HIGHLIGHTS

The Faroe Islands’ fisheries reform poses ‘serious challenges’ for the fishing fleets, whose representative points out that the new act has only been implemented halfway as of yet, with important pieces of legislation still pending.

Plus much more in Seafood, Fisheries, Aquaculture

Architecture in the Faroe Islands could be experiencing an upturn in tandem with trends in other areas, notably music and food, where respecting one’s own cultural heritage and geographical identity is fast becoming a major factor—an interview with Óskjørn Jacobsen of Henning Larsen Architects.

Plus much more in Geography

An up and coming flag jurisdiction for merchant vessels, an international transit hub undergoing significant development of port facilities, a growing center of maritime and logistics services, and the best thinkable training of sea officers.

Plus much more in Ports & Shipping

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The Faroe Islands is a self-governing country within the Kingdom of Denmark (which also comprises Greenland), located in the North Atlantic (62° North 7° West), approximately 300 kilometers northwest of Scotland, 430 km southeast of Iceland, and 600 km west of Norway. The Faroe Islands is comprised of 18 islands, separated by narrow sounds or fjords. Land Area: 1400 square km (545 sq. miles). The distance from the northernmost point of the archipelago to the southernmost is 113km, and the distance from east to west is 75 km. The largest island is Streymoy (375 km²) and the capital, Tórshavn, is situated there. The highest point, Slættaratindur, is 882 meters and the average elevation above sea level is just over 300m; the total coastline is a little above 1,000 km. The climate is typically oceanic; the weather is moist, changeable and at times windy. Due to the influence of the North Atlantic Current, there is little variation between winter and summer temperatures. Population: 50,045 of which 20,991 live in Tórshavn. The Faroese Parliament is an elected assembly of 33 members who serve a maximum of five years. The Faroese language is written and spoken language is Faroese, a North Germanic language closely related to other Nordic languages, in particular dialects of western Norway (spoken) and Iceland (written). Nordic languages and English are understood and spoken by most Faroese. Religion: Approximately distributed as follows: Evangelical Lutheran Church: 55 percent, Catholic: 1 percent, Church of Denmark: 1 percent, Other: 5 percent. History: The Faroe Islands is believed to have been discovered and inhabited in the 8th century or earlier by Irish settlers. The Norwegian colonization began about hundred years later and developed throughout the Viking Age. The settlers established their own parliament on Tinganes in Tórshavn. The Faroese Parliament is believed to be the oldest in Europe.

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evelopments in the very special archipelago known as the Faroe Islands continue to take the most fascinating turns. Before I get into that, though—first, a warm welcome to all our readers, wherever you are! Now, reporting from the Faroese business scene doesn’t seem to get any easier with time, and this is our 13th volume in a series that keeps on keeping on. Just when we thought we’d seen it, heard it, written it—all things happening in that tiny country in the northeast Atlantic go beyond your imagination.

The completion of the third underwater tunnel—the incredible 11.24 kilometer, three-legged fixed link between the capital Tórshavn and the island of Eysturoy—has passed the halfway mark and is expected to be completed in 2020. And work is now underway, too, on the country’s fourth huge underwater tunnel, the 10.7km fixed link between the island of Streymoy, home to Tórshavn, and the island of Sundin to the south, scheduled for completion in 2021.

Experience shows that the two existing underwater road tunnels—the 4.94km Vágatunnilin between Vagar and Streymoy, opened in 2002, and the 6.3km Norðbytunnilin between Eysturoy and Klaksvik, opened in 2006—have bad and are still having a very tangible impact on communities, with dramatically increasing interconnectedness opening new doors and whole new opportunities arising, whether economic, cultural or otherwise.

Meanwhile, importantly, internet connectivity in the Faroe Islands has claimed the world’s top spot with highest wireless internet speeds offered anywhere. A year ago, this was a new plan and its roll-out was ongoing; today that unmatched connectivity is a reality. And not only that: from what we’ve learned, Faroese Telecom is now looking to have fibre optic cable available to every household.

Being that small as a nation clearly has its big advantages—it makes it possible to move quickly in areas where other nations will need much longer time spans. Road infrastructure is one example; internet connectivity another; crucial changes to public policies yet another, as seen in the aquaculture business. Less than two decades ago, the Faroese fish farming sector was facing an existential threat; yet quick and resolve action could be taken, much thanks to the fact that the Faroes is such a tightly knit society and, crucially, that the actors in the industry have maintained an exceptional level of collaboration and coordination, which in turn has enabled highly effective communication with legislators and regulators as well. Two decades ago salmon from the Faroe Islands lagged behind the competition; today, it’s recognized worldwide as number one.

Have a good read.

Bjø Tjøl, Editor in Chief & Publisher
Faroe Business Report 2018

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GEORGY

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32 HiddenFjord: Superb Farmed Salmon • HiddenFjord, one of the three players in the Faroese aquaculture business, is generally known as the most innovative, with the strongest brand of farmed Atlantic salmon—widely recognized as world leader in its field.

34 Tough in the Making: Fisheries Reform Adopted • Centrally regulated trading of fishing rights, public auctioning off of parts of the quotas, the introduction of ‘development quotas’ and the phasing out of all foreign owned fishing rights—here’s the new fisheries legislation.

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42 JFK: Hopes of Improved Fisheries Reform • Taking the time and effort to address concerns over elements of the new Faroese fisheries legislation could prove worthwhile even after its passing—JFK’s Hans Hansen still pushes to have the idea of auctioning off fishing rights abandoned.

44 Pelagos Braces for More Change • Fuglafjarður’s freezing plant Pelagos had its baptism of fire with a spike in production during 2017 caused by external circumstances, processing as much as 100,000 tonnes of catch—now some very different challenges loom.

46 Framherji: Fishing for Continued Success • Purse seining for higher value mackerel, a fully operational silage system on a freezer trawler, a longerliner fitted with freezing capacity—Framherji continues to focus on optimizing its fleet of fishing vessels toward full resource utilization.

48 Redfish Revival Adds to Faroe Origin Exports • Leading saithe specialist Faroe Origin is a fishing company, primary processor and seafood exporter with a widening supply of species and products—with redfish on the rise lately, new products and species are added slowly but surely.

PORTS & SHIPPING

50 Tavan Launches Pickled Seafood • Seafood processor Tavan has built a solid foundation with minced silver smelt for Norway as primary offering; now with a processing line for pickled fish installed, new products are being launched for Swedish buyers.

52 Vónin: Time to Shine in Fuglafjarður • Vónin’s new corporate headquarters in Fuglafjarður will boost working conditions and morale—allowing for more effective handling of pelagic trawls while making the company able to serve its clients more effectively.

54 Making Inroads in the Far East • Together with Iceland’s Skaginn 3X and partners, processing technology firm Nord has signed two major contracts for delivery of fish processing plants in the Russian Far East—and is now eyeing a third large order in the same region.

58 Stepping Up to the Plate • An up and coming flag jurisdiction for merchant vessels, an international transit hub undergoing significant development of port facilities, a growing center of maritime and logistical services, and the best thinkable training of sea officers.

60 FAS: Looking Beyond Scandinavia • Raising the international profile of the Faroe Islands as a flag jurisdiction while promoting the FAS registry beyond Scandinavia, the Faroese Maritime Authority is considering ways to develop closer ties with the Paris MoU on Port State Control.

62 Getting Ready for the Big One • In the midst of a major capacity upgrade, the Port of Tórshavn is extending threefold the industrial harbor at Sund—while boosting East Harbour docking space and tripling available storage there to accommodate rapidly rising traffic.

64 Propelled Forward by Necessity • For MEST Shipyard, with more than 120 years of experience, innovation and advanced technology are vital to continued success—it takes more than hammers and torch cutters to build and repair ships in the modern era.

66 Faroe Express: Faster than Ever • Faroe Express offers an array of domestic and international transport and logistics services including courier, airfreight, warehousing, door-to-door services and more—such as container shipping by sea.

68 Further Powering Up Fuglafjarður • A mainstay of the pelagic industry for many decades, the Port of Fuglafjarður continues to consolidate its position by adding new facilities and services, including boosting power supply capacity for vessels calling.

70 Bergfrost: More Expansion Increases Capacity • With a series of expansions carried out in recent years, Bergfrost’s based cold storage facility Bergfrost has substantially grown its capacity to become one of the largest cold stores in the entire Nordic Seas region.

72 KSS Yard: the Right People for the Job • With a new slipway completed and a new workshop hall underway, Klaksvík’s repair yard KSS delivers more and more electrical powered winches — considering the use of apprentices part of a longterm strategy.

74 Tvarøyri: Rising from the Ashes • From disaster to renewed optimism, the Port of Tvarøyri is back on track after a year in the dark, again expecting economic growth—with a new, rebuilt pelagic processing plant and a refocused strategy on cruise tourism.

76 Producing World-Class Sea Officers • Navigation and engineering school Vinnhúsakúlin is ready to move ahead with an important expansion to consolidate its training programs under one roof—completing its comprehensive upgrade process that was initiated in 2014.
Looking for Architectural Meaning in Faroe

Architecture in the Faroe Islands could be experiencing an upturn in tandem with trends in other areas, notably music and food, where respecting one’s own cultural heritage and geographical identity is fast becoming a major factor—an interview with Ósbjørn Jacobsen of Henning Larsen Architects.

by Bui Tyrii
In 2013, Faroese architect Ósbjørn Jacobsen returned to his native Gøta to set up his architectural firm in partnership with his former employer, Henning Larsen Architects. His office has been busy from day one, having had five to six architects in place at any time since opening, including a total 15-20 interns, from every corner of the world. Jacobsen had a leading role on behalf of Henning Larsen Architects as architectural manager of Iceland’s milestone project—Harpa Reykjavík Concert Hall and Conference Centre—and at the same time he had a supervising role on the Reykjavík University. Both projects have earned international acclaim, the Harpa winning, for example, the European Union Prize for Contemporary Architecture—Mies van der Rohe Award 2013. Five years on, in February 2018, the Architectural Digest magazine ranked it first of the ‘10 Best Designed Buildings in the World From Top Architects’.

Henning Larsen Architects have offices in Copenhagen, Munich, New York, Riyadh, Oslo, Hong Kong and, yes, the Faroe Islands. Jacobsen has no plans of slowing down, regardless of what some would consider the odd location of his base. He views it in a slightly different light. “I think one of the essential strengths of Nordic architecture is its inclination toward what you may call a blend of localism and internationalism,” he said. “It’s about placing context at center stage, and this is something that works extremely well, everywhere around the world. The idea is really about respecting what is local—history, culture, environment, everything—and building on that.”

And yet great works of architecture are frequently met with equally great residence—in the period prior to a wider recognition of their greatness, that is. Harpa and Reykjavík University, both building projects ongoing in the midst of Iceland’s economic meltdown in 2008, were no exceptions to the rule. “We see time and again that people consider architectural landmarks an excess, especially during economically challenging periods,” Jacobsen said. “It’s as if architecture tends to get framed as an opposite to ‘soft values’ such as health care or education, perhaps like some controversial contrasting point to anything that is perceived as generally underfunded. Depending on the particular circumstances—and we’re not going into that at this point—there are of course cases where such misgivings are justified. In reality, the value of great architecture doesn’t...
What about architecture in the Faroe Islands? For any observer, the country—regardless its tiny population—appears to be more trained architects and engineers now compared to what we had, say, 20 years ago; but overall when it comes to construction, I think we’re seeing it more now than earlier. Jacobsen: “We may or may not have a tower like the Faroe Islands is an exciting place inasmuch as it’s architecturally young, which in itself presents an opportunity to contribute to the definition of Faroese architecture.” "I would say the Faroe Islands is an interesting example of what we can do, and it’s a great source of inspiration still today. That’s a good question. The Nordic House is a marvellous piece of architecture, designed by Norwegian architect Ola Steen and Icelandic architect Kolbrún Ragnarsdóttir; it’s a great source of inspiration still today."

“The building also forms a bridge across a river while the interior features a large, transparent glass circle on the floor of the main meeting hall from where people can enjoy the sight of the river running freely underneath them. "It’s about authenticity, which involves respecting, taking into account, somehow reflecting the surrounding environment and local history. I think that as a principle is gaining traction in many places around the world; I’m also of the opinion that we need more of that approach in most places, including the Faroe Islands. But again, I think we’re seeing it more now than earlier. Perhaps it has something to do with finding our own space as it were and being confident there—much as we’ve seen great progress lately here in the music scene as well as in culinary arts.” Jacobsen won the international competition ‘Klaksvík City Center’ project in 2012, which is still ongoing with parts completed.

“We need more boldness at times, yet with proper consideration of the local environment, rather than monumental imposture. Call it an holistic approach if you like, and I think Klaksvík has made an excellent move in that direction.” Elsewhere, in quite a few places, it would appear that car traffic and parking lots are sometimes sole determinants of the development of cities. "That’s a challenge, yes, and I’ve pointed it out many times over the years. Often that space should not be sacrificed because it’s essential for creating an atmosphere that is pleasant and sustainable. "Traffic and parking is essential in a modern urban society; therefore we need to address these challenges; but at the same time I would urge local decision makers to balance these challenges and support and seek alternative solutions that may seem like big investments right now, but which in the long run can support the progressive and ambitious development of our cities. "In the Faroe Islands centrally placed underground parking could be one of the solutions.”
BUILDING FOR INDEPENDENCE

Fueled by the idea of national self-sufficiency, ArtiCon is on a mission to help develop Faroese know-how and expertise in the construction business—taking on some of the largest and most demanding projects.

Recent successes in pelagic fisheries and aquaculture have propelled ground-breaking development in the Faroese construction business. For companies such as ArtiCon, a major contractor in the Faroe Islands, this dynamic has generated significant business growth in areas ranging from public works to commercial buildings to residential housing.

Today employing some 270 well-trained workers and engineers, ArtiCon, over a period of less than two decades, has grown and consolidated its position as a leading domestic contractor. The company has left its mark all over the islands, having constructed some of the most distinctive and prestigious buildings and structures, including the new corporate headquarters of BankNordik, Vagar Airport’s passenger terminal and offices building, the School at Løkin, the Church of Hoyvík, the Krambatangi harbor facility, the refurbishment and extensions of the premises of the Løgting (Faroe Islands parliament), and more.

Currently ongoing projects include domestic utility provider SEV’s new power station at Sund, Bakkafrost’s new, giant salmon hatchery at Strond, the School at Argjahamri (opposite top); BankNordik headquarters (opp. bottom). The Church of Hoyvík (above); Bakkafrost’s new hatchery at Strond, near Klaksvík (below).

Founded in 2001, ArtiCon’s main focus from the outset was about creating a construction company that in every aspect was able to compete with larger foreign contractors, and to be reckoned among the very best in the business, professionally as well as technologically. From the outset we’ve had a relatively wide range of focus areas in order to counter the constant challenge of operating in a very small, highly volatile market,” said ArtiCon CEO and founding partner Jón Sigurðsson. “As a Faroese contractor we realize the need for the ability to change gears on short notice, and so in that vein we have developed strong and diversified capabilities with solid project management and craftsmanship at the core.”

