

Summary: Intervention & Options

Department /Agency:
Defra

Title: Impact Assessment for the Reduction in Fishing Capacity for the Inshore (under 10m) Fishing Fleet

Stage: Final

Version: 1

Date: November 2008

Related Publications: The United Kingdom Operational Programme for the European Fisheries Fund; The consultation on 'The English inshore fleet - looking to the future'

Available to view or download at: <http://www.>

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What is the problem under consideration? Why is government intervention necessary?

There is an imbalance in the English inshore (under 10 metre) fleet between fleet capacity and the available quota. The imbalance makes it difficult to manage quota within the pool, can lead to low monthly catch limits and early closure of fisheries making some fishing business economically unviable. This has a consequential negative impact on coastal communities, and increases risk of illegal fishing, thus placing additional burden on enforcement resources, and further endangering quota stocks. The proposed measures aim to secure stability for the inshore fleet in the short/medium term, to ensure that the social and environmental benefits of inshore fishing can be properly assessed to allow development of an evidence based long term strategy to reform access to fisheries.

Government intervention will reduce the size of the fleet, and the potential for future growth in capacity. This cannot be achieved through market forces alone, as the incentive will exist for fishermen to fish up to the catch limits each month as quickly as possible, to ensure they secure as large a proportion of the quota possible for themselves.

What are the policy objectives and the intended effects?

The primary objectives of current interventions are to achieve a more appropriate balance between the capacity in the inshore fleet and the available quota, and to enable as many active vessels as possible to operate in an economically viable and legal way within the inshore fleet.

The intended effect of the proposals is to prevent potential unsustainable pressure on the pool quota, whilst maintaining as many fishing businesses as possible. In the short term this will stabilise the pool to allow additional work to develop our evidence base on the social and environmental benefits of the pool and form part of a package of measures designed to help maintain the viability of small ports that play an important role in the fabric of our coastal communities. It will also help to secure a more sustainable future for the inshore fleet by preventing future uncontrolled expansion of fishing effort.

What policy options have been considered? Please justify any preferred option.

Option 1: Do nothing (Baseline case);

Option 2: Reduce capacity of the inshore fleet by a two-way package of measures – a decommissioning scheme targeted at higher catching vessels landing quantities of key quota stocks, and capping of licences with low quota landings.

Option 2 is our preferred option as it will reduce capacity in the fleet providing opportunity for the remaining fleet to catch the quota released by decommissioned vessels. It will also provide greater certainty for fishers by increasing our ability to keep fisheries open, thus providing some stability for the fleet in the short term. Those vessels which have not targeted quota stocks over a nominated consecutive 12 months (during the "reference period") will be capped at 300kg, and be unable to catch more than 300kg/year of quota stocks going forward. Those with evidence of quota stock catches within the reference period will be able to continue catching quota stocks at monthly catch limits going forward.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

The effects of the policy will be reviewed by Defra and the Marine & Fisheries Agency (MFA) approximately 1 year after introduction. It is therefore anticipated that a review will take place in 2010. This analysis will run in parallel with the broader annual evaluation of European Fisheries Fund projects, as decommissioning will be part funded using this mechanism. Specific monitoring and evaluation systems will be developed to assess the effectiveness of implementing Option 2 in this context.

Ministerial Sign-off For final proposal/implementation stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

..... Date:

Summary: Analysis & Evidence

Policy Option: 2

Description: Pay Grants

ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' Decommissioning: One off cost of scheme £5m (includes vessel scrapping costs); one off cost to MFA of administering of £140,000; one-off costs to fishermen of applying for decommissioning monies of £5,002; appeals costs to fishermen are considered to be minimal Licence capping: One off costs to MFA – administration costs in determining licence categories, in communication with licence holders & in processing appeals; IT costs for amending licence category records, totally £142.5K; Annual costs to the MFA – increased monitoring of monthly catch limits and enforcement of £172.5k
One-off (Transition)	Yrs	
£ 5,287,502	1	
Average Annual Cost (excluding one-off)		
£ 172,500		Total Cost (PV) £ 6.89m
Other key non-monetised costs by 'main affected groups' Decommissioning / Licence capping: General costs and risks of decommissioning including: additionality, effects on incentives of vessel owners & latent capacity, minimised through targeting of the scheme & implementation in conjunction with licence capping. It is considered that limited quota licences are likely to be worth less than full quota licences. Possibility of higher costs for fish passed on to consumers caused by changes in catching pattern- however risk needs to be balanced against fact that catch available is not diminishing, hence not a question of diminished supply. Unpredictability of response to any catch pattern changes by supply chain actors e.g. fish auctioneers, processors.		
ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' Administrative & enforcement savings for the MFA in the first year post decommissioning of £22k
One-off	Yrs	
£		
Average Annual Benefit (excluding one-off)		
£		Total Benefit (PV) £
Other key non-monetised benefits by 'main affected groups' Decommissioning / Licence Capping: An estimated 80 – 90 vessels will be decommissioned. Benefit to fishermen remaining in the pool from redistribution of an expected 250 – 650 tonnes of key quota stocks with a value of £600k - £1.2m annually, which will increase fishing availability and hence the productivity of the vessels remaining in the inshore fleet though not the productivity of the fleet as a whole. Reduction in negative impact on marine environment and reduced risk of illegal fishing. Continuity of social and environmental benefits from the inshore fleet. The removal of high catching vessels and limiting capacity reduces the risk of early closure of fisheries, particularly for stocks where the current imbalance between available quota and fleet capacity is most acute, ensuring greater certainty of fishing opportunity for the remaining fleet. Preventing future increase in fleet capacity will maintain sustainable fishing opportunity for the inshore fleet at higher levels than would otherwise be the case.		

