

ANNEX 1

CREATING THE INCENTIVE STRUCTURE FOR SUSTAINABLE FISHERIES – DANISH EXPERIENCES WITH RIGHTS BASED MANAGEMENT.

Presentation by Niels Wichmann, Vigo 15. September 2009



Ministers, Ladies and Gentlemen

I would like to thank the organizers for inviting me to share with you how the Danish experience has been in transforming our fisheries management into a Rights Based System over the last few years.



First let me introduce myself. I am Managing Director of the Danish Fishermen's Association and of the Danish Fishermen's Producer Organisation. Although these two organisations are different legally we have a joint administration – saving money for the fishermen.

We operate nationally but we are also active at the European level and have a membership of Europeche, the European fishermen's organisation. Through this membership we are also represented at the European Union Commission's Advisory Committee for Fisheries and Aquaculture (ACFA).



Let us take a look at the areas where we fish:

The Eastern Baltic, The Western Baltic, The Kattegat, The Skagerrak, The North Sea, and in the Western Waters off the British Isles. We do not have fishery in distant waters apart from one vessel fishing shrimp off Greenland.

We share our fishing waters and quotas with a large number of countries, primarily EU countries but also Norway and Russia outside the European Union.

We have small vessels and large vessels. We have vessels using fixed gears as gillnets, vessels using Danish Seine, flyshooting, trawl, purse seine.

We fish pelagic species (primarily herring and mackerel), demersal species (cod, plaice, sole, turbot, hake, etc.), shellfish (nephrops, shrimps, mussels, oysters), and fish for reduction into fishmeal and fishoil.

We have 7000 kms (approx. 4000 miles) of coastline and therefore a high number of big and small landing places for fish.

In other words plenty to pay attention to when it comes to designing a management scheme.



The grey circle represents the total Danish fishing quotas. Although quotas change from year to year it is reasonable to assume that the circle remains fairly stable in size over the coming years. We see a reasonably good development in our main species in the different areas.

The circle would have been bigger 10, 15 or 20 years ago.

Except for small, “special-license” fisheries, all commercial fishing vessels had access all over the gray area. A commercial fishing vessel is a registered vessel with a port number.

A vessel could fish cod in the Baltic in January/February, nephrops in Skagerrak or Kattegat in March/April/May and plaice in The North Sea from June to December. Access in all fisheries and in all areas for all vessels.

There was no doubt. The fishing quotas were the property of the society, and the catching rights were managed centrally from the Ministry for Food, Agriculture and Fisheries.

The Danish Fishermen's Association would follow the individual fisheries closely via telephoneconferences every week with local people in the fishing areas and regular meetings. This was done to follow the uptake of the different quotas. The Fisheries Directorate (the management and control body of the ministry) would also monitor the fishery via log books and sales reports.

Every month the industry and the directorate met in an advisory committee chaired by the directorate. Here advice was given (mostly to be followed) on the fishery in the next month.

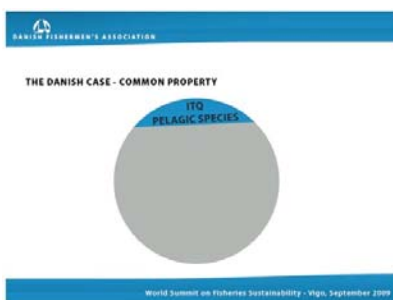
In some fisheries quantities were given for a month, in others for a week or a trip. Sometimes we had free fishing if a quota was large enough for that.

We “pushed the quotas in front of us during the year”. This system ensured an almost perfect uptake of the quotas when the year ended.

What was the criterion for getting fish then? The main criterion was the overall length of the vessel. For example a vessel less than 9 meter would get 350 kgs cod in The North Sea for a month, and a vessel longer than 24 meters would get 3500 kgs.

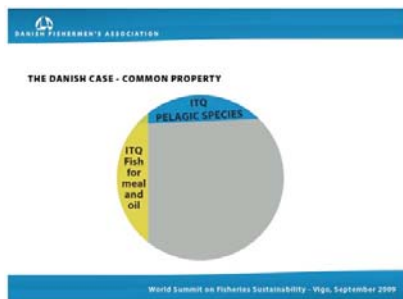
Why change the system?

There were two reasons for change. The first was that the quotas from the late 1980'ies to the beginning of the 2000's had been reduced very much. The was not enough fish in the system to maintain viability with the traditional management – other types of management were needed, but there were as many suggestions as there were fishermen.



The second reason for change was pressure from the large pelagic vessels for Individual Tradable Quotas. They were losing competitive edge against other countries where ITQ systems were officially or unofficially in operation, particularly The Netherlands, Scotland and Norway.

