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Short Communication

Licence Banks as a tool to mitigate corporate control of fisheries: A British Columbia groundfish example

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ABSTRACT

This paper provides an example of how one group of fishermen, operating in an ITQ fishery in British Columbia, Canada, used a licence bank to attempt to mitigate the negative consequences of ITQs. After ten years in operation, the licence bank is self-sustaining and has realized modest and limited success. The authors identify a number of lessons learned from the experience, as well as highlight the opportunities that licence banks offer as an alternative mechanism to redress the negative consequences of ITQs.

1. Introduction

Individual transferable quotas (ITQs) have been held up as a near cure-all for fisheries [1–3]. Expected to address problems ranging from stock collapse to habitat destruction to fleet overcapacity, early warnings about the impact of ITQs on non-directed stocks and on fleet composition, among other concerns, [4] went largely unheeded. Governments in several jurisdictions enthusiastically embraced ITQs with relatively little regard for negative consequences related to the redistribution and consolidation of benefits and associated social and economic impacts [5–7]. Some jurisdictions, such as Alaska, while adopting ITQs also took steps to mitigate negative consequences such as owner-operator provisions and limits on transferability, with variable success [8].

Enthusiasm for ITQs in Canada has been driven in large part by those seeking to reduce capacity in the fishery with a mechanism that operates without public funds. It can also be a windfall to a segment of existing fishermen leading to some degree of support from industry. In contrast to other rationalization programs which can require hundreds of millions of dollars sourced from the government, ITQs can lead to similar outcomes in terms of reduced capacity, while being entirely industry funded. While this is viewed as a benefit for those seeking to limit the use of public funds, there are consequences to having allocation determined by access to capital. The other sought after outcome is concentration of benefits where there is concern about rent dissipation and reliance on public income support mechanisms (e.g., employment insurance), but again, there are often consequences as concentration of benefits dictates the loss of benefits from some traditional beneficiaries.

For fishermen operating in jurisdictions with ITQs, the consequences of ITQs are well-known. Fishermen in BC have observed the patterns of quota concentration, control and price inflation since fully transferable quotas were introduced in BC in the mid-1990s. In an unfettered ITQ system such as BC has, the distribution of access rights and resulting benefits is a function of initial allocation and access to capital.

In response to the proposed extension of ITQ management in the British Columbia groundfish fishery, a group of small boat independent fishermen sought solutions to mitigate the anticipated negative consequences. These fishermen partnered with Ecotrust Canada, a not-for-profit organization dedicated to building the conservation economy, to form a small licence bank. The Pacific Coast Fisherman's Conservation Company (PCFCC) was formed in 2006 as a limited corporation. The licence bank provides a means for the collective ownership of quota by a group of independent owner-operators, with an overarching goal to support sustainable groundfish fishing enterprises by meeting ecological, social and economic objectives.

2. Licence banks

The concept of the licence bank is well-founded in fisheries and has been a tool used for decades [9]. Some early examples include the Community Development Quota (CDQ) program in Alaska [10] and the Northern Native Fishing Co-op in British Columbia [11]. A licence bank provides a means for the collective ownership of licences and/or quota to meet the objectives of the founding organization, be that

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government (federal, indigenous, provincial or municipal), a non-profit or a stake-holder group.[1] These objectives can vary widely, from the repatriation of licences to marginalized interests, to maintaining access to adjacent coastal resources, to providing a pathway for new entrants, to reducing gear impacts [12–16].

Interest in licence banks has been fueled in recent years by proponents of market-based approaches to fisheries management [17,18] as well as by those seeking to meet social and economic objectives in ITQ fisheries where legislative or regulatory mechanisms are absent or ineffective [19,20]. Licence banks are a tool that holds promise, but they are not without their challenges, pitfalls and limitations.

The initial capitalization of the licence bank is the major impediment to the wider adoption of licence banks. Options for capitalizing the bank include investment by fishermen, by government, and/or by a foundation or through the allocation of the resource directly. The allocation of the resource directly is only a viable option at the implementation of an ITQ system. Once the resource has been fully allocated and allowed to be traded on the market, to reallocate what is often a highly valued property that is critical to fisheries participant's livelihoods[2] without compensation would be a violation of human rights [21] and would undermine the social objectives of fairness and commitments to the treatment of small-scale fisheries [22]. For an ITQ that has been implemented, only through investment can existing rights holders be fairly compensated while establishing a new mechanism (i.e., a licence bank) to address intergenerational transfer and equity issues. Investment by fishermen, or at least by fishermen alone, is rarely an option in such cases as the cost of purchasing any meaningful amount of quota is often beyond the financial means of fishermen. Both government and foundations have the financial wherewithal to capitalize a licence bank and support from one or both is critical.