Key Assumptions/Sensitivities/Risks

Assume an average bid of £1,000 per VCU and a random distribution of 1 in 3 vessels applying for decommissioning out of the top 245 catching vessels of key quota stocks.

It has been assumed that some 850 vessel owners will appeal against their licence categorisation. This assumption is based on the appeals received in response to the introduction of shellfish permits in 2004.

The proposal has an uncertain impact on the market value of limited-quota licences. An explanation of the worst case scenario to licence holders (de-valuation of licences) is included in the IA for comparison.

Price Base Year 2008/9	Time Period Years 1	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £
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What is the geographic coverage of the policy/option?	England (with possible subsequent UK-wide provisions)
On what date will the policy be implemented?	November 2008 (decommissioning) / January 2009 (licensing)
Which organisation(s) will enforce the policy?	MFA
What is the total annual cost of enforcement for these organisations?	£ 178k p.a.
Does enforcement comply with Hampton principles?	Yes/No
Will implementation go beyond minimum EU requirements?	Yes/No
What is the value of the proposed offsetting measure per year?	£
What is the value of changes in greenhouse gas emissions?	£
Will the proposal have a significant impact on competition?	Yes/No
Annual cost (£-£) per organisation (excluding one-off)	Micro Small Medium Large
Are any of these organisations exempt?	Yes/No Yes/No N/A N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)
Increase of £	4,627	Decrease of £
Net Impact		£ 4,627

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Evidence Base (for summary sheets)

Introduction

1. Last year, Defra published Fisheries 2027¹, its long-term vision to achieve sustainable fisheries. One element of this vision is the future of inshore fishing, and the importance of the sustainability of small scale fishing vessels;

*Access to fisheries [should continue] to be available to small-scale fishing vessels, even if in some cases that is not the most economically efficient way of harvesting the resource. This is because small-scale fishing makes a significant economic and social contribution to the lives of individuals and coastal communities by providing jobs, attracting tourists, providing high-quality fresh fish and maintaining the character and cultural identity of small ports throughout England.*²

2. It envisages that fishing activity will continue to contribute to the local economies and culture of coastal communities, and that fishing communities will be resilient and diverse enough to withstand fluctuations in the availability of fishing opportunities.³
3. For the inshore fleet there is currently insufficient quota available to match the capacity of that fleet. The equal access to that quota to all vessels means that some larger boats are catching a disproportionate quantity of the available quota, relative to their numbers.
4. The fleet has faced increased pressure due to rising costs in the industry. Rising fuel prices have impacted operating costs and had a detrimental impact on profitability⁴.
5. In broader financial terms, there has been a decline in the ability of fishers to maintain what has traditionally been an equitable distribution of income between profits, overheads and crew wages. The UK fishing fleets profit was less in 2006 compared to 2005,
6. There is currently an uncertain economic situation, and a need to build a clearer understanding of the social and environmental impact of the inshore fleet to inform our longer-term approach. Therefore there are two related policy goals: a) measures to stabilise the fleet economically to the benefit of the majority of catchers, and to provide scope in terms of time and context that will enable b) a programme of research targeted at broadening our understanding of the fleet in its social and environmental context to inform long term reform of the inshore fleet.
7. In the context of these difficulties, a sustainable future for the small-scale coastal fishing fleet will be sought through a package of work that will encompass broader quota management reform. The proposals in this IA form part of that work.
8. The proposals consist of two main elements:
 - a. A **decommissioning scheme**, targeting higher catching vessels of key pressure stocks, designed to release that quota back into the pool and increase availability for the remainder of the fleet;
 - b. **Licence capping**, placing a cap of 300kg/year on the licences of fishermen who have not targeted quota stocks in any consecutive 12 months between July 2006 and August 2008 (up to publication of the formal consultation), to ensure that they do not target them going forward. 'Full quota' licence holders will still be able to fish to monthly catch limits.

These options are considered in the IA against a baseline option of no intervention.

9. These proposals are designed to secure a stable short term future for England's inshore fleet, enabling the Government to work on its proposals for longer term reform of the industry. To put it

¹ Fisheries 2027 <http://www.defra.gov.uk/marine/pdf/fisheries2027vision.pdf>.

² In 2007, the UK industry employed 12,729 people and was responsible for landing £645million of fish. MFA Sea Fisheries Statistics 2007.

³ Fisheries 2027 (vision statement 4) <http://www.defra.gov.uk/marine/pdf/fisheries2027vision.pdf>.

⁴ Seafish 2006 Economic Survey shows that due to significant global increases in the price of crude oil since 2004, expenditure on marine fuel was significantly higher in 2006 than in previous years. In some cases, expenditure per vessel was double that spent on fuel by UK vessels in 2004.

simply, without short term measures to support the fleet, we may lose it in the medium term. We anticipate short-term measures in terms of decommissioning / licence capping (Option 2) to take place over the next 6 months, that is by May 2009.

10. At this stage we have not fully established the social, economic and environmental benefits of the fleet, and wish to have the time to complete appropriate research and analysis so that we can make informed choices about the future. We propose to carry out this research over the next 12-18 months. Until we are able to review our current hypotheses against collected evidence in these areas, we are proposing the attached package of measures as those which represent the lowest risk to the economic stability of the majority of catchers in the inshore fleet, and thereby provide a context favourable to additional assessment. Work is underway in Defra to develop a project which will assess options for the future, in consultation with stakeholders. It will look at how best to reform access to fisheries in the longer term, to ensure that we can achieve a sustainable, vibrant and economically viable UK fishing industry. This will be set firmly in the context of the ongoing work on reform of the Common Fisheries Policy (CFP), proposals for which will be brought forward by the European Commission in 2009.

