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Consultation on Reform of the English Fisheries Management Arrangements

Marine Programme, Defra

April 2011

MINISTERIAL FOREWORD

I am pleased to be able to launch this consultation, detailing proposals for fisheries management reform in England. These seek to secure a more sustainable future for the fishing fleet as a whole, and specifically aim to address the issues facing the English under-10m fleet. The work conducted by the Sustainable Access to Inshore Fisheries (SAIF) Advisory Group, various research projects and discussions with an informal industry working group, have all made a vital contribution to this work. I would like to take this opportunity to thank all those that have contributed thus far to this important debate.

I look forward to receiving feedback from industry and other stakeholders to help us shape the final package of measures for English fisheries management reform, which we will be seeking to implement from 2012. I have said before that tweaking around the edges of our system will not be enough – we need to make bold and radical proposals, and also continue to push an ambitious agenda in Europe for Common Fisheries Reform. It is only by being bold, and working in partnership with all parts of industry and the many other people with an interest in fisheries, that we will secure a sustainable future for our seas.

A handwritten signature in blue ink that reads "Richard Benyon." The signature is written in a cursive, flowing style.

RICHARD BENYON

1. The Vision for English Fisheries Management

1.1 Fisheries are a diverse and valuable natural resource shared between communities, regions and nations, with governments managing access on behalf of society and future generations. English fisheries play an important role in providing food, jobs, wealth, and other social and cultural benefits, particularly in coastal communities. They should be managed in a way that is environmentally, economically and socially sustainable. We want to liberate fishing businesses of all types and sizes by decentralising management and reducing bureaucracy. This should allow fishermen the freedom to thrive, benefitting from healthy fish populations and ecosystems, with a profitable industry long term.

1.2 Fish must be harvested at an appropriate rate, with appropriate methods. Those closest to fisheries should have a real say in how fishing activity is managed, to safeguard and improve the long term health of stocks and the marine ecosystem on which they rely, along with securing benefits for coastal communities and making the most of marketing opportunities. Fishermen should be able to plan for the future with more certainty, and make the most effective use of the fishing opportunities they have, so that the industry can adapt and prosper.

1.3 To help achieve this we are seeking radical reform of the Common Fisheries Policy (CFP), and reform of fisheries management domestically in advance of that, so that all fisheries in England can be managed to:

- Allow fish stocks to be exploited sustainably and incentivise fishermen to operate sustainably;
- Maximise long term economic returns from fishing; reducing waste, in particular, discards;
- Enable the fishing industry to make a sustainable living, and plan for the future;
- Involve fishing communities in developing local measures to make the most of opportunities and realise fisheries' wider benefits;
- Reflect the diverse circumstances, ecology, and fishing practices of different regions, with measures that are effectively tailored;
- Better align public funds (e.g. European Fisheries Fund) with fishermen's real needs and opportunities;
- Enable fishermen to connect better with markets through newly enhanced Producer Organisations and community interest models;
- Allow greater partnership between catchers, scientists, regulators and managers to collect and use a robust and useful picture of the state of stocks and the marine environment.
- Allow space for the fishing industry and other interested parties to innovate, to improve profitability and sustainability.

1.4 Successive management regimes have failed to enable the English fishing fleet to thrive, and it faces huge challenges. However, the potential is there for all parts of the fleet to be economically, environmentally and socially sustainable.

1.5 We are currently working with colleagues from the Devolved Administrations to develop a new concordat, which will provide a framework within which each administration can manage their own fishing fleet most effectively. This consultation

is restricted to proposals to reform the domestic fisheries management arrangements in England only and is fully aligned with the emerging terms of the draft concordat.

2. Where are we now?

2.1. Members of Producer Organisations (POs) make up the Sector, with fishing rights defined through Fixed Quota Allocations (FQAs). These give some clarity on fishing opportunities available to individual fishing businesses each year. FQAs can also be traded between fishermen, although data on this and the associated values is limited. POs provide flexibility, pooling and management of quota on behalf of members. They can also help improve efficiency and returns, for example by identifying marketing opportunities. Despite this, larger scale businesses face similar challenges to the wider fleet – limited catching opportunities, overly complicated, centralised bureaucracy under the CFP, and all within a difficult economic climate.