In 2002 ITQs were introduced for herring and mackerel. A part of the grey circle was sealed off and reserved for a particular group of vessels. No access for others, but it was still possible for the pelagic vessels to fish other species!

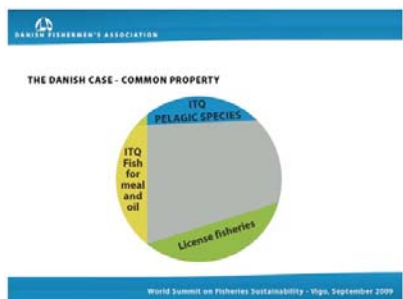


- Especially the species for fish meal and fish oil.

It was therefore natural for the vessels fishing for fish meal and fish oil to demand ITQs also. This was decided in November 2005.

As can be seen from the circle there is some overlap between pelagic and fishmeal/oil vessels. Some of them have ITQs in both types of fisheries – and more can get it since they can freely buy and sell, provided the rights are owned by fishermen having active vessels (part of the Fisheries Law).

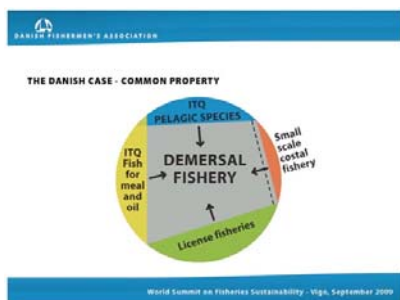
As mentioned before we have always had another sealed off fishery, namely the fishery governed by specific licenses.



The licenses of a special nature comprise the fisheries for mussels, for oysters and for brown shrimps. In certain of these fisheries there are no quotas, the fishermen decide amongst themselves how they want to manage (with a view to the market situation). Strangely enough these vessels have always been allowed to participate in other fisheries outside their own monopoly. An anomaly.

In the almost endless discussions leading up to the total changeover of the system the small scale coastal fishery was brought forward again and again, not least by politicians. It was the general political belief that something special needed to be done to preserve the small scale fishery. Some people, both in the fisheries sector and in general political circles advocated for

a closed coastal segment where vessels under a certain size had to belong, and where other rules, than the general ones for larger vessels, should exist.



Eventually it was decided to give the small scale coastal vessels an extra quantity of cod and sole out of the total Danish quota. So these vessels also blocked their share (and more). A small scale coastal vessel in the Danish interpretation is;

- Less than 17 meters (a stupid length, it should be max. 12 meters – political interference)
- One that has more than 80% of its landings from fishing trips of less than 72 hours.
- One that declares itself a coastal vessel (it is voluntary)
- One that accepts to be in the coastal vessel segment for at least 3 years.

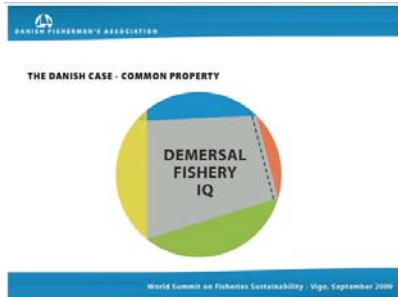
Only the vessels in the coastal segment get the extra cod and sole. The extra cod and sole can only come from one source as can be seen from the slide: The other demersal vessels.

And obviously the other – the biggest and thus most important in fishery terms – demersal vessels also wanted individual rights. They could see all others getting rights and still have access in their fishery – stealing their fish.

A former chairman of the Danish Fishermen's Association often said when management was discussed: "Remember there is only 100% to divide".

The solution for the remaining vessels – those in the middle of the circle – was Individual Quotas, not tradable as such. We call it Vessels Quota Shares (VQS). Each vessel has VQS for all the important species. The VQS are linked to the vessels and can only be sold with the vessel, in other words with the capacity. A vessel owner can buy another vessel, take the vessel out of the fishery (for scrapping or other purposes than fishing) and transfer the VQS to his first vessel. Or two or more vessels can be taken out and new ones built with more fish to catch. Vessels of less than 17 meters who have not declared themselves coastal vessels or do not qualify for it belong to this group.

It is part of the picture, that the vessels in the coastal segment can buy vessels over 17 meters, take over (or possibly split up) the fish, and throw the larger vessel away. But it is not allowed for a VQS vessel to buy a vessel out of the coastal segment.



All the distribution of quotas among the vessels was based on historic fishery over a 3 year period (50% one year, 30% the year before, 20% two years before). The transfer from the old system to a new one was extremely difficult and cumbersome, and literally hundreds of vessels claimed that they should have special treatment due to one or another reason. It took many months after the decision about the new scheme until it was settled.

