

# The Quota Conundrum

**Icelandic small-boat owners have, through their organization, negotiated for their interests within the ITQ system, but issues related to the negative impacts on small coastal communities remain**

Iceland is one of the world's richest countries, and, arguably, the only one so wealthy from wild capture fisheries. Less than a decade ago, over 70 per cent of its currency income came from fisheries and fish products. Today, though this has decreased to 50 per cent, it still leaves the sector the largest currency earner, well ahead of tourism and other industries.

Some of the most productive fishing grounds are to be found within the Icelandic exclusive economic zone (EEZ). The Gulf stream from the south, and the cold currents from the north create a mix in temperatures and nutrients that produce a very favourable environment for groundfish species

The history of the Icelandic nation is inseparable from the history of its fisheries. In 1902, after hundreds of years of slavery to oars, the first engine was put on a small rowboat. The installation of that small engine marked the beginning of the nation's economic revolution of the 20th century. The Icelandic fishing fleet was motorized, boats got bigger, trawlers were built, and modern technology simultaneously adopted. In a few decades, the nation rose from poverty to wealth.

## Foreign fleets

During the eventful 20th century, Iceland moved its fishing limits four times between 1952 and 1975. The purpose was to push out foreign trawler fleets, mainly from Britain and Germany and gain sovereign rights over the fishing grounds. This led to the so-called 'cod wars', where small Icelandic coastguard vessels had to deal with large British frigates—and won. Support from other nations was almost nil (with the exception of Farøe Islands, which has a population of 45,000), but, purely coincidentally, nations all over the world moved their EEZ limits to 200 nautical miles shortly after the final conflict on the Icelandic fishing grounds in 1975.

Although the Icelandic fishing grounds were—and remain—productive, they have limits. In 1983, the Icelandic Marine Institute (MRI) issued a 'black report', stating that the status of the stocks was bad and fishing effort had to be cut. This report led to the enforcement of the individual transferable quota (ITQ) management system in 1984. To begin with, the main purpose of this "temporary action" was

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like cod, haddock, saithe catfish and red fish, pelagic species such as capelin, herring and whiting, and crustaceans like shrimp.

The population of Iceland is 310,000. Annually, 1,600 fishing vessels catch 1.5–2.2 mn tonnes, of which—approximately 400,000 tonnes are groundfish, while the rest are pelagic species that go more and more for human consumption. With around 6,000 fishermen, Iceland ranks among the 15 largest fishing nations in the world and reports the highest landings per fisherman (300–400 tonnes). Icelanders are also close to the top of the list for per capita fish consumption.

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purported to “build up and protect the fish stocks” and “secure regional development”. Shortly afterwards, when it became obvious that the system was doing neither—besides the fact that ‘common property’ was being handed out to a selected group—strong debates broke out around the nation about the pros and cons of the ITQ system.

Polls show that around 70 per cent of the Icelandic population disapprove of the ITQ system. However, this discontent has never been reflected in the general elections. On 12 May 2007, Icelanders voted for elections to the parliament, and the only party with the main policy of throwing out the ITQ system, got less than 8 per cent of the votes cast. The new government (Independence Party plus Social Democrats, who command a large majority in the parliament) said in its manifesto that “stability for the fisheries will be secured”. So it appears that the ITQ system will stay.

On 5 December 1985, less than two years after the enforcement of the ITQ system, Icelandic small-boat owners founded their National Association of Small Boat Owners (NASBO). The incentive was the new fishery management system. Icelandic legislation defines boats with gross registered tonnage (GRT) 15 tonne and less and 12–13 m in length, as small boats.

The small-boat owners were fortunate to realize early that an ITQ system can be a direct threat to small-scale fishermen. The founding of the association turned the tables completely for the small-boat owners, and is perhaps the best example of the necessity for small-boat owners, and coastal and artisanal fishers to unite for a say in their future. In 1984, when the ITQ system was enacted, the total quota granted to the small boats was 8,300 tonnes of cod and close to nothing of other species. In recent years, the small boats have fished 80–85,000 tonnes of groundfish, accounting for over 20 per cent of the Total Allowable Catch (TAC) of the main groundfish species.

NASBO is the only organization for small-boat owners in Iceland, made up of 15 regional organizations. Despite numerous attempts by the trawler association, and even some politicians,

NASBO has never split. There is no question that this fact plays a big part in its success.

From the beginning, NASBO was the only organization in the Icelandic fisheries to protest against the ITQ system. The small-boat owners demanded that their fisheries should not be treated like other segments of the fishing fleet. They argued that the necessity for cutting down the fishing effort could, by no means, be traced to the small-boat sector. The trawlers, whom most believed to be the main cause for the status of the stocks, should shoulder the burden, they argued. The politicians seemed to have agreed with this reasoning, to a large extent. It also helped that the general public was on the side of the small-boat owners. On the other hand, other organizations in the fisheries turned against NASBO, and remain unfriendly to this day.