2.2. The under-10m fleet, and larger vessels that are not members of POs, fish from pools of quota managed by the Marine Management Organisation (MMO) for the English fleet. The MMO tries to acquire extra quota through in-year trading, but this is unpredictable. This uncertainty can lead to vessels racing to catch available quotas when catch limits let them, and has encouraged investment in boats that are not in the spirit of small-scale or artisanal vessels. They can catch available quota as quickly as possible, but this ability to catch is often not fully used leading to unnecessarily high running costs. These vessels can fish for longer, go further distances and in more challenging weather conditions than their smaller counterparts. Indeed some catch significantly more fish than some of the over-10m fleet.

2.3. For the under-10m fleet, available quota is lower than existing fishing capacity making it difficult to manage the pool. Monthly catch limits can be low, with some early fisheries closures, and some fishing businesses struggling to make adequate profits. The uncertainty of the pool also makes it hard for fishermen to effectively plan their businesses. It is difficult for them to get best prices for catches as they cannot always target stocks at times when market prices are higher. Lastly, the pool system doesn't go far enough to take into account regional differences in fisheries and catching styles, with single catch limits on each stock for the whole fleet. The distribution of quota shares, diversity of the fleet, state of fish stocks, technological advances and the current economic climate have all contributed to these difficulties.

2.4. Overall, the current management system for quota stocks does not give English fishermen enough freedom to fish for a share of the catch at the most profitable time and at the lowest cost. Instead, it contributes to problems of overcapacity, overcapitalisation, and low profitability.

2.5. Non-quota stocks, fished both in and offshore by small and large vessels, are amongst the most valuable fisheries for many businesses. In part, this has been driven by dwindling quota availability. Amongst the brown crab industry especially, there are concerns that there are insufficient management measures in place to maintain sustainable stocks, and so this is another area requiring consideration to deliver sustainability in English fisheries.

2.6. Steps were taken towards reform of fisheries management in the English under-10m fleet in 2009, but to help address the many issues described above there needs to be fundamental reform of arrangements. The Sustainable Access to Inshore Fisheries (SAIF) project, supported by an independent Advisory Group and an industry working group, has been considering this. Work has included looking at capacity reduction, increasing available fishing opportunities, and making better use of quotas for improved return on investment. Delivering effective change cannot be achieved without impacts on all parts of the English industry, but Common Fisheries Policy reform, combined with proposals in this paper, could help to put the whole fleet on a more sustainable and profitable footing.

3. Purpose of document

3.1. Set out below are proposals for reform to help deliver a sustainable fishing industry in England. There will be no arbitrary divisions mandated by Government, such as the 'under-10m/over-10m' divide. The whole English fleet will have clearer individual entitlements to fish, giving all fishermen freedom to take greater control and responsibility for their businesses. In particular they will have more flexibility through trading of user-rights, and scope to focus on minimising costs and maximising revenues.

3.2. In a unified fleet, there will be no Government managed pools in England, but pools will be created and managed by fishing groups if this suits their needs. Communities will be able to work with their fishermen and other local groups (including Inshore Fisheries and Conservation Authorities (IFCAs) and local MMO offices) to design a framework for their local fleets, and manage their quotas in a way that suits that area. In addition, a proactive stance on the management of important shell fisheries in England will be adopted to safeguard future stocks, incentivising industry to take further steps themselves to better manage these important fisheries. In summary, the proposals include:

- **Establishing a network of community quota groups in England**, focussed on safeguarding and maximising the benefits associated with small-scale fishing fleets and fishing communities;
- Allocating **individual fisheries access rights** across the English fleet in the form of FQAs to all under-10m and non-sector fishing businesses, allowing them to come together in community quota groups, or join the wider fleet in a more open quota market;
- Facilitating the restructure of the fleet with some quota for under-10m vessels, secured through a **limited realignment of consistently under-used quota and small redistribution of FQAs within the English fleet**.

3.3. Proposals have been informed by discussions with a wide range of stakeholders, recognising the implications for all segments of the English fishing industry. Government is keen to hear from all those with a stake in fisheries, including catchers, buyers, processors, consumers, and members of the communities where fishing operates, along with those linked with community level work.

