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# Coastal fisheries in Iceland

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<i>Summary in English:</i>	<p>The Icelandic coastal fleet includes around 2.000 vessels and is divided into different categories. Within the Icelandic fisheries management system the coastal fleet is split up in two main groups, operated within the Individual Transferable Quota system (ITQ) and the Jig and Line system (J&amp;Ls). The coastal fleet is then influenced by the fisheries legislations in many other ways, like the regional quota system, the lumpfish system, the leisure fishing system, the coastal jiggling system and many other ascendance.</p> <p>Vessels categorised as being apart the coastal fleet are less than 15 meters long and under 30 gross tonnage in size. The fleet is an important contributor to the national economy and is considered a key element for regional development in the country. More than 97% of the coastal catches in Icelandic waters are demersal species, but the rest are pelagic species and other. Cod is the by far the most important species caught by coastal vessels, with haddock trailing in second place. The coastal fleet has significant role in Icelandic economy landing more than 17% of the total demersal catch, at the value of 170 million Euros in the fishing year 2012/13.</p> <p>Around 1.600 fishermen are working full-time within the J&amp;Ls and approximately 700 have temporary employment on coastal vessels, mainly within the Coastal Jiggling system during the summer months.</p>		
<i>English keywords:</i>	<i>Coastal fleet, coastal fisheries, fisheries management, coastal fishing</i>		
<i>Ágríp á íslensku:</i>	<p>Smábátafloti Íslendinga telur rúmlega 2.000 báta og skiptast þeir í tvo megin flokka, bátar sem veiða innan aflamarkskerfilsins (stóra kerfið) og krókaafلامarkskerfisins (litla kerfið). Smábátaútgerð á Íslandi er háð mörgum öðrum greinum fiskveiðistjórnunarkerfisins, svo sem byggðakvótum, kerfi um grásleppuveiðar, frístundaveiðar og strandveiðar svo eitthvað sé til talið.</p> <p>Á Íslandi eru smábátar skilgreindir sem fiskveiðibátar sem eru 30 brúttótonn eða minni að burðargetu og innan við 15 metra langir. Smábátaflotinn er mikilvægur fyrir hagkerfi landsins, hvort sem litið er til fjölda starfa, verðmæta eða áhrif á byggðapróun. Um 97% af afla smábátaflotans eru botnfisktegundir, en aðeins um 1% eru uppsjávartegundir. Smábátar veiddu um 17% af heildarafla botnfisktegunda landsmanna á fiskveiðiarinu 2012/13 og voru verðmætin 26,6 milljarðar króna. Þorskur er langsamlega mikilvægasta tegund þessa flota.</p> <p>Um 1.600 fiskimenn eru í skipsrúmi á smábátum sem veiða innan krókaafلامarkskerfisins og aðrir 700 hafa tímabundna atvinnu innan geirans, aðallega þá við strandveiðar á sumrin.</p>		
<i>Lykilorð á íslensku:</i>	<i>Smábátafloti, smábátaútgerð, fiskveiðistjórnunarkerfi, strandveiðar</i>		

# Table of contents

- 1 Introduction..... 1
- 2 The Icelandic coastal fleet..... 1
  - 2.1 The coastal sector’s operating environment..... 4
    - 2.1.1 Long line concession..... 4
    - 2.1.2 Regional Quota system ..... 4
    - 2.1.3 Coastal jigging system ..... 5
    - 2.1.4 Lumpfish ..... 5
    - 2.1.5 Leisure fishing..... 6
  - 2.2 Analysis of the Icelandic coastal fleet..... 6
  - 2.3 Catches of coastal vessels in 2012..... 9
  - 2.4 Value of coastal catches in 2012 ..... 12
  - 2.5 Employment and profitability within the coastal sector..... 13
- 3 Closing remarks ..... 14
- References..... 15

# 1 Introduction

The objective of this report is to summarise some key facts on the Icelandic coastal fishing fleet i.e. vessels under 15 meters in length and less than 30 gross tonnage. These facts include for example the number of vessels within the sector, the fisheries management issues effecting it, catch volumes and species, value creation, fishing methods, regional issues and effects on regional development, employment numbers within the sector and other relevant information. The aim is to gather and analyse these basic information on the coastal sector and to facilitate improvements based on the results.

The report is a part of a larger initiative that spans over many of the coastal nations in the N-Atlantic and will therefore contribute to international networking among stakeholders across the North Atlantic. Subsequent analyses of coastal fisheries in the North Atlantic will build on inventory data provided by the research organisations in other NORA member countries. These countries include Norway, Faroe Islands, Greenland and Canada (Newfoundland). Similar reports will be published from each of these countries to give comparison of coastal fisheries in the North Atlantic.