Over the past couple of decades, Faroese construction firms have increasingly become more confident in their own ability to compete on par with foreign contractors who used to dominate the scene in terms of larger projects, Mr. Sigurðsson pointed out. “It’s becoming clear that Faroese contractors are fully capable of managing and carrying out most of these projects,” he said.

“Nonetheless, policymakers should perhaps put more efforts into making sure that the most prominent public works, such as large underwater tunnels—whether awarded to foreign or domestic contractors—require a fair amount of knowledge sharing including the hiring of Faroese subcontractors and suppliers. In that way the Faroe Islands could further boost the development of domestic know-how, expertise and competencies.”

KNOCK-ON EFFECTS

The question of independence has always remained a motivating force for Mr. Sigurðsson and his friend and colleague Niclas Joensen, who is the CFO of ArtiCon and also a founding partner. Indeed, the Faroe Islands have seen many large-scale building projects of late, including underwater road tunnels, two of which have been completed in recent years, with one soon-to-be-completed and another one in the pipeline. The level of Faroese participation has differed from project to project, however the foreign competition—consisting of major international construction firms—has had the upper hand in some of these particular projects. As for other large projects, be it road infrastructure including mountain tunnels, harbor infrastructure, commercial buildings, healthcare facilities or schools, domestic contractors have won by far most of the deals.

“I would concede that some of the major projects would hardly have happened if it weren’t for large foreign contractors and the expertise they would bring,” Mr. Joensen said.

“At the same time, however, we’ve seen remarkable advances taking place in the Faroese construction industry, to some extent due to these large projects. We should not stop at that, but rather make sure our own industry continues to advance, to the point of being fully capable of taking on any future underwater tunnel or, for that matter, any other major construction project.”

As for future economic prospects of the Faroe Islands, Mr. Joensen and Mr. Sigurðsson share an optimistic outlook on, for example, promising developments in energy and tourism.

“The Faroese community is creating its own solutions,” Mr. Sigurðsson added. “That includes claiming a world-leading position in telecommunications and internet connectivity, for example. Besides, the high level of activity we’ve seen in pelagic fisheries and aquaculture has had very substantial knock-on effects—in fact the increasingly high standards required by the international clientele of these industries have been and are being applied throughout their entire value chain, including partners and suppliers. Now, that is a good thing from a developmental and independence viewpoint.”

The founders of the company are rooted in the old Faroese culture where a firm hand shake is the foundation and beginning of a long lasting business relationship.

The Faroese construction business has grown and consolidated its position—taking on the expertise they would bring,” Mr. Joensen said.
With an unprecedented pace of development taking place in services, not least the hospitality business, the Faroe Islands capital Tórshavn is on track to become a highly popular destination for international conferences and events.

**TÓRSHAVN: COSY**

A UNMISTAKABLE trend has been widely noted of late: people who travel, for business or pleasure, want to experience something fresh and different, something that is peaceful and secure at the same time—and among these people, more and more are discovering how and why the Faroe Islands is fast becoming a very real contender in this highly competitive space.

“This town has so much to offer,” said Annika Olsen, Mayor of Tórshavn since 2017. “As the capital of the Faroe Islands, Tórshavn plays a leading part in a wide range of areas, first of all at the domestic level but even so abroad; and this is something I find both inspiring and motivating.”

Much of the Faroese capital has undergone what could be described as a process of transformation—a process set to produce even more tangible outcomes within the next couple of years. This includes a series of new buildings, many of which have been designed in a modern and original style. Some of these are schools scheduled for completion within a year or two, coming on the heels, a batch of new hotels and extensions of existing ones; likewise underway, a non-traditional style of residential housing with apartment blocks and non-detached houses, many of which have been completed in the last decade or so. Also, across the islands, quite a few commercial buildings and industrial structures have been added while, especially in the capital, cultural and sports venues have been, or are being, renewed, renovated or extended.

“We’re currently increasing our hotel capacity significantly,” Ms. Olsen noted, with a reference to the ongoing expansion of several Tórshavn hotels and the upcoming construction of new ones, two of which will be able to accommodate some 400 guests.

Abroad, awareness of the existence of the Faroe Islands appears to be growing, supported not merely through promotional campaigns from the tourism industry but spreading organically in tandem with increased focus on the idea of experiencing unspoiled natural environments in off-locations, coupled with the need to address security concerns in many places around the world.

According to the Mayor, this is a context that makes Tórshavn perfectly positioned as a viable alternative to other capitals in Northern Europe.

“Part of our vision has to do with the ambition to become a preferred conference destination,” she said. “We’ve convinced that Tórshavn already has a competitive edge that can be developed further, which is precisely what we’re looking at. The fact that we’re very small and very compact and at the same time surprisingly cosmopolitan should not be underestimated; people realize that this combination represents quite a few advantages. Tórshavn is something unique in many ways, and people I meet from all over the world, both here in the Faroes and abroad, tell me they’re absolutely fascinated as soon as they learn of it. So on these terms we can compete with the likes of Copenhagen and Berlin because we have something very different to offer.”

“**A RICH SUPPLY**”

As part of the effort to facilitate and promote MICE (Meetings, Incentives, Conferences, Exhibitions) tourism, Ms. Olsen regularly attends such events to offer a welcome speech. “We see more and more conferences, courses and similar events,” she said. “For example, we recently had an international medical conference that gathered 400 professionals from all over the world.”

Apart from increasing hotel capacity, public infrastructure is being upgraded in a rather spectacular manner across the Faroe Islands, with two giant underwater tunnels in progress. One of them, linking Tórshavn to two communities on the neighboring island of Eysturoy, is scheduled for completion by 2020. A second one, to be constructed once the former has been completed, will connect the island of Streymoy, which includes Tórshavn, with the island of Sandoy.

“In education, meanwhile, the University of the Faroe Islands (Føroya Fólkshøgðun Føroya) has become part of a growing network of universities. “We encourage international collaboration in academia as well as student exchange programs and it’s a priority to help strengthen the international position of the University of the Faroe Islands,” Ms. Olsen said. “We’re proud that people studying in Tórshavn can enjoy an incredible environment, surrounded by nature and the sea, with easy access to online resources through world-leading internet connectivity, a rich supply of leisure and cultural events, a good number of cafes, sports activities, and more.”

On another note, the Tórsvøllur stadium is being expanded for upgrade from a “Category Three” to “Category Four” venue, further boosting the Faroese presence in international football.
NEW TERMINAL HITTING MAXIMUM CAPACITY

With the number of passengers traveling to and from the Faroe Islands breaking new records for years on end amid booming tourism business, Vagar Airport is already mulling to extend its new passenger terminal.

For passengers travelling through Vagar Airport, the new terminal there, completed in the summer of 2014, has made a very real difference. More comfortable, stylish and spacious, with a much larger selection of tax-free shopping items and more enjoyable lounges and eateries, the modern building quickly became a symbol of a new era of travel in the Faroe Islands—coinciding with the country through its sole airport.

Chair of the Board Kitty May Ellefsen with COO Jákup Egholm Hansen.

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Atlantic Airways Vagar Airport, FO-380 Sørvágur
www.atlantic.to
booking@atlantic.to
Tel: +298 341000
Fax: +298 341001
CEO: Jóhanna Æ Bergi
CFO: Marius Davidsen
Atlantic Airways is the Faroe Islands’ national air carrier, connecting the country to the rest of the world, linking the islands together and helping secure the safety of its passengers and of the population of the Faroe Islands. The airline operates a regular, flexible and diverse route network from the Faroe Islands with competitive prices, using state-of-the-art technology and equipment and fully modern communication services. The customer is at the center of all our activities, and we work closely with customers and the community to continuously improve our services and offerings.

Atlantic Airways was established in 1988 to develop the Faroese airline industry and airline services, and help develop the Faroese aviation environment. The company has grown from a small enterprise with one aircraft and limited capabilities to a carrier operating several aircraft and helicopters, fully compliant with international standards. Full member of the International Air Transport Association (IATA). 180 full-time equivalent employees (2017).

Atlantic operates the domestic helicopter services between Vagar and Copenhagen. The aircraft is also, similar to the rest of the Atlantic Airways fixed-wing fleet, equipped with RNP AR 0.1 technology which has turned out to be highly successful at Vagar Airport, significantly raising flight regularity to 99.8 percent for the carrier regardless of weather conditions.

Atlantic Airways also operates two Leonardo AW139 helicopters for conducting scheduled domestic flights as well as providing helicopter emergency medical service (HEMS) around the islands up to the 200-mile limit, including 30-minute search and rescue operations. Atlantic operates the domestic helicopter service on behalf of the Faroese government agency SSL. The task involves bringing passengers and cargo to remote islands difficult to access by other means, especially during winter.

From the outset Atlantic Airways has relied heavily on qualitative and educating its staff, enabling employees to take on a wide range of jobs within the aviation industry. The company has trained hundreds of people as engineers, pilots, cabin crew and more in the world of aviation.

Safety always remains the top priority in this business,” Ms. Æ Bergi said. “Besides, regularity and punctuality is a perpetual goal, and that includes providing an impeccable service for our customers. In addition, our entire range of business activities are based on our own core competencies. We maintain strong community relations, have an active corporate social responsibility policy, and participate in the development of tourism, business travel, cargo transportation and healthcare transportation, as well as domestic passenger travel and HEMS.

The Faroe Islands are and always will be our main hub, and the company continues to develop around this axis.”

### THREE DECADES: WHAT A DIFFERENCE

_Few may grasp what a mammoth task it was to establish the Faroe Islands’ own national airline back in the day; yet since its maiden trip in March 1988, Atlantic Airways has grown and developed beyond all expectations._

**THREE DECADES:**

The Faroe Islands’ national carrier Atlantic Airways celebrates its 30-year anniversary this year (2018). In the course of three decades, the company has grown from a very small operator with one aircraft and limited capabilities to a carrier operating several aircraft and helicopters. Domestic helicopter services including scheduled flights between the islands, emergency medical service (EMS) search and rescue (SAR), and offshore operations. We strive vigorously and continuously to be a valued and respected member of our local society, creating value, competences and jobs for the Faroese community.

Atlantic Airways CEO Jóhanna Æ Bergi, in the cockpit, captain Rúni Heigeard and co-pilot Jón Falkvörd (main); Airbus A320 aircraft (bottom right); Leonardo AW139 helicopter (bottom left).

“Most of those who helped Atlantic Airways to a safe take-off 30 years ago agreed that it would take a massive amount of grit and determination to create and develop the airline,” Atlantic Airways CEO Jóhanna Æ Bergi noted.

**OUR MAIN HUB**

Over the years the number of departures from Vagar to Copenhagen has increased from one to three to four per day during the high season. Since 1995, Atlantic Airways has stepwise established flight connections to nearest neighboring countries United Kingdom, Ireland and Norway. This development has helped generate growth in the passenger count at the Vagar Airport from around 90,000 in 1994 to more than 141,000 in 2017, scheduled and charter flights included.

From Q1 2019 and onwards, Atlantic Airways will lease a brand new Airbus A320neo aircraft for scheduled services between Vagar and Copenhagen, according to Ms. Æ Bergi. Able to carry 174 passengers, the new aircraft consumes less fuel and emits less CO2 than previous generations of Airbus aircraft. The aircraft is also, similar to the rest of the Atlantic Airways fixed-wing fleet, equipped with RNP AR 0.1 technology which has turned out to be highly successful at Vagar Airport, significantly raising flight regularity to 99.8 percent for the carrier regardless of weather conditions.

Atlantic Airways also operates two Leonardo AW139 helicopters for conducting scheduled domestic flights as well as providing helicopter emergency medical service (HEMS) around the islands up to the 200-mile limit, including 30-minute search and rescue operations. Atlantic operates the domestic helicopter service on behalf of the Faroese government agency SSL. The task involves bringing passengers and cargo to remote islands difficult to access by other means, especially during winter.

From the outset Atlantic Airways has relied heavily on qualifying and educating its staff, enabling employees to take on a wide range of jobs within the aviation industry. The company has trained hundreds of people as engineers, pilots, cabin crew and more in the world of aviation.

“Safety always remains the top priority in this business,” Ms. Æ Bergi said. “Besides, regularity and punctuality is a perpetual goal, and that includes providing an impeccable service for our customers. In addition, our entire range of business activities are based on our own core competencies. We maintain strong community relations, have an active corporate social responsibility policy, and participate in the development of tourism, business travel, cargo transportation and healthcare transportation, as well as domestic passenger travel and HEMS.

The Faroe Islands are and always will be our main hub, and the company continues to develop around this axis.”
HOTTEST SPOT: GÔTA, LEIRVIK TO WELCOME MORE VISITORS

Eysturkommuna, the municipality of Gota and Leirvik, has much to offer beyond the G! Festival and ancient chieftains, and is preparing a new effort to streamline its policies on local development, business, tourism, culture and more.

ONE of the proudest and most independent communities in the Faroe Islands is that of the neighboring villages of Gota and Leirvik, also known as the municipality of Eysturkommuna. Located on the island of Eysturoy, roughly between Runavik and Fuglaeyjarbur, Gota and Leirvik are originally old settlements dating back some 1,200 years to Viking times and farther.

However, rather than their ancient histories, these communities are more widely known as the home of culturally modern and confident people. It seems as if the spirit of Trondur of Gota, the Viking chieftain and ruler of an independent Faroe Islands back in the day, lives on to influence the place with a fierce sense of self-determination.

“We are currently considering ways to help better accommodate incoming tourists,” said mayor Johan Christiansen. “I’d say the possibilities are endless but at the same time, the Municipal Council is not seeking direct involvement and we prefer to let the community itself—that is, local people and businesses—take the lead in that respect. The role of the Council is rather to facilitate development to the extent deemed advisable. Of course, that may involve some investment from time to time, in areas of strictly general interest for the municipality; but again, it depends on whatever the Council may decide.”

According to the mayor, the Municipal Council’s Board of Commerce and Industry is currently working on a policy recommendation that considers development in several departments.

“The Board of Commerce and Industry has just about completed its policy proposal,” according to Frithi B. Nielsen, the Municipal Council’s coordinator on business and tourism.

“It might surprise some but as a matter of fact we have a good deal of business activities beyond the seafood trade. We have a very central, advantageous location and there is plenty of growth opportunities, some of which, but not all, are related to tourism. For example, we have allocated 15,000 square meters of commercial/industrial area near the Gota-Leirvik Tunnel and another one at the harbor of Leirvik, with about half of the available acreage about to be sold to businesses.”

Some of the leading companies of the Faroe Islands are based off Eysturkommuna or have their roots there, such as Gota-based pelagic fishing industry major Vanin and Gota-linked salmon producer HiddenFjord. Other well-known entities in the seafood trade include Leirvik’s Tavon, Fofish-Nordfro, and Faroe Marine Products, to name some.

