

From Fishing to Speculation

This critical response to an article in the last issue of *SAMUDRA Report* argues that individual transferable quotas have transformed Danish fisheries into a casino economy

The previous issue of *SAMUDRA Report* contained an article on fisheries management in Denmark ("Sharing the Wealth", *SAMUDRA Report* No.55, March 2010), written by a high-ranking official of the Danish Ministry of Fisheries, Mogens Schou, Adviser to the Minister of Fisheries. The Danish Society for a Living Sea fundamentally disagrees with Schou's main conclusions concerning the coastal and artisanal fisheries, and, in the following article, we present our evaluation of fisheries reform in Denmark, which came into force on 1 January 2007.

In 2001, the former Danish social-democratic government was replaced by a rightwing government with a firm belief in the benefits of the free market. Since then, privatization has been carried out in various areas, and social inequality has increased. The fisheries reform should be seen as a part of this development. It has had devastating consequences for the Danish coastal fisheries and, in turn, for the coastal communities and the marine environment.

To begin with, it should be admitted that there were good reasons for reforming the system, as the fishing fleet was too large compared to the fish resources available. The fisheries reform has solved the general problem of overcapacity. However, in our view, this goal could have been reached in other, and much better, ways than the one that was chosen.

One possibility would have been to maintain the automatic regulating mechanisms inherent in the economics of the fisheries. After all, unprofitable fishing will, in the long

run, automatically stop. However, continual subsidies prevent this from happening. A recent example is the fuel package given to Danish and European fisheries. This package helped the large trawl fishing units, which consume fuel heavily, to survive. But it did not help sustainable, environmentally friendly fishing units using passive methods, characteristic of the coastal fisheries, and which, to a large extent, target the same species as the big trawl fishing units.

Another possible solution to the problem of overcapacity would have been to introduce a system of

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non-transferable licences. In such a system, licences would be allocated to a restricted number of fishermen who would then be allowed to fish relatively freely.

Artisanal fisheries

At the Danish Society for a Living Sea, we think that the regulation of the fisheries should generally serve two purposes. On the one hand, the total amount of fishing should be kept below what the fish stocks can support. On the other hand, the artisanal coastal fisheries should be given priority. In our view, trawling is not sustainable, and should, in the long run, be phased out and finally prohibited.

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Bank collapse threatens fishing community in Denmark
by Jeppe Høst (jeppehoest@gmail.com)

When Danish fishing quotas were made transferable in 2007, fishermen in the coastal hamlet of Thorupstrand joined forces and bought fishing rights together. The fishers of Thorupstrand saw fishing activities disappear quickly from the neighbouring fishing communities, where boatowners sold their boats and quotas in order to cash in on the rapidly rising quota value. But unlike their neighbours, 20 fishers in Thorupstrand formed a co-operative and bought quota to secure the future fishing activities in the community.

With the financial support of a local bank, the co-operative bought fishing quota for a total of 45 million Danish kroner (6 million Euro). The members of the co-operative then rented the fishing quotas, which also makes it possible for young people to join the co-operative and become fishers without taking massive bank loans to buy fishing rights under market conditions. Thus, early in 2008 five young fishers joined the co-operative, and everything looked bright for the fishers in the co-operative.

But the financial crisis changed everything; the local bank collapsed and quota values decreased by a half. The State took over the collapsed bank, but only in order to close all the activities, and a few days ago, in late May 2010, the co-operative

was given an ultimatum: By the 1st of July the co-operative will need to provide a new bank loan, or the fishing quotas will be auctioned away. According to the fishers, this will mean the end for fishing activities in the community.

But for the co-operative, finding a new loan is not easy: since the financial crisis in 2008, the value of the quota has decreased by a half. Only one bank has shown interest in offering a new loan, but the size of the offered loan will only cover the value of the quotas today. The community therefore is hoping for the State to accept a loss of 22 million kroner (3 million Euro) on the initial loan, in order for the community to continue their fishing. Another demand from the new bank is that the co-operative shall find 5 million kroner (680,000 Euro) to re-establish the equity of the co-operative.

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While counting the days till the 1st of July, the fishers are desperately looking for grants and foundations that will help to save the fishing community. Thorup Strand is the last fishing community in Denmark where boats, which are very popular with tourists, are still hauled on to the beaches.

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In our opinion, there are two reasons why the reform was suddenly rushed through. The first is that the officials of the Danish Directorate of Fisheries seem to have desired fewer, but bigger, vessels instead of many small ones, as it is easier to control fewer vessels than many. Moreover, the huge bureaucracy required for the control of the landings was very cost-intensive, and, at that time, demands were often put forward for showing savings in the public sector.