11. The main parties affected by this proposal include fishermen fishing quota from the pool, the communities those fisherman belong to, and the Marine and Fisheries Agency (MFA). The UK scrapping industry will also be impacted due to the increased demand during the decommissioning period.

Background information

Fishing opportunity

12. When Fixed Quota Allocation (FQA) units were introduced in 1999, there were no individual requirements for under 10m vessels to report their landings, so there was no catch data on which to base an allocation of units to individual vessels. Rather activity was recorded as grouped data. As such, units were allocated to the inshore fleet as a whole, based on an assessment of the group's overall landings. These units are held centrally by Fisheries Administrations and generate the annual "pool" quota allocations for the inshore fleet.
13. This arrangement has three important features relevant to this analysis:
 - a. access to quota is equally shared among all under 10m licence holders, i.e. all vessels are able to fish up to the monthly catch limits set by Fisheries Administrations, or freely for those stocks where there is no catch limit;
 - b. the allocation of under 10m 'pool' quota is a relatively fixed proportion of UK quota; and
 - c. under 10m fishermen cannot ordinarily increase their quota fishing opportunities by trading quota⁵ as can those fishermen in Producer Organisation membership (although they can increase fishing opportunity generally by diversifying into non-quota stocks, though their ability to do so is restricted by the type of gear they use).
14. Mechanisms such as Hague Preference⁶ and the Economic Link Condition⁷ can create some flexibility in the total amount of inshore pool quota. In addition, the amount of quota for particular stocks can be increased (albeit at the expense of others) through using other stocks as swap 'currency'. However, the initial total amount of quota is a proportion of the UK quota, which is set at EU level. There has been a general decline in the amount of UK quota and therefore fishing opportunity over the past ten years.
15. As well as the level of UK quota, fishing opportunity is driven by the MFA's management of quota. Decisions on setting catch limits are made in consultation with the industry, but can have a considerable impact on fishing opportunity. For example, earlier this year, after consultation, it was decided to set a relatively high catch limit for Channel cod. This stock was quickly exhausted leaving nothing for those fishing later in the year, landing cod as a by-catch or

⁵ Although not normally permitted, a temporary facility allowing trade (leasing quota from the sector) has been introduced and will run until the end of 2009.

⁶ A mechanism that allows the UK to receive additional quota above that provided from the 'normal' share.

⁷ A vessel licence condition that requires holders to demonstrate an economic link with the UK, e.g. an accepted link mechanism has been donating a proportion of quota which has been used to augment the pool allocation.

seasonal fishers. The alternative approach of maintaining a lower catch limit throughout the year would have impacted those that target cod at the start of the year.

16. The pool includes both low catching and high catching vessels (this is influenced by vessel size, design, and business and working decisions made by fishermen). When the total allocation of quota is reached the fishery has to be closed. Therefore, whilst in theory all under 10m vessels have equal access to the quota in the pool, in reality, because the monthly catch limit can be set above the amount that all vessels could catch without exhausting the stock, some vessels may fish the majority of the quota before the end of the month.

The shape of the inshore fishing fleet⁸

17. There are some 2,500 licensed and registered vessels currently in the English inshore fleet⁹. The vessels vary widely in length and engine power, but the distribution of this is not even. The majority of the vessels are low power (less than 50kW) - about half of the active fleet falls into this group. A second distinct group is made up of vessels over 9m in length and with engines over 50kW (often referred to as "super under 10s") - almost 30 per cent of the active fleet is in this higher capacity group. (The remainder of the fleet consists of vessels outside of these two groups.)

Fishing effort

18. Of the 2,500 under 10m vessels licensed and registered at ports in England in 2008, around 550 are vessels that are not active in commercial fishing i.e. RBS data shows that they have caught no fish at all since the introduction of RBS data from July 2006. There are also around 1000 vessels not currently catching quota stocks (but that are fishing for non-quota stocks and species), and that have not done so since the introduction of the Registration of Buyers and Sellers Regulation.
19. In addition to these vessels, there are another 100 English administered licence entitlements not currently attached to a vessel, with a further 50 entitlements administered elsewhere in the UK. This means that there is a large amount of latent licence capacity which could be attached to new vessels or used to increase the capacity of existing vessels. In common with licences for over 10m vessels, under 10m licences can be freely traded. Licences can also be aggregated to cover higher capacity vessels, subject to certain constraints.
20. Although the general decline in the amount of UK quota has been in broadly the same proportion for both the inshore and over 10m fleets, the former has seen a proportionately smaller decrease in the size of the fleet. There has been a reduction of around 2000 vessels (or 40% of the fleet) in the English inshore fleet since 1995, in comparison to a decrease of 905 vessels (or 60% of the fleet) in the over 10 metre fleet in the same period. This is for a number of reasons: the Marine and Fisheries Agency has done much through active quota management to maintain fishing opportunities for under 10m vessels; there has been some diversification into non-quota stocks; the amount of under 10m quota has been increased to some extent through the introduction of stock leasing from Producer Organisations. The effects of decreasing quotas may also have been masked to some extent by the previous system of measuring quota uptake which we now know was not providing a complete record of landings.