‘EXCEPTIONAL’

Road infrastructure has seen remarkable development within Eysturkommuna in recent years, most notably with the opening in 2006 of the Norðoyatunnilin, the Leirvik-Klaksvik underwater tunnel.

In connection with the current construction of a new underwater tunnel between Tórshavn and Eysturoy, a mountain tunnel between Gota and Skalabotn is in the pipeline, to reduce travel time between the Klaksivik-Fuglaeyjarbur-Leirvik-Gota region and Streindur, one of the three-legged ends of the new underwater tunnel.

This municipality is likely to become more centrally located than ever,” Mr. Christiansen noted. “With the growing traffic and increasing number of visitors we can expect, both domestic and foreign, I’d say we’re likely to see more services added sooner rather than later.”

As for tourism, existing offerings range from the G! Festival to mountain hiking, to Norðragøta’s Blásastova Museum and the Farm of Trondur of Gota next door, to Leirvik’s Lista-götatsavnið (Museum of Art and Boats), however, there is still more to come.

One of the latest additions to cultural offerings is a home-based entertainment event developed by Jón Tyrlí, one of the founders of several music related projects including Grót, Hoyrna, and the G! Festival. As per his description, HOYMAbit is a “truly unique and ultimate way to experience Faroese music and culture.” The idea: to offer exclusive home concerts with leading Faroese artists set in actual homes with homemade food tasters from local producers, an experience that combines authentic Faroese music, food, hospitality and socializing.

Eysturkommuna is widely recognized as a cradle of creativity, not least in popular and indie music, producing the likes of singer-songwriter Eivør of international fame, plus many more, including music artist Hagni Lisberg. The acclaimed G! Festival, held at the Syðrugata beach every summer since 2002, attracts music fans and partygoers from all over the world—“A truly exceptional festival experience in a location unlike any other,” to quote the ‘Kerrang!’ rock music magazine.
The Faroese fishing industry might want to borrow a page from its companion in the seafood trade, the aquaculture industry, whose success of late turns out to have a great deal to do with joint approaches to issues of shared interest.
THERE are some peculiar similarities and differences between the commercial fishing and aquaculture industries. Mind you, both are diverse in and of themselves, not least in terms of fish species involved, whether hunted or farmed. That diversity is especially true of the fishing industry, whose historical roots, to a greater or smaller extent, is bound to have a certain significance and oftentimes cannot be disregarded in neither public policy nor business tradition.

Even in a tiny country such as the Faroe Islands, there is a world of difference between, say, modern pelagic fisheries and small-scale coastal whitefish fisheries. There are a number of different fisheries, targeting different species, using different kind of vessels, different fishing gear, different technologies. Each of these is bound to have a certain significance and oftentimes cannot be disregarded in neither public policy nor business tradition.

All of that continues to represent a major challenge for the Faroese fishing industry to potential exploitation by any forces looking for easy prey. Such forces dealing jointly with all sub-sectors of the fishing industry. It’s an open secret that taking joint positions on external pressures comes from any direction, political or otherwise, has long represented a major challenge in the Faroe Islands, and everywhere else for that matter—and therefore exposed the fishing industry to potential exploitation by any forces looking for easy prey. Such forces indeed appear to be having a field day every now and then. Now contrast that with the situation in the Faroese aquaculture industry, which in recent years has advanced to such an extent as to become the envy of the world. In 2017 figures, its proportion of the Faroe Islands’ total exports of about 8.412 billion dk (Continued on page 78).
Bakkafrost is a world-renowned producer of farmed Atlantic salmon. It has the longest integrated supply chain in the industry — fishmeal, fish oil, fish feed, hatcheries, fish farming, farming service vessels, harvesting, processing, packaging, sales.

Number of employees: approximately 1,100 (960 full time equivalent). Sales (2017): 3.8 billion DKK. Operating revenues for salmon, fishmeal, fish oil and fish feed.

Founded in 1968 by brothers Hans and Roland Jacobsen, Bakkafrost is today by far the leading producer of top quality salmon from the Faroe Islands. Publicly listed on Oslo Børs. Ticker symbol: BAKKA.

Saved Atlantic Salmon, graded Superior or Ordinary, sizes from 1-2 to 9+ kg.

Fresh — gutted head on, packed in 20 kg Styrofoam boxes or in 20 kg air boxes;

Frozen — delivered gutted head-off, packed in 40 kg boxes or in 25 kg boxes.

Value Added Processed Atlantic Salmon — products cut from whole Atlantic Salmon.

Fresh Portions;

Fresh Fillets;

Frozen Portions;

Fully owned subsidiaries:

Fishmeal, fish oil, fish feed processing plant Havsfirðin, Fuglafjarðar, Faroe Islands;

Seafood importer and distributor Bakkafrost UK (t/a, Foam Seafood UK, Grimsby, United Kingdom);

Atlantic salmon importer and distributor Bakkafrost USA (t/a, North Landing, Clifton, New Jersey, United States).

Bakkafrost's world-renowned system that has contributed significantly to their success.

Back in the 1980s and 1990s, juvenile salmon would typically be released to sea at an individual weight of around 80 to 100 grams. Subsequently, the weight of the fish at the point of release has been gradually raised to around 150g—a process that requires a highly controlled and sophisticated operation at onshore hatcheries a.k.a. smolt stations. The objective, according to Mr. Jacobsen: “The feed our fish gets is of top quality, rich in Omega 3 fatty acids and of pure marine origin,” CEO Regin Jacobsen said. “It’s produced at our own fishmeal, fish oil and feed plant Havsfirðin, Fuglafjarðar. By retaining full control over the content of the salmon feed, we make sure our salmon is nourished with marine, protein-rich ingredients that closely resemble wild salmon’s own natural food, which again is fundamental to the product quality achieved in our final produce.”

In May 2018, the Faroe Islands’ flagship salmon producer entered into a share purchase agreement with the owners of New Jersey-based salmon importer North Landing Ltd, a deal intended to establish a base of operation in the US and improve Bakkafrost’s ability to serve its American customers, according to Mr. Jacobsen. “This acquisition will improve our access to one of the world’s largest salmon markets,” he noted.

The effectiveness of salmon farming as a source of protein for the world’s growing population, compared to other meats such as beef, is frequently stressed by the Global Salmon Initiative, of which Bakkafrost is a member. “Salmon needs much less feed to yield the same amount of protein,” Mr. Jacobsen pointed out.

Alongside other Faroese aquaculture enterprises, Bakkafrost has been highly successful in keeping disease and parasites at bay in recent years, largely through innovative solutions and investments in technology. The company’s new, 22,000 square meter hatchery, a.k.a. smolt station, at Strond near Klaksvík will be the world’s largest and most advanced of its kind, with first cohorts of production commencing by mid 2018.

MARKET DIVERSIFICATION

With around 3.8 billion DKK in operating revenues, Bakkafrost has evolved into a key player in the global salmon business, ranked among the world’s top twelve producers, harvesting 54,600 tonnes per year (2017 figures). The company’s operating earnings before interests and taxes for 2017 amounted to 1.378B DKK, compared to 1.165B for 2016.

In the Faroe Islands, each generation of farmed salmon is kept in a separate fjord during its production cycle, and following harvesting all farming in that fjord is suspended for a period of a minimum two months. ‘This “All-in” “All-out” management regime has helped prevent the spread of contagious disease while reducing mortality rates in growing pens. Besides, using advanced automation and underwater optics to regulate feeding and prevent pollution from overfeeding, Faroese fish farmers have established a world-renowned system that is nourished with marine, protein-rich ingredients that closely resemble wild salmon’s own natural food, which again is fundamental to the product quality achieved in our final produce.”

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BAKKAFROST:
FROM STRENGTH TO STRENGTH

A landmark year in the top Faroese salmon producer’s history, 2017 saw the completion of Bakkafrost’s new corporate headquarters and advanced production facility at Glyvrafjørður—followed by an advance in the US market.

It was a day of celebration when Bakkafrost, in September 2017, invited the public to visit its new headquarters at Glyvраr. Merging seven factories into one facility, the complex also houses the company’s new harvesting and VAP (value added products) plant—a visual sign of the company’s remarkable growth in recent years, backed by key statistics. With farming operations on 21 sites across 17 Faroese fjords, Bakkafrost controls the longest value chain in the entire fish farming industry. From fishmeal and fish oil to feed production to hatcheries and farming to harvesting and processing to packing and sales—Bakkafrost has the most integrated value chain in the world of salmon.

“The feed our fish gets is of top quality, rich in Omega 3 fatty acids and of pure marine origin,” CEO Regin Jacobsen said. “It’s produced at our own fishmeal, fish oil and feed plant Havsfirðin, Fuglafjarðar. By retaining full control over the content of the salmon feed, we make sure our salmon is nourished with marine, protein-rich ingredients that closely resemble wild salmon’s own natural food, which again is fundamental to the product quality achieved in our final produce.”

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HIDDENFJORD: SUPERB FARMED SALMON

CEOs and leaders of the Faroese aquaculture industry have embarked on building sophisticated, high-capacity smolt stations.

HiddenFjord, one of the three players in the Faroese aquaculture business, is generally known as the most innovative, with the strongest brand of farmed Atlantic salmon—widely recognized as world leader in its field.

With a hard-earned reputation as provider of the world’s finest farmed salmon, HiddenFjord has helped transform the Faroese aquaculture industry by introducing new operating principles for product quality and profitability. Under the leadership of co-owner and CEO Atli Gregersen, HiddenFjord has likewise spearheaded legal and regulatory toughening by way of recommending and coordinating efforts to improve environmental protection and boost disease prevention.

Back in the 1990s, things looked different. Among fish farming nations involved in the export of Atlantic salmon, the Faroe Islands would be ranked lowest in terms of expertise and quality, behind Norway, Scotland, Chile and Canada. Today the opposite holds true—the Faroese are ranked at the very top, fetching the highest average price for their salmon.

“The Faroe Islands has become a real buzzword in the business—everybody is looking at the Faroese success story,” Mr. Gregersen noted.

In the early 2000s the industry anticipated the arrival of Infectious Salmon Anaemia (ISA) and acted swiftly. The viral disease was already affecting the land, Canada and Chile, causing severe losses farmed salmon, HiddenFjord has been a leader in developing new operating principles for product quality and profitability. Under the management of co-owner and CEO Atli Gregersen, HiddenFjord has likewise spearheaded legal and regulatory toughening by way of recommending and coordinating efforts to improve environmental protection and boost disease prevention.

In the early 2000s the industry anticipated the arrival of Infectious Salmon Anaemia (ISA) and acted swiftly. The viral disease was already affecting the land, Canada and Chile, causing severe losses.

“The industry has worked very diligently to tackle these issues,” Mr. Gregersen said. “We’ve had a high degree of coordination and integration in working together to take joint approaches to shared challenges.”

One of the strategies to minimize the exposure of farmed salmon to sea lice, developed by HiddenFjord since 2010—and today implemented throughout the Faroese aquaculture industry—is to grow juvenile fish to a maximum size before releasing them into the on-growing pens at sea. To accomplish this, the onshore hatcheries a.k.a. smolt stations have been developed significantly. All three industry players today, following HiddenFjord’s lead, have embarked on building sophisticated, high-capacity smolt stations.

‘THE NATURAL HOME’

Producing larger juvenile fish before release into the sea allows for reduced exposure to sea lice and thereby increased survival rates, less stress and higher quality.

The standard production cycle in 2010 was 22 months from release into sea at 10-month age, weight 80-100 grams, to harvesting. This cycle has been brought down to a time span of 14 months in 2017 figures, with the weight at the point of introduction to sea increased to about 400g.

“Our short to mid-term objective is to reach 500g at the point of release and the long-term objective is 700g,” Mr. Gregersen said.

HiddenFjord today ships whole fresh salmon to Russia, US and Asia and pre-rig or frozen fillets to mostly China and other Asian markets, where the products are defrosted and sold as fresh.

Famed for their pioneering spirit and uncompromising quest for producing the very best, HiddenFjord traces its origin back to the whitefish business of the early 20th century, in the village of Gota, where Mr. Gregersen’s grandfather, Joen Pauli Gregersen together with others founded Fiskavirkið, later to become a family-owned business under the leadership of his son, Oddfríður Gregersen, Atli Gregersen’s father. When Oddfríður retired, his three sons—Atli, Páll and Regin—took charge of the enterprise, which was later split along the two main focus areas of wild-caught whitefish and farmed salmon, respectively. The fish farming entity, named Luna, was run by Atli and Regin, while Páll would take care of Fiskavirkið.

Luna’s HiddenFjord brand, created in 2011, has proved a stunning success in the world of Atlantic salmon.

“Our business model is much about constantly innovating and taking new steps to increase quality, while at the same time preserving and protecting the pristine Faroese farming environment,” Mr. Gregersen said.

In recent years, the aquaculture business has grown rapidly in the Faroe Islands. Out of the country’s total export value of about 8.6 billion, in 2017 figures, farmed salmon products represented almost one-half, around 3.9B krk.

“The Faroe Islands is the natural home of the Atlantic salmon,” Mr. Gregersen added. “The ocean temperature and feeding grounds make for the best conditions for salmon farming.”

HiddenFjord’s processing and packing facility at Sørvágur.

Employees inspecting one of HiddenFjord’s on-growing pens.

HiddenFjord: Luna P.O. Box 59, PO-101 Gøta www.hiddenfjord.com Tel.: +298 662100 Managing Directors: Atli Gregersen Regin Gregersen Sales Director: Öli Hansen

Faroese producer and exporter of farmed Atlantic salmon.

HiddenFjord is essentially an ultra superior salmon. Our HiddenFjord Sushi Grade salmon physical characteristics represent perfection in the natural world. Their appearance, shape, color and taste are at a level associated with perfection. Master Sushi Chefs understand that a premium reputation is not built on good — or even great — product; it must be the finest in the world.

In addition to the premium whole fish, we also offer ultra-premium, bone-in fillets. In keeping with the level of whole fish quality, HiddenFjord fillets are the finest in the world. As a consistent and reliable resource for brilliant chefs around the world, HiddenFjord stands alone.

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ARGUABLY one of the most debated political topics in the history of the Faroe Islands, the Act on the Management of Marine Resources, which came into effect as of 18 December 2017, has been one of the current coalition government’s main objectives since taking office.

“Exactly ten years ago the Faroese Parliament decided to terminate all fishing licenses as of 1 January 2018, instigating the need to introduce a new system by 2018,” Hagni Hoydal, Minister of Fisheries, noted.

“This reform is a historic milestone and it marks a new era in the sustainable management of Faroese fisheries,” he added.

Since the 1990s, the Faroese fishing industry has seen a high degree of consolidation including transfer of quotas attached to vessels, with many millions of euros spent annually on transferring fishing rights between vessel owners. This practice is now being effectively stopped through centrally regulated trading of rights.

