

# Innovations in Fisheries Management: Community Based Management Initiatives in Shetland

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## INNOVATIONS IN FISHERIES MANAGEMENT

Shetland is currently pioneering two innovations in fisheries management. The Shetland Regulating Order and the Community Fish Quota scheme are both certainly innovative, perhaps radical and may possibly become a model for other areas.

The Shetland Islands are often described as remote, barren and peripheral. From a fisheries perspective, however, Shetland is rightly regarded as dynamic and innovative fisheries community of significant regional importance. Fish and fish products account for over 80% of all Shetland exports while some 20% of the work force are employed in the seafood industry.

The first innovation in fisheries management is the Shetland Regulating Order, which has been established to better manage the shellfish industry. The second innovation is the ownership of fish quotas by the wider Shetland community. The fishermen of Shetland, through their two representative organisations (the Shetland Fishermen's Association (SFA) and the Shetland Fish Producers Organisation Ltd (SFPO)) were responsible for initiating these two innovations and continue to play a central role in managing these developments.

## THE SHETLAND REGULATING ORDER

The Shetland shellfish industry is worth around £4 million per year to the 150 or so inshore vessels, which participate in the fishery. The principle species caught are lobster, crab (brown & velvet), scallops (king & queen) and buckies. Apart from a general UK fishing vessel licensing scheme, there has been no specific regulatory framework for the management of the shellfish industry. The lack of effective regulation has resulted in over exploitation, stock decline and a consequent reduction in earnings. The local nature of shellfishing strongly suggests a regional approach to regulation. The SFA has advocated, without success, a regionally based shellfish licensing scheme for a long time. Continued catch reductions and growing alarm at falling earnings prompted the SFA to look at an alternative approach.

It became clear that UK Government had neither the inclination nor desire to introduce new legislation. As a

result the SFA looked at the possibility of using existing legislation – in this case the Sea Fisheries Act of 1965 which provides for the establishment of Regulating Orders. A Regulating Order enables a fishery to be managed by an organisation set up for the purpose of conserving the stock and improving the fishery. To date only a few Regulating Orders have been introduced, usually for single species fisheries in specific areas (e.g. river estuaries). The Shetland innovation was to introduce a comprehensive fisheries management scheme for the entire Shetland shellfish industry.

### Who?

The first step was to establish a management group. Although the SFA drove the innovation, it was realised that the management process had to involve a much wider group of stakeholders. As a result the Shetland Shellfish Management Organisation (SSMO) was set up in 1996. The SSMO consists of representatives of the local Government, local Community Councils, shellfish processors, environmental groups and fisheries scientists as well as the SFA.

### What and Where?

The SSMO set out its objective of managing all shellfish stocks within 6 miles of the Shetland coast in its application to establish a Shetland Regulating Order. Unless all species were included, the SSMO argued, fishing effort would simply be actually redirected onto those species outwith the scope of the Order. The 6 mile limit is the maximum geographical extent of the legislation but, within the Shetland context, this actually covers most of the shellfish stocks.

The clear objective was to conserve shellfish stocks so that the sustainable exploitation of these stocks could be ensured in the future.

### How?

The SSMO proposal was based on the fundamental principle of effort limitation. Initially all fishermen with a historic performance in the Shetland fishery would receive a Shetland permit. After that new permits would only be issued if the state of the stocks allows. It was proposed that trading of Shetland permits be prohibited.

In addition to the permit system, the Regulating Order proposal also provided for additional restrictions covering vessel size, gear type, closed areas and seasonal closures.

Finally, it was proposed to initiate stock enhancement schemes such as lobster restocking. However, it was pointed out that such restocking schemes could only be effective if a proper regulating framework was in place. In other words the introduction of the Shetland Regulating Order was clearly the first step.