The new Danish Rights Based system was decided by a majority in the Danish Parliament in an agreement on 3. November 2005. Its final elements were implemented by January 2007 – that was almost 20 years after national discussions started on ITQ systems.

It is interesting to note that part of the parliament decision is that the system stays in force 8 years from the time when a majority in parliament decides to make changes. This is a virtual “for-ever guarantee”. It protects of course the investments made – something fisheries economists like very much.

Another very, very important feature of the management scheme is the possibility of forming groups or pools of vessels. Vessels may go together in pools, and manage the vessels together as if it was one vessel.

This has led to two developments. Firstly what it was intended for, namely to give protection to local fishing ports and communities. In a fishing port all the vessels (or only some of course) can bindingly agree that they will not sell their vessels out of the area before they have offered them to the others. Such agreement has been made in various places.

Secondly the possibility of creating pools have led to diverse types of pools, the biggest having 270 vessels engaged in almost all fisheries. The pool is run as one vessel and thus can freely move quota around from vessel to vessel if the vessel owners want it.

The Fishermen’s Producer Organisation has developed computer software for the pools, so that they can follow the vessels’ fishery and guide the vessels. The pools can also swap quota if they like.

The pool system works towards optimizing the fisheries, and it reduces discards.

An individual person must manage each pool and is legally responsible towards the Fisheries Directorate.

A publicly funded (Danish Government plus European Commission) decommissioning scheme accompanied the changeover from the old to the new scheme. It was in the order of € 20 million, and the purpose was to get more fish available for the new scheme.

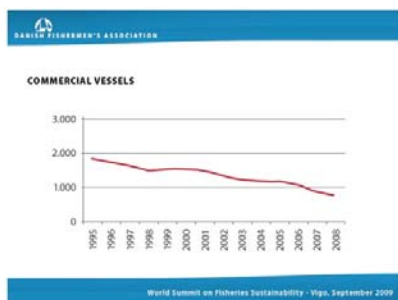
Denmark has had publicly funded scrapping schemes since 1987, some involving large sums. Altogether around €200 million has been spent on this decommissioning. Publicly funded schemes are not effective (maybe in particular cases for special fisheries) because they naturally take the most inefficient vessels out of the fleets, so the price per “unit” is too high in public schemes.

What has happened since the introduction of the new scheme in fleet terms?

Private scrapping at a very fast rate.

In the pelagic segment the number of vessels has been reduced from around 120 in 2002 to around 45 now.

In the demersal segment the development is still going on but around 1/3 of the vessels have been privately taken out of the fishery (some had to “stay” active to generate days-at-sea but that is another peculiar story).



As can be seen from the illustration the total number of important vessels (i.e. vessels fishing 98% of the Danish quotas) has been reduced from around 1800 to around 750 in 2008.

The fishermen who have sold their vessels to the colleagues are happy. They have been paid good prices. The fishermen who have bought are also happy. They now have bigger quotas making their fishery more efficient.

Where did all the fishermen go? Some went on pension, we have a high average age in the fishery despite great efforts to recruit and educate young people. Others got jobs ashore during the long period of high economic activity. Fishermen are a good workforce – many have joined the windmill industry.

A couple of vessels:



A large new purse seiner/trawler fishing herring and mackerel. This vessel has replaced 3 old smaller purse seiners. More efficient, better quality.



A new medium sized trawler fishing nephrops and white fish. Built by two brothers who threw their two old vessels away.



A relatively new vessel in the coastal segment fishing with gillnets for cod, plaice and sole.

Concluding remarks.

It took more than 15 years of discussions, fights, conferences, research papers, study trips and political negotiations to develop and implement a new management system based on different forms of Rights.

The system means that the vessels are locked in their fisheries, they cannot shift to another fishery like “in the good old days” (which were not that good really) unless they pay for more or different Rights.

It is early days in evaluating but it can be concluded, that the new Danish system:

- **Has made/will make the fishery more economically sustainable**

- **Can make the fishery more socially sustainable through the creation of pools**
- **May make the fishery more biologically and environmentally sustainable**

The Danish system is designed for the Danish fishery in the midst of the confusing fishery patterns of different country fleets in our sea areas. It cannot solve all problems for everybody but may serve as inspiration for others.

PS! As if it was not enough we also have Effort Rights. As an element in the European Union's recovery plans and management plans for different stocks also limits on effort in the form of kW-days have been imposed. We battle nationally with how to manage the effort, how to transfer it etc.....the same story again with all vessels ending up as special cases.

Thank you.