Distribution of landings

21. Landings of non-quota stocks are concentrated among the higher capacity group of vessels, which lands about 60% of the total landings of non-quota stocks by the inshore fleet. The bulk of the remaining under 10m non-quota landings are more evenly distributed among the remainder of the fleet.
22. Landings of quota stocks are even more concentrated among the higher capacity group of vessels. This group lands about 75% of the total landings of quota stocks by the inshore fleet. This means that about 30% of the inshore fleet is landing about 75% of the available pool quota.
23. In addition to fishing a disproportionate amount of the quota available for the inshore fleet, the amount of quota landed by the higher capacity group of vessels is actually comparable with the landings of over 10m vessels. For example, around half of the top 30 catchers of North Sea Sole

⁸ Figures in this section are provided by the MFA.

⁹ 'English' vessels are defined as those registered in England, with an English licence issued by Defra, normally fishing out of an English port.

were from the inshore fleet. This is not unexpected, as the under 10m limit is an artificial division created by EU legislation; it has little relevance to the activity or capacity of these vessels.

24. There is evidence of some entry into the fleet of larger capacity vessels from 1999 to 2003¹⁰. These are often referred to as “Super Under 10s” or “Rule Beaters”. However, this entry was limited and these vessels do not account for all of the disproportionate amount of quota taken by the group of large capacity vessels.

Benefits of the inshore fleet

25. Nationally, the under 10 metre fleet supports a disproportionate amount, i.e. approximately 45%, of fishing employment, relative to the lesser percentage of its share in the inshore fishing fleet¹¹. In some areas, the inshore fleet is a major sector of employment – for instance, Brixham in Devon, which is the port where the most English inshore vessels are based, employs over 10% of its workforce in fishing¹². Other English communities where fishing is a significant employer are found in the South West, North East, and East Anglia¹³.
26. It has long been perceived by Government¹⁴ that along with providing employment and supporting local economies, the inshore fishing industry provides a range of social and environmental benefits – these are discussed in more specific terms in paragraph 86. Work is underway to establish the value of these benefits. Without short term intervention the structure of the fleet may change, and benefits lost before there has been an opportunity to properly assess them and inform future policies on reforming the fleet.
27. It should be noted the following proposed costs and benefits are currently at an early stage of quantification, and it is not possible to predict exactly how these could translate in practice. The implication is that these favour the second option in this Assessment, the package of proposed measures, as most likely to secure social and environmental benefits. However there is a need for further exploration to check if this is the case, Option 2 is most likely to offer the time required to assess this. The reason for their inclusion here is that by securing a more sustainable future for the fleet, we will be able to carry out research that allows us to derive a more precise understanding of the overall benefits conferred by the fleet at all levels, social and environmental as well as economic.
28. In common with other parts of the fishing industry, the inshore fleet is dependent on crew working and labour exchange, as well as a locally based shared endeavour. Along with what may also be a common set of features in fisheries sectors, the inshore fleet is an economic sector characterised by a high level of “social capital” – based around social and working networks, relationships and requiring levels of trust that enable participants to work together to attain common goals.¹⁵
29. The local setting for inshore fishing communities shapes the process of communal bargaining and information exchange that takes place when individuals of a similar background work together. This has inevitably led to the emergence of local societies such as local Fishermen’s Associations. Such groups offer a sense of community attachment or solidarity, which can help to define fishermen’s roles in their local community but also help to underpin the social identity of

¹⁰ The introduction of free pool quota in 1999 acted as an incentive for over 10 metre vessel owners who had previously purchased quota in the over 10 sector to move into the inshore fleet using vessels with roughly equal capacity to their existing vessels but without the additional cost of quota. However, the fall in monthly catch limits over subsequent years eroded this financial advantage by 2003.

¹¹ Vivid Economics, 2007, Economics of fisheries management: regulatory design for stock recovery, equity and an efficient fleet”.

¹² Net Benefits: a sustainable and profitable future for UK fishing, 2004, Prime Minister’s Strategy Unit.

¹³ Vivid Economics, *ibid*.

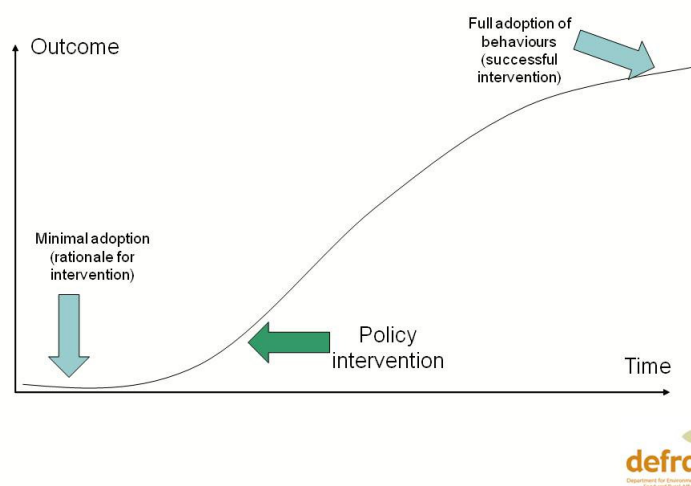
¹⁴ Considerable space was devoted to these topics in Net Benefits, where Recommendations included establishing objectives for social and environmental issues in the inshore fleet as in other sectors, and noted that the inshore fleet “is a sector of local cultural and tourism value” (*ibid*, p.32) and its role in bringing valuable rural employment (p.79).