## 2 The Icelandic coastal fleet

Around 2,000 fishing vessels classified as small vessels<sup>1</sup> are registered in the Icelandic vessel registry (Icelandic Maritime Administration, 2013). These boats have fishing licences within the Individual Transferable Quota system (ITQ) often called the “great system” and within the Jig and Line system (J&Ls), often called the “small system”. Maximum size for boats allowed within the J&Ls is 15 meters in length and 30 gross tonnage in size; increased from 15 gross tons in June 2013 (116/2006, 2013). There are also a number of small vessels operated outside these two main quota systems i.e. the coastal jiggers, the lumpfish fleet and also leisure boats used within the tourist sector. The small boat coastal fishing fleet caught almost 83,000 tons, valued at 26.6 billion ISK<sup>2</sup> in Icelandic waters in the fishing year

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<sup>1</sup> For the purpose of this report the Icelandic coastal fleet has been defined as all vessels under 15 meters in length and less than 30 gross tonnage in size, which are the size restriction for the J&Ls.

<sup>2</sup> Approximately 170 million Euros

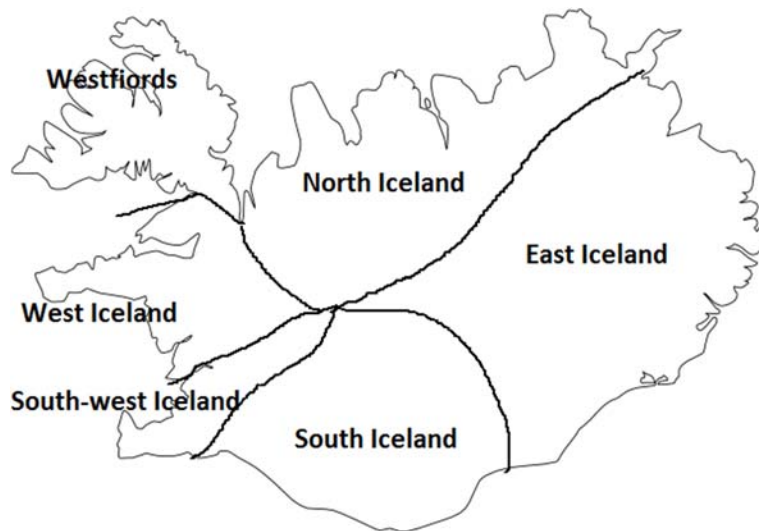
2012/13 (Örn Pálsson, 2013). This fleet is largely operated from small fishing villages that have been severely affected by the commercialisation of the fishing industry in the last decades. Optimisation and aggregation of quota shares by the largest seafood companies has left these small traditional fishing villages with little or no fishing rights, causing problems in regards to regional development. In some cases the small boat sector is now the backbone for employment and survival in these fishing villages. This fleet is therefore highly important for survival of the small fishing communities around the country.

The total population of Iceland is close to 322 thousand, of which 70% live in the “greater capital area”. When looking at regional development over the past fifteen years it is apparent that population in the capital area and larger towns such as Reykjanesbær, Akureyri, Selfoss and Akranes have been growing significantly, whilst population in the traditional fishing villages around the country have been decreasing. Population divided by region in 1998 and 2013 can be seen in Table 1 (Statistics Iceland, 2014):

**Table 1: Population in Iceland by regions in 1998 and 2013**

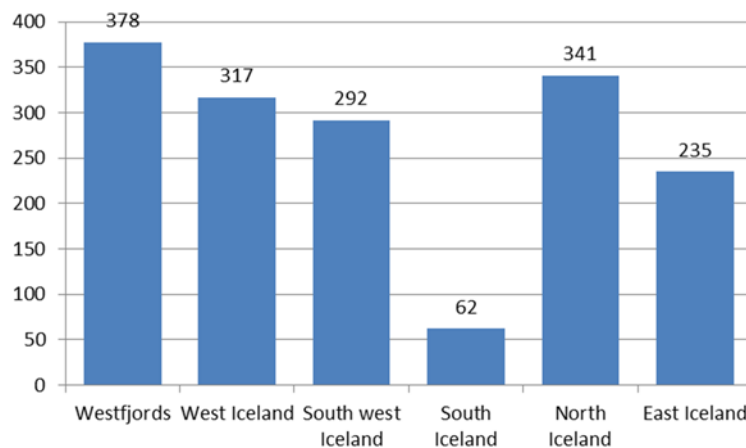
<b>Region</b>	<b>2013</b>		<b>1998</b>	
South West	226.881	70%	180.321	66%
West Iceland	15.381	5%	13.924	5%
Westfjords	7.031	2%	8.656	3%
North Iceland	36.297	11%	36.417	13%
East Iceland	12.434	4%	12.574	5%
South Iceland	23.833	7%	20.489	8%
<b>Sum</b>	<b>321.857</b>	<b>100%</b>	<b>272.381</b>	<b>100%</b>

These six regions are often used as reference when discussing fisheries related issues, such as quota distribution and effects on regional development. Fishing areas and fishing rights are also often linked to these six regions. Figure 1 shows the geographical division of these six regions.