The other, and most important, reason, in our view, is that the national Fishery Bank was brought to the brink of bankruptcy as the fishermen, due to the overcapacity of the fishing fleet, were no longer able to make their debt repayments. They were so deep in debt that, even if the bank auctioned off the vessels, the amounts raised would not repay the debts. Also, the big private Danish banks, which enjoy great clout in the political arena, had important outstanding accounts to be settled by the fishing fleet. Thus,

if nothing had been done, the Fishery Bank would have gone bankrupt, and the other banks would have lost large quantities of money. It is obviously difficult to prove with certainty that this was really one of the motives behind the reform because neither the former minister of fisheries nor Mogens Schou would admit this publicly. But we feel that our allegation is rendered probable by the fact that, a short time earlier, the Audit of the State Account had criticized the financial situation of the Fishery Bank. As regards the debt, it should be noted that it was mainly the big trawlers that were deep in debt; the smaller vessels were in debt to a lesser extent. Consequently, a system designed to get rid of the debt and save the banks would favour the big trawlers and discriminate against the smaller vessels, that is, the coastal fishermen. And this was indeed the result of the reform.

The reform package introducing individual transferable quotas (ITQs)

distributed fishing quotas amongst all the Danish fishing vessels. Each vessel owner received quotas according to the catch the vessel had made during the three preceding years. Vessels were also allowed to be bought and sold with their quotas. Consequently, the fishing vessels gained in value, especially when, in the process of the implementation of the reform, the price of quotas rose to high levels. In that way, the security of the banks was saved.

The decision that made it possible to buy and sell vessels with their quotas also solved the problem of too few fish, compared to the size of the fleet. In fact, if you bought a vessel, you could transfer its quota to the vessel you were normally fishing from. The vessel from which the quota was "taken off" was moored in a corner of the harbour, or sold off as a pleasure boat or the like. In some cases, an economically strong fisherman could buy up all the boats in an entire fishing village, and then build a new big trawler from which he could fish using the quotas of the small boats.

To be sure, during the discussions about the new reform, concerns were expressed about the coastal fisheries. Therefore, it was decided that there should be a special regime for coastal fisheries, available for owners of fishing vessels of a maximum length of 17 m. Vessel owners in the Coastal Fisheries Regime can only buy and sell vessels and quotas with other vessel owners inside the regime and not with vessels owners outside the regime. But, for several reasons, the Coastal Fisheries Regime is totally inadequate.

To start with, too few fish are available in the regime. The regime being optional, many of the coastal fishermen choose not to be a part of it. Furthermore, every third year, it is possible to either join or withdraw from the regime. And when a fisherman withdraws, he can subsequently sell his vessel with quotas outside the regime, that is, to the big fishery. It now appears that for the three-year period ending in 2010, approximately 100 fishermen have chosen to withdraw from the

regime, whereas only about 50 have wished to join it. Consequently, in the future, fewer than 300 vessels will be enrolled in the regime. Apparently, it is more attractive to withdraw from the regime and sell the vessel to the big fishery than to stay in the regime. In fact, on the bigger market outside the regime, the vessel owners can get more money for their quotas.

Another problem with the Coastal Fisheries Regime is that ITQs are also applied inside it. So, here too, you find smaller vessels being bought by owners of the bigger vessels that are just under 17 m. This happens particularly often in the Baltic Sea where there is currently a big quota

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for cod. A modern vessel of 17 m, with high engine power and sophisticated fishing gear, can be very efficient. Nowadays, trawlers are being built that are exactly 16.99 m in length. It could be claimed that such a vessel cannot legitimately be considered a vessel for coastal fishing.

The Committee for Coastal Fisheries, a committee of fishermen set up to follow the regime, recently criticized the Coastal Fisheries Regime as being flawed. In a recent report, this committee contended that the new Danish system, as commended in the Mogens Schou article in *SAMUDRA Report*, is progressively erasing the Danish coastal fisheries, so rich in tradition. It should be added that very few new fishermen go into the coastal fisheries, even though, as Schou notes, this is facilitated by the Fishfund.

It should be emphasized that we at the Danish Society for a Living Sea fully support the idea that there should be a specific regime for artisanal fishing operations that use passive and, thus, environmentally friendly gear. In our opinion, however, there should not be ITQs

JEPPE HØST



The classic Danish blue wooden fishing vessels might soon be a thing of the past, as the new management regime leads to a concentration of larger vessels

inside this regime, and there should be a sufficient amount of fishing possibilities, even if at the expense of the big vessels' fishing opportunities.

