

SLIPPER SKIPPERS AND ABSENTEE LANDLORD: EXAMINING SOCIAL AND ECONOMIC IMPLICATIONS OF RESOURCE PRIVATISATION

Bertrand LE GALLIC
AMURE Research Group
Centre de Droit et d'Economie de la Mer (CEDEM), UBO. 12, rue de Kergoat. CS 93837,
29238 Brest, France. Phone: +33 (0)2 98 01 60 41. bertrand.legallic@univ-brest.fr

Rémi MONGRUEL
AMURE Research Group
Marine Economics Department, IFREMER. BP 70, 29280 Plouzané, France.
Phone: +33 (0)2 98 22 49 31. Remi.Mongruel@ifremer.fr

ABSTRACT

“Slipper skippers”, “absentee landlord” or “absentee ownership”, “fleet separation policy”... All these expressions describe a single feature: the separation between two economic functions, ownership (who gets the right to access the resource) and production (who exerts the right). This issue is considered as highly sensitive in several places, such as Canada and USA. In these countries, most fisheries are managed under an “owner / operator” clause because of social pressure. In other places, such as New Zealand, the separation of the two functions is often promoted, because it is considered as a way of improving wealth generation. And in Iceland, this separation occurs as a result of the implementation of specific management systems (ITQ), although it may not have been always originally planned. After exploring the design of management systems that may induce the separation between ownership and production functions, the paper discusses the arguments that are developed by proponents and opponents of the phenomenon. By doing so, it aims at clarifying what the issue at stake really is, and what the associated costs and benefits for the society are. This review of arguments from both sides suggests that although discussions mainly focus on rent distribution or rent capture issues within the fisheries sector, there may also be some other broader implications regarding social welfare. It also suggests that specific fisheries settings (e.g. capital-intensive vs. labour-intensive fishing operations) and macroeconomic conditions (e.g. level of unemployment) may play an important role in examining the net societal effects of the phenomenon.

Keywords: fisheries management, resource ownership, rent capture

INTRODUCTION

Public policies related to the primary sector (agriculture and fisheries) have to conciliate varied and potentially contradictory objectives, which include: “self-sufficiency, balance of trade (payments), secure supplies and low prices to consumers, stability of farm incomes, supplies and prices, and farm income and employment goals” (Winters, 1989). These two latter goals can be seen as the social component of agriculture and fisheries public policy. The attention paid to income support also reveals that concerns related to the status of the workers are high. A general conclusion can be derived, suggesting that if it is

important to favour jobs creation in the primary sector, it is often also preferable to enhance the capacity of the natural resources exploitation systems “to provide a lot of quality jobs”.

In the case of the fisheries sector, public policies were offered a wide range of possibilities to achieve social objectives. Yet, fisheries management based on the public ownership of the resource has often failed to hinder overexploitation dynamics. Conversely, it has been demonstrated that certain kind of fishing industries could move toward efficiency through resource privatisation, because resource privatisation is expected to promote a better use of scarce resource and capital when the market is operating properly. The use of market mechanisms can even be pushed ahead, when the fishing operator decide to separate the business of owning the resource from the one of operating the fishing rights. Active fishers would then have to pay a fee to the right holder to operate the available quota. In agricultural economics, such a phenomenon is named tenant farming. In this paper, we use the term “tenant fishing” when dealing with the fisheries sector.

In this paper, we first describe examples of tenant fishing in four countries (New Zealand, United Kingdom, Canada and Iceland). Second, we review the economic arguments that are often cited by proponents to justify the recourse to resource privatisation and tenant fishing. Third, as the debate often neglects the social impacts of resource privatisation, the paper explores several arguments that can be developed by the critics of these systems; a simple model with two operators is presented in order to examine the issue of the rent distribution. Finally, the paper shows that resource privatisation and tenant fishing have often significant distributional effects and are therefore not neutral from an institutional and social point of view.

WHEN DOES SEPARATION BETWEEN OWNERSHIP AND PRODUCTION OCCUR?

Although it seems to be favoured by resource privatisation, the separation between ownership and production is not *per se* a new phenomenon in the fisheries sector. This separation occurred a first time during the fisheries industrialisation era, when the implementation of highly capitalistic production means became no longer possible for every individual: ownership and operation were indeed separated *de facto* in the organisation of most of the big industrial fishing companies. The resource privatisation may create a second way of separating ownership and production in the fisheries sector. This feature, which may concerns every kind of fishing fleet, mainly occurs because resource privatisation is basically equivalent to the introduction of a new production factor, distinct from the boat, which needs to be paid for (Mongruel and Pálsson, 2004). Some recent case studies illustrate how the design of management systems based on resource privatisation may induce the separation between ownership and production functions.