### **What Progress?**

After being set up in 1996, SSMO submitted its proposals to Government in January 1998. After almost two years of discussion and debate, the Scottish Executive eventually established the Shetland Regulating Order in March 2000. Over 170 permits have now been issued, a size limitation on crabber vessels has been brought in, a limit on the number of scallop dredges each vessel can use has been stipulated and a minimum landing size introduced for certain species. While clearly early days yet, an innovative community based shellfish management scheme has now been established in Shetland. It has been created from the "bottom up" not imposed from the "top down". Already the Shetland Regulating Order is creating much interest within other fishing communities in Scotland & England and it will probably become a precedent for other areas.

### **The Future?**

Turning to the future, additional regulations may be introduced if shellfish stocks do not show a marked improvement. Allied to this could be a ceiling on permits with no new permits issued. As natural wastage occurs, therefore, the total fleet size would reduce. On the other hand, a tighter and more restrictive management regime might be avoided if stock enhancement schemes are successful. Funding is currently being sought for a variety of restocking projects.

There is no doubt that the Shetland Regulating Order is an innovation in fisheries management, which could have a fundamental impact on the shellfish fishery around the islands. A comprehensive, community based management system has been introduced where there was nothing before. The SSMO is confident that this major management initiative will be successful and has recently applied for certification (as a responsibly managed fishery) from the Marine Stewardship Council.

Another possibility for the future might be the extension of the Regulating Order concept to the inshore ground fish fishery.

## **THE COMMUNITY FISH QUOTA SCHEME**

Since 1984, most UK ground fish and pelagic fisheries have been managed under a system known as sectoral quotas. Under this fisheries management system the UK quotas are allocated to fisheries organisations known as

Producer Organisations (PO's). Originally set up as organisations to administer the EU market intervention system, PO's have increasingly become responsible for fisheries management since the introduction of the sectoral quota system in 1984. The Shetland PO (the sister organisation to the SFA) has managed Shetland's ground fish and pelagic quotas since 1984.

Although the UK does not have a system of Individual Transferable Quotas (ITQ's) as such, quota trading has become increasingly common within the past few years. The cost of acquiring quota has increased dramatically as more fishermen have bought, sold or leased fish. As this trade has developed there was concern that a fisheries dependent community such as Shetland could see its quota traded out of the islands and thereby lose its marine resource base for the future. It was this fear, which drove the Shetland PO to investigate the innovation of community owned fish quotas.

### **The Shetland PO Scheme**

The Shetland PO recognised at an early stage that quotas were becoming valuable commodities. As early as 1993, the SFPO took advantage of a Government scheme to purchase fish quota in association with the decommissioning of vessels/licences. The SFPO went on to purchase (between 1993 and 1997) a total of seven vessel quotas under this scheme. The SFPO took this decision to make a substantial investment in fish quotas with the aim of holding this quota in common ownership for the benefit of all member vessels, both at present and in the future. The total investment amounted to just over £1 million enabling the Organisation to purchase 2,386 tonnes of ground fish.

As quota trading has become more widespread, so has the cost of acquiring quota increased. As an indication of how quota values have increased, it can be noted that the SFPO paid £250 per tonne for cod in 1995; by 2000 the cost of buying a tonne of cod has increased almost eight fold to £2,000 per tonne. So much so that the ground fish quota held by the SFPO is probably now worth over £5 million.

This quota investment by the SFPO has obviously been financially successful and has enabled the Organisation to provide all member vessels with enhanced fishing opportunities. Largely as a result of this, few individual Shetland fishers have seen the need to purchase additional quota in their own right. While the initiative, which had been taken by the SFPO, was commendable, 2,386 tonnes represents only a fairly small proportion of the total SFPO ground fish quota. It was clear that more fish quota had to be purchased in order to secure the marine resource base for the future.

### **The SLAP Scheme**

After much debate, the local government of Shetland, the Shetland Islands Council (SIC), took the decision to invest in quotas in order to create a pool of community held fish quota. The SFPO agreed to act as agents for the SIC and to hold any quota purchased in a separate "community pool". The funding for this community investment came from Shetland Leasing & Property Development Ltd (SLAP) which is a commercial investment agency of the SIC. A total of £2.5 million was invested in acquiring 2,250 tonnes of ground fish quota in 1998. In 1999 a further 2,000 tonnes was bought for £3.6 million. So far this year, 500 tonnes have been bought for £1 million. The SLAP quota pool is therefore currently 4,750 tonnes.