**Figure 1: The six regions of Iceland**

The small coastal vessels are relatively evenly distributed around the country, with the exception of southern Iceland. There are only two good harbours located along the southern coast i.e. Vestmannaeyjar and Þorlákshöfn, both of which are poorly situated in respect to good fishing grounds for small boats and shelter from bad weather. The regional distribution of small coastal vessels is shown in Figure 2 (Icelandic Maritime Administration, 2013):



**Figure 2: Number of small vessels with fishing license**

The small boats are particularly important in coastal communities in West Iceland and the Westfjords where these boats account for most or all of the landings. They are also hugely important suppliers of fish for production of fresh fillets and portions, which are the most valuable seafood products exported from Iceland. The general manager of the National Association of Small Boat Owners (NASBO) in Iceland reports that the total landing value of

the coastal fleet in the fishing year 2012/13 was 26.6 billion ISK<sup>3</sup> and estimates that export value of products made from those catches were around 53 billion ISK<sup>4</sup> (Örn Pálsson, 2013). This highlights the coastal sector's role in regional development and value creation in Iceland.

## 2.1 The coastal sector's operating environment

The Icelandic quota system can be split up in two main parts. The ITQ system, where all kinds of fishing gears are allowed, and the J&Ls where only long lining and jigging are allowed. The maximum size for the latter is 15 meters and 30 gross tons. Fishing rights can be sold from ITQ system to the J&Ls but not the other way around (116/2006). Vessels operating within these systems can also potentially acquire additional quotas through the long-line concession and regional quota effort, which are governmental attempts to strengthen regional development. There is also a coastal jigging system operated during the summer months for small vessels that lack quotas, which is meant to facilitate new entry into the fishery. The lumpfish fishery and leisure fisheries are also partly operated outside the ITQ and J&L systems.

### 2.1.1 Long-line concession

Long-liners landing daily using land-based manual baiting process i.e. not equipped with auto-line systems, are allowed to land extra 20% surplus of their quota. The government allows yearly 3,375 tons of cod for this system, 2,100 tons of haddock and 42 tons of catfish. Most of these boats are small boats and during the fishing year 2012/13<sup>5</sup> a total of 202 boats operated within this allowance in the system, landing close to 6,000 tons surplus on their original quota (Directorate of Fisheries, 2014a).

### 2.1.2 Regional Quota system

Every year the Minister of fisheries in Iceland allocates certain fishing rights to support communities suffering from diminishing quotas, for example due to the marketization of the fishing industry or other economic setbacks in the region. The Minister sets regulations and directions regarding allocation of this regional quota to fishing vessels and

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<sup>3</sup> Approximately 170 million Euros

<sup>4</sup> Approximately 340 million Euros

<sup>5</sup> The quota year in Iceland is from 1<sup>st</sup> of September to 31<sup>st</sup> of August each year

communities. These arrangements are mostly used by small vessels. For the fishing year 2013/14 these regional quotas amount to 6,824 tons in total (664/2013) allocated to communities and extra 1,800 tons to companies (Directorate of Fisheries, Directorate of fisheries, 2014b).

### 2.1.3 Coastal jigging system

The so called coastal jigging fisheries are operated from May through August, allowing fishing of 8,600 tons of demersal species by jigging (Directorate of Fisheries, Directorate of fisheries, 2014b). Licenses are needed for this fishing and it is subjected to special conditions, such as:

- Vessel operator, owner, individual, or legal owner can only operate one fishing boat
- Fishing from Friday through and until Sundays is illegal as well as on public holidays
- Fishing can only be for 14 hours each trip and has to be within one calendar day
- Operator reports at the beginning and at the end of each trip to the Vessel Reporting (Icelandic Coast Guard) and use automatic positioning system on board
- Only four automatic jigging reels are allowed on-board each vessel
- Maximum catch of each trip is 650 kg of species within the quota system (Cod equivalent<sup>6</sup>) and the catch has to be weighed by harbour authority at the end of the fishing trip.

The Icelandic fishing zone is split up into four areas for these fisheries and the licenses are conditioned to the region the boat is registered within. The fishery through the season has to be within this area and landing of the catch as well. Each zone has allocated an amount of quota, split down to each fishing month. The summer 2013 a total of 675 boats fished within the coastal jigging system catching 8,700 tons in total (Directorate of Fisheries, 2014c).

### 2.1.4 Lumpfish

Special licenses are issued for lumpfish fishing and only vessels that had valid licenses in the year 1997, and boats substituting them, are eligible for those. The licenses are allocated for a certain number of days in each fishing season. Each license is limited to a certain

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<sup>6</sup> Catches of different species within the quota system are made comparable by converting them into cod equivalent, where cod has the value of one and other species have official value that are decided on by the Directorate of fisheries for each year <http://www.fiskistofa.is/fiskveidistjorn/stjornfiskveida/thorskigildisstudlar/> (19. gr. laga nr. 116/2006)



fishing zone and the holder has to specify in an application when he plans to start fishing, and his fishing days will start count from that time. Only one license can be held by each vessel for the fishing season and the number of crewmembers determines how many nets the vessel is allowed to carry.