In New-Zealand, the emergence of tenant fishing results from the introduction of the Quota Management System (QMS - Thornton, 2006). The ability to lease quota and, subsequent to the implementation of the 1996 Act, sell annual catch entitlements (ACE) has created the opportunity for quota holders to determine whether they harvest the resource themselves, or outsource their harvesting requirements (for example, through the lease of fishing right). This feature is summarized up by a fishing industry representative, asserting that “the ability to buy, sell, exchange, and trade quotas has naturally resulted in some redistribution of fishing effort ...whereas original fishers may have had a reasonably consistent fishing pattern, exploiting on a regular basis their preferred and established fishing grounds, current quota holders are more likely to allocate their quota into areas of more favourable catch by the simple expedient of making contract fishing arrangements with alternative fishers” (Branson, 1997, quoted in Wilen and Brown, 2000). The empirical preliminary analysis conducted by Thornton (op. cit.) suggests that many quota owners are choosing not to use their own harvesting capacity, and that the development of the New Zealand fishing industry since the introduction of the QMS appears to reflect a separation/specialisation

in business focus. In addition, the New Zealand experience reflects that the fishing industry have made limited use of foreign charter vessels at this point, indicating that separation between ownership and production may enhance the internationalisation of the market for fishing services.

In the UK, a parliamentary debate between Scottish Shadow Fisheries Minister Richard Lochhead and Fisheries Minister Ross Finnie (8 December 2005) suggests that the amount of quota held by non-active fishermen is falling and currently stands to a minimum of 5% of the total FQA (fixed quota allocation) units available to the UK fleet. In this country, tenant fishing occurs for two reasons. First, fishers who leave the business, in particular during decommissioning programs, conserve their fishing rights. “Retired” fishers are then in the position to lease or sell their fishing rights to the highest bidder. Second, banks get back fishing rights when money has been borrowed against quotas and boats had been taken because fishers had been incapable of reimbursing the debt. In such a case, the licence and quota associated with the boat are also taken, and banks are in the position to lease the fishing rights acquired to active fishermen. It is important to note that under the current British system, the emergence of “slipper skippers” raises some legal issues. In principle, fishing rights are national/public assets that should only benefits to active fishers and be distributed by Producers’ Organisations to their active members. Again in principle, the system, based on transferable licences and tradable effort units (called Vessel Capacity Units or VCU; OECD, 2006), does not give legal entitlement to the quota to non-active fishers.

In Canada, the separation between the business of owning fishing rights and the fishing activity had been a political sensitive issue for a number of years. The subject has been for instance addressed in auditing reports (e.g. Anon. 1991), in official reports (e.g. Government of Canada, 1993), and was still debated in a report to the Standing Senate Committee on Fisheries and Oceans in 2005 (Senate of Canada, 2005). Some regional in-depth analyses of the phenomenon are also available, which can help understanding the issues at stake. This is for example the case of the British Columbia halibut fishery (e.g. Casey and al., 1995; Butler, 2004). In this fishery, the emergence of “slipper skippers” (also called “armchair fishers” in Butler, 2004, p. 8) occurs further to the implementation of an ITQ system in the early 1990’s. While during the first year of transferability (1993), 70% of licence holders had fished their entire quota, approximately 65% of the 2002 TAC involved temporary transfers. During this year 2002, it was also observed that “there were only 214 active licences, out of the 435 licensed vessels, that made halibut landings, with 221 licence owners leasing out their quota to another vessel” (ibid, p. 10). This suggests that links probably exist between the development of inactive vessels and unused capacities and the separation between ownership and production functions¹. Today, fishers who were allocated quota in 1991 have seen the value of their allocation increase substantially. The current system allows them to lease their quota for more than 50 per cent of the ex-vessel price of the fish. The system has resulted in high levels of quota owner control on lease prices, and therefore in incentives not to fish, and not to sell their quota. Participation in the fishery has dropped to approximately 50%, with half the fleet leasing their quota out and becoming “armchair fishermen”. Crew employment and crew wages have been significantly reduced both by decreased rates of vessel participation, and by the leasing structure. Thus, the benefits of IVQs to fishers have been concentrated on the 435 licence owners who participated in the fishery during the shift to quota-based management and who benefited from the initial allocations. Crew members and subsequent generations have been impacted negatively by the shift and the subsequent development of the leasing system. The Fisherman's Report (Anon, 2001) calls for an end to leasing licences and corporate ownership of licences. The former are criticized as a breach of legal principle; the latter because it would concentrate the industry in a few urban centres. The report advocates licensing policies that would force the industry, over a 10-year period, to move toward an “owner/operator profile”, and recommends a complete overhaul of licence fees.

