

Fish for the Future:

TRANSFERABLE FISHING CONCESSIONS –

THE SOLUTION TO OVERFISHING OR A PROBLEM IN ITSELF?

Opening remarks: **OLE CHRISTENSEN**,
S&D substitute member of the Fisheries Committee

First speaker: **ULRIKE RODUST**,
S&D Coordinator of the Fisheries Committee

Second speaker: **THOMAS HØJRUP**,
Professor at the University of Copenhagen

Third speaker: **NIELS WICHMANN**,
Director of the Danish Fisheries Association

Fourth speaker: **PER SANDBERG**,
Director of the Norwegian Fisheries Directorate

Sandwich Lunch

Translation: EN / FR / DE

6 December 2011 12.30 – 15.00

European Parliament

Building Paul Henri Spaak, Room P5B001

Rue Wiertz 60, 1047 Brussels

REGISTRATION

Please register by **FRIDAY, 2 DECEMBER 2011, 16:00.**

Registration form: <http://tinyurl.com/TFCRegistration>



Group of the Progressive Alliance of
Socialists & Democrats
in the European Parliament

INFO/CONTACT

+32 487 854 429

thomas.heidener@europarl.europa.eu

Fish for the Future

Transferable Fishing Concessions

The solution to overfishing or a problem in itself?

S&D

6 December 2011

European Parliament

Building Paul Henri Spaak, Room P5B001

Rue Wiertz 60, 1047 Brussels

Notes to presentation by Thomas Højrup, University of Copenhagen

Content:

The Commission wants CFP to improve

What the Danish proponents (2006) thought ITQ could offer

10 consequences of the Transferable Fishing Concessions

True transferability is too strong an instrument to be controlled

The alternative: allocation of yearly quota shares

Balance in fleet capacity

The hidden presuppositions of increasing economic profitability

To introduce transferability is an irreversible process from its very beginning

I got the task to evaluate if a basic regulation based upon the principle of Transferable Fisheries Concessions can be a solution and/or will be a problem in itself – at the background of the Danish experiences with the introduction of Transferable Quotas in 2003 (pelagic fisheries) and 2007 (demersal fisheries). It is my duty to put a critical focus on the problematic aspects of transferable quotas.

To do this it is necessary to have a look upon the objective and the ends which are formulated as the purpose of a privatization of fishing quotas in the EU waters (presupposing a quotation of all fishing resources).

The Commission wants CFP to improve:

Long perspective (in fisheries planning)

More flexibility

More responsibility

Reduction of overcapacity

What the Danish proponents (2006) thought ITQ could offer:

The architects of the system believed that

“*ITQ can offer:*

A competitive coastal fishery

Thriving fishing communities

Improved entrance for young fishermen

Reduction of discards”

(Danish advisor for the minister 2006)

10 consequences of the Transferable Fishing Concessions:

ITQs are no doubt a very strong instrument to mobilize the financial market forces to concentrate fishing rights on few hands. As battle forces they fuel the struggle for fishing rights between individuals, between communities, between regions and between countries. Formulated in headlines we have experienced 10 further consequences of the transferability of the fishing concessions in Denmark:

1. It replaces the race for fish with a race for TFCs.
2. It is disastrous for the entry of young fishermen.
3. It undermines most of the fishing communities.
4. It increases the incentive to high grading discard.
5. It replaces eco-friendly catch methods with sea-floor disturbing methods (heavy bottom trawling).
6. It makes fisheries deeply dependent on the banks.
7. It transforms fishing rights into financial assets.
8. It replaces the fisherman owned boats' share system with limited companies' wage labour system and "quota barons" (leasing quotas to fishermen).
9. It subordinates fisheries directly to the speculative transactions and struggles on the battlefield of financial markets.
10. It produces large scale quota migration from economically or politically weaker regions to regions where a strong banking sector knows how to create profit by investments in fisheries and TFC concentration.

Why did we choose ITQ in Denmark

- To solve the big trawler's economic problems
- by creating a new mortgage security for those boat owners who needed more quota
- to strengthen their investments in capital demanding large scale advantages
- This was the success: an irreversible process increasing the concentration of quotas on a few large trawlers and purse seiners

True transferability is too strong an instrument to be controlled:

The architects of the transferable quota system in Denmark say that

Transferability is what makes the TFC work. It is a strong tool.

I agree! And much points to the fact, that it is too strong to be controlled. Not because of any weakness of the legal system in itself but because the system creates private interests which may mobilize financial as well as political resources and means to resist legislation and regulation which can govern its forces.

The problem is, that the market forces tend to destroy themselves because the transferability makes it possible to buy as much quota, as your capital allows – which in itself paves the way for concentration and monopolization of the quotas on an decreasing amount of big companies. Then the monopolization problem arises.