According to one of the elements of the former legislation that has indeed been included in the reform, all living marine resources are the ‘property of the Faroese people’ and, based on this principle, fishing licenses may never become private property. Furthermore, the new legislation, fishing rights cannot be traded directly between private buyers; to change hands, such rights must first go through a public auction.

The reform further states that all fisheries under Faroese jurisdiction must be biologically, economically and socially sustainable. Moreover, a long-term strategy for the management and utilization of marine resources is to be designed and implemented for each stock to maintain the industry and the fish stocks at sustainable levels.

Centrally regulated trading of fishing rights, public auctioning off of parts of the quotas, the introduction of ‘development quotas’ and the phasing out of all foreign owned fishing rights—here’s the new fisheries legislation.

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A new item in the legislation is the implementation of public auctioning of catch quota. This, in practice, entails that 15 percent of the quotas for mackerel and herring, and 25 percent of the quota for blue whiting, are to be auctioned, as well as 45pc. of the quota for demersal fish in non-Faroese waters. Additionally, quotas for these species exceeding certain limits, will be auctioned off entirely.

FULL UTILIZATION

For demersal fisheries in Faroese waters, quotas will be auctioned off when the overall catch by Faroese vessels exceeds 20,000 tonnes for cod, 12,000 tonnes for haddock and 40,000 tonnes for saithe. All present actors in the industry will have access to the remaining quota, but will be required to pay a special ‘resource fee’. Anyone can obtain a fishing right from the Government if the vessel is approved for fishing in Faroese waters.

To improve access to the fishing industry the new Act operates with company-owned rights. Anyone can obtain a fishing right from the Government if the vessel is approved for fishing in Faroese waters.

To improve access to the fishing industry the new Act operates with company-owned rights rather than a limited number of vessel-owned rights, as in the old legislation. This implies that anyone who gets a vessel approved for fishing in Faroese waters can obtain a fishing right from the Government.

In addition, up to 8.5pc. of the total quotas for all types of fish can be allocated as ‘development quota’ that will be part of development plans for the industry. These quotas are distributed after a public call for applications, prior to which specific requirements for eligibility and priority will be given to projects and campaigns that support development, value-adding and job opportunities.

Whereas earlier, foreign investors could participate in Faroese fisheries, such opportunities are now being phased out over a six-year period. Under the new Act, fishing rights may only be granted to fully Faroese-owned operators, however special rules apply for Icelandic ownership, which will be phased out over a period of seven years. Restrictions on foreign ownership, however, do not apply to onshore processing.

In an effort to add more value and to ensure full utilization of catch, all fish caught is required to be landed in the Faroe Islands, vessels will eventually be required to land all parts of the fish, including head, back, liver, guts and other by-products. Finally, at least 25pc. of fish caught will be sold at approved auctions, with the exception of fish caught under licenses bought at public auctions.

Ministry of Fisheries
Ytri strond 10
PO Box 347, FO-110 Tórshavn
www.fisk.fo
fisk@fisk.fo
Tel.: +298 353 030
Fax: +298 353 035
Minister of Fisheries: Hagni Hoydal
The Ministry of Fisheries is responsible for fisheries and maritime affairs, including marine resource management, marine research, fisheries inspection, marine safety and rescue.

The Ministry is also responsible for agriculture and emergency services.

Policies and regulations are coordinated and implemented by the Ministry of Fisheries and its associated agencies.

Permanent Secretary: Rógvi Reinert
General Secretary: Katrin Kristinsdottir
Director: Andras Kristiansen

Agencies:
• Faroese Emergency Agency (Fiskiveiðieftirlitið)
• Maritime Rescue and Coordination Center (MRCC)
• Faroese Emergency Management and Inspection Agency (Tilbúgvingarstovnur)
• Agriculture Agency (Búnaðarstovan)
• Equal Pay Office (Trygdargrunnur Fiskivinnunnar)

Andras Kristiansen
Director: Department of Fisheries
Fax: +298 353 035
Tel.: +298 353 030
fisk@fisk.fo
www.fisk.fo
Ministry of Fisheries
Ytri strond 10
PO Box 347, FO-110 Tórshavn
www.fisk.fo
fisk@fisk.fo
Tel.: +298 353 030
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FACING ‘SERIOUS CHALLENGES’ OVER FISHERIES REFORM

The Faroe Islands’ fisheries reform poses ‘serious challenges’ for the fishing fleets, whose representative points out that the new act has only been implemented halfway as of yet, with important pieces of legislation still pending.

The Faroese fishing industry is subject to drastic changes in the legislation that underpins its business activities, and is therefore facing some serious challenges in the coming years, predicts Stefan í Skorini, managing director of the Faroese Ship Owners’ Association, the organization representing the Faroe Islands’ commercial fishing fleet.

Among the challenges posed by the reform package: a new legislation on resource tax; a new quota system as of 2019; a new requirement to land all catch in Faroese ports; a new obligation to bring everything ashore for utilization including guts and offcuts; a new mandatory auctioning for a minimum 25 percent of each vessel’s catch at certified fish market; and the new public auctioning off of approximately 15 percent of available fishing rights.

One of the pieces of legislation which has yet to be implemented is a new law on ‘resource fee’ or ‘catch tax’. The originally proposed bill has been taken off the table in parliamentary committee with a new version to be tabled this fall (2018).

“The industry has been very anxious about this legislation as it could entail a great tax hike compared to the former system,” Mr. í Skorini said.

“This will put greater pressure on the performance of the fishing fleets and transfer a greater part of the current surplus to the government coffers.”

“As this bill will determine what Faroese fishing companies are to pay in resource tax in the future, of course it will have a significant impact on the future activities of these companies,” Mr. í Skorini added.

“The Faroese Ship Owners’ Association has earlier pointed out that the proposed law is likely to have an adverse impact on the industry, which in turn has shown restraint in investing in new vessels.

“The new bill needs to leave room for enterprises to renew their fleets and engage in new projects to increase profitability in the industry,” Mr. í Skorini said.

A further serious challenge for longliners and trawlers fishing for demersal species in Faroese waters is posed by a new quota system. As of 2019 all commercial fishing around the Faroe Islands will be governed by a completely new quota system after more than 20 years of days-at-sea effort management.

“Instead of days-at-sea, each vessel will be allocated an individual quota. This quota system has been passed in parliament for implementation by 2019. This will of course present new challenges to all those who for so long have grown used to days-at-sea regulation.”

NEW REQUIREMENTS

Yet another issue has to do with the policy that all vessels will be required to bring every part of their catch ashore including heads, guts and other offcuts. “For some this means they’ll have to invest in new vessels designed for such requirements,” Mr. í Skorini said.

“However, parts of the fishing fleets will not be able to comply immediately. The aim is to ensure full utilization of all catch, but this mandate puts high demand on the current fleets.”

For that reason, the government has decided to postpone this policy; according to Mr. í Skorini, the fleets will probably need some time before the requirement can realistically be implemented.

Whereas the previous fisheries legislation also included anti-trust regulations, under the new act the rules have been changed to further limit the total fishing rights of each participant as of 2019; an executive order is to specify the cod equivalents which in turn are to determine what impact the new rules will have on current quota holders.

“The fisheries reform also introduces a new landing requirement mandating Faroese vessels to land all of their catches in Faroese ports. This already poses some serious challenges for the industry as the capacity on shore for receiving and processing certain species remains limited. The government has made some exemptions, but change will likely be needed again later this year.”

“Another new stipulation requires one-fourth of the catch of each vessel to be sold at a certified fish market,” Mr. í Skorini said.

“This is a new requirement designed to make the fish more accessible for certain processing facilities but, again, it also burdens Faroese vessels which have not had these requirements before.”

Furthermore, most of the fishing rights will now be split between current holders, auctioning off of quotas, and quotas for regional development.

“Again we have a completely different method of distributing catch quotas; the fleets will need time to adjust to the government’s new way of allocating them.”
The Varðin Pelagic freezing plant at Tvøroyri wasn’t already one of the world’s foremost processing facilities of its kind—and it certainly wasn’t—it will now be ranked at the very top. Originally opened in 2012, the factory is being reopened this summer (2018) after a fire burned it to the ground in June 2017, completely renewed, redesigned and rebuilt. Logistically, technologically and otherwise, the facility has been upgraded significantly compared to its previous incarnation.

In brief, the new layout and makeup of the processing plant is more optimized for product quality, productivity and operational stability, according to CEO Bogi Jacobsen. “We were faced with the sobering fact that most of the facility had been destroyed by the fire,” he noted. “There was, however, a silver lining to that—because, after all, this disaster offered a unique opportunity to take the entire plant to the drawing board and build it from scratch, which we decided to do. So instead of having several units cobbled together as earlier with obvious weak points when it comes to flow of production, we went for the ultimate solution to allow for the highest quality in the most cost effective way, all under one roof.”

That solution is all about continuous flow process and automation, using the latest technology for quality, more complete control throughout the various stages of the process, and less vulnerability to disruptions. Notably, the advancement in processing technology since 2012 has been substantial, not least in robotics and computer vision-based systems. “In fact, our new factory is quite a step up compared with the former,” Mr. Jacobsen said. “I would say the main difference is that the fish processing chain has become more perfected for securing maximum product quality.”

Part of the secret to higher levels of process control is new technology, including machine vision, with cameras in key positions throughout the plant, complemented by high-accuracy weight controls and temperature sensors. Process flow data is thus recorded throughout the production and fed back to control units which then, in real time, execute actions and adjustments.

**KNOWLEDGE AND SKILLS**

The main processing lines in the Varðin Pelagic plant are now three, rather than two which they were earlier. Not only does this enable a higher processing capacity but it also means that any disruptions that may occur will have a less costly effect compared to earlier.

“Should one processing line break down for whatever reason, it will mean reduced productivity by one-third during that down period. Previously, one processing line down would set back productivity by as much as one-half.”

All seamless and integrated, the vision systems now integrated throughout the production lines represent nothing less than a quiet revolution promising dramatic growth potential. For example, when catch is pumped from a vessel into Varðin Pelagic’s receiving tank, it is transferred onward by pocket belt conveyors, with the vision system then inspecting every single fish and removing any damaged fish or unwanted species. Then in-freezing, before automatic grading by size, takes place gently as adjusted continuously—each pocket of the conveyor is weighed automatically and the relevant data sent to control units which, in real time, regulate the speed of the conveyor.

Moreover, Varðin Pelagic’s freezing capacity has been raised from a maximum 1,000 tonnes per day to approximately 1,200 tonnes, with the option of raising it further to a whopping 1,700 tonnes per day—a capacity that appears to be unmatched worldwide.

“This new processing system offers a high degree of flexibility,” Mr. Jacobsen added. “For example, we can now have one processing line run a special production batch for a client without sacrificing overall productivity or, if necessary, we can use even more processing capacity for special production runs.”

The facility’s value chain integration with parent company Varðin’s fleet of modern pelagic vessels offers a further, serious advantage. “Having a joint owner with our fishing vessels helps us work closely with them, which is critical to securing the highest possible product quality. It has much to do with timing, the length of fishing trips, and the volumes of fish as related to the amount of pressure the fish is exposed to during trawling,” However, successfully implementing and operating Varðin Pelagic’s advanced processing technology takes a well trained workforce.

“We’ve been keen on getting up to speed in the use of all this equipment, and I’m very pleased with the incredible level of relevant knowledge and skills that our staff have already demonstrated,” Mr. Jacobsen said.

GEÖ Bogi Jacobsen:
Left, top to bottom: Tróndur í Gøtu, Varðin flagship vessel; Newly installed processing equipment in the rebuilt facility.
HOW THE DUTCH PIONEERED PELAGIC FOOD PRODUCTION IN FAROE

Going against the odds and defying domestic tradition, Dutch-owned PP Faroe Pelagic proved that commercial processing of pelagic fish for human consumption was, and remains, a viable business in the Faroe Islands.

Since opening for business in late 2009, Kollafjørður-based PP Faroe Pelagic has processed more than 400,000 tonnes of mackerel, herring and other pelagic fish. New investments amounting to about 100 million DKK have also been put into the facility more recently, including a new 70M DKK cold store with a storage capacity of 10,000 tonnes.

With this enterprise PP has successfully demonstrated that it is technically and economically feasible to operate a freezing plant in the Faroes. As further proof of the viability of the concept, two similar plants with Faroese owners have been added subsequently, Varðin Pelagic at Tórsoyri and Pelagos in Fuglafjarður.

PP Faroe Pelagic is managed by Ton Frissen (48), who arrived in the Faroes for Pelagos in Fuglafjørður.

"I came to the Faroese Islands to launch an enterprise to succeed—to make economic sense for vessels to land their catch there with production and freezing facilities. With an estimate of 6,000 employees, PP focuses on pelagic fisheries and freezing at sea."

Time is expensive in this context and the landing of catch will have to be handled within a short span of time.

According to Diek Parlevliet, CEO of Parlevliet & van der Plas (PP), the largest player in the European pelagic industry, it was quite natural for the company to consider getting involved in the Faroe Islands, as PP have long experience and good know-how in pelagic fisheries and freezing at sea.

"It only took a few months before the first pelagic trawlers could arrive to land their catch there with production commencing, and after one year the plant was running at full capacity," Mr. Parlevliet said.

"Being reliable and keeping agreements is in any case one of the most important values in our world," he told a Faroese publication in late 2017. "Today, after seven years, PP Faroe Pelagic has received some 400,000 tonnes of pelagic food fish—which is quite a lot in money terms—and a total 350 million DKK has been paid in wages alone. Add to this quite an amount of business generated for suppliers, various services, such as transport, logistics, cold storage and more. So this is a win-win for everyone."

Mr. Parlevliet added: "I'm proud to be able to demonstrate that we have helped the Faroese through our knowledge in the pelagic business, both technologically and commercially, and we have helped opening doors to new export markets, for example in Africa, in Russia and elsewhere in the East."

PP is a well-known and established company in the fishing industry, headquartered in Katwijk on the Dutch west coast. The company was established in 1949, originally as a fish trading business. Development has been rapid since then and the company now has a fishing fleet consisting of 32 trawlers, including 8 pelagic vessels fitted with processing and freezing facilities. With an estimate total of 6,000 employees, PP focuses on delivering protein-rich seafood at affordable prices to people across the world.
THE NEW fisheries legislation voted through the Faroese parliament by the end of 2017 introduces a range of concepts that have largely been met with skepticism among representatives of the fishing industry. As it turns out, however, the associated hearing process has in effect been extended, with several welcome adjustments made to the Act on the Management of Marine Resources.

Among the elements adjusted after extended consultations with stakeholders: anti-trust regulations, catch fees, and centralized auctioning off of catch quotas.

Another sticking point in the legislation that nonetheless remains intact to date is the planned phasing out of all foreign ownership in Faroese fishing rights. This means owners of fishing vessels will have to see any of their foreign shareholders bought out within the next six years; in line with the rules of the previous legislation, such shareholders were allowed to own up to a one-third stake.