In Iceland, several observers suggest that the development of the separation between ownership and production can be analysed through the development of unused or “idle” fishing capacity. Unused capacity, measured as a fraction of existing fleet, increased from less than 5% in the 1990s (i.e. prior the

completion of the ITQ system) to around 35% in the 2000' (OECD, 2006, p. 186), while the number of inactive vessels has steadily increased since 1990, reaching around 10% of the total fleet in the most recent years (OECD, 2006, p. 180). The development of unused capacity can of course be attributed to the implementation of an ITQ program such as it occurs in Iceland. When an ITQ system is imposed on a previously overcapitalised fishery (and the TAC set appropriately), fishers are expected to find themselves with excess fishing capacities. The reduction in fishing capital actually employed, which depends on conditions for disinvestment, can then be expected to be gradual (OECD, 2006, p. 188). In principle, decision regarding the retaining of unused capacity will be in accordance with profit maximising behaviours, i.e. that unused capacity exists until alternative use is found. A specific element of the fisheries management system in Iceland should however be considered when analysing the increase and persistence of unused capacity: in order to acquire quotas, a vessel operator must justify that quotas are not be in excess of what can be reasonably harvest (OECD, 2006, p. 102). This requirement implies that to buy quotas, an operator should at least possesses a vessel, even if he does not want to use it for harvesting himself and decide instead to lease the quotas. In practice, possessing idle vessels and fishing capacities can then be considered to be the only way of getting into the business of rights trading.

THE ECONOMIC ARGUMENTS TOWARD TENANT FISHING

In general, the separation between ownership of the rights in one hand, and operation / exploitation of the resource in the other hand, may be expected to increase economic efficiency. At the end of the day, this should lead to improved economic welfare, measured in terms of added value. The sources of this social gain can be two-fold.

First, cost minimising is likely to occur because rights owners will chose the least costly way of using their rights (i.e. producing their quotas). This means that if the costs of fishing services are lower than their current operating costs, rights owners may want to outsource their fishing activity, all things being equal. In such a case, more efficient service providers are likely to displace their higher cost competitors, notwithstanding the origin of greater efficiency. Some authors (e.g. Wilen and Brown, 2000) indeed consider that the prevalence of absentee landlords simply reflects that (private economic) benefits associated with short term production flexibility are seen by most participants as outweighing any of the social cost associated with absenteeism.

Second, higher efficiency may arise because of a more efficient use of fixed capital. This may especially play a role in seasonal/sequential fisheries. In that situation, a specialist provider of harvesting services can be expected to focus on assembling a portfolio of harvesting contracts that ensures the fixed capital invested in vessels is used to the maximum extent possible (Thornton, 2006). In this context, the prevalence of absentee landlords is just considered by some observers as a further step to market liberalisation for improving social welfare.

Several ex-post analyses appear to support this efficiency argument. Butler (2004) notes that the shift to quota-based management has resulted in some very positive changes in the BC halibut fishery including a longer season, ease of enforcement, catches below the TAC, and higher ex-vessel prices due to the shift to a fresh market. In the New Zealand case, similar positives outcomes are observed by Kerr (2003), when analysing the long term evolution of the quota values. Thornton (2006, p. 27) also notes that this experience suggests that, "the benefits of trade in fishing services has accrued to the New Zealand quota holders, the more efficient domestic providers of harvesting services, and the providers of foreign charter vessels particularly suited to seasonal fisheries" (although activities associated with the size of the fishing fleet may have been affected be the dramatic reduction observed). In Iceland, an analysis of the Annual Quota Rental Values suggests that the efficiency of the fisheries has increased dramatically. The quota

valuation of the Icelandic fisheries has greatly increased from 1984 onward. It is currently about USD 450 million per annum, almost 20 times what it was in 1984ⁱⁱ.