3.4. It is clear that tweaking around the edges of the current system will not go far enough to address the problems currently facing the English fleet; we consider that it is a *combination* of the steps set out below that will deliver effective reform.

4. Detailed proposals

Establish a network of community quota schemes in England, focussed on safeguarding and maximising the benefits associated with small-scale fishing fleets and fishing communities;

4.1. Work undertaken as part of the SAIF project has demonstrated that small scale fishing, and fleets in communities with fishing heritage, have the potential to deliver cultural, environmental and economic benefits. The current system makes it difficult for communities to maximise these benefits and work has considered how they might be safeguarded and increased in the future.

4.2. **The proposal will allow communities to establish a function to manage quota on behalf of community members.** They could safeguard their small scale fleets according to their individual characteristics, rather than creating arbitrary definitions based on vessel length or similar. Businesses would need to make a choice to whether they join existing Producer Organisations, subject to matching their membership criteria; operate as independent businesses within the fleet; set up a new PO, subject to recognition criteria; or join a community quota fleet. The quota available for these arrangements is discussed later.

4.3. It is hoped that groups of small-scale fishermen will use community quota schemes to effectively and flexibly manage quota, along with increasing their ability to swap and purchase quotas. These groups will also have a representative role in discussions with Government, regulators, and industry.

4.4. To define who belongs to this fleet, **it is proposed to develop a set of guiding principles setting out the characteristics desired in community fleets to help safeguard such fleets across England.**

4.5. Individual fishing businesses that are licensed in England and that satisfy chosen principles will be able to join the relevant quota group. They will be subject to restrictions on quota trading (discussed later), potentially accessing additional set-up quota, as well as benefits such as local/artisanal marketing opportunities. Group members would operate consistently with, and to support, Good Environmental Status for local waters under the Marine Strategy Framework Directive and Good Ecological Status under the Water Framework Directive, complying with fishing restrictions, and providing direct, tangible benefits to the local community. Guiding principles could relate to:

- The size of catches – a preference for small catches;
- The scale of operation – a preference for viable but small turnover businesses;
- Social benefits – demonstrable economic or cultural links with the local community;
- The type of operation – a preference for vessels using non-mobile, or other environmentally sustainable gears/fishing methods, and/or using smaller engines;
- Mono-hull vessels – a preference for mono-hull vessels, subject to significant

- natural controls as they are less likely to fish in bad weather, unlike catamarans;
- Day boats – a preference for vessels that stay at sea for less than 24 hours at a time;
- Other principles could relate to ecological or economic benefits (e.g. demonstrating co-existence with other sea-users, environmental accreditation, operations consistent with maintaining the local marine environment, etc.).

4.6. Whilst not prescribing the nature of a community quota scheme (with co-operatives, Community Interest Companies, and an arm of a PO being some possibilities), Government would expect minimum criteria of governance, accessibility and transparency to apply. If quota were directed to these models, an amount of quota proportionate to the number and scale of active members, and related to local fisheries, would be provided to support the scheme. This quota would not be 'owned' by the scheme, and so could not be sold, but would be fished by members through a pool system or swapped for preferred quota. If the scheme was disbanded, the quota would be returned to Government. Under a transitional approach, Government would support creation of such models in late 2011 and during 2012, and invite expressions of interest.

4.7. It is intended that facilitators will be available to support the industry through this process. Funding and guidance will also be available under the European Fisheries Fund (EFF), subject to EFF qualification regulations, and other routes to help build the capacity in communities to set up these groups.

- Q1:** Are community quota schemes in England a good idea? What models would provide the right structure for managing quota on behalf of small scale fishermen and their communities?
- Q2:** Should community schemes be focussed on small-scale vessels?
- Q3:** Are the suggested guiding principles the rights ones; should some be excluded (e.g. those related to vessel characteristics) or other principles be included?
- Q4:** Should the guiding principles be more prescriptive?
- Q5:** Are you interested in creating a community quota scheme?

4.8. POs will continue to play a vital role in supporting quota management for the commercial fleet. Reform will rely on solid organisations like these developing to support fishing businesses. Last year's audit of English POs highlighted the need to ensure greater transparency and accountability of PO operations. The reform of the Common Market Organisation, which sets the framework for POs, gives an opportunity to review them. As work unfolds, Government will continue to discuss potential changes with all parts of industry.

