocally opposed
- ❑ 1994 - Govt appoints Wayne Kimber to review coastal charging regime



Coastal charges

- ❑ 1995 - Cabinet abandons original charging system
 - decides to devolve voluntary charging to Regional Councils
- ❑ 1997 - RMA amended
 - charges are optional
 - coastal plans required to state policy



Coastal charges

- ❑ 1998-2003
 - No councils impose charges
 - Few state policy
- ❑ 2004
 - DOC proposes reform to make charges default policy under RMA but Cabinet rejects the proposal



Coastal charges – Key factors

- Universal policy lacked flexibility for different locations
 - undermined the efficacy of and support for the regime
- Local government unwilling to be Crown's agent
 - principal-agent problem



Coastal charges – Key factors

- Ambiguous legislation
 - Objectives not defined
 - Resource rent or cost recovery?



Coastal charges – Key factors

- Kimber consultations encouraged collective action
 - allowed interest groups to prevail over wider community interests
- No NGOs pressing case for charges
 - no voice to counter boaties



Transferable Water Permits (TWPs)

- ❑ 1991 - RMA allows discretionary site-to-site transfers of water permits

ENVIRONMENT WAIKATO

- ❑ 1997 - Outline plan raises TWP option
- ❑ 1998 - Downstream transfers permitted in proposed Waikato Regional Plan
- ❑ 2000 - EW confirms TWP but Fish & Game appeals – still on hold



Transferable Water Permits (TWPs)

TASMAN DISTRICT

- ❑ 1993 - TWP option in RPS
- ❑ 1997 - TDC consults on TWPs on Waimea Plains – rejects proposed trial
- ❑ 2000 - TDC resolves not to investigate further in Tasman RM Plan



Transferable Water Permits (TWPs)

TASMAN DISTRICT (cont'd)

- ❑ 2000 - Wai-iti water augmentation scheme proposal
- ❑ 2002 - Wai-iti Committee supports TWP for Wai-iti scheme
- ❑ 2004 - TDC adopts TWP for Wai-iti





TWPs – Key factors

- Views of existing users paramount – potential users not represented
- Some concerns about dominant traders & increasing exercise of permits = risk
- TWP in Wai-iti got rid of 'Use of Lose' reviews of permits



TWPs – Key factors

- Some negative perceptions about MBIs and equity consequences, especially in Tasman
- Less pressure on water in Waikato than Tasman (= less risk for users)
- Wai-iti – once risk was addressed, opposition to TWPs evaporated

Principal findings



MBIs difficult to implement if they threaten the position of existing users

- ... unless clear need for change
- Complete protection not always required
 - Partial protection or claw-back



Clear objectives are essential

- Coastal charges: resource rents or cost recovery?
- Clear objectives related to need for change
- Fuzzy objectives also make design & assessment difficult



For devolution, align objectives of the authorising and implementing agencies

- **Coastal case study provides classic example of principal-agent problem.**



Choice of instrument can be critical to successful implementation

- Quantity instruments can accommodate existing users
- Charges more feasible when large number of users
 - *Special pleading is more difficult*



Instrument design does not need to be perfect –

- Needs to be sufficiently advanced to achieve acceptance by stakeholders.
- Theoretical inspiration must be accompanied by practical feasibility.



Better to emphasise practical implications of MBIs rather than their theoretical elegance

- TWPs – theory met resistance but practical issues got it accepted in Wai-iti
- But need to have theoretical basis clear (c.f. coastal charges - not)



Norms and values can be an obstacle to MBIs

- Especially where they help to protect existing interests, but...
- Value-based opposition can be overcome if practical concerns are addressed
- Norms and values will adjust over time



Collective action vs. Equity

- Collective action means existing users tend to dominate
- Is this “inequitable”?
- Pareto optimality (strict efficiency) requires consensus
- Politicians aim to avoid creating “losers”

Integrated Assessment

Well-designed policy process

...involving stakeholders

...assessing and refining alternatives

...can assist with implementation.

- ITQ and Wai-iti
 - *Stakeholders were involved in instrument design*



Integrated Assessment

- Comparative assessment of options helps to identify winners and losers
- Facilitates participation by less powerful groups
- Makes political decisions more transparent



More Case Studies

- Water allocation
 - Motueka catchment
- Nutrient allowance trading
 - Taupo & Bay of Plenty
- Aquaculture tendering and coastal occupation charges



Institutions for Sustainable Development

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