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

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

Survey Results - ACE Market Characteristics: Nature of Involvement

Fishers and processors dominate ACE market participation.
Majority are long-stayers
Majority of fishers buy ACE
ACE Market Information Channels and Frequency of Search

- Multiple search channels are available in ACE market
- Search for ACE is a regular activity for participants
Channels Used for Sourcing ACE Disposal of Excess ACE

MAIN SOURCE OF AVAILABILITY

<table>
<thead>
<tr>
<th>Source</th>
<th>Percent</th>
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</thead>
<tbody>
<tr>
<td>Quota Broker</td>
<td>26.7%</td>
</tr>
<tr>
<td>Licensed Fish Receiver</td>
<td>38.4%</td>
</tr>
<tr>
<td>Fisher contacts</td>
<td>18.6%</td>
</tr>
<tr>
<td>No answer</td>
<td>16.3%</td>
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</tbody>
</table>

REASONS FOR NOT SELLING ACE IF UNDERFISHED BY MORE THAN 10%

- I could not find a buyer, 29, 34%
- No Answer, 51, 59%
- Not worth the trouble, 6, 7%

- 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