4.9. There will also be a role for IFCA's, which will be fully operational from 1 April 2011. They will have responsibility for fisheries management out to 6 nautical miles and will work with local stakeholders to develop tailored arrangements for their areas. It is not proposed that IFCA's take on formal quota management responsibilities, but that they should work with industry to manage the fisheries effectively to ensure that all stocks, quota and non-quota, are not over-exploited.

4.10. The MMO will be able to focus on monitoring and enforcement, as well as facilitating international quota swaps. This contrasts with current micro-management

of pool quota, and instead focuses on working in partnership with the industry to monitor environmental and financial impacts and improve compliance.

Allocate clearer, more stable and more predictable entitlements to fish across the whole English fleet, using the existing UK Fixed Quota Allocation (FQA) mechanism for quota stocks;

4.11. Research and experience in other countries has shown that giving fishermen a clearer, more certain stake in fisheries encourages responsible fishing¹, and allows them to take greater control of and responsibility for their businesses. Flexible trading of access rights allows fishermen to make informed decisions about whether to bolster their businesses with additional quota, or reduce their holdings. The most common way of doing this is by allocating individual rights for access to fisheries.

4.12. As part of work on Common Fisheries Policy (CFP) reform, Government has been promoting the benefits of giving fishermen a stake in the long term health of fish stocks, with clearer entitlements to fishing opportunities. All commercial fishermen should be part of this system, with safeguards to prevent the concentration of rights or a loss of rights for small-scale interests. Fishermen can then benefit from the greater certainty that comes with holding quota, allowing them to decide when to fish, whether to pool their quota with others, or to sell, buy, or lease in/out quota depending on their fishing patterns and business needs. In advance of CFP reform, these principles should inform improvements to English domestic quota management.

4.13. Some elements of such a system already exist in the UK, with individual Sector fishermen holding FQAs. The UK system is not perfect, but it is a step on the road to a more effective rights based management system. FQAs are not a permanent right to a share of UK quota. However, investment in FQAs does give fishermen an expectation of receiving a share of UK annual quotas, unless or until Government announces changes to quota arrangements. FQAs have become tradable over time, and can be leased and sold to other fishermen in the UK. Government would therefore take into account any financial investment made by fishermen when deciding on measures affecting FQAs.

4.14. Other countries have gone further in developing their rights based management systems. In Denmark, for example, they have allocated user-rights with at least 8 years duration. The Government is considering whether such developments could be adopted in England.

4.15. In order to give English under-10m vessels a clearer, more certain entitlement to fish, an allocation mechanism is needed. Although CFP reform may impact on the management of quota and effort, and represents a further opportunity to improve the clarity and security of fishing entitlements, any such changes will not take effect until at least 2013. However, 2010 illustrated that the status quo for parts of the English under-10m fleet is unsustainable; there is permanent uncertainty, with pressure to account for specific local needs within what is in essence a 'one size fits all' system.

¹ The potential benefits of a wealth-based approach to fisheries management: An assessment of the potential resource rent from UK fisheries - DEFRA Project 1210, 2010.

All agree, therefore, that there needs to be urgent action to relieve this situation. To move ahead now, we propose working within the existing UK system of FQAs, allocating them to the English fishing fleet.

4.16. We propose that FQAs for quota stocks be allocated across the English under-10m fleet, that individual FQAs are returned to English Non-Sector vessels, and that current pool arrangements for these English fleets are dissolved.

Q6: Should English under-10m and non-sector fishermen be integrated with the wider fleet, using allocation of FQAs?

Q7: Should England adopt the Danish system, defining a duration for user-rights?

Q8: Would any changes to monitoring arrangements be needed if the English pool was dissolved?

4.17. The Government is proposing that FQAs for quota stocks for the English under-10m fleet will be based on a proportion of the Registered Buyers and Sellers (RBS) track record of pool quota caught over the period 2007-2010. This proposal would need to be preceded by agreement with the Devolved Administrations about how the UK under-10m pool should be “split” between the four administrations, recognising that at this stage each administration may have different ideas about how their fleets should be managed. Assuming that agreement is reached, however, there are several options for allocation of English pool quota (illustrations can be found in **Annex A**), including:

- Fishing businesses could be allocated FQAs up to 100% of their RBS track record during this period;
- A ceiling could be applied to limit the value or quantity of FQAs allocated to any individual. RBS track record below this ceiling could be allocated, with anything above this purchased. The remaining pool quota could be used to facilitate the start up of community quota schemes. This is considered in more detail later in this document.

