Taxpayers for Common Sense Public Statement

Delivered by Nathanael Heasley, January 16, 2002

Taxpayers for Common Sense is concerned about privatization of fisheries, in particular the fishing cooperatives and the potential implementation of IFQ programs. We believe that both management techniques fail to fairly compensate the American people for the use of their resource, put additional burdens on taxpayers, and do not protect independent fishermen.

Americas waters and the fish that swim there are a public resource. The recent trend to form co-ops and the potential expansion of IFQs raise the specter of a privatization of living marine resources that would likely be misinterpreted as vesting property rights in the fisheries. As we heard yesterday from Mr. Hogarth of NMFS, and from Mr. Mahood of South Atlantic Management Council, IFQs are being considered as a management tool. If IFQs are implemented as they have been in the past, however, without proper restrictions, they squander a public resource, and will have detrimental effects on the economies of fishing communities, ultimately creating a heavier burden on taxpayers.

As a public resource, much like our national parks and other federal land, America's living marine resources require proper management. When the resource is opened to commercial extraction, the American people deserve compensation from those who derive economic benefit.

The giveaway of public assets raises serious questions of equity - equity to the American taxpayer, equity in initial allocation to current fishermen, and intergenerational equity for the preservation of fishing communities. By giving away the public resources, the government disfavored the public and created an inequity for later participants to enter the fishing business. As such, the IFQ is a barrier to entry and lacks competitive qualities that provide for efficient maximization of the resource.

Previous IFQ programs have created a windfall for those who received allotments, while excluding others completely. A handful of government representatives working directly with the beneficiaries of the windfall made the determination of who would be winners and who would be losers in the application of the program. The free market was ignored, as quotas and shares were simply given away by the government representatives who were responsible for managing the common property trust natural resources. That must not be allowed to happen again.

The value of the fish given away in IFQ programs prior to the existing moratorium was roughly 17 million dollars at the time of the distribution in 1993. Given the value of these fisheries over time, the potential - when valuing the IFQs for future return, they represent a forfeiture of almost $100 million dollars -- money should have been provided to the resource trustees, rather than being handed out to fishermen lucky enough to get in on the bonanza. That money should have been used to compensate the American people for the millions of dollars in scientific research, enforcement, management, and federal subsidies to fishermen.

The American people have long footed the bill for the stewardship of the oceans. Every year, hundreds of millions are spent on research and management of commercial fisheries. While fishermen benefit from the management of Americas fisheries, they do little to pay for those efforts. There are almost no taxes imposed on fishing, and little revenue raised from the multi-billion dollar fishing industry to pay for the improvements Americans make to the waters every year.

Under IFQ schemes, the costs of management of commercial fisheries, such as the more than $500 million already spent on enforcement every year, are likely to rise significantly. Already, enforcement of existing IFQ programs is substandard; according to NMFS, current dockside enforcement mechanisms are only able to achieve 1-2% verification, whereas the target is at least 20%. If IFQs are available nationwide, rising enforcement costs could quickly overburden enforcement agencies, leading to illegal overfishing and significant degradation of the living marine resources.

Economic efficiency, while often cited as a primary reason for IFQs, actually decreases as fishing fleets consolidate. As consolidation occurs, the costs of supporting the industry can go up even as smaller independent fishermen are forced out - as has been the case in America's agriculture industry. Higher quality product resulting in higher ex-vessel prices, increased safety, reduced environmental impact because of lowered fuel costs and reductions in ghost-gear are by no means guaranteed, as has been shown in other IFQs programs in New Zealand and Iceland. Stringent controls on any new IFQ programs are necessary to achieve these goals.

To address these problems, Taxpayers for Common Sense will be promoting specific provisions to the Magnuson-Stevens Act reauthorization. We will call for provisions that require any new IFQ programs auction off quotas, using a term-limited competitive auction, with provisions that prevent consolidation of the distributive fishing fleet to a few larger industrial corporations. We will also advocate that revenues raised from auctions be used within the fisheries to offset the costs of the increased enforcement costs and existing management research programs.

Taxpayers for Common Sense encourages the Commission to examine closely the issues of privatization and IFQs, perhaps through a specific panel in an upcoming regional meeting. Taxpayers for Common Sense is always available to the Commission for additional research and suggestions about how this issue might most effectively and efficiently be handled for the greatest common good.

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