From 1984 to 1991, the Icelandic small-boat sector was more or less outside the ITQ system. Certain ‘mild’ restrictions were put in place, but access was open, and the number of boats increased day by day. In 1984, the small-boat sector consisted of fewer than 900 boats, almost entirely old, wooden and slow-going, and the average age of the owners was high. In 1991, the number of boats exceeded 2,000, mostly new, built of fibreglass and fast-going, operated by younger men. The small-boat

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One of the new-generation small boats in Iceland that push the 15-tonne size limits, equipped with auto-lines and other sophisticated technology

sector's fish landings rose accordingly, enough for the government to give in to the pressure from other organizations and decide to force half of the small boats (1,043 boats, all above 6 tonnes GRT) into the ITQ system, along with the trawlers and larger ships. Resistance from NASBO prevented the entire small-

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boat fleet from being forced into the ITQ system.

However, there were no restrictions in the legislation regarding transferability of quotas, which brought to the surface one of the looming dangers of the ITQ system: Between 1 January 1991 and 1 September 1994, the big seafood companies bought 700 of the 1,043 small boats, transferred the quotas to their trawlers, destroyed the small boats—they could not even be sold as pleasure boats—so they would not enter the fisheries again, and, as the icing on the cake, used the renewal rights to enlarge their trawlers. Today there are only around 110 of the 1,043 small boats left.

How could this have happened? Were these small boats so uneconomical and inefficient? That does not seem to be the case. Around 1990, and for a few years since, the quotas for cod were cut to historical lows. This affected the small-boat sector since the cod was what the small boats relied on, with most of them having no other fishing rights. Therefore, they were the hardest hit during this time period.

Another ugly side of the ITQ system showed up: Simultaneously with the quota cuts for cod (up to over 70 per cent) quotas for other species were increased. The subsequent impact on the bigger ships and trawlers was, in most cases, much less compared to what the small-boat owners went through. Without a sufficient quota, a small-boat fisherman could not maintain himself, his family and his boat. With prices for

quotas going up, it was easier to justify selling out. Some of those who sold out later returned to the fisheries, but others regret having sold their boats, and are bitter and feel left out.

The remainder of the small-boat fleet (around 1,000) that was not forced into the ITQ system started to develop. Though regulations were now much tougher to deal with, the legislator still left several loopholes that enabled the small-boat owners to build new boats that were bigger and much more efficient—and stay outside the ITQ system. The small-boat sector started to thrive again, and a substantial number of them operated for days at sea.

Once landings started to increase, history repeated itself. Constant pressure from other organizations forced the government to include, slowly but surely, these small boats too into an ITQ system—but this time differently than earlier. In 2004, the last 300 boats were included in the ITQ system, and, since then, all small boats in Iceland operate under the 'small' ITQ system—except the 110 mentioned earlier which fall under the 'big' ITQ system.

Unlike the 1991 instance, the small boats are now allowed to use longlines and handlines, with a firewall to prevent transfer of quotas between them and the rest of the fishing fleet. NASBO also negotiated with the government to allow small-boat owners to buy and lease quotas from the 'big' ITQ system. The small-boat owners have used this provision to a large extent.

There are now around 800 small boats active in Iceland, 690 in the 'small' ITQ system, and 110 in the 'big' system. The reason for the decline in the number of boats in the 'small' system is that the newest generation of small boats being built push the size limit (15 tonnes) and merge quotas from several smaller boats in order to attain a full-year fishery.

Expectedly enough, some are asking if the firewall around the transferability of quotas will be removed. This is highly unlikely. There is no political will for that, and, after all, the small-boat owners themselves asked for the firewall. 1991 is still fresh in memory.

NASBO has argued for a consideration of the type of fishing gear used,

pointing out that the use of environmentally friendly ones should be rewarded. After years of struggle by the organization, the government agreed to legislate an idea from NASBO—the 'longline reward'.

Boats using longlines and landing on a daily basis get a 13 per cent lesser reduction from their quotas. This will add close to 6,000 tonnes to the landings of the small-boat sector for the fishing year 2006-2007 (starting 1 September), from boats that almost entirely operate from small coastal communities.

Around 5,300 tonnes of 'community quotas' are kept aside at the beginning of each fishing year. These quotas are distributed to the small fishing communities (with populations under 1,500) and their local authorities decide how to use them. This move has added substantially to the landings of the small boats.

The community quotas were introduced in the early 1990s, when the quotas for cod were cut. The small coastal communities pointed out that the legislation was supposed to secure 'regional development'.

Many small-boat owners feel that the community quotas should be revoked and added to the 'longline reward' to further enhance the use of benign fishing gear.

Since 1985, NASBO has been protesting against the ITQ system, pointing out that it will prove to be a threat to not only fish stocks, but also to the small-boat sector and the small coastal communities. However, the issue of whether the ITQ system 'protects' fish stocks or not is extremely complex.

While the MRI states that the status of the cod stock is poor, the fishermen claim that the recovery of the cod stock is complete. They point to record landings and catches per fishing unit, adding that they have never seen anything like this on the fishing grounds in the past.