As tenant fishing is expected to result in the reduction of fleet overcapacity, improvement in the use of fixed capital and selection of the most efficient operators (resulting in operating costs savings), such a practice is thus supposed to result in a net increase in the global resource rent. Yet, tenant fishing has been a sensitive for a number of years now, and has been recently a hot topic in various high level political reports and debates (e.g. GOA, 2004). The following part tries to explain why.

FURTHER ANALYSIS OF ECONOMIC AND SOCIAL ISSUES

Limits to the general economic arguments

Former examples support the general recognition that defining and allocating permanent use rights (e.g. in the form of ITQ) is a key element for appropriate resource management (OECD, 1993; OECD, 2006), including when a separation between the businesses of owning and fishing occurs. Rights holders are given a stake (and responsibilities) in the resource state. Permanent use rights are for instance expected to encourage the right-holders to make costly changes (or invest) in the size and age structure of the fish stock that may result in larger and more profitable catches even if there may be an extended waiting period for the pay-off to be realised (OECD, 2006, p. 27). This virtuous relationship is however likely to be attenuated in the case of absentee landlords, as rights holders have a “looser” or “weaker” link with the resource. This does not mean that absentee landlords do not care about the resource stock: they care, simply because they consider fish stocks as an asset that needs to be “protected”, as any other asset. Yet, a degree of asymmetry can develop between the right holder and the lessee, who does not have the same temporal horizon. In practice, especially when the fishing activity is outsourced to foreigners, “charter” operators are more likely to have short term objectives. Anon. (2004) suggests that in some cases, “short-term economics will win out over long-term conservation as fishermen (i.e. the lessee) succumb to immediate financial pressures” and have little incentives to invest in the resource. In particular, sensitive issues such as by-catches discarding, high-grading, and under-reporting may be exacerbated, and the economic benefits may be difficult to sustain in the long run.

In addition, the economic argument can be attenuate because of political / public choices. The relevance of the efficiency argument is in principle high when the primary objective of Governments is to extract the maximum resource rent. Yet, in many cases, Governments pursue multiple objectives (Crutchfield, 1973; Charles, 1989; Charles, 1992; Boude and al., 2001; Le Gallic and al., 2006), which might diminish the overall desirability of outsourcing fishing services. For example, in some instances, the Government’s primary concerns may consist in maintaining to the maximum extent possible the participation in the fisheries by local fishers (Thornton, 2006). In such cases, the social cost associated with owner absenteeism may be high (in particular if this increases the level of unemployment, see below for further discussion on this issue), and may even outweigh the direct economic benefits.

The distributional effects

When they oppose to tenant fishing and resource privatisation, fishermen seems to be mainly worried about income distribution consequences (Cunningham 1994, p. 247, Squires et al. 1995, Wilen & Casey 1997, Guyader & Thébaud 2001). We propose to examine this issue at a regional/national level, through a simple model with two operators.

Case 1. Fishing activity outsourced to domestic fishing operators – “the basic situation”Assumptions:

- 1) The rights owner from country A (formally skipper-owner) decides to sell the vessel outside the country or scrap it, detaches from the former crew and outsources the fishing activity to an operator from country A.
- 2) The rights owner seeks to obtain a net gain at least equal to its former Current Operating Surplus ($COSa_1$), which in effect is equivalent to the resource rent, if positive.
- 3) As in some cases, an increase in rights holders' profitability has been observed as a result of the outsourcing of the fishing activity (e.g. New Zealand, Iceland, UK), we further assume that the rights holder seeks to obtain a net gain greater than its former Current Operating Surplus ($COSa_1$), i.e. a kind a “premium” P .
- 4) The quota lease price equals the resource rent *plus* the “premium” ($COSa_1 + P$). To allow for the “vessel” B to breakeven, the quota (Qa) must be fished at lower costs than previously.
- 5) We first suppose that efficiency gains can occur due to technical / skill reasons, i.e. that Intermediate Consumption will decrease from ICa to ICa' (so as: $ICa' - ICa = P$)
- 6) Compensation of the crew B for fishing the quota Qa remains unchanged (compared to former crew A remuneration). It is important to note that this assumption will be validated if, and only if, a “share-system” is applied to remunerate the crew. Yet, it should also be noted that although the global employees' compensation will remain unchanged, the number of employees will be reduced, following the redundancy of vessel A crew.
- 7) >From a collective / social point of view, there is a need to take into account the costs borne by fishers (originating from vessel A) excluded from the activity. In practice, the level of this social cost, quoted (SC), will depend on macroeconomic situation and national welfare policies.