This concentration process is the most dangerous threat to the coastal fishery from a plurality of fishing communities Europe has ever seen.

Because of that it puts an end to the recruitment of young fishermen to the fisheries who want to establish them selves as self employed share fishermen on their own boats. No young fisherman is able to buy boat, tonnage, kilowatt, days and quotas (all necessary to start your own fishery) because the established firms can make a better offer (higher prices) than the young men can.

Every skipper - who own his own boat and TFC - and who is between 50 – 60 years old will sooner or later get an offer from a large quota investor, which **is too good to be refused** because the investor is willing to pay a little more than any young fisherman can borrow in his bank

This is happening every day – and the summing up of these many small concentration processes aggregates into a huge and fast concentration process, which until now has eliminated the largest fishing harbour in Denmark (Esbjerg) as well as undermined the majority of smaller fishing communities in Denmark since 2007. This kind of process is well known and still going on in Norway, Island and all other countries after the introduction of transferable fishing concessions.



The fishing company Ruth has bought up quotas for around Euro 100.000.000 and received EU subsidies for Euro 3.500.000 to "modernization" and "fuel saving" purposes. Last week the company gave the owner of A 20 Nordklit an offer he could not refuse and the quotas of Nordklit became the next part of the expanding Ruth Company.



The sale of the transferable fishing concessions of A 20 Nordklit and A 17 Neptun are examples on the daily transferring processes aggregating into a huge quota concentration process. The two fisherman owned boats both got an offer from a bigger quota investor they could not refuse and their quotas were absorbed in larger companies.

In 2007-8 most of the industrial fleet in Esbjerg (earlier the world's 4. biggest fishing harbour) was bought by quota investors in Thyborøn. In 2010 a large Swedish company bought two of the last big trawlers in Esberg, one in Thyborøn and the biggest one in Hanstholm (all of them with their huge quotas). Just now another large Swedish company has bought the next biggest trawler with its quotas in Hanstholm – so you can say, that what we saw in Esbjerg some years ago may possibly continue in Hanstholm and Thyborøn.

The investors who now are selling the next biggest trawler in Hanstholm say that they are selling *because* their trawler with its accumulated quota has reached its “top

value” – and they will use their speculative gain from the transaction to start a new project: which is to build a consume trawler and buy op TFCs in this sector, where they have capital enough to offer potential quota sellers a higher price than other investors – and indeed the young fishermen – are able to offer.

The Swedish model – to register a company office in Denmark which allows you to buy Danish TFQs – is now inspiring investors from Holland and Spain. I have myself got an invitation from a very wealthy Spanish investor to cooperate in a huge quota and fisheries investment project in Denmark, and I believe that most other Danish bigger quota holders have got similar invitations.



The next largest trawler in the fishing harbour Hanstholm has just been sold to a big Swedish fishing company registering an office in Denmark. The unavoidable internationalization process of the transferable fishing concession system strips the coastal communities off their access to the resources of the local waters.

I think this is unavoidable because it basically is in harmony with the foundational idea with the common markets of EU – including the financial markets – and it cannot in reality be avoided through national legislation and regulation.

The financial transactions necessarily transcend national borders!

These processes are given free because transferability is such a strong tool - optimizing buying and selling, concentration and monopolization.

Because of that the Danish administration now considers how to avoid further concentration – without having more effective instruments to slow down or avoid the process than to set a limit saying that one company must own max. 5% of the Danish quotas in for instance the North Sea: 20 vessels/companies may then control the Danish North Sea demersal fisheries! Because of that they will be still more enticing and easy to buy up for much larger international companies registering an office in Denmark.

This is a realistic scenario; because already today only 7 vessels/companies control most of the pelagic fisheries in Denmark – each of them having bought quotas for up to more than Euro 140.000.000!



Isafold is one of seven cooperating pelagic vessels/companies still registered in Denmark. The Isafold company has bought up quotas for more than Euro 140.000.000.

The alternative: allocation of yearly quota shares

If you want to stop the *race for fish* then the allocation of *yearly quota shares* in the form of the so called **yearly amounts** is the most effective instrument.

But yearly amounts have not necessarily anything to do with transferable ownership. The allocation of yearly amounts can be the effective way to avoid transferability, capitalization and their concentration/monopolization problem.

The allocating unit may be the national state, a producer's organization or a cooperative common community quota company. You only need to form and recognize a legal subject to whom it is possible to delegate the allocation competency for a shorter or longer period. See: <http://havbaade.dk/theneccessity.pdf>

When looking on the consequences of the management system, it is the absence of *allocation of yearly amounts* to the fishermen which produce the lack of possibility to plan the fishery.

In countries where the quotas are still public property the state can allocate the quotas to common community cooperative quota companies where the local fishermen together decide how to allocate the common community quota as yearly amounts to every single member of the fishing community.

