The regional dimension in fisheries management -The case of Norway

By
Torbjorn Trondsen
Norwegian College of Fishery Science

What is fisheries management

- Fish stock production management
- Property right management
  - Maximizing
  - Allocation

Property right values

- Introducing property rights in fisheries means
  - Transferring values of scarce resource to few enterprises
  - Motivating participants to maximize profit from quotas
    - By minimizing costs and maximizing market values
    - Resource rent = monopoly/oligopoly profit protected by the government
  - Who owns this monopoly profit ?
- Economists seldom discuss profit allocation, except by promoting resource taxations.
- Why do not government introduce resource rents as a part of introducing property rights?

Resource rent management

- Experience from Norway, Iceland, US and other countries
  - It takes very long period of time between introducing property rights and considerations of resource rent collection
- Why?
- What happens meanwhile?

The new business reality with property rights

- Limited & demanded rights get a market value
- Rights are traded through ITQs or IVQ
- The equity share of the balance sheets increases
- Cutting cost in the fleet motivates merger & acquisition between fish companies
- Banks lend money to acquisition companies against security in quota right assets
- Selling companies collect resource rent profit
  - exit barriers in industry reduced
- The remaining companies increase dept and capital costs
- The industry as a whole may increase the capital costs, even if the physical fleet capacity reduces
- External investors my enter the fish business through stock exchange
- Banks and external investors are new stakeholders in fish business on the expense of the traditional fishermen

Governmental management of fisheries crises

Governments acts when they have to

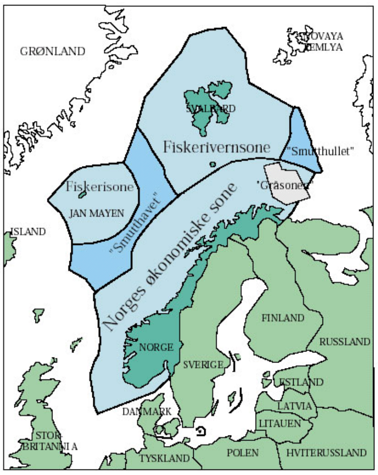
- Short sighted, (NPV) discounting future consequences
- Through crisis
- External pressure
  - General opinion awareness
  - Pressure from stakeholders

Pressure for governmental resource rent collection

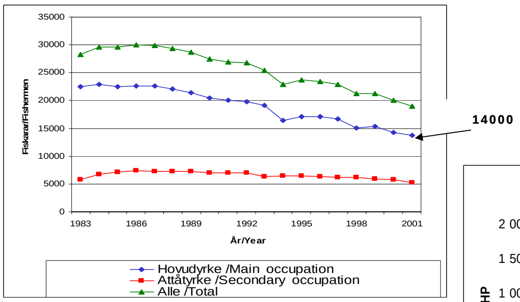
- The remaining fishermen negative
- Banks negative
- No NGO pressure
- No pressure from citizen outside the fisheries arena due to lack of knowledge
- Central government and Ministry of finance positive if they are in need for more taxes
  - Not the case in Norway
- Regions where fisheries place an important part of the coastal economy.

Norwegian trends

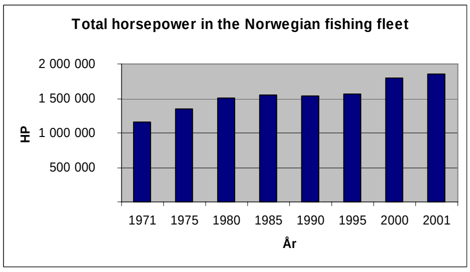
- Number of fishers and fishing vessels reduces,
- Engine capacity increases
- The fishing activities are increasingly centralized
- Western Norway takes catch shares from Northern Norway