« Vessel A » Point of view		« Vessel B » Point of view		Collective Point of view	
Initial	Final	Initial	Final	Initial	Final
Ta = P x Qa	COSa₁ + P	Tb = P x Qb	Ta + Tb	Ta + Tb	Ta + Tb + COSa₁ + P
- La		- Lb	- Lb	-(La+Lb)	-(La+Lb)
- Ica		- ICb	- ICb - Ica' -(COSa ₁ + P)	-(Ica+ICb)	- ICb - Ica' -(COSa ₁ + P)
GVa₁	GVa₂ = COSa₁ + P	GVb₁	GVb₂ = GVb₁ + GVa₁ + (Ica - Ica') - (COSa₁ + P)	GV₁	GV₂ > GV₁ As long as Ica' < Ica
- Fa	(depending of the tax system)	- Fb	-(Fa+Fb)	-(Fa+Fb)	-(Fa+Fb)
- Wa	0	- Wb	-(Wa+Wb)	-(Wa+Wb)	-(Wa+Wb)
GOSa₁		GOSb₁		GOS₁	
- CFCa	0	- CFCb	- CFCb	-(CFCa+CFCb)	- CFCb
NOSa₁		NOSb₁		NOSa₁	
- OCCa	0 ⁱⁱⁱ	- OCCb	- OCCb	-(OCCa+OCCb)	- OCCb
					- SC
COSa₁	COSa₂ = COSa₁ + P	COSb₁	COSb₂ = COSb₁	CW₁ (=COS₁)	CW₂

In the accounting table above, T represents the turnover, L the landing costs, IC the intermediate consumptions, F the fees and taxes, W the labour costs, GOS the gross operating surplus; CFC the capital fixed costs, OCC the opportunity cost of capital, COS the current operating surplus and CW the “collective” welfare obtained under various scenarios.

Comments:

The permanent outsourcing of the fishing activity allows for the identification of the resource rent (which can further be taxed). When the premium P equals zero, the resource rent is fully captured by the right owner. The situation is then in line with Ricardo’s theory: the lessee obtains a zero extra or supra profit from fishing the quota Qa. When the premium P is positive, the lessee needs to pay more than the resource rent. To do so, the lessee must be able to fish the quota Qa at a lower cost than the vessel A. This cost saving can occur through the reduction of intermediate costs, which then will result in a net increase in the global level of the rent.

As far as distribution is concerned, it should be noted that rights holders are thus able to capture not only the full resource rent, but also part (or all in our example) of the surplus originated from the producing activity of the vessel B. This may raise some questions regarding the sharing of the net social gain. Butler (2004) for instance proposed an example showing that in 2002 “the return of those involved in harvesting the resource was half the amount paid to the ‘armchair’ fisherman”. The discussion regarding the appropriate or “fair” level of the quota price is discussed below. If there is no room for efficiency gain due to technical / skill reasons, then an alternative solution needs to be found to fish the quota at lower costs than previously. It can reasonably be proposed that the adjustment variable will be in most cases the remuneration of fishers employed by vessel B. In such a case, the additional wage received by crew B (resulting from fishing the quota Qa) will have to be reduced at least by a quantity P to allow the vessel B to breakeven. Then, the collective performance will be unchanged, but the social gain observed will be realised at the disadvantage of active workers.

When a permanent reduction in fishing capacities (number of vessels) occurs as a result of the absentee landlord behaviour, the level of the rent is expected to further increase mechanically. Yet, in such a case, indirect or “spillover” activities associated with the presence of fishing vessels (maintenance, etc.) will be negatively affected. This may also increase the Social Cost (SC). The net societal balance (i.e. the difference between CW_1 and CW_2) will then depend upon whether the cost savings expected (reduction in Intermediate Costs; reduction in the use and opportunity costs of the capital – $[CFCa + OCCa]$) will offset or not the global Social Cost (SC).

