

“MFBUNRR”

But what about the fishermen?

The Total Allowable Catch (TAC) and quota system of the Common Fisheries Policy has to a large extent failed to conserve stocks. While the system tried to prevent the stock from being biologically overfished, it did nothing to solve the economic problem fisheries are dealing with. This led to a race amongst fishermen to capture the largest share possible of the TAC, and to a subsequent excessive harvesting capacity.

The introduction of several innovations, and in particular of **Individual Vessel Quota (IVQ)** schemes, entitling each participant in the fishery to a quantity or quota share of the TAC, has the potential of correcting this problem. As fishermen are ensured their quota share, it eliminates the race to fish, which reduces harvesting costs and increases revenues since fishers with better control of their harvest can target different markets.

In addition, **transferability** of these quota provides incentives for efficient harvesters to acquire quota from less efficient harvesters, which then leave the fishery, reducing harvesting capacity to a level that accords with the quantity of fish available for harvesting.

So far, no attempt has been made to measure potential rents and overcapacity in a fishery where the fishermen are regulated by individual quotas. As several countries have chosen IVQ schemes that do not allow or have put in place strict limits on transferability of quota, it would be interesting to know whether it is the **introduction of IVQ schemes** or the **capacity reduction due to transferability of quota** that is most important in

generating rent in IVQ schemes.

This question was investigated in the **MFBUNRR** project for **cod fisheries in Iceland, Denmark, Norway, Sweden and the United Kingdom**, where IVQ schemes range from full transferability in Iceland to limited or no transferability in the other countries.

The case studies showed that **only in Iceland, where the quotas are fully transferable, there seemed to be generated any rents**. Not even the limited transferability in the Norwegian and UK systems seemed to make any difference. This implied two main conclusions with respect to the present state for the regulatory systems in the four countries:

- There was **substantial overcapacity when the individual quotas were introduced**, and the costs associated with the race to fish were primarily related to this overcapacity, so that it has not been possible to reduce harvesting cost to such an extent that rents are generated;
- There are **no alternative markets** where value could be added to the landings because of better control

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with the harvest.

Potential rents were found to be substantial: between 30 and 60% of the total landing value (with Denmark as an exception with about 15%). To realize these rents however, **the fleets are to be reduced to between a half and a third of the current fleet sizes.**

Since in most fisheries a close relationship exists between the number of vessels and the number of fishers, this would imply that the more efficient one makes a fishery, the more the employment in the fishery is reduced. A regulatory system making fisheries as efficient as possible will therefore have the side effect that jobs will be lost and several fishery dependent communities will disappear.

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MAKES A FISHERY, THE MORE
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