¹⁵ Social capital has been defined as, “the networks, norms, relationships, values and informal sanctions that shape the quantity and co-operative quality of a society’s social interactions” - Cabinet Office, Performance and Innovation Unit - “Social Capital – A Discussion Paper”, April 2002. More aptly for the fisheries industry are definitions such as “features of social life – networks, norms, and trust – that enable participants to act together more effectively to pursue shared objectives. Social capital, in short, refers to social connections and the attendant norms and trust” - see Putnam (Cabinet Office, *ibid*). The OECD has defined it as “networks together with shared norms, values and understandings that facilitate co-operation within or among groups”(Cabinet Office, *ibid*).

the broader local community. This can include cultural outputs such as local maritime or fishing museums, such as the Fishermen’s Museum in Hastings¹⁶, or local histories and identities woven around fishing which may include websites on local fisheries (such as the Brixham fishing industry, first recognised by the Duchy of Cornwall in 1406¹⁷). The presence of historic fishing fleets is often viewed as a key attraction of maritime tourism¹⁸.

30. More broadly, the benefits of areas enjoying higher social capital¹⁹ have been defined as including the following: greater levels of social cohesion, lower levels of crime, improved general health, the more efficient functioning of labour markets. Whilst social capital operates both between individuals and within communities, there are social spill over effects between these levels – e.g. individual professional networking facilitates economic growth in a community through facilitating trust and information flow.
31. In such terms, the impact of following a baseline option or that of undertaking measures to encourage greater sustainability in use of pool capacity, is likely to impact a much wider constituency of individuals than the community of inshore fishers alone.
32. Work recently undertaken by social researchers at Defra in the agricultural sectors has highlighted the importance of working with internal drivers (attitudes, group norms, habits) as well as external ones (the financial and regulatory environment) in attaining policy goals.²⁰
33. From a social behavioural angle, policy can be viewed as moving behaviour towards attainment of particular goals. However, adoption of behaviours by individuals occurs as a variety of rates – from early adopters through mainstream adoption to later adopters who may be more cautious or have particular internal or external barriers to change. This process is illustrated in the graph below²¹:

‘Nudging’ the ‘S’ curve



34. There is a need to understand these internal motivations further. Questions to be considered may include understanding more closely how Fishermen’s Associations used by inshore fleet members reflect individual interests and motivations and can therefore be both valuable sources of information on the social perception and impact of policy at the most fundamental level. In terms of long-term policy goals for sustainability, Associations could offer a key source of information and networking in building links with local restaurants and businesses that could offer a mechanism for linking local fisheries in more closely to the local economy. There are key

¹⁶ www.hastingsfish.org.uk

¹⁷ <http://channel.hostinguk.com/Brixham.aspx>

¹⁸ See footnotes 31 and 32 below.

¹⁹ Frequently defined in terms of levels of social trust – see Cabinet Office, *ibid*.

²⁰ Understanding Behaviours in a Farming Context: Bringing theoretical and applied evidence together from across Defra and highlighting policy relevance and implications for future research – October 2008, Defra Agricultural Change and Environment Observatory Discussion Paper, (main author Tony Pike).

²¹ Nudging the “S” Curve, Brook Lyndhurst, 2006, in *Understanding Behaviours*, *ibid*.

questions here regarding how to work with existing inshore fleet institutions effectively to achieve longer-term aims, but clearly there is a need to ensure the fleet and its institutions are maintained at a level of stability where there is scope to undertake this research. By taking steps to stabilise rates of change in the inshore fleet, opportunity will be created to review the social impact of the fleet on local communities. A programme of reviews testing the perceived social benefits of fishing at the levels of the fishing community, local communities and national level has been created in framework form and could be carried out with the inshore fleet as that part of the fleet most often viewed as representing fishing in the popular imagination.

35. Most crucially in terms of Defra's long-term vision for fisheries, "Fisheries 2027", stabilising the fleet will increase the likelihood that there is a fleet available with which to work in the years up to 2027. It provides scope for working with its social institutions in a way that takes account of its local and national culture, to attain the goal of sustainable fishing anchored in local communities.

Conclusions

36. The amount of quota available to the inshore fleet has decreased, and the associated decrease in size of the inshore fleet has not been enough to compensate in the same way as it has been in the over 10m fleet.
37. The inshore fleet can be broadly divided into two distinct groups. The first, more populous group, is characterised by having lower engine power and being less than 9m in length. It lands a relatively small proportion of the available quota. There are several reasons for this: the capacity to catch fish is more limited, and many fish non-quota species or are seasonal fishers. The second group is made up of larger higher capacity vessels. Many of these are indistinguishable from smaller over 10m vessels in terms of catching capacity and quota landings.
38. At present, higher catching vessels sometimes take a high proportion of the available quota resulting in early closure of fisheries. In 2007, a total of ten fisheries, i.e. different quota stocks, were closed before the end of the year.
39. To provide fishing opportunities for as many under 10m vessels as possible, catch limits have to be set higher than is required for the majority of the fleet. This creates "headroom" for an increase in effort. While every vessel continues to catch the same amount of quota, this is not a problem. However, the amount of quota fished can change in the short and long-term. In the short term, a particularly strong fishery or a period of good weather can lead to more fish being caught by the same number of vessels. Hence there can be (and has been in many fisheries this year) a short-term increase in effort. In the longer-term, these higher catch limits can attract new vessels into the fleet, leading to an increase in capacity as well as in effort. New entrants have to obtain a vessel licence which can be purchased from the pool of latent licence capacity or from an existing vessel.
40. The inability to set catch limits that better match individual fishing effort has created a number of difficulties. These have recently been exacerbated by the introduction of the use of Registration of Buyers and Sellers Regulation²² (RBS) sales notes to record landings which have highlighted individual landings levels allowing us a clearer picture of quota use within the pool. The outcome is that some fisheries have been closed earlier than they would have been previously, denying opportunity to smaller capacity vessels.
41. The overall conclusion is that there is an imbalance of fishing opportunity (represented by quota availability) and the capacity of the fleet to catch fish, resulting in too many vessels chasing too few fish. In addition, because there is a significant amount of latent licence capacity, there is the potential for future further increase in fishing effort.