Klaksvík-based JFK, owner and operator of some 15 fishing vessels plus the Kósin onshore processing plant, has had its issues with key elements of the fisheries reform, much like any other main player in the industry. According to CEO and majority owner Hans Hansen, working with government authorities by taking part in the hearing process has been at times frustrating, however at times rewarding.

“I think generally the whole reform package is very ambitious in its scope, and because of that the hearing process was going to have to take more time than perhaps many people would expect,” Mr Hansen said. “That in itself is something that has taken time for policymakers to realize.”

“We should of course give credit where credit is due,” he added. “In reality quite a lot has been achieved as the legislation has been shaped over these months, regardless of the debates that took place prior to its introduction. The original draft had some obvious flaws and quite a few of them have been ironed out one by one, until they had a text that was passed in parliament in December 2017. Yet some pieces of regulation referred to in the text still hadn’t been drafted, and so they kept the door open for further feedback and amendments. In fact several measures have been modified and adjusted since then, which of course people in the fishing industry have welcomed.”

AMONG TOP BRANDS

Thus the idea of selling all fishing rights by government auction has been scaled down substantially, at first from 100 to 50 percent, then down to 25pc, and later further down to 15pc, as a general rule, except for special circumstances which allow for higher percentages. Anti-trust rules have likewise been amended from a strict 10pc, maximum overall interest for any single player, to a more realistic 20pc, alongside a 35pc cap on interest for any one specific fishery.

“I’m sure they’re eager to do a great job, however some people tend to lose sight of the necessary pragmatism in the process,” Mr. Hansen said. “Of course this is a huge learning process for everyone. Some point to subjects of economic theory, yet understanding when and how such subjects apply to a real-life situation is another matter, in particular when dealing with the size of a national economy like that of the Faroe Islands. So we need to keep in mind that many aspects of economic reality here are very different from whatever textbook theories will have taken into account, and there’s really no point in playing the technocrat game and pretending everything is going to fit perfectly with whatever theories you subscribe to—that’s a pointless exercise, and I think most people in the Faroe Islands are aware of that. Instead we need to spend time and effort on talking things through properly and, to the extent possible, arrive at some consensus. Because, after all, the Government’s fisheries policy should last beyond the next election cycle.”

JFK operates in several segments of the fishing industry and is considered a leading actor. The company’s history goes back more than a century and today’s business model is centered on whitefish frozen at sea, whitefish processed at Kósin, and pelagic fish landed in bulk to freezing plants.

Frozen fillets and portions of cod caught in the Barents Sea for export to fish and chips suppliers in the UK is a long standing tradition of JFK, and the name of freezer trawler Gadus ranks among the top brands in that market.
Fuglafjørður’s freezing plant
Pelagos had its baptism of fire
with a spike in production
during 2017 caused by external
circumstances, processing
as much as 100,000 tonnes
of catch—now some very
different challenges loom.

With overall pelagic fish processing capacity in the Faroe Islands temporarily reduced because of a fire at Tvøroyri in 2017, Fuglafjørður’s freezing plant Pelagos saw an unforeseen and dramatic spike in production during the autumn season. With domestic production capacity expected to normalize in the second half of this year (2018), Pelagos is gearing for new challenges, largely linked to uncertainties brought on by new domestic fisheries legislation.

Thus for Pelagos, the dramatically increased business during 2017 primarily had to do with the devastating fire that saw the Varðin Pelagic facility virtually razed to the ground, which for a time reduced the number of large freezing plants in the Faroe Islands from three to two.

In result, an unusually high number of vessels delivering their catch to Fuglafjørður, and to Kollafjørður for that matter, too, Pelagos was faced with a whole new level of logistical challenges.

A risk factor in the context: long queues of fishing vessels lining up for landing their fresh catch would mean too long waiting time, which in turn would leave too large portions of the catch at substandard quality. The situation called for urgent collaboration with effective coordination between the freezing plant and the vessels.

“The unfortunate incident at Tvøroyri led to very special conditions at Fuglafjørður during the autumn season,” Pelagos CEO Jóhan Páll Joensen noted. “We were challenged at multiple levels because of very high traffic, first of all logistically, but also sales wise and administratively. Things had to be coordinated to a much higher degree than normally, and we had to get directly involved with the fishing vessels to help optimize timing for each on them to make sure landing would be spread as evenly as possible to prevent clogging at the dock side.”

Whereas the previous year Pelagos processed around 40,000 tonnes of catch, the total for 2017 amounted to just above 100,000 tonnes, by far the highest tonnage produced so by Pelagos. The distribution of species was as follows, approximately: 48,000 tonnes of mackerel, 43,000 tonnes of herring, and 9,000 tonnes of blue whiting and capelin, according to Mr. Joensen.

**ADDED CAPACITY**

With Varðin Pelagic expected back online by August 2018, much the pressure on Pelagos will be off for now, allowing management their to turn their attention to other challenges. Signs are the volumes of catch could turn out significantly lower this year, considering the situation called for urgent collaboration with effective coordination between the freezing plant and the vessels.

“The more we know for certain about the tonnage of catch we’ll be able to process going forward, the better our ability to plan ahead and serve our clients. Not knowing what to expect makes it next to impossible to foresee the volumes, and thus to plan our production accordingly. Hopefully these uncertainties will somehow be resolved or worked out in the near future; but in consequence to the current situation, we’ve had to reduce our work force to a certain degree.”

Pelagos maintains high product quality through rigorous control systems that secure gentle handling of the fish throughout the process, with a recent new investment in freezing equipment further adding production capacity to a highly computerized and automated workflow.

With highly automated production, from landing to processing and freezing to packing and palletizing, the entire flow is handled by robotized systems, making Pelagos one the world’s most advanced facilities of its kind. While the Faroese pelagic fleet provides the largest share of raw material supplies to the factory — in the form of fresh catches of mackerel, herring, blue whiting, capelin, and silver smelt — foreign vessels are frequently seen delivering to the facility as well.

Commencing production in 2014, the Pelagos plant was designed and developed by Iceland’s Skaginn 3X with automated grading, packing, freezing and palletizing. The refrigeration system, delivered by Frost, is specially designed for automatic plate freezers and to ensure low energy consumption. 2017 saw the installment of two new plate freezers of the same type that were already in use, an upgrade that addressed some bottleneck issues related to production flow; the freezing capacity was raised from 520 to about 640 tonnes per day, with the option of raising it further to about 1,000.
FRAMHERJI: FISHING FOR CONTINUED SUCCESS

Purse seining for higher value mackerel, a fully operational silage system on a freezer trawler, a longliner fitted with freezing capacity—Framherji continues to focus on optimizing its fleet of fishing vessels toward full resource utilization.

Framherji, one of the leading and most innovative fishing companies in the Faroe Islands, is relentlessly pursuing ways to steer its diverse fleet of vessels toward full resource utilization. The company regularly invests in development and technologies that can help increase economic and environmental viability across a variety of fisheries, still without rocking the proverbial boat too hard.

To an extent, Framherji has reconfigured its fleet of fishing vessels by increasing the number of longliners from one to three; meanwhile its larger vessels remain three as before—pelagic trawler Fagraberg, purse seiner/pelagic trawler Høgaberg, and freezer trawler Akraberg.

Since early 2016, the Fuglafjørður-based company has increased its engagement in the longline segment, acquiring all of the shares in Eysturoy, owner of the two longliners Mascot and Sigmund. Shortly prior to that, the company replaced its older longliner Stapin with a newer one, equipped with on-board freezing capacity.

“The Stapin is one of only five freezer longliners in the entire Faroese fishing fleet,” Framherji managing partner Anfinn Olsen noted. “Traditionally, we haven’t had freezer longliners much in the Faroes but in recent years they have started to appear and I would say the experience has generally been very good one, at least from our perspective; it’s quite a successful concept and allows for long distance trips if necessary.” Mr. Olsen added: “Particularly when they have freezing capacity, longliners are a more economically viable proposition now than they were before better fishing rights were secured for Faroese longliners on Flemish Cap as well as in Greenlandic and Icelandic waters.”

While the Stapin targets cod, haddock and other whitefish species in domestic waters as well as in more distant waters, the Mascot and the Sigmund fish for the same species only inside the Faroese exclusive economic zone.

BEFORE TOO LONG

The Akraberg, a highly versatile trawler equipped with freezing and processing facilities alongside refrigerated sea water tanks, plus silage tanks for offcuts, is active both within the Faroese EEZ and in distant waters such as the Barents Sea. With several options as for target species and handling, the Akraberg is mostly being used on cod and other whitefish in the Barents Sea with the catch either being filleted and frozen at sea or being whole frozen, depending on market prices. In between seasons, the Akraberg also works as a factory shrimper.

All vessels from the Akraberg’s processing lines are fully utilized, as is any and all unwanted by-catch that may get mixed into the targeted species, thanks to the ensiling system on board the trawler that became fully operational in 2017. The ensilage is supplied to fishmeal, fish oil and feed factory Havsbrún on a regular basis.

Economically, however, pelagic fisheries remain the most important, due to the vast volumes involved, primarily centered on mackerel, herring, blue whiting and, to a lesser extent, capelin. With two vessels involved in these fisheries, the Fagraberg and the Høgaberg, Framherji is one of the leaders in the business. The Fagraberg is a high-capacity, top performing pelagic trawler, while the slightly smaller Høgaberg is slightly more modern and fitted for purse seining.

Currently, the Høgaberg is involved in test runs on mackerel, specifically aimed for the Japanese market, using purse seine nets and relying on extra short trips for maximum product quality. The testing is undertaken in close collaboration with the representative of a Japanese buyer and Fuglafjørður’s Pelagics processing plant, in which Framherji’s investment entity Fram Invest is a shareholder.

“The Japanese market for mackerel is highly selective, but also known to be stable and loyal to suppliers once accepted,” Mr. Olsen said.

“The Faroe Islands is still seen as being in the process of establishing itself as a player in this market. However, we’re hopeful of results, in time—we’re aware it will take time to build the necessary level of trust there.”

Overall catch has been good for a number of years with acceptable financial results on the bottom line, according to Mr. Olsen. However, he warned, the Faroe Islands’ new fisheries legislation remains partly unfinished and is still fraught with uncertainties.

“As things stand, the situation surrounding the fisheries reform is still a source of concern, even if we’ve seen good progress in the past few months,” he said in May 2018. “We continue through our trade organizations to work with policymakers and hope for more progress before too long.”
REDFISH REVIVAL ADDS TO FAROE ORIGIN EXPORTS

Leading saithe specialist Faroe Origin is a fishing company, primary processor and seafood exporter with a widening supply of species and products—with redfish on the rise lately, new products and species are added slowly but surely.

With its six pair trawlers fishing all year round to keep its two processing facilities busy, Runavík-based seafood exporter Faroe Origin has long been a force to be reckoned with in the saithe business, and increasingly beyond. Originally focusing squarely on frozen fillets, loins and other portions, the company has steadily expanded its product range both in terms species and process, today offering fresh, frozen and salted seafood.

Two major developments within the last few years include the launch of fresh fillets and loins of saithe for markets in Europe from the company’s processing plant at Runavík, and the launch of salted fillets and splits of cod and other whitefish from its facility at nearby Toftir.

More recently, fresh whole redfish has seen a revival. After a dull period of a couple of decades, the high-value species has re-emerged in domestic fisheries offshore west of the Faroe Islands, amounting to just under 2,500 tonnes in 2017 and a similar tonnage expected this year (2018).

“We’re delighted our vessels have caught the lion’s share of the redfish brought in lately and our share of the exports are just about half of the total tonnage,” according to Faroe Origin sales and marketing manager Agnar Jensen. “We’ve seen this spike since early 2017 and overall this is clearly not juvenile but mature fish of a very good size. Clients in Germany and France are eager to get their hands on it.”

Meanwhile, according to CEO Jens Pauli Petersen, the traditionally strong Faroese market position on saithe in Germany and France, has been boosted in relevant segments over the past three years or so, since Faroe Origin initiated weekly shipments of fresh fillets and portions.

As for Origin’s frozen produce, most of it is saithe processed as fillets or loin/center/tail portions, individual quick frozen (IQF) or interleaved. The markets are mostly France and Germany but also increasingly Poland. While frozen products generally fetch a lower price than fresh, key advantages with the frozen category include lower sensitivity to the time factor.

“As Mr. Petersen pointed out in previous interview, “Of course, most food including frozen seafood is sensitive to exposures of various kinds and accordingly must be handled with great care; yet compared with fresh seafood, which is extremely sensitive, it can be stored and shipped in much larger quantities and has a shelf life that is considerably longer. So with frozen products, you are generally dealing with lower unit prices but larger quantities—the opposite of fresh products. Both categories have their advantages and disadvantages and prices fluctuate in different ways.”

UNCOMPROMISING COMMITMENT

Expanding the product range sometimes entails requires entry into uncharted territory, which to an extent was the case when Origin launched its saltfish division some five years ago.

“It was a deliberate slow motion launch,” Mr. Petersen said. “While some of our employees already had experience in the wet salted segment, we decided to enter that market carefully for various reasons. We wanted to consolidate our new processing unit for this purpose both with regard to production and with regard to supply of raw fish—after all, this was new territory for us a company. Now I’m pleased to say that things have moved forward according to plan and we’re regularly supplying our Mediterranean clients with wet salted whitefish, filleted or split. The saltfish business has always been part of our overall plan; we wanted to be absolutely sure to manage it properly and build it slowly in incremental steps.”

The raw fish supplies for the Toftir facility—cod and ling, are to an extent by-catch Origin’s trawlers, accordingly purchased catch from the open market.

As part of the company’s effort to secure the highest possible product quality, Origin continually seeks to optimize its value chain integration, Mr. Jensen noted.

“We’re a fairly diversified operation with a high degree of value chain integration,” he said.

“That’s an advantage for our clients because, first of all, it enables us to guarantee the highest level of product quality. By keeping constant and meaningful contacts between the catch side, the processing units and the sales and marketing department, we’re able to optimize for product quality as well as delivery reliability. Our standard routines and methods for quality assurance are regularly reviewed and adjusted wherever necessary, because our commitment to product quality is uncompromising.”

Since 2013, Faroe Origin’s saithe fisheries, processing and logistics are certified as sustainable and responsible according to the MSC (Marine Stewardship Council) label.
Seafood processor Tavan has built a solid foundation with minced silver smelt for Norway as primary offering; now with a processing line for pickled fish installed, new products are being launched for Swedish buyers.

"During 2017 we shipped some 10,000 tonnes of minced silver smelt, mainly to Norwegian manufacturers of value-added seafood products."

Mr. Rasmussen went on to point out the fact that Tavan over the years has successfully adjusted its production to changes in the marketplace, not only with regard to minced silver smelt but also other species and product categories, with new products currently being launched while other have been phased out.