#### 2.1.5 Leisure fishing

Licenses for leisure fishing are issued to companies operating within the tourist sector. They are only allowed to use rods or hand-operated jigging reels within these fisheries, but two different alternatives can be selected within the system:

- Fishing up to seven fish a day for each rod, without quota allocation.
- Using quota allocation where the catch has to be weighed by the harbour authorities at landing.

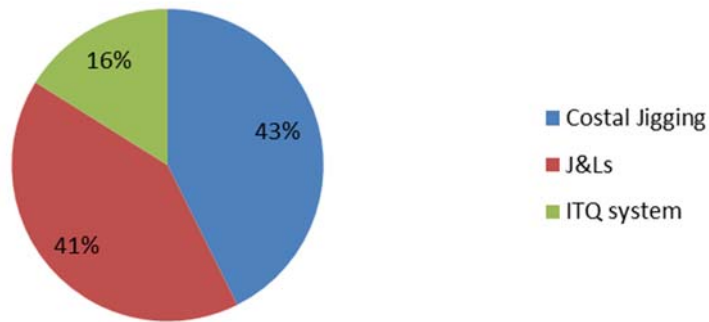
Only one kind of licence can be used within the fishing season for each vessel. One exception from this rule is that the Directorate of Fisheries can allocate licenses for leisure fishing from 1<sup>st</sup> of May to 31<sup>st</sup> of August, but the catch cannot be commercialized (549/2009). In 2012 a total of 49 vessels were operated within this system landing 244 tons, mostly in Westfjords (Directorate of Fisheries, 2013a).

The fisheries related tourist industry in Iceland has flourished over the last few years, giving some fishing villages and regions great opportunities. Enterprises in Westfjords have been leading in this business, with two relatively big companies operating whole fleets of leisure boats, these companies are Hvildarklettur and Sumarbyggd (Ministry of Industries, 2013). These companies are operating 20 leisure boats each, in addition to supplying all travelling and accommodation for their customer's in Westfjords. There are also companies offering whale-, seal- and bird watching, often including angling in their service. There are also businesses offering sea angling on smaller boats with captain supervision, lasting 2-6 hours each trip (Ministry of Industries, 2013).

## 2.2 Analysis of the Icelandic coastal fleet

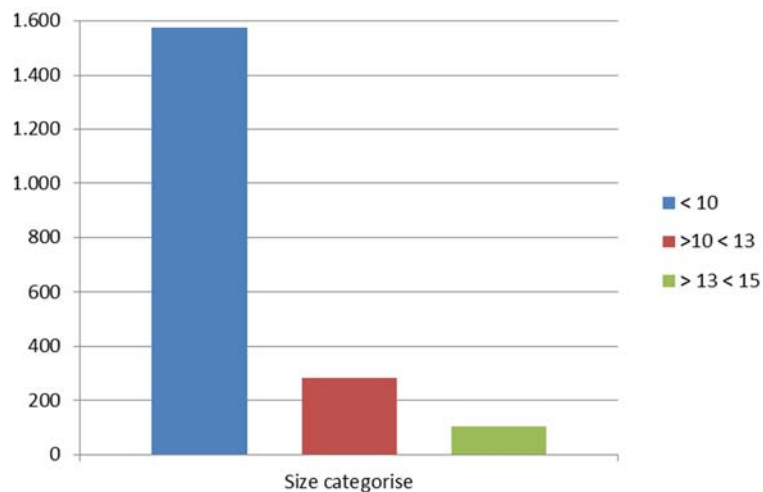
Vessels within the Icelandic coastal fleet are highly diverse in respect to size, equipment and operation. They can though be divided mainly into three groups i.e. the coastal Jigging fleet taking part in the Olympic system operated during the summer, the J&Ls and vessels operating within the ITQ system. Figure 3 shows how the fleet is divided according to the

quota systems they operate within. In 2012 a total of 569 boats were operated within the Coastal Jigging system, 551 boats within the J&Ls and 215 boats were operated within the ITQ system. Some boats could though be double counted as they might have been operating in both the J&Ls and the Coastal Jigging system (Icelandic Maritime Administration, 2013).