Policy Option

42. The costs and benefits of the identified policy option have been compared to the baseline case of not intervening to reduce capacity.

Option 1: Baseline case

43. The baseline case of not intervening would mean continuing with the current situation and not reducing capacity through implementing a decommissioning scheme, or limiting latent capacity through licence capping.

²² The Registration of Fish Buyers and Sellers and Designation of Fish Auction Sites Regulations 2005 (SI 2005 No 1605)

44. Because of the imbalance of fishing opportunity and capacity, it is likely that some under 10m vessels will be forced to leave the industry by virtue of not being able to make sufficient profit. Hence, market forces should lead to a reduction in capacity.
45. The fundamental problem is that the total amount of quota available to the English inshore fleet is insufficient for the current capacity of that fleet. Doing nothing would result in the continuation of the current situation - the risk of economic hardship amongst some fishing communities, especially later in the year when quota is used up and fisheries are closed. The situation may increasingly worsen because catchers may anticipate the situation and “race to fish” early in the year, this could encourage some fishermen to fish in unsafe conditions.
46. The smallest vessels are more constrained by where they can fish and the weather, and therefore are likely to be worst affected. Although doing nothing might lead to a fleet reduction through natural causes, by vessels (in particular those that are smallest and most vulnerable to bad weather) going out of business in areas where fishing is an important part of the local economy and social fabric, this is not a desirable resolution to the situation.
47. We do not yet have evidence of the social, economic and environmental benefits of the fleet, and wish to have the time to complete appropriate research and analysis so that we can make informed choices about the future. Work is underway to explore these issues. Therefore the baseline option is not the preferred option.

Option 2: Reduce the capacity of the inshore fleet by a two-way package of measures

48. The two way package of measures is:

- 1) Voluntary decommissioning of under 10m vessels;
- 2) Licence capping scheme;

1) Voluntary decommissioning of Under 10m vessels

49. A limited decommissioning scheme is proposed in order to reduce capacity within the pool in a planned way. This will ensure that the maximum quantity of quota is released in those stocks and areas under most pressure whilst maintaining the benefits of the inshore fleet. The scheme would give fishermen who operate higher catching vessels landing targeted quota stocks, that cannot be reasonably provided by the pool, an extra option when deciding about their future. They would also have other options including continuing to live within the existing limits of the pool, joining a Producer Organisation, diversifying into less pressured stocks or moving out of fishing.
50. To maximise the benefits, the scheme would target the higher catching vessels of those stocks where there is the greatest imbalance between the available quota in the pool and the capacity of the fleet to catch it. These stocks are listed below and have been selected based on MFA data and experience which show that these are the ones for which the initial allocation of stocks to the pool is such that effort and capacity outweigh the availability of quota. This list has been refined since the original consultation, to more carefully target the most vulnerable areas in the North East and South of England:
 - North Sea: sole, nephrops, whiting, cod and skates and rays
 - ICES area VII: cod (VIIb-k), sole (VIIe, VIIf&g)
51. Targeting vessels that rely on these stocks will have the greatest impact in releasing quota for the remainder of the fleet. Decommissioning some of these vessels will free up the quota which they would have caught if they had remained in the fleet.
52. The scheme will only be open to English under 10 metre vessels fishing from the pool for the stocks listed above. Key criteria of the scheme include:
 - the vessel must be English. For these purposes, this is defined as a vessel registered at an English port; holding a Defra licence issued by the Marine and Fisheries Agency (MFA); and normally fishing out of and landing into an English port. These vessels will be administered from an English port.

- the vessel must have landed some quantity of at least one of the stocks listed above between January 2007 and June 2008 (inclusive)²³.
53. Following the consultation and further analysis of the data, criteria relating to a minimum value of VCUs²⁴ to be eligible to apply for the scheme has been removed. Our analysis of the refined stock list shows a number of target vessels (i.e. those with high quota stock catch records) with lower VCUs than the 50 minimum initially considered.
 54. Fishermen will be invited to submit bids reflecting the amount of money they need to compensate for the loss of their vessel and their licence (as well as the scrapping costs). Where a bid is accepted and an offer made, the vessel licence must be returned to the MFA and the vessel scrapped.
 55. For example, Mr Giles, who has been fishing for some years, has a boat registered in England, He has records that show he has been actively fishing quota stock shown on the scheme list for the last 2 years. He submits a bid based on his belief that he is a high catcher and the market value of his vessel (£750 per VCU) – his boat is 97 VCUs and hence the vessel is offered at £72,750. Following our ranking of vessels, based on their recorded catch (weighted with regard to the respective market value of each quota stock), his valuation is checked and found to be consistent – he is successful.
 56. Potential bidders will be asked to complete an application form giving details of their vessel. As part of this, they will declare their intention to scrap their vessel. They also declare their bid level and affirm whether they have received other grant monies in the last five years (such as for modernisation of vessel facilities) to avoid duplication of use of public funds. Applications will be initially checked at MFA headquarters. Applications which pass this initial sift will then be received by the decommissioning selection panel, who will take a final decision on the suitability of the bid. Questions arising from this with a policy element will be forwarded to policy officials in Defra to decide. Letters will then be sent to applicants notifying them of either the success, failure of their bids or that their bid is being retained on a reserve list in case other bids are withdrawn/fail in delivery. Bid funds will only be paid out once photographic evidence of decommissioning and any surrendered licence has been received by the MFA, along with the certificate of vessel destruction.
 57. We would take evidence of fishing for any of the quota stocks listed from landings data from January 2007 to June 2008 (inclusive). Catches against leased quota would not be included because we would only count quota taken from the pool.
 58. Bids from vessels meeting the above eligibility criteria will be weighted to ensure that key quota stocks for which the annual total quota allowance is lower, are not biased by the eligibility criteria. To calculate the weighting, each vessel's landings for each key quota stock would be multiplied by a factor equal to the total landings of the inshore fleet for the key quota stock with highest landings. This would then be divided by the total landings of the inshore fleet for the relevant key quota stock. This weighting should make sure that vessels that catch a key stock for which there are relatively small landings, are treated as equal since each stock is valued the same.
 59. Although we would judge bids against the above eligibility criteria, if it appears that a disproportionate amount of the decommissioning budget is going to one or more MFA districts, we would consider taking action to achieve a fairer distribution of funding.