Balance in fleet capacity

The Danish administration believed that ITQ would result in balance in fleet capacity. After 2 years 25 % of the fleet had disappeared and the administration came to the result that the fishing fleet came from +25 % to balance in 2 years. But each of the following years the number of vessels in the fleet continued to decrease and it became absurd to continue to state, that now the balance was there.

The conception of "Balance" became another word for the continued replacing of jobs with still larger engines/vessels/energy consumption/heavy trawling.

That "overcapacity" is the essential cause of "overfishing" is not that simple fact it seemed to be. Effective control of catch and landings is much more important for the existence/cessation of overfishing. Even a balancing capacity can overfish because of economic pressure for highgrading and the use of seafloor- and habitat disturbing catching methods as trawling with heavy gear. The pressure from the financial market

for profit and rent from investments and loans to fishing companies may today be a much more serious cause of hard pressure on the natural resources than the number of vessels and fishermen.

“Balance” is a spurious concept which is developed to explain “overfishing” as a result of “overcapacity”.

But 3 facts must be recognised:

- 1) “Overfishing” is a specific biological based statement not an economic one, and there is only one way to stop overfishing and that is determination of TAC and control of the fishery. Non-willingness to yield an effective control is the reason why it has not been stopped earlier!
- 2) In countries where TFCs are introduced as a means to bring down the overcapacity, which is thought to produce overfishing, it is necessary to increase the control – these countries are now arguing for full documentation of the fishery by the help of cameras and sensors on board each vessel!
- 3) The “overcapacity” we are talking about is not produced by the existing market economy alone, it is mainly produced by the steady and heavy EU- and national subsidies, scrapping scemes and tax reductions for investments in fishing vessels, gear and TFC – which motivate vessel owners to overinvest far beyond what the market economy would motivate! The over investments are in fact the politically intended consequence and result of the world wide struggle between coastal states for historical rights to marine resources.

Two conclusions can be drawn:

- 1) To bring down “overfishing” demands willingness to control the fishery effectively.
- 2) To bring down “overcapacity” demands willingness to stop subsidises to the fishing industry.

The hidden presuppositions of economic profitability

In Denmark the administration says that transferability has created a high profitability in the fishing fleet: the profitability rose from 9 – 20 % (2007-2011). It is no doubt profitability for the few, but is it also a healthy result of capital demanding large scale advantages?

Before the privatization it was not possible to win the race of competition by the help of large scale advantages in most of the demersal fisheries in the European home waters. Large scale vessels and fishing is not competitive when we are talking of dispersed populations of demersal fish stocks. If you want to replace the existing fishing fleet with large vessels it is necessary to give the large scale operators a possibility to buy out the share organized fisherman owned vessels of the industry by financial means, *because* the large scale operators are not necessarily more competitive than the medium- and small scale fisherman owned fishing vessels.

It is at the financial market the large scale advantages are dominating and when the large operators get the possibility to buy out the fishing concessions of their competitors they can raise their profitability.

But this kind of increasing profitability raises three problems:

- 1) Fishing rights are transformed into securities at a rather environmentally ignorant, and in relation to justice and coastal communities, very brutal financial market. A true financial market has to be brutal in this sense.
- 2) The large scale operators are forced to concentrate the fishing effort on big trawlers to bring down their costs. The reason is that the demersal bottom trawlers do not pay the costs of an environmentally friendly fishery – and describe this cost avoidance as efficiency and profitability.
- 3) Because of that some trawlers' discard reaches up to 60 % in some Danish waters – and the only way to stop it is by introducing the most intimidating kinds of control: cameras and sensors onboard through which the state is able to see everything the fishermen are doing - except that what the fisherman is able to hide for the cameras on his ship.

To introduce transferability is an irreversible process from its very beginning

As soon as the possibility arises that the single boatowner can get his quota allocated as a privately owned transferable fishing concession, then he will change his mind and struggle for this selfinterest – because he imagines a future in which he will be able to appropriate a common good for his own private wealth – either by fishing the quota without competition or by selling it on the coming quota market.

This process is an irreversible one – as soon as you privatize the quota it will be used as mortgage for loans in banks, financial assets, or as security for investors coming from sectors outside fishery with rich amounts of capital. Just as fast it will be politically impossible to revoke the right again – the Danish retrieval is an illusion, no government will be able to revoke the TFC even after an 8 years warning. The Banks and financial system would not accept it. The environmental problem is that the economic pressure – which the transferability and speculation in TFC as financial assets are producing – is a force, which is increasing the incentive to high grading kinds of discard and more eco-disturbing kinds of heavy gear in the demersal fisheries.



This kind and size of sustainable vessels will unavoidably disappear from the southern European fisheries if the privatization is implemented. In Denmark the value of the vessels which got the quotas allocated increased 1000% in two years and draw speculative capital investors en masse to the fishing industry.