The level of Social Cost is likely to differ across countries, and will depend mainly on general macroeconomic conditions such as the level of unemployment and the transfers / welfare system. Of course, the latter is directly associated with the political objectives (see above). In countries where the employment of local fishers and human settlement in rural areas are considered a priority, the Social Cost is likely to be high. That’s probably one of the lessons that can be derived from the Newfoundland experience, where the Canadian Government spent a large amount of money to compensate social losses.

In this regard, a special attention can be paid to the situation where the rights holder leases the quota to foreign operators from country C (as in some New Zealand fisheries for instance; see Case 2 below).

Case 2. Fishing activity outsourced to foreign fishing operatorsAssumptions:

- 1) As previously, we assume that the rights holder seeks to obtain a net gain greater than its former Current Operating Surplus : $COSa_2 = COSa_1 + P$
- 2) Part of the wealth originating from the resource stock of country A will be used to remunerate the vessel, crew and entrepreneur from country C. From a national account point of view, the country A is thus expected to observe a reduction in Gross Added Value, whereas the net gains for rights holders remain unchanged.
- 3) As in the previous case, the final level of collective welfare (CW_2) and the net societal balance in country A will depend upon whether the cost savings expected offsets or not the global Social Cost (SC).

« Vessel A » - Rights holder Point of view		« Vessel C » - Country C Point of view		Collective Point of View	
Initial	Final	Initial	Final	Country A Final	Country C Final
Ta = P x Qa	COSa₁ + P	Tc = P x Qc	Ta + Tc	COSa₁ + P	Ta + Tb + COSa₁ + P
- La		- Lc	- (La + Lc) ¹		- (La + Lb)
- Ica		- ICc	- ICc - Ica'' - (COSa ₁ + P)		- ICb - Ica'' - (COSa ₁ + P)
GVa₁	GVa₂' = COSa₁ + P	GVc₁	GVc₂ = GVc₁ + GVa₁ + (Ica - Ica'') - (COSa₁ + P)	GVa₂' = COSa₁ + P Where GVa₂' < GVa₁	GVc₂ > GVc₁
- Fa	(depending of the tax system)	- Fc	- (Fa + Fc)	(depending of the tax system)	- (Fa + Fb)
- Wa	0	- Wc	- (Wa + Wc)	0	- (Wa + Wb)
GOSa₁		GOSc₁			
- CFCa	0	- CFCc		0	- CFCb
NOSa₁		NOSc₁			
- OCCa	0 ^{iv}	- OCCc		0	- OCCb
				- SC	
COSa₁	COSa₂ = COSa₁ + P	COSc₁	COSc₂ = COSc₁	CWa₂ = COSa₁ + P - SC	CWc₂ > CWc₁

¹ Provided the production is still landed in country A

Comments:

The situation described in the table above has several implications from the collective welfare point of view:

- Such a practice mechanically leads to a net reduction in direct fishing employment, and possibly also in indirect employment linked to the fishing activity.
- The diminution in domestic employment generates direct social costs (SC), which decrease the CW perceived by country A.

- In addition, this practice modifies the structure of the (fishing) labour market, as domestic fishers are likely to be in competition with foreign counterparts. The bargaining power related to rent distribution may thus be further moved at the advantage of rights holders.
- This latter argument might be exacerbated when the playing field between domestic and foreign competitors is not levelled, e.g. due to tax, social or safety policies. Then, a “race to the bottom” type phenomenon can be observed, domestic fishers being pressed to reduce their compensation claim to “adapt” to the new competitive environment.

DISCUSSION

In general, the development of tenant fishing systems raises some equity distributional issues. Under such systems, fishers have to pay a fee to use fishing rights held by the rights holders (mainly those who received the rights free of charge in the first hand). It should be recalled that in principle, paying for the use of the resource is a necessary condition for its efficient use as market value of the fisheries resource can be established and become explicit. Subsequently, these systems may serve to benchmark the calculation of fishing fees by public authorities. Yet, the question of the capture of the rent remains. If the fees are appropriately taxed, then the Government will be in position to collect part or totality of the resource rent. The Government may then use this money to ease the access to fishing rights by active fishers and new entrants. It also may use part of the money collected to compensate those who have to leave the fishing business because of the development of tenant fishing systems. If the fees are not or little taxed, then the resource rent will be captured by the rights holders alone, who will accumulate richness at the detriment of the society as a whole, and of active fishers in particular. There is then an implicit transfer (subsidy) from the society to right holders.