Costs

Costs of the decommissioning scheme

60. The scheme will be run under the European Fisheries Fund (EFF). The total budget for decommissioning is £5million (£2m of EFF funding match by £3m from MFA). Bids are expected to take account of scrapping costs of the vessels, therefore these costs are not considered to be additional to the £5m. The amount bid by a vessel owner will take account of their perceived value of their vessel, licence (which may be equal the value of their business) and scrapping costs. Other factors may also be taken into account including the level of debt of the vessel owner, number of years until retirement, value of their fishing business etc.

²³ This data has been selected to give as long a data set as possible. Following the introduction of RBS data, 2007 is the first year for which there are complete records of landings. The data set goes up to the point of announcement of the consultation for the decommissioning scheme.

²⁴ Vessel Capacity Units (VCU) = (overall length * breadth) + (kW*0.45)

61. The maximum value of a VCU will generally be capped at £1000. Vessels listed on the website Find a Fishing Boat (www.findafishingboat.com) at the beginning of August 2008, are for sale at prices on average between approximately £400 - £700 per VCU. However, the range of prices is wider than this average with some vessels for sale up to £1,000 per VCU. Assuming that vessel owners bid for decommissioning based on the re-sale value of their vessel and licence, plus the cost of scrapping their vessel, this maximum value per VCU of £1,000 represents a reasonable upper bound. In order to attract the highest catching vessels, and following feedback from the consultation, we will allow bids higher than £1000/VCU in exceptional circumstances (e.g. where bidders consider their catch levels high enough to justify a higher bid).
62. Analysis has been undertaken to illustrate the likely impact of spending £5m on decommissioning²⁵:
- a. the best case scenario which assumes all eligible vessels apply for decommissioning, will result in the decommissioning of approx. 70 vessels and a re-distribution of around 1000 tonnes of key quota stocks annually to remaining vessels in the inshore fleet, with a value of £2.3m;
 - b. in practice, it is unlikely that all eligible vessels will apply for decommissioning. We estimate that more realistically some 80 to 90 vessels will be decommissioned, saving between 250 and 650 tonnes of key quota stocks with a value of £600k-£1.2m.

Costs to MFA

63. Introducing a decommissioning scheme would incur one-off administration costs to the MFA. These costs would consist of staff time to consider applications and correspond with applicants on outcomes. This has been estimated at £140,000 based on the precedent set by administering a smaller decommissioning scheme in 2007. This breaks down into £65,000 for coastal MFA and £75,000 for London MFA and Defra. The costs are based on how much staff time was spent on the recent Sole 7e decommissioning scheme. Some of these costs will be one off costs which do not vary with the size of the scheme while other costs will depend on the size of the scheme. The costs have been scaled to reflect the expected increase in work involved. Appeals work was included in the Sole 7e decommissioning staff costs and so is also included in the £140,000. The administration process will focus the burden on MFA HQ, rather than on coastal operations, to prevent the scheme from having a detrimental impact on enforcement activity.
64. There will not be a formal appeals process, but applicants will be able to make representation to the MFA if they are unhappy with the outcome of their application. We can forecast levels of representations based on the precedent set by a previous decommissioning scheme in 2007. This scheme provides useful administrative data, but it should be noted that its focus on a smaller number of vessels in the over 10 sector means it cannot be used as a comparator to assess effectiveness of the scheme.
65. Annex 2 provides a detailed breakdown of the estimates of administrative costs to Defra and the MFA.
66. To ensure best value for money, we would pay decommissioning grants to those vessels that bid the lowest amount per tonne of quota landed by that vessel. This introduces an element of competition because those fishermen who bid lower amounts are more likely to be successful. Evidence of the proposed VCU value will be required in all cases. The maximum value of a VCU (£1000) will not be applied in all cases, however we believe that this figure represents a reasonable upper value for a vessel and licence.

Costs to Fishermen

67. There are no direct financial costs for vessel owners. Part of the underlying rationale behind a scheme is that vessel owners will be able to make an informed business decision on whether a long term management plan will affect their business' viability, and give them an opportunity to leave the industry. However, there are certain indirect effects on vessel owners, such as time needed to assess whether applying for decommissioning is the right business decision for them,

²⁵ The VCU for each vessel was calculated (vessel length*breadth) + (kW*0.45). An average bid of £1000/VCU was assumed. Approximate number of boats to be decommissioned = Total Decommissioning funds/(Average VCUs per vessel*Average bid per VCU). Value of saved quota stocks is based on average sale price for each stock achieved by the whole pool over the reference period.

and if it is, making an application for grant. Applying for the decommissioning grant is likely to incur low costs for fishermen as this is a simple form based process. We have estimated these costs using the Standard Cost Model. The mean wage for fishermen is assumed to be £11.77/hour²⁶.

