Quotas in Society’s Service?
The use of transferable quotas in the commercial Norwegian Coastal Cod Fisheries

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Is Norway’s use of quotas in the society’s service a failure or a success?
Does the quota system privatize the ownership of the resources?

- Act of 6 June 2008 no. 37 relating to the management of wild living marine resources (The marine resources act)

Section 1 Purpose
- The purpose of this Act is to ensure sustainable and economically profitable management of wild living marine resources and genetic material derived from them, and to promote employment and settlement in coastal communities.

Section 2 Rights to resources
- The wild living marine resources belong to Norwegian society as a whole.
The cod fishery – political goals early 1980s

- Open access
- Adjust the capacity to the resources
- Strengthen the fisheries communities
- Increase the profitability
- Maintain the settlement pattern
- Safe and good employment
- Protect “self ownership”
- Stronger professional rights for fishermen

Source: White Paper (Parliament) nr. 18. 1977-78 (Long term plan for the fisheries1978-81) and WP. 93 1982-83
Cod fisheries in the 1980s, many jobs, but low profitability – political pressure to reduce subsidies
Development in the 1980s

• Open access
• 1989 - resource collapse and stop in the cod fishery
• IVQs in the coastal fleet as a temporary solution
• Informal quota trading started immediately
Subsidies in Norwegian Fisheries
Mill. kroner (Source: Parliament proposal (St.prp.) nr. 63 (2003-2004))
Gradual development of the quota system

- Different models discussed – ITQ, IVQ, IQ, different variations of open access

Solution:
- IVQs based on vessel length for vessels with catches over a certain level three of the five previous years
- The IVQ is given as an annual permit. In practice a permit one year qualifies for a new next year
- A limited competition quota for those who did not qualify for IVQ
- Quota transfer in relation to buying and selling vessels became legal, but restricted to counties and to groups
New policy goals from 1992-93

• Management for sustainability – focus on resources
• Reduction of overcapacity
  ▪ Maintain settlement patterns
  ▪ Safety, profitability, and employment
• Reduction of subsidies
The system pillars

• Quota allocation based on long term allocation keys established in close cooperation with the industry and based on historic catch levels for different vessel groups

• A structural policy for capacity adaption to the resources was established
An allocation key the Trawl ladder

% to trawlers

33

28

130.000 330.00 TAC in tons

Armstrong 2003
Structural Quota System – Coastal fleet over 15 m 3x basis quota

- Structural quota; 20 years duration
- Licensed vessels and mandatory scrapping

<table>
<thead>
<tr>
<th>Length groups</th>
<th>Percentage</th>
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<tr>
<td>21 - 28 m</td>
<td>80%</td>
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<tr>
<td>15 - 21 m</td>
<td>20%</td>
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<td>11 - 15 m</td>
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<td>&lt; 11 m</td>
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Under 15 m 2 x basis quota:
Decommissioning Fund – Coastal fleet under 11 m

- Five year program (2003-2008)
- 50% state funding, 50% industry funding (all vessels)
- So far 330 vessels (15%) have been scrapped, with a total cost of 171 million NOK
Effect: Increased profitability

Operating margin %

Coast vessels  Deep sea

2003 2004 2005 2006 2007 2008 2009
Structure effects: Fewer and more effective vessels

Reduction in full time jobs from 10150 to 8600
Regional Consequences - stability

Share (%) of vessels with participation permits in cod fisheries 2003-2009
Municipalities:

<table>
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<tr>
<th>Municipality</th>
<th>% Change 2003-09</th>
<th>No vessels 2009</th>
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<td>VARDØ</td>
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% Change 2003-09

No vessels 2009
Other effects

- Access more difficult, vessels with quota has to be bought,
- Since length groups are not stable, the capture capacity is difficult to control
- It is possible to survive only on the IVQ, but if you start buying SQS you have to intensify the activity
- Specialisation on the most valuable species, while other species are underexploited
- Shorter seasons – underutilization of capacity – economic inefficiency – high profit,
- More difficult to finance vessels in open access fisheries, because rights have value
- The long term allocation keys – creates stability, but reduce dynamism and flexibility
- Regional stability – but too few communities?
Conclusion – failures and successes

- Successful resource management – controls fish mortality
- SQS - effective instrument to balance some economic and socio-political concerns, increasing profit, upgrading the fleet, specialisation
- Low level of conflict between fishers and managers
- Pressure to expand the structural policy and allow transfer between groups and regions
- Increasing concentration of fishing access
- Rights and quotas can be deployed to society’s service, but the system need continuous amendment
- The market forces can not be left alone
• Litterature:
  ▪ Evaluering av strukturkvoteordningen for fartøy
  ▪ med hjemmelslengde 11-15 meter. FKD 2009
  ▪ Ot.prp. nr. 21 (1998-99)
  ▪ St.meld. 18. 1977-78 (Langtidsplanen for fiskeriene 1978-81)
  ▪ St. meld. 93 (1982-83)
  ▪ St.meld. 58 (1991-92)
Thank You!