Q9: Should English allocations be based on RBS track records or should an alternative allocation mechanism be used? If so, what?

Q10: Should a ceiling be applied to the amount of FQAs allocated to an individual fisherman or fishing business?

Q11: Should a proportion (approx 10%) of the English pool be held back to support creation of community interest models?

4.18. Although the FQA system currently only exists for quota stocks, we are exploring introducing a similar approach for those commercial non-quota stocks being caught in significant quantities in England. The shellfish industry, for example, is keen for action to protect brown crab and lobster fisheries by reducing the potential for future growth in capacity of the shellfish sector. Whilst national statistics do not show significant recent declines in brown crab or lobster stocks, scientific evidence indicates that stocks, in particular brown crabs, are at risk of being exploited beyond sustainable limits if fishing effort continues to increase. A rights based management system for these stocks could be designed to allow continued exploitation but ensure it remained at a sustainable level. We would welcome views on the potential for such a system for English shellfish stocks, and will conduct

further discussions with industry to develop any detailed proposals. We are also discussing this issue with the Devolved Administrations.

Q12: Could a rights based management system be introduced in England for some non-quota stocks, starting by exploring the approach for brown crab and lobster stocks?

4.19. There remains a great deal of 'dormant capacity' in the under-10m fleet. These are licences attached to vessels which have not fished at all for many years, but which could be transferred and used at any time. There are also vessels that represent 'latent capacity', which have access to the pool but do not fish quota stocks or fish them to a very low level. In a pool system, this is a big risk as it could mean a number of new fishermen beginning to fish against the pool and competing with existing fishermen for the available quota.

4.20. **It is proposed that dormant and fully latent licences in the English under-10m quota fleet get no FQA allocation**, meaning that if they have not recorded fishing of any current quota stocks on the RBS system for the last 4 full years (2007-2010) they will not be able to fish these stocks without sourcing FQAs. This would maximise the quota available to active quota fishermen allocated FQAs. The commercial licence will still allow the vessel owner to land and sell non-quota stocks, (subject to any national or local restrictions on such catches) or to purchase rights from other fishermen. Following roll-out of such proposals, the separate 'limited quota licence'² that currently operates in the English under-10m fleet would cease to exist.

Q13: Should dormant and latent licences in England be issued with zero FQAs, preventing them from catching quota in future without sourcing FQAs?

Facilitating restructure of the English fleet with some additional quota for under-10m vessels, secured through limited realignment of consistently under-used quota and a small redistribution of FQAs attached to English licences, at the beginning of 2012.

4.21. In a broad sense, to get maximum benefits from the UK's quota resources, as far as possible the whole UK quota allocation should be fished each year – leaving this quota un-fished represents a missed opportunity. Looking across the English fleet specifically, there are some significant amounts of quota un-fished year on year. Whilst weather restrictions, stock availability, market conditions and other factors can influence uptake in any given year, the consistent under-fishing pattern against some stocks suggests a more fundamental problem. In some cases, this un-fished quota would be of great benefit for the under-10m fleet. Analysis has also been conducted to identify any quota holdings which are consistently under-fished by the under-10m fleet, and which the Sector would be keen to access

4.22. **It is proposed that 80% of the Fixed Quota Allocation units (FQAs) attached to English licences, and associated with certain consistently under-fished allocations, are redeployed so that they are fished more fully.** These are

² Holders of Limited Quota Licences can land a maximum of 300kg of combined quota stocks each year.

stocks where uptake by an individual PO, or under-10m pool, has been less than 90% of the allocation and more than 100 tonnes has remained un-fished each year, during the period 2007-2010. The realignment will be confined to stocks where the receiving part of the fleet has used a high proportion of its allocation, as these stocks will likely be caught if quota is redistributed. The number of FQAs to be re-distributed will be calculated using the year for which there has been the highest uptake of allocations during the same 2007-2010 period. A complete list of relevant stocks is included in **Annex B**. In practice, applying these criteria means a redeployment of FQA's from English PO's to the under-10m fleet only.