The Faroese silver smelt fishery takes place within the half-year period spanning from April to September. During this period, Tavan’s processing lines are kept very busy, typically producing more than 10,000 tonnes of mince on an annual basis, mostly for exports to Norway. During the season one shipload of silver smelt, approximately 100 tonnes, goes through the mincing process on a daily basis. For the remainder of the year, saithe used to occupy the filleting machines, but this production has been phased out during the past few years.

"IT HAS TO BE EARNED"

“While minced silver smelt remains our most important product, we’ve lately worked on developing and introducing some new and promising products in the pickled category,” Mr. Rasmussen said. “Last year [2017] was the first year in production of chopped, pickled herring in barrels for jar packaging, and we shipped about 1,000 tonnes to Swedish buyers. We aim to double this production in the future.”

CEO Ingvar Joensen, left, with head of sales Joen Magnus Rasmussen.

In the production process, the herring is headed, gutted, filleted, chopped and felled, all in one unbroken processing line. The fish enters the conveyor whole and exits chopped, ready for the pickling barrel.

Also, Tavan introduced the whole pickled sprat in barrels, with around 265 tonnes shipped to Sweden from November 2017 to February 2018.

“We are still looking to develop additional new products as opportunities arise, and generally to move up the value chain where feasible,” Mr. Rasmussen added. “Alongside the products already mentioned, we still produce several other products: frozen cod roe, salted cod roe, frozen saithe roe, salted saithe roe, and frozen ling roe. For every one of these products the buyers are located in Sweden.”

The origins of Tavan stem mainly from the unfortunate closing of the Frost processing facility during the Faroese Islands’ financial meltdown in the early 1990s. Frost had been forced to become part of a larger conglomerate which had been devised by the political authority in conjunction with the then banking monopoly to consolidate the Faroese fish processing industry. Unfortunately for the people of Leirvik, the management of the new conglomerate didn’t find the Frost facility useful for its plans, and thus shut it down prospects of reopening in the foreseeable future. Local businesspeople in Leirvik, however, took matters into their own hands and formed a new company, Tavan, to get the processing plant up and running again.

Having matured into a strong company since its formation, Tavan today has a healthy financial underpinning and loyal customers. Clients, such as supermarket chains and loyal customers. Clients, such as supermarkets which use silversmelt mince to produce ready-made meals and other value added products for the retail market, are highly appreciative of the product quality delivered by Tavan.

I’m pleased to note that our customers continue to praise the products we deliver,” Mr. Rasmussen said. “Proud as that makes us, we’re still acutely aware of the responsibility that success brings; it’s not something that comes cheap—it has to be earned and it takes both time and effort, so it invariably comes at a price. Now the fact that good client relations are crucial for long-term success, is something that plays an important part in motivating our people to perform at their very best.”
Vónin's new corporate headquarters in Fuglafjørður will boost working conditions and morale—allowing for more effective handling of pelagic trawls while making the company able to serve its clients more effectively.

Fishing gear maker Vónin opens a new chapter in its history when the company’s new corporate headquarters at Fuglafjørður is slated for completion by July this year (2018). The new premises are seen as a boon for Vónin and its clients, as well as playing a part in the further development of the business environment at the Port of Fuglafjørður.

The new 2070 square meter building—18 by 115m, whereof 18 by 25m consists of storage space and the remaining 18 by 90m consists of net loft—has an additional, adjoining 640m² building dedicated to offices, conference facilities, canteens, bathrooms and more.

The new premises will make work with large pelagic trawls much more convenient and effective compared to what was possible under previous conditions. Well-equipped and modern, the new headquarters and net loft will further raise the company’s profile and make Vónin more attractive than ever to work for.

Located at Enni to the southeast of the town of Fuglafjørður, Vónin’s new headquarters will be the first thing seen from vessels entering the Port of Fuglafjørður. The location, at the same time, offers a spectacular sea view for staff and visitors.

“No wonder all of our employees in Fuglafjørður are looking forward to start working in the new building,” said CEO Hjalmar Petersen.

“The new net loft and offices will significantly improve working conditions, and will provide more space for working with large pieces of gear, such as pelagic trawl nets. For example, the process of stretching nets, which requires lots of space, will be made much quicker and less cumbersome. Until now such work has been done at outdoor locations, typically at an abandoned road a few miles away, and of course with the unruly weather in the Faroes, you never know how the conditions are going to turn out; and there’d be no electric power available so no electric lighting, no electric tools, really not much there in the way of organizing work effectively. Now compare that with our new spacious hall and the working conditions we’ll have now, with basically everything you need and all the state-of-the art equipment and installations you can think of—the contrast is stunning.”

Many pelagic nets are 800 to 900m in length and thus require plenty of space. Specifically designed for working on such nets, Vónin’s new net loft is not merely large but also well fitted out with, for example, special drums for spooling up the nets to free up essential working space, including six rail-mounted power blocks under the roof and three fast-running winches.

“The ability to perform all working procedures in an efficient manner regardless of weather, while generally improving working conditions as well, is a good step forward for our employees and our clients,” Mr. Petersen noted. “We will now be able to maneuver more freely and effectively when working with client vessels berthed at our dock, as we’ll have more dedicated space and easier access both on the quayside and in our halls.”

Aesthetics and visual impression are not to be underestimated. “Being able to welcome clients, business associates and friends to this inviting and refreshing place will also help us convey the right kind of message as a business,” Mr. Petersen said.

STORAGE FACILITY

Vónin’s Fuglafjørður branch develops, manufactures and repairs fishing gear in particular for the pelagic fishing fleet. Alongside the new net loft, the company is readying a storage facility for fishing gear, offering its clients the benefits of stocking all their gear at a single location.

The business activities are mainly designing and developing, manufacturing and repairing fishing trawls and nets; supplying and maintaining equipment for the aquaculture industry, however, has become a stable business segment.

Vónin Aquaculture is set to expand its Noðshálka premises in the near future, according to Mr. Petersen. A 1,500m² workshop for aquaculture nets will be added to the existing building; offices, conference facilities and other parts will be modernized.

In other news, Vónin newly purchased and installed tension tools and spooling devices in Fuglafjørður and in Tórshavn, useful and convenient for readying steel wires and other ropes.

In Lithuania, Vónin last year extended its new manufacturing facility by an additional 5,600m², making it 9,600m².

Founded in 1969, Vónin today has offices and net lofts across the North Atlantic, with more than 300 employees in seven countries including the Faroe Islands: Norway, Lithuania, Russia, Iceland, Greenland, and Canada.
Together with Iceland’s Skaginn 3X and partners, processing technology firm Njord has signed two major contracts for delivery of fish processing plants in the Russian Far East—and is now eying a third large order in the same region.

**FOOD** industry development and project management consultancy Njord has, in collaboration with Icelandic equipment manufacturer Skaginn 3X and partners, signed contracts for delivery of two separate fish processing plants for a company in Russia’s Sakhalin region in the Far East. The first order, delivered in 2017, was followed by a second one early this year (2018), with construction completed and installation of machinery expected to begin by mid summer, according to Njord managing owner Arni Carlsen. He added that a third major order from another client in the Russian Far East would hopefully be signed within “the very near future.”

The Far East contract wins follow in the wake of Njord’s successful delivery, together with Skaginn 3X and partners, of two advanced fish processing plants in the Faroe Islands: Varðin Pelagic at Tvøroyri, opened in 2012, and Pelagos 3X and partners, signed contracts for two major contracts for Skaginn 3X and partners, plants in the Russian Far East of machinery expected to begin by mid summer, according to Njord managing owner Arni Carlsen. He added that a third major order from another client in the Russian Far East would hopefully be signed within “the very near future.”

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Apart from setting up large factories, Njord are frequently hired to help put together business development projects of various sizes, especially in the seafood industry.

“The industry’s demand for efficiency is rapidly increasing, as are standard requirements for food safety,” Mr. Carlsen said. “Food processors are therefore looking at how to optimize their production. There is fierce competition in most places, which means proper understanding of how to use new processing technology is critical to achieving good results—and that is something that needs to be taken into account before the launch of any food processing enterprise.”

“We provide a wide range of services and solutions for food processors, and that includes design and development of equipment, management with no need to physically inspect operations, and delivery and installation of equipment,” Mr. Carlsen said. “We do parts as well as entire factories—a automated grading, filleting, chilling, freezing, packing, palletting, and more. The way we work is very technology-driven and analytical and we have access to industry-leading resources, not least through our close collaboration with Skaginn 3X.”

**KURILS, KAMCHATKA**

A growing proportion of Njord’s activities are dedicated to exports, whether to the near abroad or farther away. Apart from working with Skaginn 3X as an agent, Njord also has a sister consultancy with state-of-the-art processing technology that can be improved, but also that can be improved, but also needs to be taken into account before the launch of any food processing enterprise.”

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Kurils, Kamchatka

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Then shortly after, by February 2018, a new contract was signed with the same client, who happens to be one of the major fish industry players in the Russian Far East.

“New facility now underway is located on the island of Shikotan, also in the Kurils; it will be equipped with technology to grade, pack and freeze 900 tonnes of pelagic fish per day, according to Mr. Carlsen. “The cooling, handling and freezing technology is expected help raise product quality and drive demand,” he said.

In a separate development, meanwhile, on the Kamchatka Peninsula, a potential client is considering an offer on a complete processing plant for pelagic fish. “This is an exciting case as well and we’ve already gone through a range of analyses and, based on that, a proposed solution has been presented,” Mr. Carlsen said in May 2018. “The impression is our proposal has been received favorably and is being considered in a positive light; so we hope a contract will be signed in the very near future.”

Making Inroads in the Far East
Expect us.

Vørn—the Faroe Islands Fisheries Inspection—monitors and controls fishing activities within the Faroese exclusive economic zone and the activities of Faroese fishing vessels in foreign waters.

It’s our job to:

• Ensure that all fishing laws and regulations are kept;
• Provide towage and salvage assistance to Faroese and foreign vessels;
• Conduct pollution inspections and cleanup oil spills;
• Conduct safety equipment inspections;
• Provide information and guidance to fishermen.

The world’s best salmon starts out as the world’s best spawn

At Marine Harvest we take special care with every production detail. Spawn, smolt and salmon need the very best surroundings to grow, which allows us to produce the best salmon in the world. Through continuous innovations and sustainable developments, Marine Harvest has become the world’s largest and foremost producer of farmed Atlantic salmon.
STEEPING UP TO THE PLATE

An up and coming flag jurisdiction for merchant vessels, an international transit hub undergoing significant development of port facilities, a growing center of maritime and logistics services, and the best thinkable training of sea officers.
Raising the international profile of the Faroe Islands as a flag jurisdiction while promoting the FAS registry beyond Scandinavia, the Faroese Maritime Authority is considering ways to develop closer ties with the Paris MoU on Port State Control.

**FAS – The Faroe Islands International Ship Register**

The Faroese Maritime Authority (FMA), the government agency administering the FAS ship registry, is contemplating ways to increase collaboration with the Paris MoU on Port State Control, according to FMA Director General Hans Johannes á Brúgv, who says that funding has been secured toward that end.

Meanwhile, the FAS—the Faroe Islands International Ship Register—is increasingly being promoted beyond the Nordic countries, with growing interest noted among shipowners in Greece and Turkey.

“The decision has been made to seek closer ties with the Paris MoU in the near future,” Mr. á Brúgv told the Faroe Business Report in May 2018. “We have been given the full backing of the Ministry of Foreign Affairs and Trade and we are ready to take part in and support the various processes that might be required in this connection. We further see this as integral to boosting the long-term viability of the Faroe Islands’ maritime industry.”

Paris MoU’s mission is “to eliminate the operation of sub-standard ships through a harmonized system of port State control.” The organization consists of 27 participating maritime administrations, covering the waters of the European coastal States and the North Atlantic basin from North America to Europe.

“We take our role as a flag state seriously and would be pleased to contribute more directly to the Paris MoU [Port State Control] regime in our part of the world,” Mr. á Brúgv said.

“The Faroe Islands is emerging as a quality flag and a respected jurisdiction. We are a tiny nation with a great seafaring tradition, and the Faroese society is a modern one with a highly educated workforce. We’re part of the Nordic governance heritage yet retain our own culture, where the smallness of the population in fact brings valued advantages for shipowners—our administration is small and uncomplicated to deal with.”

The Faroe Islands’ maritime services sector has been growing slowly but steadily for years, with the FAS registry considered a key element in driving that development.

“Having available a proper range of services relevant for the maritime industry is one of the fundamentals that has been addressed in recent years,” Mr. á Brúgv said. “We’re talking about legal, financial, technical, and much more; in the educational sector, for example, we’ve seen a great deal of new developments. Overall, the Faroese business environment has evolved into a very competitive one as far as concerns international merchant shipping.”

On that note, to complement its existing clientele, largely Scandinavian, the FMA has established a presence in the region through a representative based in Turkey.

“We participated in trade events in Greece two times since 2016,” Mr. á Brúgv added.

The FAS offers several attractive features and benefits for shipowners, not least economically and fiscally. One such example is the tonnage tax system, with low rates and a simple and straightforward calculation formula. Another one is the cash-flow friendly wage tax refund scheme, which promptly repays the employer the income taxes charged from the crew.

PSG is generally known as the global system for combating substandard shipping or, as defined by the International Maritime Organization (IMO): “the inspection of foreign ships in national ports to verify that the condition of the ship and its equipment comply with the requirements of international regulations and that the ship is manned and operated in compliance with these rules.”

“We noted a sharp increase in interest the second time around, receiving queries from Greek and Turkish shipowners in particular. As of late, we’ve established a presence in the region through a representative based in Turkey.”

The ‘White List’average-performing flags associated with flag states, ranging from ‘White List’ quality flags with a consistently low detention record through ‘Grey List’ average-performing flags to ‘Black List’ low-performing flags associated with high or very high risk. The ranking system is based on the total number of inspections and detentions over a 3-year rolling period for flags with at least 30 inspections in the period.

The Faroese flag has remained on the ‘White List’ since 2010. There are 12 PSC organizations around the world. The Paris MoU, the first one of these, is recognized as the body that set the international standard for official ship inspection.

In other news, the FMA has worked extensively on digitalizing maritime certificates and endorses the International Maritime Organization (IMO): “the inspection of foreign ships in national ports to verify that the condition of the ship and its equipment comply with the requirements of international regulations and that the ship is manned and operated in compliance with these rules.”

**FAS tonnage tax table** — each ship is taxed at an 18% fixed rate of taxable revenues (taxable revenues calculated from net tonnage/on-hire day).

- **Vessels up to 1,000 NT:** 6 DKK per 100 NT per on-hire day.
- **Vessels over 1,000 NT up to 10,000 NT:** 4 DKK per 100 NT per on-hire day.
- **Vessels over 10,000 NT up to 25,000 NT:** 3 DKK per 100 NT per on-hire day.
- **Vessels over 25,000 NT:** 1 DKK per 100 NT per on-hire day.
GETTING READY FOR THE BIG ONE

In the midst of a major capacity upgrade, the Port of Tórshavn is extending threefold the industrial harbor at Sund—while boosting East Harbour docking space and tripling available storage there to accommodate rapidly rising traffic.