This is why some observers consider the separation of production from ownership as a new form of social organisation, or social exploitation (e.g. Mongruel and Palsson, 2004). In some cases, this is also perceived as a potential factor of disturbance due to distributional consequences (Reyntjens and Cox, 2004). The distributional argument is especially important when considering different generations. As reported in Butler, 2004, the leasing system has created a significant generation gap in the fishing industry. In the halibut industry, the quota price has risen from 0 in 1991 (those who were fishing in 1991 received allocations based on previous participation in the fishery), to highs of Can\$35/lb in 2004. In the same vein, Anon. (2004) notes that “the prices of troll and gillnet salmon licences doubled” between 1994 and 2002, while “other fisheries experienced skyrocketing trends, too”.

This equity issue is further exacerbated by the accumulation of fishing rights, when exist. In British Columbia (B.C.) for instances, the capital value of licences and quotas reached \$1.8 billion by 2003. That’s more than six times the capital value of all the vessels and equipment in the B.C. fishing fleet (\$ 286 millions; Anon. 2004). The same report also noted that overcapitalization in licence and quota has become the problem, especially because of its effect on social equity. Using official’s licensing database, the report shows that between 1994 and 2002 rural communities with a population of less than 10,000 have lost 45% of their fishing licences for salmon, groundfish and shellfish. It also underlines that 44% of all IFQ licences in B.C. are owned by residents in metropolitan Vancouver and Victoria, compared to around 14% in coastal areas. These observations tend to support the general fear related to the geographical drain of wealth associated with absentee ownership. In this context, The Government of Canada recognises that (2005, p. 32): “In urban areas, many of those licences are owned by companies or individuals who lease their fish quotas or licences to fishers. In the next decade, as increasingly more fishers retire, leasing, fishing licence consolidation and the loss of licences in rural communities are expected to worsen the situation.”

CONCLUDING REMARKS

As suggested in Wilen and Brown (2000), the question of tenant fishing in the end consists in comparing the potential costs (and likelihood) of absentee ownership against the benefits of a very flexible system of production rights. While the capacity of several management systems to improve rent generation is undisputable, fisheries managers should make sure that the social costs associated to the gain in efficiency do not outweigh the benefits. This is above all crucial when multiple objectives, such as local employment, generation of skilled jobs, human settlements, are pursued. In this context, a particular attention should be paid by policy makers and fisheries managers to avoid that undue concentration of wealth, degradation of the social status of active fishers and modification in bargaining power among the various participants occur.

The paper shows that even if resource privatisation is rarely *per se* an objective of fisheries management, each new step toward privatisation may, when associated to so-called “tenant fishing” practices, lead to several unexpected and untoward consequences. Yet, various public interventions are available to limit the adverse effects of separating the two economic functions of owning and operating. These include, *inter alia*, the appropriate taxation of the resource rent (in order to avoid the full capture by the right holder alone), which can then serve as a basis for compensation to the “losers”, the provision for safeguards clauses (concentration limit, “owner-operator” clause, fleet separation policy) and the collective appropriation of fishing rights.

References

- Anon. 1991. The Fisherman's Report, A Commission of Inquiry into Licensing and Related Policies of the Department of Fisheries and Oceans, Fleming Printing Ltd., Victoria, B.C.
- Anon. 2004. Catch-22: Conservation, Communities and the Privatization of B.C. Fisheries, November 2004, Report published by Ecotrust Canada and Ecotrust;
<http://www.ecotrustcan.org/catch-22.shtml>
- Butler, Caroline, 2004. Fishing for a pension or peanuts? Samudra Report No. 39.
- Branson, Andrew. 1997. An Industry Perspective on New Zealand's Experience with ITQs, in Ellen Pikitch et. al.
- Boude, Jean-Pierre, Jean Boncoeur & Denis Bailly, 2001. Regulating the access to fisheries: Learning from European experiences, *Marine Policy*, 25(4), pp. 313-322.
- Casey Keith, C. Dewees, B. Turriss & J. Wilen, 1995. The effects of individual vessel quotas in the British Columbia halibut fishery, *Marine Resource Economics*, 10(3), pp 211-230.
- Charles Anthony T., 1989. “Bio-socio-economic fishery models: Labour dynamics and multiobjective management”, *Can. J. Fish. Aquat. Sci.*, 46(8), pp. 1313-1322.
- Charles Anthony T., 1992. Fisheries conflicts: a unified framework, *Marine policy*, 16(5), pp. 379-393.
- Crutchfield James A., 1973. Economic and Political Objectives in Fishery Management, *Transactions of the American Fisheries Society*, 102(2), pp. 481-91.