4.23. Whilst redistribution of this under-fished quota will provide a catching opportunity for those vessels receiving additional allocations, there are other stocks which are unpopular across all sectors – not fished or traded. Work on the Fishing for the Market³ project is exploring the reasons for this, but we would welcome thoughts on such reasons and what could be done with universally under-fished quotas, including Flounder, Coley (Saithe), and North Sea Dab.

4.24. Redistribution of consistently under-fished quotas will go some way to providing a stronger economic basis for the English under-10m fleet, but there is a limit to what can be achieved by this alone. Further action is needed to bolster sustainability through this reform, given the number of active boats in the fleet targeting quota stocks, and the current low level of available quota.

4.25. Analysis⁴ shows that if vessels in the under-10m fleet caught and sold proportionate quantities of the available pool quota at average prices, this could support a minimum level of economic viability. However, such estimates cannot account for the restrictions placed on individual fishermen by the management regime, which can prevent them from taking up all quota, or marketing it effectively. Also, the benefits of quota are not evenly distributed, with a number of vessels catching a disproportionate pool share, taking more than required for minimum economic viability. Seeking a more reasonable return on capital invested also changes the analysis to show that significantly more quota would be required.

4.26. In order to further improve fisheries access for English under-10m vessels, and support their transition into a unified fleet **it is proposed that a one-off redistribution of 3% of English Sector FQAs be conducted to help fund the restructure of the English under-10m fleet, based on holdings as at 1 January 2010**. This would apply only to those stocks where the under-10m fleet has taken an average of 90%+ of its initial allocation since 2007, with a list provided in **Annex B**. The low level of the redistribution will have minimal impact on the Sector in England, but by focussing on those stocks where uptake by the under-10m fleet is high, the benefits will be high. Moreover, making this one-off redistribution removes long-standing uncertainty within the English Sector on what measures might be taken and enables the whole industry to plan with greater confidence for a sustainable future.

³ More information on the Fishing for the Market project can be found at

<http://ww2.defra.gov.uk/environment/marine/cfp/discards/>

⁴ *An economic approach to long term reform of access to fisheries for the inshore fleet: extension, Vivid Economics, 2011*. This is based on vessels securing sufficient income to pay all full time crew the average fishing wage of £20k/year, and secure a low return on capital invested, after accounting for operating costs.

Q14: Is the definition of consistently under-utilised quota suitable to underpin realignment in England?

Q15: Should the proposed redistribution be at 3% of FQAs or more/less?

Q16: Should redistribution and realignment be confined to stocks where the under-10m fleet has taken an average of 90%+ of its initial allocation since 2007 or more/less stocks than this?

Q17: What could be done with quotas un-used by the whole fleet, year on year?

4.27. Subject to the proposed quota realignment taking place in the English fleet, there is a choice over how additional quota (over and above existing pool quota) is allocated. **It is proposed that this quota be targeted at the community quota schemes or other community interest models**, discussed earlier. This will provide an incentive for the creation and growth of such schemes, to help encourage the potential associated benefits. Alternative options for using these FQAs include:

- Auctioning them to the highest bidder;
- Holding them back for environmental, social, or new entrant schemes;
- Distributing them directly to English POs for small scale members;
- Allocating to English under-10m vessels along with the rest of pool quota, as discussed earlier.

Q18: Should quota secured through realignment and redistribution be targeted to community quota schemes?

5. The speed of change

5.1. Moving to the proposed system would mean fundamental changes in quota management arrangements for some parts of the fleet in England. In turn this will require changes to UK arrangements for the under-10m and non-sector pools which are currently being discussed with the Devolved Administrations. It may be considered that implementation of these changes in 2012 would be too soon, and more time would be needed to establish the new arrangements. It is also important that any proposed changes to the management of the fishing industry in England are compatible with those management systems adopted by the Devolved Administrations. Work on a new Concordat between the four Administrations on quota management and licensing arrangements will provide the framework for this and discussions will continue throughout the consultation process.