The SFPO therefore now holds two pools of ground fish quota; one representing its own investment of 2,386 tonnes with another held by SLAP (on behalf of the wider Shetland community) of 4,750 tonnes. Taken together, these two quota pools amount to some 7,136 tonnes of fish. This is a significant quota pool compared with the 12,000 tonnes or so of quota owned privately by the Shetland fleet. In summary therefore, out of the total ground fish quota of 19,136 tonnes administered by the SFPO, some 7,136 tonnes, or 37%, is held in community ownership (either by SFPO itself or by SLAP).

The fact that a significant proportion of Shetland's ground fish quota availability is effectively held in common ownership is unique within the UK. But what makes the "Shetland ownership" of the quota so significant is the use which is made of this quota.

### **The New Entrants Scheme**

With the development of quota trading, the cost of entering the fishing industry has escalated. Not only does a prospective fisher have to pay for a boat and fishing licence, the cost of fish quota must also be financed.

In many cases the cost of quota is as much as the combined cost of a boat and fishing licence. This has the inevitable consequence of making entry into fisheries much more difficult for young fishers. There is now a clear trend for existing successful fishing partnerships and companies to acquire additional quota and thereby expand their operations. In short, the UK fishing industry is becoming concentrated into fewer hands as more and more quotas are traded.

While Shetland has many successful fishing partnerships, there is no guarantee that their quotas will not, in the fullness of time, be sold outwith the islands. At the same time, there may be many young Shetland fishers who lack the capital to buy quota and thereby become successful fishermen in their own right. It was this scenario of an island group, surrounded by fish and dependent on the

seafood industry, seeing its marine resource being eroded away, which prompted first the SFPO and then subsequently the SIC to enter the market and purchase quota.

The SFPO quota pool is used to augment member vessels monthly quota allocations and will continue to enhance member fishing opportunities in the future. There are no circumstances in which the SFPO quota pool would ever be sold and it will therefore continue to provide additional fishing opportunities for future generations of Shetland fishers. This is the "return on capital" which the SFPO is obtaining from its quota investment, quite apart from the considerable appreciation in value over time.

In contrast, the SLAP quota pool is being used to help new entrants get started in the industry. The SLAP quota pool is set aside by the SFPO as a quota reserve for fishers who cannot afford to purchase quota. These fishing partnerships are able to become full members of the SFPO, and are able to fish out of the general quota pool (and thereby obtain the benefit of the additional SFPO quota pool) despite not owning any individual quota. Instead they pay a proportion of their gross earnings to the SFPO in order to "rent" a share of the SLAP quota pool. To date a total of 12 "new entrants" have been able to acquire a boat and licence and start fishing without having to purchase quota. The total numbers of new entrants able to start fishing under this scheme will ultimately be limited by the size of the SLAP quota pool. The intention is, however, to continue to invest in quota in order to enable more new entrants to join the industry. So far only ground fish quota has been purchased but there is the possibility of acquiring pelagic quota in the future.

The "return on capital" for SLAP is the rental income (which the SFPO collects and remits to SLAP), the appreciation in quota values and, finally, the fact that investment in these quotas is enabling fishing activity to continue to develop within the islands. As well as creating jobs at sea, an additional Shetland fishing vessel will create employment onshore in the fishing processing and ancillary services.

There is now growing interest in the Shetland scheme. A number of other UK PO's are now considering quota purchase and rental schemes in order to secure fishing opportunities for their own membership. Perhaps the Shetland system of community owned fish quota might also be relevant to other fisheries dependent areas where employment opportunities are limited.

### **The Future?**

There is no doubt that the community fish quota scheme has been a process whereby Shetland has used the fisheries management system to secure the marine

resource base for the future. Without this innovation, the opposite would probably have happened as quota was sold from the islands. The immediate priority is to acquire further quota and to thereby add to the quota held under community ownership.