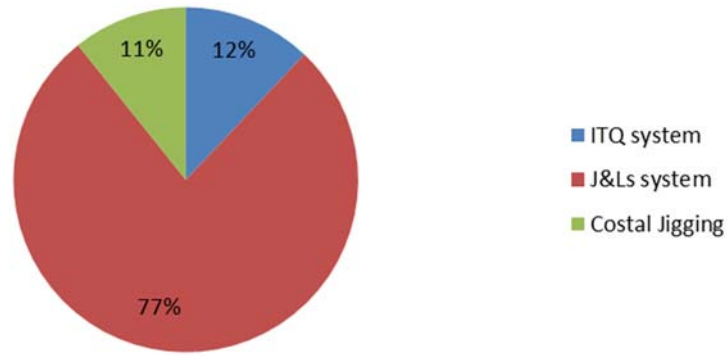
**Figure 3: Number of boats according to quota system**

The number of small vessels under 15 meters was 1,961 in 2013. The mainstay were vessels under 10 meters, as can be seen in Figure 4. The brake down includes all vessels in Iceland, also those without fishing licences (Icelandic Maritime Administration, 2013).



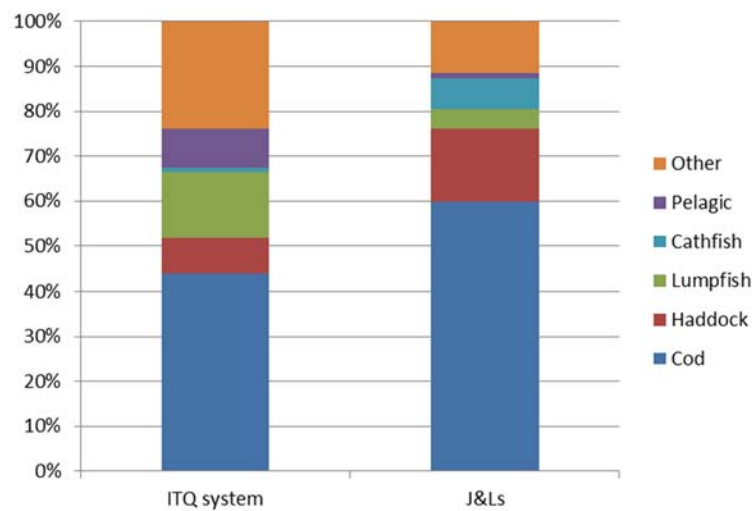
**Figure 4: Vessels, under and equal to 15 meters broken down to three size categories**

More than 97% of the coastal vessel’s catches in 2012 were demersal species, but little over 1% were pelagic species (mostly herring and mackerel). Vessels operating within the J&Ls caught 77% of the total, whilst vessels within the ITQ system caught 12% and vessels working within the coastal jigging system caught 11%, as shown in Figure 5.



**Figure 5: Proportion of the three main systems in the total catch 2012**

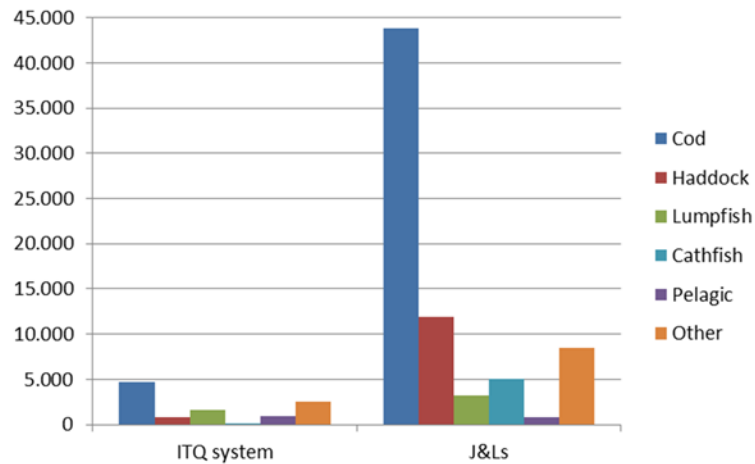
Cod is the most important species for the small coastal vessel, accounting for 60% of J&Ls catches and more than 45% of those operating within the ITQ system. This can be seen in Figure 6, but the catches within the coastal jigging system is included in the J&Ls in the figure (Directorate of Fisheries, 2013b).



**Figure 6: Portion of species within the two main quota systems in Iceland in 2012**

The J&Ls dominated the small coastal vessel’s catches by volume in 2012 and the mainstay of the catches were cod, as can be seen in Figure 7 (Directorate of Fisheries, Directorate of fisheries, 2014b)<sup>7</sup>.