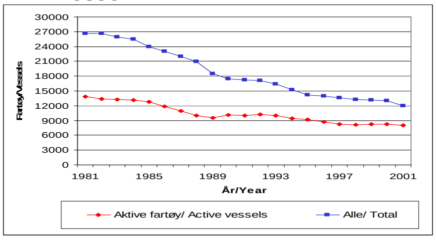
Fishermen



Engine capacity



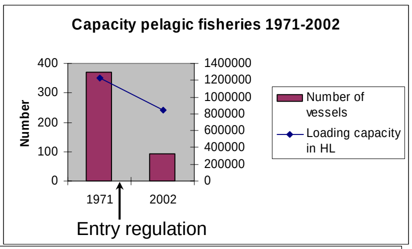
Vessel

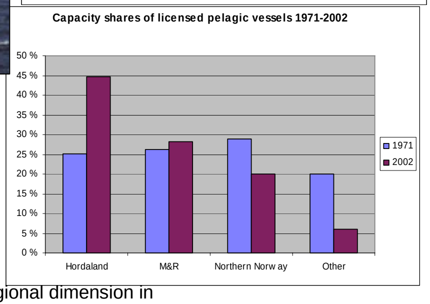


Norwegian pelagic fisheries 2002

	Mill kg	Mill NOK	Pct of tot. NOK
Norwegian fish catch 2002	2 746	11 039	100,0 %
Herring	580	2 058	18,6 %
Atlantic mackerel	184	1 361	12,3 %
Capelin	532	650	5,9 %
Blue whiting	558	551	5,0 %
Sand eel	176	163	1,5 %
Horse mackerel	37	98	0,9 %
English pout	26	23	0,2 %
Sprat	3	12	0,1 %
Total pelagic fish	2 095	4 915	44,5 %

The fishing rights for pelagic species are concentrating in fewer hands and regions

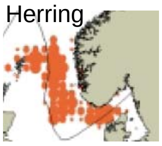




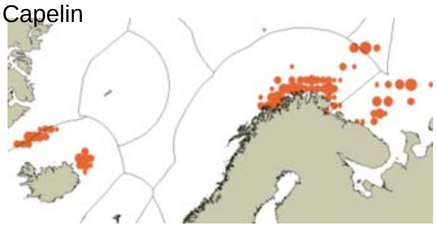
Pelagic fishing grounds

Spring herring

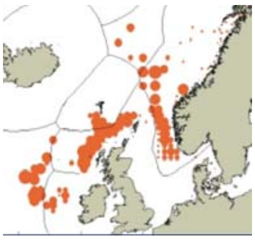
North Sea Herring



Capelin

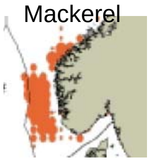


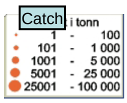
Blue whiting



Hordaland:
Pelagic capitol

Mackerel





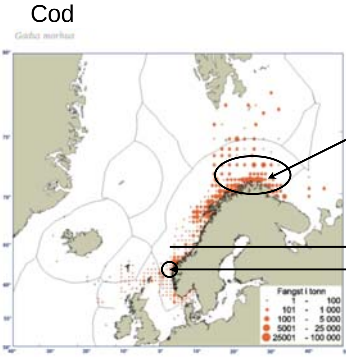
Norwegian catch bottom/white fish

	Mill kg	Mill NOK	Pct of tot. NOK
Norwegian fish catch 2002	2 746	11 039	100,0 %
Cod	227	2 845	25,8 %
Saithe	202	920	8,3 %
Haddock	54	545	4,9 %
Ling	16	209	1,9 %
Greenland halibut	11	172	1,6 %
Tusk	18	154	1,4 %
Redfish	16	109	1,0 %
Flatfish other	4	75	0,7 %
Whiting	4	38	0,3 %
Greater argentine	7	24	0,2 %
Other bottom and deep water fish	20	177	1,6 %
Total bottom/white fish	580	5 269	47,7 %

Main catches outside Northern Norway

Cod catches 2001

Cod

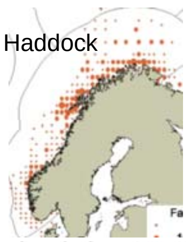


Finmark

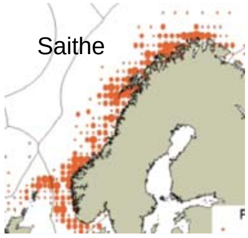
Northern Norway

Ålesund: Factory trawler fleet capital

Haddock



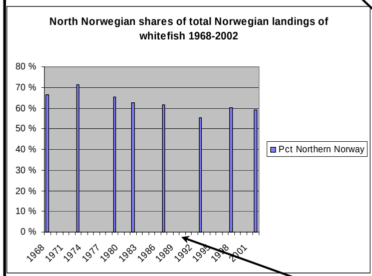
Saithe

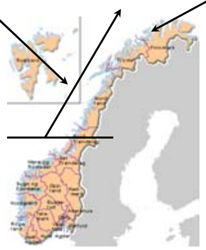


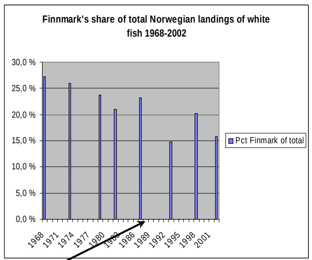
Northern Norway loses shares of total Norwegian cod catches