5.2. There are 'transitional' options which would allow a phased approach, focussed on the introduction of FQAs for quota stocks for the English fleet.

- **Option 1:** Allocate FQAs to the whole English under-10m fleet and require all vessels to restrict catches to the quota derived from their FQA allocations, plus any additional quota purchased or leased by these businesses, from 1 January 2012.
- **Option 2:** Allocate FQAs to higher catchers in the English fleet on 1 January 2012. These are considered to be the approximately 130 vessels catching 60% of the total volume of quota catches attributable to the English under-10m fleet. Analysis shows that they are operating on a similar scale to their larger Sector counterparts. Higher catchers would have catches restricted to the quota derived

from their FQA allocations, plus any additional they purchased or leased. They would not receive any FQAs from realignment or redistribution. Remaining vessels would continue to fish against the under-10m pool during 2012. Individual FQAs would be allocated to the remaining vessels on 1 January 2013, allowing a period of time for new management arrangements to be established.

- **Option 3:** As option 2, but invite self selection so that businesses can choose to take their FQAs out of the pool on 1 January 2012, or remain in a pool system until individual FQAs are allocated to all vessels on 1 January 2013.

5.3. **It is proposed that Option 2 be implemented in England.** This will ensure that the benefits and flexibility associated with individual user rights can be realised as soon as possible for higher catchers in the fleet, whilst allowing time for small scale vessels and communities to set up groups for launch in 2013.

Q19: Does allocating FQAs to English higher catching vessels in 2012, followed by the wider English fleet in 2013, constitute a sensible timescale for reform?

Q20: Are the proposed 'higher catching vessels' the right ones to target in the first phase of restructure?

6. Trading, safeguards and transparency

6.1. FQA holders, be they small or large vessels, should have the freedom to buy and/or lease additional FQAs and quota from across the UK. However, we want to ensure that FQAs do not become wholly concentrated in one place, for example in the large scale fleet. Introducing safeguards to FQAs allocated to smaller vessels in England will allow the benefits associated with small-scale, community based fleets to be secured, and potentially increased in the future.

6.2. **It is proposed that a 'one way valve' be introduced to prevent community quota from being absorbed into the large scale fleet.** It will not be possible to sell the FQAs held in English community quota schemes into the wider fleet, nor will members of such schemes be able to sell their FQAs to the wider fleet without leaving the scheme. Swaps within the community quota network would be allowed. Over time, there may be appetite to remove this safeguard, to give a stronger community fleet more flexibility, but there may also be arguments to retain it in order to secure benefits associated with small-scale community fishing.

6.3. One of the drawbacks of the current FQA system, particularly for new participants, is the lack of transparency over where quota is held and the volume and value of trading. To address this, **it is proposed to introduce a register of FQA holdings, and a web based trading portal to help build greater transparency into the system.** Registration would be required in order for quota to be allocated against FQAs. The portal could follow models from other countries, for example Denmark, to help facilitate a more fluid market for FQAs. This is something that all four UK administrations have indicated they are keen to explore and further discussion will be held during the consultation period about the potential for a UK wide system.

Q21: Is a 'one way valve' a sensible measure to prevent user rights from being concentrated solely with larger scale businesses?

Q22: Should any safeguards be a temporary measure, kept under review, and withdrawn if they are no longer deemed appropriate?

Q23: Should a register of FQA holdings be introduced, with registration a requirement prior to allocation against FQAs?

Q24: Should a web based portal be introduced for quota trades?

7. Other issues under consideration

7.1. Implementing these proposed reforms in England will not address all of the shortcomings of the current management system, but they should be a significant step forwards and help deliver much greater sustainability in the English fleet. In order to deliver them, Administrations across the UK are working together to ensure respective quota management and licensing regimes can operate harmoniously within a consistent, overarching UK framework. As part of this, we are considering how to ensure Departments can take full responsibility for vessels operating out of their ports, by ensuring greater clarity about vessel nationality and licensing.

7.2. Along with this work, further analysis will be required to fully establish the costs and benefits of reform, and we would welcome input from all parts of industry in completing this.

7.3. The industry also remains interested in what additional measures could be implemented to further improve the current situation, specifically citing a decommissioning scheme. Whilst the Government is not considering a traditional, wholly public funded scheme, we would welcome views on an industry match funded approach. We would also welcome ideas on other measures that could play a constructive part in effectively reforming the English fisheries management system.