<sup>7</sup> Catches within the coastal jigging system are included in the J&Ls

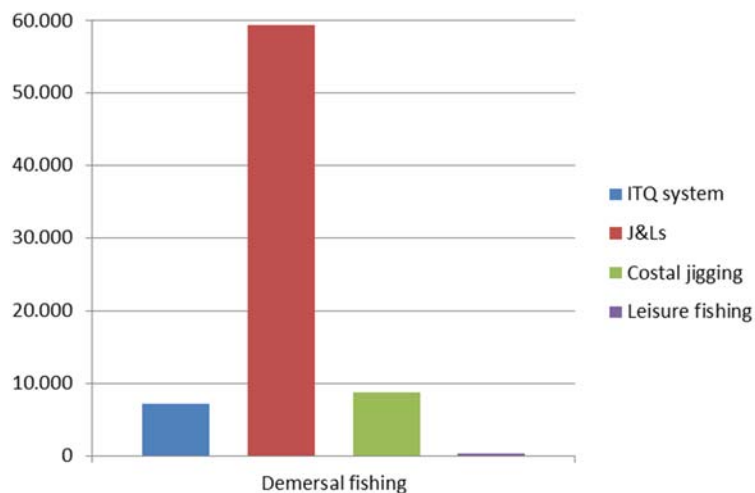


**Figure 7: Coastal catches with in the two main systems according to species in 2012**

It is therefore evident that predominant part of the coastal vessels and majority of the catches are within the J&Ls.

### 2.3 Catches of coastal vessels in 2012

The total demersal catches of species within quota in Icelandic waters in 2012 were 425 thousand tons<sup>8</sup>, of which the small coastal vessels accounted for close to 80 thousand tons (Directorate of Fisheries, 2013b). This amounts to almost 19% of the total demersal catches. By far the biggest part of the coastal catches were caught within the J&Ls, as shown in Figure 8.

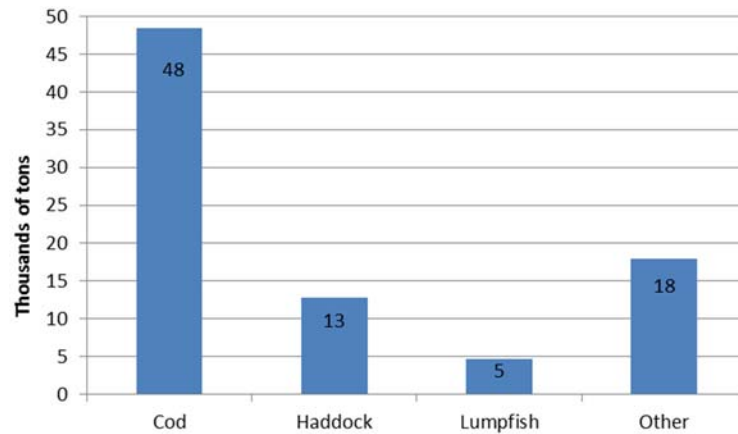


**Figure 8: Demersal catches of coastal vessels in 2012 according to the systems they were operating within**

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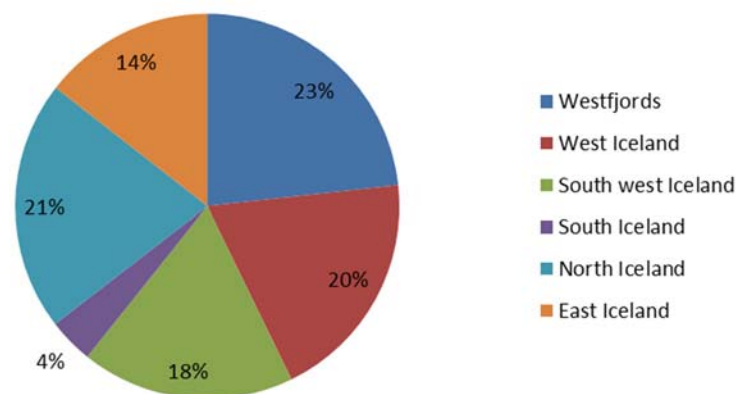
<sup>8</sup> Crustaceans excluded

The coastal fleet caught in total 84 thousand tons in 2012, including demersal-, pelagic- and crustacean catches. Cod, haddock and lumpfish are the species accounting for most of the volume landed by the coastal vessels, as can be seen in Figure 9 (Directorate of Fisheries, 2013b).



**Figure 9: Catches of the small coastal vessel according to main species in 2012**

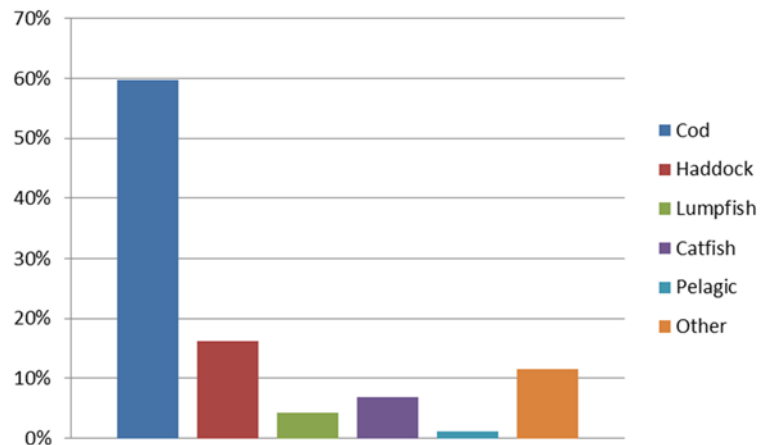
The coastal vessels are important for many regions, especially those affected by the commercialisation of the industry for last decades. Many communities having problems caused by diminishing quota shares are relying on the small coastal vessel to boost their economy. Regions like the Westfjords having 2.2% of the national population (Statistics Iceland, 2014) operate 20% of the coastal vessels, as shown in Figure 10 (Icelandic Maritime Administration, 2013)