A visible result of the new system is that many of the small fishing ports are almost emptied of small and medium-size vessels. Formerly lively and vibrant coastal fishing communities are now almost desolate. This is visible in ports like Bønnerupstrand, Klintholm, Fåborg, and all the ports on the island of Bornholm in the Baltic Sea. The consequence of the adoption of ITQs is the same everywhere: The big vessel owners, with large capital, buy up the smaller ones. Thus, the new system contributes to the general depopulation of rural districts.

Mogens Schou writes that, due to the introduction of ITQs, "Esbjerg, one of the biggest harbours, is now more or less closed as a fishing harbour, while some small harbours and 'fishing beaches' are doing well". Both of these allegations are mistaken.

As for the fishing port of Esbjerg, it was phased out for other reasons. The port had a large fleet of very big vessels—industrial trawlers—supplying the port's large production of fishmeal and fish oil, and when this production was moved to ports further north, the vessels disappeared. The port also had many Danish anchor seiners (a special kind of seiners that use two long ropes to haul the

nets), but they disappeared before the introduction of ITQs. The reason was that Danish seine fishing can only take place in daylight. In Denmark, where days are short in winter, seine fishing can take place only in summer, and such fishing did not fit into the former regulation system, where equal rations were allocated on a monthly or quarterly basis.

As regards the 'fishing beaches' on the Danish North Sea coast, where the vessels are pulled up on the beach, Schou justly mentions the small landing place, Thorupstrand. He forgets to mention, however, that, of the three fishing beaches that existed when the ITQs were introduced, Thorupstrand is the only one that remains. Moreover, in Thorupstrand, the fishermen were originally opposed to ITQs, but when the reform was implemented, they acted constructively and collectively bought quotas for a pool.

Today, Thorupstrand, unfortunately, faces serious economic problems (see box), as does the main part of the Danish fishing sector, except for the very large fishing companies. There are even examples where some big fishing companies sold their quotas when prices were high, then leased quotas for a while, and have started buying them again today as prices have fallen.

On many boats, the crew members have remained the same for several years. In co-operation with the

boatowner, they have developed and improved the boat's fishing capacities. Consequently, the skipper is completely dependent on the crew members' skills, and a skipper is, therefore, often obliged to stop fishing if his crew members decide to go ashore. However, these skilful fishermen have no claim to the quota, and when the vessel and its quota are sold, they receive no compensation for their many years of co-operation. The decline of coastal fishing makes it difficult for them to find new jobs, as large fishing trawlers need less manpower.

Another consequence of the new system was that those previously engaging in unlawful practices were suddenly rewarded and put at an advantage because quotas were distributed according to historical catches. Out of consideration for both the marine environment and the fish stocks, legal restrictions were placed on the horsepower of the engines of the fishing vessels. However, for several years, the authorities turned a blind eye to infringements on these rules by trawlers, despite complaints from, among others, the Danish Society for a Living Sea. Trawlers that had fished illegally with too powerful engines received quotas according to their historical catches. In the same way, other illegal practices, such as falsifying log reports, were rewarded.


In general, fishing is happening in regions with high levels of unemployment, and unemployment is a big problem today in Europe. Why not save as much as possible of the earnings in the fisheries for salaries for fishermen in the coastal communities? As mentioned, the sustainable coastal fishery creates most of the jobs.

Traditionally, in Danish fisheries, half the earnings go to the running of the vessel, the tackle and payment of interest, while the remaining half goes to salaries for the crew. On modern trawlers, the share that goes to salary is significantly smaller, often only 30 per cent. This percentage fall of the salary cannot be offset by increases in catches, as fishing is a nature-based industry with nature-imposed upper

limits to the catches and, thus, to the earnings. Hence, less money goes to crew salaries, and more money is used to finance purchase or leasing of fish quotas, and the purchase of diesel oil and sophisticated technology. So the local communities profit much less than before, reinforced by the now widespread use of cheap labour from relatively poor Central and Eastern European countries.

The ITQ system pushed up the prices of fishing vessels. Boats were suddenly worth more than three times what they were worth before. Vessel owners with large debts saw the opportunity to sell their businesses and get out of debt. Also, older skippers who were about to retire sold their boats, and some became very wealthy. Other skippers

In Denmark, the coastal populations have traditionally had an established right to gain their living from the sea.

who wished to continue fishing borrowed from banks to buy boats with quotas. The Fisheries Minister travelled through the country telling fishermen: "Do not hesitate to borrow money from the bank. You will earn much more money in the future". Later, it appeared that the Danish Society for a Living Sea was right in its concerns. 

For more

icsf.net/icsf2006/uploads/publications/samudra/pdf/english/issue_55/art05.pdf
Fisheries Policy: Sharing the Wealth

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