Northern Norway

Finnmark







Entry regulation coastal fishing vessels

The changing forces

- Closure of the fisheries due to overcapacity
- The fishing rights privatized
- Expansion in factory vessels (long liners) and big purse seiners in Western Norway
    - Localization of fishing rights a function of capital and market power
    - Investment in overcapacity rewarded with fishing rights.
- Coastal fishers without individual quotas forced out
- Week regional management of fishing rights
    - Former county fishery administration taken over by the governmental Directorate of Fisheries in Bergen
    - Norwegian Fisher Association dominated by the “quota barons”, maintain strong influence over the Fishery Management Policy

North Norwegian demands for a better regional fisheries management model of fishing rights

Requirement

- Society ownership
- Fair regional allocation of fishing rights
- Efficient economic utilization of the resources
- Value adding in the coastal communities
- Management regimes accepted in an EU framework

Model background

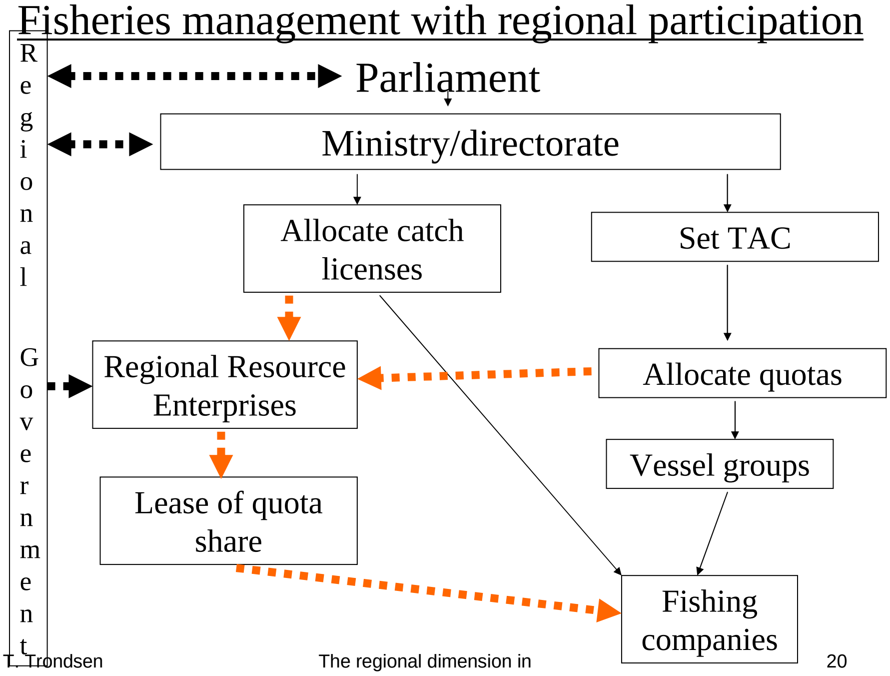
- General Model SCP :
  - Structure
    ↓
  - Conduct
    ↓
  - Performance
- Region as a value adding competition arena

- The main ideas published
  - Toward Market Orientation: The role of auctioning individual seasonal quotas (ISQ). *Marine Policy*-(in press):
  - Fisheries Management and Market Oriented Value adding (MOVA). *Marine Resource Economics* Vol. 16 No. 1. (2001):
- Experiences from.
  - EU's regional co-management systems
  - Regional/group quotas management in the US and New Zealand
  - Japanese co-management
- Norwegian attitudes regarding regional and fisheries management and policy

Regional business management of fishing rights

- Regional Resource Enterprises (RRE)
  - Owned by County authority
    - as in the Energy Industry sector
  - Non transferable license leasing contracts to individual fishers
- Quota asset value and leasing income=resource rent for regional development

Fisheries management with regional participation



RREs' consequences for fishing operations

- No extra barriers regarding catching grounds and landing ports
- Opportunity for flexible combination of lease contracts according to operation preferences
- Vessel may be designed without license requirements
  - – Better focus on market oriented value adding.

Transferring licenses from single individual fishing companies to RREs

- Trawlers with landing port licenses
- Withdrawn licenses
- Relapsed licenses
  - 12-18 year issued licenses
  - Deduction for previous license investments
- New licenses
- Purchases of licenses

RREs in the EU

- In line with PO and CO-management arrangements
  - The Netherlands, France, UK
- In line with EU's regional policy
  - Do not discriminate companies in other countries

RREs motivates value adding

- Stable competitive framework
- Local competitive arena for value adding
- Focus on market oriented value adding of all catch attributes
  - After species, quality, product forms, seasons and price fluctuations

RREs can be implemented over time

- Local initiatives necessary
  - Possible to practice a regional model together with an individual vessel & quota management model
- Regional variation possible
  - Finnmark and Western Norway may develop different.
- Political and Industry studies and review of the model are going on in Norway
- Finnmark County is in the forefront