**Figure 10: Portion of small coastal vessels in the different regions in Iceland 2012**

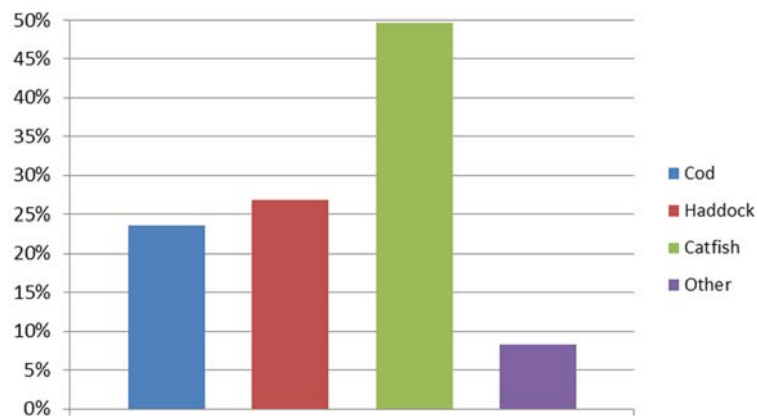
Total catches within the J&Ls in 2012 were 78 thousand tons, which amounted to 16% of total demersal catches within Icelandic waters. Cod represented 60% of the catches and

haddock 16%, but other species were less important, as can be seen in Figure 11 (Directorate of Fisheries, 2014b).



**Figure 11: Catch of J&Ls vessels according to main species in 2012**

When looking at the main species caught by the J&Ls vessels it is interesting to see that these vessels caught almost 50% of all Atlantic catfish caught in Icelandic waters in 2012 and close to 25% of both cod and haddock, as can be seen in Figure 12 (Directorate of Fisheries, 2013b).

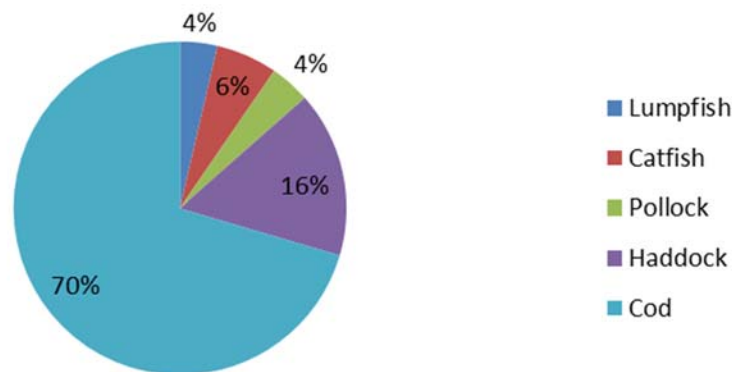


**Figure 12: Relative J&Ls catches of total demersal catches in Icelandic waters according to species in 2012**

This clearly demonstrates the importance of the coastal fleet in catches of the most important species in Icelandic waters.

## 2.4 Value of coastal catches in 2012

According to the general manager of NASBO the under 15 meter coastal fleet landed in the fishing year 2011/12 close to 78 thousand tons of catches, valued at 22.9 billion ISK<sup>9</sup> and the estimated export value of products produced from these catches were around 45 billion ISK<sup>10</sup> (Örn Pálsson, 2012). These numbers had increased significantly for the fishing year 2012/13 when total landings were in excess of 82 thousand tons, valued at 26.6 billion ISK<sup>11</sup> with expected export value of 53 billion ISK<sup>12</sup>. These estimations are built on the assumption that 70% of the landings were sold on auction markets and 30% were sold in direct transaction between fishing boat and processor. Average price on the Icelandic auctions markets (RSF, 2014) and official prices decided on for direct sales by the Fresh-fish price Directorate (Verðlagsstofa Skiptaverðs, 2013) were then used to estimate the value. Cod accounted for 70% of the landing value of the coastal fleet in 2012, haddock for 16%, catfish for 6% and other species were less important, as can be seen in Figure 13.



**Figure 13: Relative landing value of catches from coastal vessels in 2012**

Cod is by far the most valuable species in the catches of the coastal vessels, valued at 15.3 billion ISK<sup>13</sup> in 2012. Haddock trails far behind in second place with landing value of 3.5 billion ISK<sup>14</sup>.