- Cunningham Stephen, 1994. Fishermen's incomes and fisheries management, *Marine Resource Economics*, 9(3), pp. 241-252.
- Gaskins Richard, 1997. The political economy of private resources : issues for future research on ITQ regimes, in Pálsson G. & G. Pétursdóttir (eds.), *Social Implications of Quota Systems in Fisheries*, Nordic Council of Ministers, Copenhagen, pp. 121-132.
- GOA, 2004. *Methods for Community Protection and New Entry Require Periodic Evaluation*, Report to Congressional Requesters, United States General Accounting Office, Feb. 2004.
- Government of Canada. 1993. *Quota Licensing in Canada's Fishing Industry*, Report Prepared by C. Emery, Political and Social Affairs Division, Sept. 1993, <http://dsp-psd.pwgsc.gc.ca/Collection-R/LoPBdP/BP/bp344-e.htm>
- Guyader, Olivier & Olivier Thébaud, 2001. Distributional issues in the operation of rights-based fisheries management systems. *Marine Policy*, 25(2), pp. 103-112.
- Kerr Suzi, 2003. Evaluation of the Cost Effectiveness of the New Zealand Individual Transferable Quota Fisheries Market, *Workshop on Ex-Post Evaluation of Tradable Permits: Methodological and Policy Issues*, OECD, Paris, 2003.
- Le Gallic, Bertrand, Simon Mardle & Jean Boncoeur, 2006. Les objectifs d'une politique publique vus par les acteurs: une analyse multicritères de la politique commune de la pêche, *Économie Publique*, 16(1), pp. 127-153.
- Mongruel, Rémi & Gísli Pálsson, 2004. Le propriétaire, l'exploitant, le salarié et l'exclu : les conséquences sociales de la gestion des pêches par des systèmes de marchés de droits, *Revue Tiers-Monde*, XLV(177), pp. 29-59.
- OECD, 1993. *The Use of Individual Quotas in Fisheries Management*, Paris.
- OECD, 2006. *Using Market Mechanisms to Manage Fisheries, Smoothing the path*, Paris.
- Reyntjens, Dirk and Anthony Cox, 2004. "Introductory Presentation on Policy Instruments". Paper presented at the High Level Conference on Challenges for Sustainable EU Fisheries. Brussels, 8-9 November 2004.
- Senate of Canada, 2005. *Interim report on Canada's new and evolving policy framework for managing fisheries and oceans*, Report to the Standing Senate Committee on Fisheries and Oceans, May 2005.
- Squires D., J. Kirkley & C. Tisdell, 1995. Individual transferable quotas as a management tool, *Reviews in Fisheries Science*, 3, pp. 141-169.
- Thornton, Stephen, 2006. *Foreign Investment and Services, The potential economic effects of liberalising trade in fisheries services*, Report to the OECD.
- Wilén, James E. & Keith Casey, 1997. Impacts of ITQ on labor : employment and remuneration effects, in Pálsson G. & G. Pétursdóttir (eds.), *Social Implications of Quota Systems in Fisheries*, Nordic Council of Ministers, Copenhagen, pp. 315-333.

Wilén, James E. and Gardner M. Brown, 2000. Implications of Various Transfer and Cap Policies in the Halibut Charter Fishery, Report prepared for National Oceanic and Atmospheric Administration. Alaska Fisheries Science Center, Sand Point Way, Seattle, Washington, December 8, 2000.

Winters L. Alan, 1989. The so-called non economic objectives of agricultural policy, OECD Economic Studies, 13, pp. 237-266.

ENDNOTES

ⁱ It should be noted that in the case of the halibut fishery, transferability was prohibited during the two years of the pilot programme, and was limited during the next several years by a “block-system”.

ⁱⁱ See <http://www.oecd.org/dataoecd/11/12/34429527.pdf>.

ⁱⁱⁱ In the case where fishing capacities are required to gain access to fishing rights (e.g. Iceland), a opportunity cost for the “idle” capital needs to be added to the analysis.

^{iv} In the case where fishing capacities are required to gain access to fishing rights (e.g. Iceland), a opportunity cost for the “idle” capital needs to be added to the analysis.