If the fishermen are right, the methodology of the MRI and its reputation is at risk of denouncement and shame. If the MRI is right, the quotas have to be cut, threatening once more the small-boat sector. To add to the complexity of the situation, other stocks like haddock

are in excellent shape—as both fishermen and scientists agree.

The question thus arises: Does it matter at all what kind of a management system is used? When quotas for cod were cut to historical lows in the 1990s, the opponents of the ITQ system were up in arms. Later, that very same decade, when the quotas were increased again, the supporters thanked the system. In this respect, the current situation in the Farøe Islands is pertinent. The Farøe Islands authorities enforced a days-at-sea system 11 years ago. Today the cod stock is down around the islands.

Most fishermen in both Iceland and the Farøe Islands claim that these are natural fluctuations, something management systems can perhaps influence at a micro-level. At the same time, they agree that access to fish resources should be closed, except for the smallest vessels using only handlines. With the rapid development of technology, open access for all is unsustainable. It is worth remembering that in 1979, the outlook for the fishermen in Iceland was so bleak that many of them agreed that the fishing grounds were dead for good. The winter season of 1991, however, turned out to be one of the best ever.



Some of the older small boats fishing off an iceberg. There are now around 800 small boats active in Iceland



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Gudni Ásgrímsson, a small-boat fisherman, who works with his father at Vopnafjörður in Iceland, with a spotted catfish he has just caught

The resistance among small-boat owners to the ITQ system is not as generally widespread as before. Most of them now have sufficient quotas, and, after years of fighting for their fair share in the fisheries, they appreciate restraint and the opportunity to concentrate on working with what they already have.

It is not easy to see what should replace the ITQ system, if it is revoked. Does it matter for Icelanders what kind of a system is in place, once access is closed? Perhaps, perhaps not. Fishing rights would most likely continue to be transferable, waste would occur in all systems—whether as discharge of fish within an ITQ system or loss in value within a days-at-sea system where the temptation is to fish as much as possible within time limits at the cost of quality.

Can these two systems be used together? That experiment was tried in Iceland, and it brought out the worst in both systems. One might imagine that the solution would be to ban transferability of fishing rights. What does that imply? In Iceland, fishing rights are at-

tached to fishing vessels. If a boatowner decides to sell his vessel (an act which can hardly be banned), what should happen to the quotas? If the quotas are to stay in the respective communities, the buyers and sellers can simply put in their assignment that the initial numbers of vessels stay put.

### No guarantee

On paper, the fishing rights would remain in the community. Would it help to make it mandatory to land the quotas in the community? Doing that by no means guarantees that the fish is processed right there nor that the crew is from the community. The catch can be bought by any fish processor in the country, and crew members can be drawn from anywhere. Can it then be made mandatory to process the catch in the community by forcing people to run processing plants? That would be impossible.

Icelandic legislation grants the municipalities pre-emption rights to buy vessels within their boundaries, should they go up for sale. This legislative grant has, however, hardly ever been utilized. The fact is that once a system has been put in place where fishing rights are defined by units, boatowners start to

see those rights as ‘theirs’, whether or not the legislation claims that the fishing rights are ‘common property’, as in the Icelandic case. It is also well worth keeping in mind that for every hindrance the legislator builds, at least two ways will be found around it.

The case for the “protection of regional development” has now entered the debate, as shown by the example of Flateyri, a small coastal community on the west coast, with a population of 300. On 17 May 2007—just five days after the elections—the biggest processing plant in Flateyri, which is also the biggest quota holder, announced that it would close down and sell the quotas. The majority of the workforce in Flateyri—120 persons—will lose their jobs. The government says it will “keep a close eye” on what will happen. The fact is that there is little for the authorities to do in cases like this—except to turn the ITQ legislation upside down. It will be interesting to “keep a close eye” on what the government will do. The community quota scheme appears to have helped Flateyri not a bit.

Iceland’s wealth might make it possible for even the smallest fishing operators to deal with an ITQ system. The small-boat owners are working with what they have, keeping in mind that the system will not be revoked. Icelandic small boats have never appeared stronger, never fished as much and never delivered as great quality. Safety-at-sea measures have also gone through a revolution, as have the working conditions on board fishing vessels.

The status of the fish stocks in Iceland seems to have little to do with the management system. Stocks fluctuate, up and down, most likely in spite of whatever management system is in place—not because of it. The negative impacts on the small coastal communities, however, remain. Yet, changing to another system is not the magic solution that many opponents of the ITQ system believe to be the answer.

At the same time, Icelandic small-boat owners realize that enforcing such a system in a foreign environment burdened with poverty, low education levels, and a weak political and legislative regime, where, among other things, human rights are violated, could well

mean the end of the small-scale, coastal and artisanal fisheries.

The best advice Icelandic small-boat and coastal fishermen can give to

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their brothers and sisters around the world is to lay down their differences and unite around the issues they have in common. By doing that, they have a strong possibility to shape their own future. **3**

#### For more



[www.fisheries.is/managem/tacs.htm](http://www.fisheries.is/managem/tacs.htm)  
**Information Centre of the Icelandic  
 Ministry of Fisheries**

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A fisherman from the northern coast of Iceland, with a good-sized cod