High Seas Governance

A framework for the future?

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Aim

To promote debate and research on alternative governance arrangements to manage high seas fisheries

Notes:
• A ‘think piece’
• Not the views of the New Zealand Government
Existing International Initiatives

Coastal and flag states have:

- A right to exploit high seas fisheries
- Obligations to cooperate and manage these resources sustainably
The Results

- Weak incentives and accountabilities
- Management failures
- Under-investment in fisheries management
- Overcapitalisation in fishing fleets
- Over-exploitation of fisheries
- Severe environmental impacts

Classic “Tragedy of the Commons” problems
The Problem

Existing legal and institutional arrangements are not capable of producing:

- Alignment of nation state interests and sustainable fishing
- State and RFMO accountability for management performance
- Positive economic rents
- Satisfactory environmental outcomes
Proposed Design Requirements

- All nations should have a right to benefit from high seas fisheries
- All harvesting should be environmentally sustainable
- Management agencies should be accountable
Design assumptions

• Rights and responsibilities must be clearly specified
• Wealth generation will be maximised under a “sole ownership” management model
• Effective and efficient fisheries management needs investment
• Corporate governance structures have proven superior performance
Transformation of Rights

To align nation interests sustainable fishing, the proposed framework requires:

• New nation state fishing rights
• A new governance framework


Existing framework

Transformation of state rights

Freedom to fish
In high seas fisheries

Share in wealth
generated from sustainable harvest of high seas fisheries

New framework
Proposed Framework

• Establishes “Marco” - an accountable organisation owned by nation states to manage high seas fisheries
• Defines separate management and harvesting rights
• Establishes an independent environmental standard-setter
• Maintains freedoms of navigation and international vessel registry system
Marco: purpose and ownership

The new organisation would:

• Focus on creating wealth for its shareholders by managing and allocating access rights

• Have a corporate ownership structure

• Have shares that would be:
  o tradable
  o held by nations on behalf of their citizens

Note: Share ownership would not give the share owner a harvest right
Marco: functions

• Regulator
  o Purchase stock assessment and impacts of fishing research
  o Set rules to support environmental standards

• Allocator
  o Access rights let to fishing companies – not states
  o Highest bidder
  o Civil contracts
  o Portfolio approach

• Enforcer
  o Monitor and enforce harvest contracts
  o Facilitate flag and port state cooperation
  o Initiate WTO trade measures
Framework components

Internal and external roles and responsibilities specified and separated

Internal components
- Shareholders (Nation states)
- Marco
- Directors
- Managers

External components
- Harvesters
- Environmental standards-setter
- Auditors
- NGOs
Shareholders
- Owners of Marco
- Shares only allocated to nation states acceding to the enabling international agreement

Directors
- Appointed by shareholders
- Set strategic direction
- Monitor performance
- Appoint chief executive

Managers
- Managing Marco to maximise shareholder wealth
Governance: external

- **Harvesters**
  - Those with access rights – granted by Marco – to participate in fisheries managed by Marco
  - Must comply with access conditions set by Marco

- **Environmental standards-setter**
  - Scientific agency
  - Specifies performance standards re harvested stocks and impacts on the environment

- **Auditors**
  - Appointed by Marco directors
  - Provide independent reports on Marco’s financial and environmental performance

- **NGOs**
  - Involved in standard-setting
  - Able to comment on Marco’s environmental performance
Accountability

- Accountability is fundamental to the proposal
- Important to maintain credibility, understand performance, and avoid conflicts of interest
- Four levels of accountability

<table>
<thead>
<tr>
<th>Who</th>
<th>Harvesters to Marco</th>
<th>Marco managers to environmental standards setter</th>
<th>Marco directors to shareholders an public</th>
<th>Marco shareholders to citizens</th>
</tr>
</thead>
<tbody>
<tr>
<td>What</td>
<td>Performance against conditions of harvest contracts</td>
<td>Auditing of environmental performance</td>
<td>Annual reporting and external accountability</td>
<td>Reporting results back to citizens</td>
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Benefits of the proposal

• Positive economic rents
• Improved environmental performance
• Improved rights specification
• Accountable governance
• Increased investment in fisheries management
• Reduced IUU fishing
Implementation Issues

- Change of attitude to obtaining value from high seas fisheries
- Changes in international fisheries instruments
- Reaching agreement on distribution of benefits to shareholders
- Significant transition issues for current fleets and fishery management agencies
- Achieving consensus on the problem definition and solutions will be difficult
- Political will for change is always a challenge
Conclusions

Debate is required on:

• The cause of high seas fisheries management problems:
  o Incomplete specification of rights
  o Inadequate governance arrangements

• Possible solutions

This is a ‘people problem’ not a ‘science problem’;
It needs an institutional response