Developments at the Port of Tórshavn have accelerated to unprecedented levels even as Faroese seafood exports alongside imports of construction materials and consumer goods hit an all-time high in 2017. With Tórshavn’s East Harbour undergoing an extension that will see docking space significantly increased and storage capacity tripled through the addition of 95,000 square meters to the existing 45,000m², the industrial harbor at Sund is meanwhile being extended by a 50,000m² area for commercial activities with the option to add 350m of quay. All of this is occurring against the backdrop of a historic milestone in the Port of Tórshavn, where domestic ferry and bus operator SL also has several daily port calls. A further segment of clients, bulk freighters, mostly call at the Kollafjørður harbor in connection with exports of fish products from the PP Faroe Pelagic processing plant there.

Back in Tórshavn, as well as adding docking and storage space allocated to cargo traffic, the East Harbour extension will make more space available for cruise tourism. With about 45 cruise ships calling at the port during summer, amid a boom in the total number of tourists visiting the Faroe Islands, cruise tourism is considered an important and growing component in the mix of port business, although commercially, cargo shipping—whether container, roll-on/roll-off, or bulk—remains by far the largest revenue generator for the Port of Tórshavn.

According to Mr. Hjelm, growing demand has been noted of late for a sizable industrial area at Sund. As of this writing (mid March 2018), a development project was well underway with landfill coming from drilling and excavation nearby, related to the building of the Eysturoyartunnilin.

“This new industrial area is something that can be utilized for a wide range of purposes,” Mr. Hjelm said. “From aquaculture and food processing to decommissioning in the oil and gas sector, the possibilities are virtually endless. We’ve had quite a few queries and the amount of interest shown has been such that we decided to move forward with this development. Once work is completed, by estimates in the third quarter this year, we will have roughly tripled the space available for commercial activities at Sund. So we are looking for a healthy pace of growth in and around the port, and the idea is also that new commercial activities at Sund will in turn generate more business for suppliers and contractors.”

'Quayside and shore', © Port of Tórshavn.

Port of Tórshavn
Tórshavnar Havn
PO Box 103, FO-110 Tórshavn
www.portoftorshavn.fo
E-Mail: port@torshavn.to
Tel: +298 311762
Fax: +298 319059

Chief Financial Officer: Mr. Annfinn Hjelm

The Port of Tórshavn is the largest and busiest in the Faroe Islands. Recognized as a base for North Atlantic fishing fleets, a focus for the nation’s container and ro-ro ferry traffic and a growing summer call for cruise ships. The port offers an unrivalled concentration of quality maritime services and expertise at its four main harbour areas, all of which are ISPS compliant, manned 24 hours a day.

CFO Annfinn Hjelm; Container vessel docking at the East Harbour (below); Development at Sund (opposite, left); Extended East Harbor as visualised (opposite, right).
Mest is the Faore Islands’ leading shipyard and engineering group. Shipbuilding, conversions, repairs, maintenance, related services. Technical consulting. Advanced tools for e.g. vibration analyses, stability calculation, laser alignment. Comprehensive service department, general agents for leading brands in marine and food industry equipment and accessories.

TOORSHAVN:
- Berth length 200 m, 
  Two slipways 2500 + 1000 tonnes,  
  Two construction halls, Mobile cranes.

SKALA:
- Berth length 400 m,  
  Dry dock 115 m,  
  Slipway 1100 tonnes, Construction hall, Mobile cranes.

RUNAVIK:  
- Design and manufacturing of stainless steel equipment and processing lines. 
- Specialised in broad hygiene conveyor used in food industry. 
- Fishing equipment.

PAM OFFSHORE SERVICE:
- Specialists in providing skilled manpower for oilfield services companies.

CEO Mourtiz Mohr at the yard in Torshavn; 
Opposite, top to bottom: 
- Working on a semi-automatic lathe (left); 
- Expert conducting analysis for preventive maintenance, using a vibration measurement tool (right); 
- Laser cutter for stainless steel and other hard materials; 
- Ball氟rost FSV ’Hans a Baika’ in the dry dock at Skála.

FOR MEST SHIPYARD, WITH MORE THAN 120 YEARS OF EXPERIENCE, INNOVATION AND ADVANCED TECHNOLOGY ARE VITAL TO CONTINUED SUCCESS—IT TAKES MORE THAN HAMMERS AND TORCH CUTTERS TO BUILD AND REPAIR SHIPS IN THE MODERN ERA.

MODERN shipyards are about much more cutting-edge skills and technology than meets the eye. Staffed with some 300 experienced and skilled craftsmen, including engineers, mechanics, welders, electricians and more—and equipped with top-notch machinery and tools—the Faroe Islands’ MEST Shipyard is widely relied on for offering repairs, maintenance and services for a diverse range of vessels.

“In this day and age, quite a lot more than traditional blue collar skills are needed to stay relevant and competitive,” said CEO Mourtiz Mohr. “As this business moving forward, our focus on modern design, innovation and technology has increased significantly in the past few years. We have noted growing demand, largely propelled by recent developments in the pelagic fishing and aquaculture industries, two major industries in the Faroe Islands. These have to a great extent been the driving force for the development and change we’ve seen of late.”

The emphasis on advanced technology has thus become integral to the core business of the yard, Mr. Mohr added, pointing out, as an example, that MEST is the only yard within a very large radius in the Northeast Atlantic that is equipped with an ABB balancing machine for turbo chargers.

An in-house engineering and drawing department has always remained critical to planning and preparatory work at MEST. Today’s 13-strong design and development team consists of highly trained mechanical engineers and naval architects, able to offer competitive solutions in consultancy, design, and project management. The department is equipped with state-of-the-art software such as Shipshape, ANSYS and Autodesk for stability calculations, engineering simulation and computer-aided design.

NEW OCEANIC RESEARCH VESSEL
MEST is currently in the process of completing its 113th newbuild, a highly sophisticated research vessel for the Faroe Islands’ official Marine Research Institute (Havstovan). The ship, awe with the latest technologies for scientific analyses and related processes—alongside navigation, communication, fish finding and catch—is scheduled for completion in 2020.

“We are proud to have been chosen for the design and construction of this vessel,” Mr. Mohr said. “The contract is the largest in the history of our yard and will generate new jobs as well as creating valuable expertise for MEST with regard to shipbuilding. The new vessel will be smaller than the average marine research ship, however it will have the equivalent standard technologically as similar ships used by other Nordic countries.”

Other current shipbuilding projects include a trawler for a Norwegian owner and several service vessels for the Faroese aquaculture businesses. The service vessels are a relatively new breed of catamarans, renown for excellent performance at sea and the ability to operate in tough weather conditions.

MEST Shipyard is a modern yard with traditions dating back to 1989 in shipbuilding, conversions, repairs and maintenance. Headquartered in Tórshavn, with additional locations at Skála and Runavik, the yard has three slipways and one dry dock and a slip capacity of up to 2,500 tonnes; the company has several modern and spacious workshops and can provide re-buildings and repairs of vessels up to 120 meters. In addition to the two yards, in Tórshavn and at Skála, respectively, MEST has a production unit for stainless steel processing equipment and components, based in Runavik.

Services are offered for all systems and sections of a vessel, including deck machinery, cranes, cylinders, valves, engine blocks, propulsion systems, and more. As most companies with marine activities have become more aware of cost-saving, preventive maintenance has become more important. MEST today has a number of contracts with vessels as well as onshore facilities to keep equipment in top notch condition via regular technical vibration analysis by MEST experts.

Innovation is in fact a basic necessity to get things done in the Faroe Islands, sales and marketing manager Richard M. Mortensen commented. “In all our offerings—ranging from shipbuilding through repairs to the whole array of services—the innovative spirit and the flexibility that goes with it is part of our fundamental values,” he said. “To survive as a business in the Faroe Islands, flexibility is an absolute requirement.

“MEST Shipyard has become a much used service provider, not only for the Faroese but also for a wide range of clients from Iceland, Russia, Scotland, Norway, Greenland and other countries. We are able to draw from more than 120 years of experience in shipbuilding and ship repair. In addition to our two yards we have mobile teams able to deliver on-site service and repairs in all Faroese harbors on very short notice.”

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Faroe Express offers an array of domestic and international transport and logistics services including courier, airfreight, warehousing, door-to-door services and more—such as container shipping by sea.

A considerable number of services, not least in transport and logistics.

Faroe Express was formed about two decades ago, focusing on the areas of ocean freight, airfreight, import and export, and domestic transport services including bonded warehousing.

According to Mr. Moraitis, there is also an increasing demand for international forwarding services, and the business strategy has recently been broadened from its earlier emphasis on courier services.

“We like to present ourselves as a comprehensive transportation company offering all services related to import and export to and from the Faroe Islands, and a full range of transit services around the world,” he said.

“As a part of the Eimskip Group, we are affiliated with major transport companies around the world, utilizing the broad service networks and production systems of our partners. The Faroe Islands, like any other country, needs reliable and timely shipping services. The needs however differ rather much and some clients require services that go beyond what most importers and exporters require. We work very closely with our clients and partners to ensure the best quality service. We also have extensive experience in cargo that requires special attention and oversized cargo.”

To drive that point home, Faroe Express, for a second consecutive year, is holding a spectacular relay race in August this year (2018) in the area around its premises at Tórshavn’s East Harbour.

“The relay race last year was the first one and it was hugely popular,” Mr. Moraitis said. “We expect a good outcome again this year. We have a team from every part of the Eimskip Group with strengths that Faroe Express is involved with for everyone to enjoy.”

**WORLDWIDE**

Offering all relevant services associated with freight and door-to-door services includes a serious commitment to customs and paperwork on behalf of clients.

“Besides organizing transport and shipment and added services, by default we also handle the whole range of customs and documentation issues,” Mr. Moraitis said. “Our bonded area warehouse is exactly for the purpose of making the entire process from shipment through customs and delivery as seamless as possible for our clients.”

Faroe Express has its own fleet of vans and access to the Faroe Islands’ largest fleet of trucks as well as the country’s largest warehouse. Customers are offered a high degree of flexibility with options that include prompt or delayed customs clearance and individually adjusted delivery. “An added benefit for many customers is that they can free up liquidity, time and space by using our warehousing service, and many retailers, for example, opt for this. As well as handling all paperwork and customs, we can also take care of distribution to end customers who have the option of either having us delivering the shipped items to their door or to pick up them up themselves at the warehouse.”

Mr. Moraitis further noted that being part of the Eimskip Group has strengthened Faroe Express’ appeal to its customer base—that the company has access to offices in more than 20 countries and is furthermore part of a network that reaches every corner of the globe.

“Our transport and logistics infrastructure connects the Faroe Islands directly to Scandinavia, Northern Europe and North America and indirectly to the rest of the entire world,” he added.

Faroe Express managing director Jannis Moraitis; Stored cargo on shelves in the Faroe Express warehouse (bottom left).
A mainstay of the pelagic industry for many decades, the Port of Fuglafjørður continues to consolidate its position by adding new facilities and services, including boosting power supply capacity for vessels calling.

2017 WAS by all accounts a very busy year for the Port of Fuglafjørður with some 1,051 port calls, of which 218 were foreign vessels. The gross tonnage totalled 2.66 million for the year, and the throughput of 900,000 tonnes. Combined, the numbers represent a dramatically increased level of business activity for the Port of Fuglafjørður. The previous record is held by 2015, which saw 858 ship calls, 259 of them foreign, and a gross tonnage of 2.08 million. As for 2016, the number of port calls amounted to 771, whereas 198 foreign.

“We are pleased with the numbers,” said Port Director Rólant Højsted, “while at the same time we need to take into account that some unusual factors played a very significant role in these figures.”

One of the major reasons for the extraordinarily large number of vessels calling at the Port of Fuglafjørður stemmed from the regrettable fact that a fire destroyed the freezing plant at Tvøroyri. That incident generated a substantial spike in the number of pelagic vessels opting for Fuglafjørður for unloading their catch.

Regardless, Fuglafjørður is a long-established port of call for the pelagic fishing industry — home to the giant fishmeal, fish oil and feed plant Pelagos, which opened for business in 2014, cold storage facility Bergfrost, bunkering station Efó, and fishing gear manufacturer Vónin, all located along the same stretch of quay.

“Now with things returning to normalcy at Tvøroyri, we expect a somewhat lower number of ship calls for this year [2018],” Mr. Højsted noted. “On the other hand, we had a very strong beginning of the year with quite a number of business during the first quarter. A rough estimate for the year would be just about the same number of port calls as in 2015, which by all means was a very good year.”

As a former seaman himself with experiences from working on fishing boats and subsequently on merchant vessels, Mr. Højsted is well aware of the many natural and economic factors that may influence the port business.

“The Port of Fuglafjørður has a well-established market position, and we are looking to build on that to further develop our infrastructure and services, as well as continuing to cultivate our network of business associates and friends everywhere. We believe this port has a great future.”

NEW POWER GENERATOR

With pelagic fisheries at the core of the port’s business, bunkering has also become one of the main sources of port traffic. The only port in the Faroe Islands to offer heavy fuel for marine vessels on a commercial basis, Fuglafjørður has seen steady growth in this segment, which is largely driven by demand from international vessels.

Other core attractions, such as the recently expanded Bergfrost cold store and the brand new net loft and head-quarters of gear maker Vónin, likewise contribute to the continued development of the port.

The Port of Fuglafjørður is a preferred port of call for many large foreign vessels, also for vessel-to-vessel trans-shipment, and indeed for using the excellent natural harbor as a place of shelter during rough weather. Many of the foreign vessels are equipped with high capacity freezers that require a lot of electrical power, thus making it necessary to keep the main engines constantly running for power supply. But with environmental regulations tightening to reduce emissions and likely soon as well to reduce noise levels, vessels will need more electricity supplies from ports.

“We welcome all appropriate regulations in this area,” Mr. Højsted said. “The need for power supply for many of these foreign ships will likely increase markedly, as they cannot just shut down their freezers, for example. Now, to boost our supply of electricity made available to vessels calling at the port, we’re considering to purchase a 500KW mobile power generator, much based on our experience of hiring one.”

Mr. Højsted added that no decisions had been made yet as of this writing (May 2018).

“As a modern port we want to offer our customers’ needs to be catered to in the best possible way. At the same time we need to keep in mind the best interest of the local community that we represent. From that viewpoint, regardless of if or when any of these government regulations are introduced, it makes sense for the port to invest in that generator.”
With a series of expansions carried out in recent years, Fuglafjørður-based cold storage facility Bergfrost has substantially grown its capacity to become one of the largest cold stores in the entire Nordic Seas region.