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<sup>9</sup> Approximately 145 million Euros

<sup>10</sup> Approximately 280 million Euros

<sup>11</sup> Approximately 170 million Euros

<sup>12</sup> Approximately 330 million Euros

<sup>13</sup> Approximately 96 million Euros

<sup>14</sup> Approximately 22 million Euros

## 2.5 Employment and profitability within the coastal sector

Total of 4,900 employees worked full time in the capture sector and 4,100 in the seafood processing sector in 2012 (Statistics Iceland, 2014). It is estimated that 1,600 of those worked on-board coastal vessels, creating close to 600 full time jobs in processing (Sveinn Agnarsson, 2012). In addition, there are considerable number of people working part of the year within the coastal jigging system. These are people that are working in other professions for most of the year, so they are not counted in the national registry as fishermen. There were 675 vessels that took part in the coastal jigging fishery in 2013, so it is safe to estimate that about 600 persons had employment for part of the year within that fishery (Sveinn Agnarsson, 2012).

The Icelandic coastal fleet consists of a diverse group of vessels. It is therefore difficult or misleading to give general comments on the profitability within the sector. Some vessels are returning healthy profits whilst others are struggling to make ends meet. On big contributing factor is the quota allocation i.e. the vessels that got quotas allocated based on fishing experience (grandfathered quota) are in most cases doing fairly well, but vessels that have bought quotas in recent years are experiencing difficulties. The bank crisis hit the coastal fleet particularly hard, as many had invested heavily before the crisis taking out loans in foreign currency. The loans and instalments then doubled or tripled almost overnight when the ISK collapsed in 2008. This can for example be seen in Table 2, where operation accounts of the under 10 meter fleet is shown (Statistics Iceland, 2014).

**Table 2: Operating accounts of the Icelandic under 10 meter fleet 2003-2012**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>
Wages	42,9%	43,3%	32,8%	31,6%	34,4%	29,8%	29,5%	30,5%	29,5%	29,3%
Oil	2,4%	2,4%	9,0%	9,5%	10,5%	12,0%	4,5%	8,8%	10,6%	11,6%
Fishing gear	1,4%	2,3%	3,1%	1,0%	7,2%	5,3%	5,0%	3,8%	4,8%	1,9%
Maintenance	9,7%	9,4%	6,1%	5,2%	6,2%	5,3%	6,0%	6,9%	9,8%	10,5%
Office cost	1,9%	2,9%	8,8%	8,8%	8,2%	6,5%	7,2%	7,0%	4,2%	9,1%
Insurances	4,0%	5,3%	1,0%	1,0%	1,0%	1,9%	2,0%	2,1%	2,7%	1,6%
Quota rent	3,6%	6,9%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Other costs	22,3%	19,5%	19,8%	18,4%	20,0%	16,2%	21,9%	20,6%	23,9%	24,9%
<b>Costs</b>	<b>88,3%</b>	<b>92,0%</b>	<b>80,7%</b>	<b>75,4%</b>	<b>87,8%</b>	<b>77,0%</b>	<b>76,3%</b>	<b>79,7%</b>	<b>85,5%</b>	<b>88,8%</b>
EBITDA	11,7%	8,0%	19,4%	24,6%	12,2%	23,0%	23,7%	20,3%	14,5%	11,2%
Depreciation	14,3%	5,9%	5,8%	5,3%	3,9%	4,0%	2,8%	3,9%	6,7%	8,8%
Interests and infl.	5,7%	5,4%	3,3%	12,3%	2,1%	43,5%	6,9%	3,4%	1,3%	4,3%
<b>Profits</b>	<b>-13,5%</b>	<b>-8,4%</b>	<b>3,1%</b>	<b>-4,3%</b>	<b>-1,8%</b>	<b>-82,0%</b>	<b>5,1%</b>	<b>10,4%</b>	<b>4,9%</b>	<b>-3,8%</b>



Costs for renting quotas are only shown for 2003 and 2004, but are included in other costs after that. It needs to be kept in mind that the numbers presented in the table are relative to total revenues, which means that an increase or decrease in cost categories between years may be caused by increase or decrease in revenues. These numbers though show clearly the instability that the coastal fleet is subjected to. The most dramatic economic blow that this sector has experienced came in 2008, as mentioned earlier, and is clearly demonstrated in Table 2.

### **3 Closing remarks**

The coastal fleet serves an important role in the Icelandic economy and regional development. The fleet is for the most parts highly efficient, but instability in the national economy and consolidation within the sector has made it difficult for part of the fleet to return healthy returns on their investment.

The authorities have made some attempts to favour this fleet segment, which have to a point helped the industry. It is however almost impossible to start fresh in this business today, because investment costs and capital costs are simply too high. It is likely that the coastal sector will experience more consolidation in the nearest future, as has happened within the larger fleet. Fewer and better equipped vessels and economics of scale seem to be emphasised. It is though clear that the coastal fleet will continue to serve a leading role in the Icelandic fishing sector and in regional development in the country.

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