Balancing Local Ownership and Control with Foreign Fisheries Interests: ITQ in the Falkland Islands
The Falklands Islands are an Overseas Territory of the UK located in the South Atlantic some 400 nautical miles off the coast of South America.
The resident population of the Falkland Islands is 2491.

The Falklands have full employment.

GDP £70 million.

Receive no financial or technical development assistance.

Open economy.
Fisheries Based Economy

- Licence fees of £25 million provide 50% Government revenue
- Fisheries 44% of GDP but:
  - Domestic fishing operations 50/50 JVs
  - Crew 100% foreign nationals
  - Majority catch taken by foreign registered vessels in which Falklands have little involvement

Catch (Volume) by Species in 2001

- Illex 57%
- Loligo 20%
- Blue Whiting 10%
- Hoki 7%
- Other finfish and Rays 6%
- Other
Previous limited entry licensing regime was inflexible:

- Licences were vessel not enterprise based meaning that companies were unable to allocate effort to the most efficient vessel
- Licences were not transferable between enterprises meaning that inefficient operators tended to remain in the fishery during hard times, dissipating economic rents for everyone
Policy Issues…

• Licenses were of relatively short duration meaning that companies could be tempted to focus more on maximising short-term harvesting profits
• Competition for short-term licences hindered co-operation between Falkland Island companies
A rights based management system of long-term and tradable rights should unlock the economic potential of fisheries for local companies.

Can a rights based system work in a small island economy with a short and chequered history of fishery involvement and an ongoing dependence of foreign investment and joint venture partners?
Individually Transferable Quota

- ITQ of 25 year duration expressed as proportional share of total allowable effort or catch

- ITQ effort based in first instance:
  - Current management system effort based
  - Lower administration and enforcement costs
  - Highly variable and highly migratory squid species dominate catches.
  - Relatively few participants in fisheries except Illex Jig fleet
  - Recognised that effort system is less flexible than catch-based system from industry perspective

- Allowable catch system for finfish desirable at later date
Catch Entitlements

- ITQs generate seasonal or annual catch entitlements
- Catch entitlements must be held to cover effort or catch in Falkland Islands waters
- Are fully tradable but expire at end of the fishing year/season
- Encourage trading to enhance efficiency in thin market
Balancing Local Control with Foreign Involvement

- ITQs can only be held by companies 100% owned by Falkland Islands Status holders.
- Catch entitlements can be held by companies in which Falkland Island Status holders have > 25.1 interest.
- Promote foreign direct investment but give Falklands ownership of long-term rights and more active say in joint ventures with foreign partners.
To be eligible to own and trade ITQ or ACE a company must first be placed on the relevant rights registry.

Register eligibility is dependent on:

- Being in effective control of ITQ rights
- Actively engaged in the seafood industry
- Making efficient use of rights

Rights Must be Used to Benefit the Falkland Islands
• Falkland Islanders must be in control of own resources
• ITQ owning companies cannot be under the influence of overseas companies
• Cannot be under the control of another Falkland company in order to circumvent aggregation limits
• Must be able to freely choose when to acquire and sell ITQ or ACE, how much to acquire and who they trade with
Companies must be involved in the catching, processing, wholesaling, retailing, and/or marketing of seafood.

The level of involvement is commensurate with the type and quantity of rights held.
The actual or expected economic return to the ITQ or ACE holder is commensurate with the value of the rights held and not inconsistent with the returns received by holders of similar rights over a reasonable period of ownership.

Efficient Use

- Difficult to apply in practice
- Allows targeting of consistently poorly performing seafood companies
Conclusion

- Time will demonstrate success or otherwise of reforms
- Evidence of change already
- A model for other small coastal territories and states considering an ITQ based fisheries management system