**FUGLAFJÓRÐUR's cold store Bergfrost**

has completed two major expansions which have increased its cold storage capacity to as much as 25,000 tonnes, making it one of the largest cold storage facilities in the entire Nordic Seas region, larger than any other in the Faroe Islands or in neighboring Iceland for that matter. The company is also considering to extend its dry storage capacity, according to managing director Símin Pauli Sivertsen.

“We have finally completed our cold store extension program,” Mr. Sivertsen said in April 2018. “The last project took somewhat longer time than expected to complete, with more final touches needed than originally planned. Now with all that out of the way, we can have up to at least 25,000 tonnes in cold storage at any given time. So this is good news for those of our clients whom we haven’t been able to serve lately because of the dramatically increased level of business activity in our immediate neighborhood.”

“At the same time,” Mr. Sivertsen added, “we’re contemplating an extension of our dry storage warehouse. Many of our clients request dry storage services and with the increased business we’ve seen in the last few years, that demand has come to a point where we’ve felt compelled to seriously consider our options and so we’re currently taking a closer look at how to go about a possible expansion of our dry storage capacity. However, no final decision has been made yet in this regard.”

**IMPROVING LOGISTICS**

Bergfrost’s business activities have increased markedly since 2007, when Mr. Sivertsen took the helm. During the following year, the facility’s total storage of frozen fish—from domestic and foreign reefer ships and freezer trawlers carrying pelagic fish, whitefish, or shellfish products—amounted to 17,000 tonnes. The corresponding figure in 2017 totaled a stunning 50,000 tonnes.

“We’ve seen tremendous change and a tremendous rise in activity levels,” Mr. Sivertsen noted. “From our perspective, the primary driver of this development has been the booming pelagic fisheries, and second, as a result of that, the launch of the Pelagos freezing plant in 2014, which quickly became our largest client.”

**As a long established center for the pelagic fish industry, Fuglafjørður remains a key location.**

“We embarked on an expansion program for our cold store in 2016 and doubled the cold storage capacity from 7,000 to 15,000 tonnes,” Mr. Sivertsen said. “Then a year later we began a second extension and further increased our capacity to 25,000 tonnes.”

The Bergfrost cold storage facility is located inside a tunnel system at the foot of the 571-meter mountain Borgin towering above the town of Fuglafjørður. The facility’s entrance is perfectly situated between the Pelagos freezing plant and the havsbrún fishmeal, fish oil and feed factory.

Originally opened in 1996, Bergfrost has built a strong reputation as a reliable, high-quality cold store with a very robust operational stability due to the natural insulation offered by massive layers of solid rock.

“These are extreme levels of natural insulation,” Mr. Sivertsen said. “It’s one of our great advantages but of course has its drawbacks—it takes quite a long time to change temperatures in the cold store tunnels. That is one of the main reasons for the emphasis we’ve placed on optimizing the energy consumption, and for that we use advanced computer systems to monitor all the sections and automatically adjust the temperature on an ongoing basis, so that we can maintain the right temperatures at all times and at the same time prevent or reduce any energy waste.”

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“These are extreme levels of natural insulation,” Mr. Sivertsen said. “It’s one of our great advantages but of course has its drawbacks—it takes quite a long time to change temperatures in the cold store tunnels. That is one of the main reasons for the emphasis we’ve placed on optimizing the energy consumption, and for that we use advanced computer systems to monitor all the sections and automatically adjust the temperature on an ongoing basis, so that we can maintain the right temperatures at all times and at the same time prevent or reduce any energy waste.”

“We embarked on an expansion program for our cold store in 2016 and doubled the cold storage capacity from 7,000 to 15,000 tonnes,” Mr. Sivertsen said. “Then a year later we began a second extension and further increased our capacity to 25,000 tonnes.”

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KSS YARD: THE RIGHT PEOPLE FOR THE JOB

With a new slipway completed and a new workshop hall underway, Klaksvík’s repair yard KSS delivers more and more electrical powered winches—considering the use of apprentices part of a longterm strategy.

KLAKSVÍK repair yard KSS could celebrate a major step forward with the completion of its new 1500-tonne capacity slipway in 2016. The new slipway, with a capacity to haul up the majority of the active domestic fishing fleet in the Faroe Islands, only excluding the largest trawlers, represents a significant upgrade of the yard, which has seen remarkable advances in recent years.

On a separate note, KSS has its own approach to boosting workforce skills and competencies, placing emphasis on longterm market development in the process, according to CEO Frimodt Rasmussen. At the core of the company’s policy to strengthen employee capabilities is the employment of a relatively high number of apprentices, currently 23 of them—that is, roughly one-third of the workforce. The KSS management has long come to realize that in order to stay relevant in the competition for repair and overhaul customers, a good geographical location and modern equipment is not quite enough—good craftsmanship and a longterm employee strategy are essential, too. Every year, four to five KSS apprentices become fully trained craftsmen.

“We are generally aiming at retaining one of every 10 apprentices we hire,” Mr. Rasmussen said. “The apprentices are crucial to our recruitment process, and a critical part of our longterm strategy for building awareness, which in turn is necessary for expanding and consolidating the yard’s domestic market position.”

As he points out, well trained and skilled employees play a vital role with regard to the company’s future growth.

“Our experience is that young men, typically, who have grown tired of school, make remarkable progress once they become apprentices,” Mr. Rasmussen said. “As they go on to learn a wider range of valuable skills, they become more confident with their own abilities; so for everybody it’s a win-win situation, whether it’s KSS, our apprentices, their colleagues, our clients, the local community or society in general.”

GOING ELECTRIC

In recent years KSS has increasingly become a viable option for vessels in the Faroe Islands and the wider Northeast Atlantic, with new orders received more frequently than ever before. The yard provides an array of services and solutions for all types of ships, focusing squarely on top-quality work and quick service, whether for maintenance, repairs, alterations or overhauls. With its capacity growing under the leadership of Mr. Rasmussen, the recognition enjoyed by the business has clearly been raised to a new level.

The Faroe Islands’ central location in the triangle between Scotland, Iceland and Norway is close to main shipping routes as well as some of the best fishing grounds in the North Atlantic. Located in Klaksvík, Faroe Islands’ second largest town with a deep natural harbor and a wide array of maritime services, KSS is able to present compelling arguments to owners and operators of vessels needing repairs and maintenance. With long experience in the trade, and a history going back to the 1920s, KSS has developed a particular competitive strength in, for example, key aspects of engines and hulls.

“KSS has a proven record with general repairs and fitting out ships ranging from fishing boats and offshore support vessels to car and passenger ferries, even yachts, bulk freighters and workboats including tugs and fire boats,” Mr. Rasmussen said. “Not least because of this, we have seen healthy and ongoing business growth over recent years.”

Much of this growth has taken place within the domestic market, yet KSS is meanwhile making strides in establishing new business relations in neighboring countries.

The company is agent and service partner for Spain’s Ibercisa in the Faroe Islands as well as in Denmark, Greenland, Iceland, Norway, Sweden, the United Kingdom and Ireland. Ibercisa is a major international brand in deck machinery equipment, in particular when it comes to electrical powered winches, and feedback from customers who have opted for these winch systems has been overwhelmingly positive, according to Mr. Rasmussen.

“Both Faroese and foreign fishing vessels are increasingly discovering the benefits of the Ibercisa electrical trawl and purse seine winches,” he said.

“Traditionally, hydraulically powered winches have been the solution of choice for most of our customers. With the latest technological breakthroughs, however, electrically powered winches seem to be winning over the hearts and minds of many, and are now getting a lot of positive notice. It seems people everywhere are looking at the electrical option so this technology is clearly gaining traction.”
From disaster to renewed optimism, the Port of Tvøroyri is back on track after a year in the dark, again expecting economic growth—with a new, rebuilt pelagic processing plant and a refocused strategy on cruise tourism.

NO ONE could have foreseen the unfortunate turn of events in June 2017 when, in a matter of hours, the economic outlook for the Port of Tvøroyri along with the surrounding community took a nosedive into the unknown. The optimism that had followed the opening of the Varðin Pelagic freezing plant a few years ago, was all of a sudden being replaced by a palpable sense of doubt and uncertainty. This because of a fire that ravaged the town’s largest employer, wiping out more than 150 jobs and the primary source of revenue for the port and the entire municipality.

The word came out quickly, however, that Varðin Pelagic intended to rebuild the processing plant and restart production as soon as possible. A year later optimism, albeit somewhat tempered by natural cautiousness, has slowly but surely returned to Tvøroyri, as the facility has indeed been built anew and is now in the final stages of completion.

According to Port Director Jón Bogi Guttesen, the new production plant is expected to commence business by August or thereabouts, completely rebuilt and in the process made more refined and modern than before.

“Despite the disaster that happened, this entire development remains an overwhelmingly positive story,” Mr. Guttesen noted. “We’re pleased that the Varðin Pelagic management acted quickly and decisively to inform that the factory would be rebuilt. Ever since the fire, the port has of course been affected by the reconstruction effort including the initial removal of debris and old parts. As for shipping activities, we have had to adapt to the situation at the port to steer clear of disrupting the clean-up process and the following construction work. As one of many stakeholders, Port of Tvøroyri is looking very much forward to seeing production resumed at Varðin Pelagic, along with all they daily activities that go with it. All the while, our focus continues to be centered on offering the best value and service for our customers.”

Thus Tvøroyri is again poised to reclaim its place as a key Faroese hub for not merely the pelagic fish business but also the whitefish trade, with a leading expertise in seafood processing. Two whitefish producers, Delta Seafood and TG Seafood, respectively, are based out of the Port of Tvøroyri, with the former focused on salted products and the latter on fresh and frozen. Both factories have a long tradition of working closely with the water supply and enable us to process at Varðin Pelagic is expected to bring back frequent port calls by pelagic fishing vessels arriving to land their catch as well as reefer ships to accommodate shipments of frozen produce for export markets.

As an added bonus, more frequent calls by cargo vessels will make it much more convenient for local businesses to import or export goods.

“SOLID FOUNDATION”

However, it’s not all about fish. The Port of Tvøroyri has been proactively pursuing a new strategy to attract more attention from cruise ship operators. Preparations and tests have been ongoing for a while with the strategy partly implemented in 2017 and its further rollout ongoing.

According to Mr. Guttesen the plan is not to lure the largest cruise liners to the port, as ships that carry up to, say 800 passengers, would be a maximum to accommodate at Tvøroyri for all practical reasons. Instead, somewhat smaller cruise ships are considered more suitable for the port and, indeed, for the island of Suðuroy.

“Our approach to cruise tourism is a realistic, down-to-earth one,” Mr. Guttesen said. “The Port of Tvøroyri, along with local partners, is backing this effort based on experiences from 2016 with smaller cruise ships carrying around 400 passengers, and associated tests have yielded good results. We consider it vital not to overstretch the capacity and capabilities of the hinterland—the local population, service providers and everyone involved need to be able to provide the best services and the best experience for the guests.”

“To sum it up, we’re optimistic and we’ll keep developing in various departments to improve our offerings,” Mr. Guttesen added. “For example, one project will create quite an increase in the water supply and enable us to provide certified clean water to all operators in the main harbor area. Generally speaking, the port has a solid foundation and we’re ready to take on the renewed growth in business activities that’s expected in the months and years ahead.”
Navigation and engineering school Vinnuháskúlin is ready to move ahead with an important expansion to consolidate its training programs under one roof—completing its comprehensive upgrade process that was initiated in 2014.

With some 250 trainees attending the school on an annual basis, Vinnuháskúlin (VH) plays a vital role in educating and training the Faroe Islands’ navigators and marine engineers. And with maritime business at the heart of the country’s economy, fostering the best conditions and a modern educational framework to meet today’s standards and requirements is a constant priority for VH, according to managing director Wilhelm E. Petersen.

Under the leadership of Mr. Petersen since December 2013, the school has undergone an overhaul with major upgrades in equipment and technology combined with modernization of training programs and courses.

The final phase in this upgrade process will be the extension of the VH building to make room for gathering all classes under one roof, a plan that is now underway.

“Our focus remains to stay on par with the best international establishments in this field,” Mr. Petersen noted. “We’re confident that we’re able to fulfill our stated goal of being the best and most effective training for navigators and engineers. As we have undergone this process of modernizing the school and boosted and updated our equipment and implemented the latest technology, we have likewise, importantly, improved and adjusted our training programs and courses.”

Back in 2005 the Faroese maritime education system made a significant leap forward with the merging into one of three schools: Sjómansskúlin (navigation), Maskimoistarskúlin (engineer) and Brandskúlin (fire prevention and firefighting). The idea was to consolidate the three schools under one name and one roof, which is essentially how the VH was created. However, at the time the completion of all aspects of the merger turned out somewhat more challenging than expected.

Now at last time has come to take that step. It basically consists of adding a new 1,200 square-meter structure to the building that houses the VH’s main location at Nótir in Tórshavn, to make room for the engineering classes, thereby keeping the entire VH under one roof.

Detailed price calculations and budgeting for the project were not available at the time of this writing (May 2018), however the cost is roughly estimated at around 21,000 DKK per m², which will land the total price at just about 30 million DKK.

‘SECOND TO NONE’

As the VH is government-owned, financing is generally funded by appropriations under the Faroese national budget. According to Mr. Petersen, the Ministry of Education, Research and Culture has expressed its support for the school and training programs in line with the recommendations of the Danish Maritime Authority, we are in a better position than ever to help maintain quality in general, and allow for more synergies as all of VH will share one common environment. Only time will tell how much difference this will make; but it will potentially make a very big difference.

VH’s main training programs are Skipper, Master of Navigation, Engineer 2999 KW, and Engineer Unlimited. In addition the school offers an array of additional courses for maritime professionals in subjects such as safety, search and rescue, utilization of new technologies and more, all of which are compliant with internationally recognized standards and specifications.

“As I’ve pointed out earlier, when it comes to equipment and technology, VH is second to none in the entire Nordic Seas area. Now that we’ve brought our main programs in line with the recommendations of the Danish Maritime Authority, we are in a better position than ever to help maintain quality in general, and allow for more synergies as all of VH will share one common environment. Only time will tell how much difference this will make; but it will potentially make a very big difference.”

We are very much looking forward to seeing the extension project get underway as it’s quite an exciting plan that will bring a boost to the maritime training programs and courses,” Mr. Petersen said. “Hopefully construction will commence in 2019.”

“Concentrating our activities in one location will greatly improve working conditions for teachers and other staff, and will generally raise the quality of the training,” he added.

“It has to do with putting our resources more effectively to use, saving time and effort for everyone, not least trainees and teachers. So it will bring more time efficiency and effectiveness in general, and allow for more synergies as all of VH will share one common environment. Only time will tell how much difference this will make; but it will potentially make a very big difference.”

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Varðin is a leading owner-operator of commercial fishing vessels in the pelagic industry of the North Atlantic. Based in Gøta, Faroe Islands, Varðin runs a fleet of state-of-the-art vessels under a management regime that promotes and enforces the strictest measures to ensure sustainable and responsible fisheries.

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