3. Methods

This paper is based primarily on the anthropological method of participant-observation. The authors are a father and daughter with a combined >65 years working in the fishing industry in British Columbia in different capacities. The second author has been a commercial fisherman for more than 50 years, and an industry representative and community activist over the previous 25 years. He was closely involved in the development of a regional aquatic management board and has held positions with regional and national fisheries organizations. He was a representative at the Commercial Industry Caucus (CIC) negotiations for the BC Commercial Groundfish Integration Pilot Project (CGIPP). The first author holds a master's degree in resource and environmental management, is a PhD candidate in resource management and environmental studies, and has worked in an advisory capacity to the fishing industry, including as a technical advisor at the CIC negotiations and related tables. The two authors are co-owners of a fisheries management consulting company which holds contracts with different organizations to deliver fisheries management related services.

The authors were among the founding members of the PCFCC licence bank and remain active in the company. Through their consulting company, they have been the primary management agency for the licence bank since its inception. As well, the second author is a fisherman-member of the licence bank. The paper was provided to all members of the licence bank to review and verify the conclusions presented.

4. ITQs in the BC groundfish fishery

The British Columbia groundfish fishery is frequently lauded as an example of a successful ITQ fishery [23–25]. Comprised of 7 distinct yet interrelated fisheries, the BC groundfish fishery has a complex history of ITQ implementation. Sablefish longline was the first to have individual quotas (IQ) introduced, in 1990, but not fully transferable until 2000 [26]. Halibut hook and line had IQs introduced in 1991, with full transferability in 1999[27–28]. Groundfish trawl was transitioned to an ITQ fishery in 1997 [29]. ITQ adoption in the BC groundfish fishery culminated in the BC Commercial Groundfish Integration Pilot Project (CGIPP) in 2006 [30–31].

CGIPP was a response, under mounting pressure, to improve the management of groundfish stocks of concern. This new system was intended to create a more manageable and cost-effective approach to the complex multi-species, multi-gear groundfish fishery while achieving conservation objectives. Under CGIPP: ITQs were implemented in the hook and line rockfish, dogfish and lingcod fisheries; all groundfish vessels were required to have either an electronic monitoring camera or an observer on board every trip; all rockfish catch had to be landed (discarding of rockfish – which has a near 100% discard mortality – was not permitted); all catch had to be recorded and mortality of "marketable"[3] ITQ species covered by quota acquired by the fisherman; and, quota transferability between the commercial groundfish sectors was instituted on a limited basis.

Prior to integration, the small boat hook and line dogfish fishermen operated in a competitive fishery in which they were legally required to discard their non-directed catch of halibut, sablefish and rockfish species. While supportive of the groundfish integration process in general, and the change in regulations that would allow fishermen to land their non-directed catch in particular and eliminate the practice of discarding dead rockfish, dogfish fishermen expressed concerns about the seemingly inevitable movement of quota to corporate interests, due to factors such as market control and access to capital. At the time of CGIPP development, there was already increased corporate ownership and control, loss of independence for small boat fishermen beholden to processors to access quota, and increased costs for fishing enterprises due to quota leasing fees that were threatening the financial viability of many formerly successful fishing enterprises [5]. The costs of purchasing quota was considered an insurmountable obstacle, putting the fishermen in the position of having to lease their non-directed catch quota each year with no guarantees of access to quota year to year and subject to fluctuating and frequently high quota prices.

It was increasingly seen that success in the fishery was not dictated by how well you were able to fish, but by how much quota you were able to secure. This heavily favoured those that were granted quota in the initial quota allocation, at the expense of new entrants, as well as those who were able to access capital to buy quota – favouring vertically and horizontally integrated large corporate interests as well as urban fishermen benefiting from the rapid increase in the value of real estate in the BC lower mainland. There was also a new player in fisheries –

[1] A licence bank refers to any allocation of fishing rights to a collective group in a limited access scenario. There is no requirement for a licence bank to have objectives related to a full range of social, ecological or economic outcomes, nor are there restrictions on the types of economic outcomes that may be sought after from a licence bank. A licence bank can be anything from collective ownership by a group of fishermen to pool resources or a means for a community to hold quota that it then leases strictly to gain income for other uses. The licence bank concept does not dictate the purpose of the entity and only through consideration of the objectives for any specific licence bank can the success and value of the licence bank be evaluated.

[2] While there is considerable debate about whether or not fisheries quota can be consider property, particularly where the fisheries resource is considered a common pool resource, in the case of Canada, the Government of Canada has enabled, supported and participated in the market for access rights resulting in fisheries licences and quota having *de facto* property rights. Furthermore, the value of fisheries licences and quota has been recognized in Canadian law with respect to bankruptcies (Saulnier v. RBC (2008 SCC 58).

[3] The meaning of marketable is identified in the Integrated Fisheries Management Plans for the groundfish fisheries and is not analogous to legal size or market acceptability.