Sustainable Fisheries, Defra, April 2011

The consultation process

Answers to the questions set out, and any other comments on proposals, should be sent no later than **close Thursday 30th June 2011** to:

Access to Fisheries
Area 2C, Nobel House
17 Smith Square
London
SW1P 3JR

Email: fisheriesreform@defra.gsi.gov.uk

There will also be a series of coastal discussions taking place during the consultation period. Further details will be posted on the Defra website and through MMO coastal offices.

Any complaints regarding the process of consultation should be directed to Defra's consultation coordinator at consultation.coordinator@defra.gsi.gov.uk or write to Rhonda Marshall, Consultation Coordinator, Defra, Area 7C, Nobel House, Smith Square, London SW1P 3JR.

This consultation is being conducted in accordance with the Government Code of Practice on Consultation. In line with the Government's policy of openness, the information you submit may be made available to other parties. *If you do not consent to this, you must clearly request that your response be submitted confidentially.* Any confidentiality disclaimer generated by your IT system in e-mail responses will not be treated as such a request. You should be aware that there may be circumstances in which we will be required to communicate this information to third parties on request in order to comply with our obligations under the Freedom of Information Act 2000 and the Environmental Information Regulations.

ANNEX A – ILLUSTRATIVE EXAMPLES

FQA Allocations:

As noted above, there are several options for allocating FQA's to individual English under-10m businesses. For example:

- Fishing businesses could be allocated FQAs up to 100% of their average RBS track record during the reference period (2007-2010);
- A ceiling could be applied to limit the value or quantity of FQAs allocated to any individual. RBS track record below this ceiling could be allocated, with anything above this purchased.
- Alternatively, the remaining pool quota could be used to facilitate the start up of community quota schemes.

To illustrate the first of these options, imagine a business which owns one vessel. Over the last four years (2007-2010), the vessel has caught an average of 0.8% of the North Sea Cod quota allocated to the under-10m pool, 0.8% of the North Sea Dabs and Flounders quota, 0.5% of the North Sea Skates and Rays quota, and 0.3% of the North Sea Sole quota. These are equivalent to 128.4 FQA units of North Sea Cod (equivalent to 3.9 tonnes based on 2011 allocations), 1.9 FQA units of North Sea Dabs and Flounders (0.2 tonnes), 9.9 FQA units of North Sea Skates and Rays (0.3 tonnes) and 4.2 FQA units of North Sea Sole (0.2 tonnes).

FQAs would be based on opening pool allocations.

Community quota scheme:

In the fictional port of Port X, 15 fishermen join together to form a community quota group. A Board is established to oversee the group, with a representative from the local authority, a local hotelier and the manager from the nearby processing plant invited to join.

The group proposes a set of rules for members, which requires them to respect spawning seasons in the local fishery, use certain sustainable gear types, and be day boats.

Vessels that join the group bring with them their FQA's. Members pay a fee based on their catches which secures them quota management and marketing services and representation.

The group start marketing Port X catches, highlighting the sustainability of their products. They soon start to see an increased return in comparison to nearby ports that are not operating to the same sustainability principles.

ANNEX B - LIST OF STOCKS TO BE REALIGNED AND REDISTRIBUTED (ENGLAND)

Stocks proposed for **realignment**:

- North Sea: Lemon & Witches; Dabs and Flounders
- West of Scotland: Haddock; Nephrops; Pollock; Horse Mackerel
- Area 7 stocks: Sole (7d), Plaice (7a), Whiting (7b-k), Saithe, Megrim, Pollock

Stocks proposed for **redistribution**:

- North Sea: Cod, Haddock, Whiting, Plaice, Sole, Hake, Nephrops, Anglers, Lemon Sole and Witches, Skates and Rays, Turbot and Brill
- West of Scotland Nephrops
- Pelagic stocks: Herring, Sprats, West Coast Mackerel and North Sea Mackerel
- Area 7 stocks: Sole (7d and e), Plaice (7a and d-g), Cod (7b-k inc d), Whiting (7a), Anglers, Haddock (7b-k) Pollock, Skates and Rays (7d)

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