68. We estimate a maximum of 250 applications (assuming 25% of eligible vessel owners apply, which is based on previous decommissioning experience). The administration will take between 1-4 hours, depending on the complexity of the bid and the approach of the individual fisherman. We have, therefore, assumed that an indicative figure for administration can be calculated as:
$$£11.77 \times [(25 \text{ vessels} \times 4 \text{ hrs}) + (100 \text{ vessels} \times 2 \text{ hrs}) + (125 \text{ vessels} \times 1 \text{ hr})] = £5,002$$
69. Some fishermen may dispute the decision on whether to provide them with decommissioning support, and make a representation to Defra. The cost to fishermen in disputing the decision should be minimal. They will need to gather documentary evidence to support their dispute, for example, evidence of landings, vessels in build or repair etc. They will then need to submit this evidence with their written case to the MFA. We envisage that disputes will be dealt with by correspondence. The cost of this should therefore be negligible.
70. Fishermen whose boats are decommissioned will be required to scrap²⁷ their vessels, and they will be expected to take account of the cost of scrapping when making their bid. Although an equal number of fishing operations may have become unviable without intervention, due to the requirement that decommissioned vessels never be used for fishing activity at any point in the future, they must be scrapped and thus are not available for other non-fishing activities such as tourism, diving or diversifying into non-quota stocks. There may be a cost associated with this although it is difficult to estimate what this might be given the uncertainties which exist.
71. Previous decommissioning schemes have implicitly accepted decommissioning led by individual fishermen on the shoreline – this could give rise to secondary costs for the scheme in terms of environmental clean-up costs. Recent regulatory changes mean that this will be explicitly communicated to bidders as not permissible under the new scheme.
72. Costs of scrapping in a registered UK scrap yard, and in compliance with UK, EU and international waste disposal regulations have been assessed. Whilst there are difficulties in obtaining a direct quote as this tends to relate to the requirements of individual vessels (relevant to age, including removal of asbestos, pollutants such as polychlorinated biphenyls and oils), a generic figure without processing vessel engine is likely to be in the range of £2-3,000. Generic guidance will be given to bidders around this process in view of recent regulatory changes, and it will be highlighted that bidders are expected to organise the scrapping process themselves.
73. There are currently a low number (5) of UK waste installations carrying valid ship scrapping permits. This could lead to greater demand for scrapping services than can be currently met, thereby inflating costs for scrapping. In addition, this may pose a risk that vessels will not be scrapped in time to meet the scheme deadlines. There may be some mitigation if scrapping can occur as a bulk operation, involving a number of boats being processed by individual shipyards simultaneously – the 3 or 4 month period for scheme implementation will help to minimise this risk. In addition, the European Fisheries Fund permits sale of vessels to other Member State for use in non-fishing activities, and this could be encouraged as a secondary alternative to UK-based scrapping. There is also a possibility some bidders will be able to recoup some scrapping costs by selling on the steel generated to interested scrap yards – the displacement is likely to be quite measured due to the fall in world steel prices and volatility in the market, but recent prices were around £450/tonne²⁸.

Costs to the consumer:

²⁶ Using 2007 Wage Rate Data found at http://www.statistics.gov.uk/downloads/theme_labour/ASHE_2007/tab2_1a.xls Taking the mean weekly wage for Skilled Agricultural Trades of £316.80, an hourly rate can be calculated by dividing by 35 (assuming a 35 hour week) and multiplying by 1.3 to take account of overheads (assumed to be 30%).

²⁷ Scrapping is defined in terms of the Waste Framework Directive and EFF rules as the permanent disposal of a vessel where the owner declares that the vessel is disposable and agrees to undertake its disposal in line with international health and safety and waste disposal requirements, including de-pollution measures and obtaining a certificate of destruction.

²⁸ “LME (London Metal Exchange) figures quoted in “LME STEEL – Prices plunge to contract-lows on weak demand”, Thomson Financial News article on www.forbes.com, October 16th 2008

74. There is a risk that by removing some higher catching (though not the highest catching) vessels from the inshore fleet, that this will have the consequence of increasing fish prices. Factors influencing the likelihood of occurrence include the fact that this process will be led by pool fishermen, who are generally passive recipients of prices set elsewhere (by fish auctioneers in port, and processors, supply chain agents such as supermarkets), and indeed this tendency may be offset by net quota levels remaining the same and the extent to which these enjoy similar levels of usage to those seen prior to the introduction of the proposed measures.
75. In terms of economic efficiency, it may be argued that the proposed measures are likely to make the inshore fleet less efficient. However, factors determining the extent to which this takes place include the limited likelihood that the most efficient vessels bid due to the levels of income they can currently derive from remaining active, and the possibility that greater flexibility in setting conditions for quota uptake (keeping fisheries open longer, possible higher monthly catch limits) will encourage those benefitting to manage their catch patterns in a more economic manner, rationalising their active days, use of fuel over a longer period.
76. It should be noted that these possible economic costs continue to require assessment against the broader picture of the possible social and environmental benefits which could accrue from intervening, respect to the baseline option.

General risks of decommissioning

77. There are several risks associated with the decommissioning scheme:

Risk	Consequence	Mitigation
Additionality – vessels benefiting from the scheme would have left the industry without policy intervention.	We would not achieve value for money	A targeted scheme, which will take into account factors such as vessel value, and will affect the chances of being awarded decommissioning monies. The scheme will focus on those boats that will leave behind the greatest benefit for the remaining pool, whilst work is conducted to assess the long-term future of the industry.
The prospect of future decommissioning schemes entices new fishermen into the industry and others to remain.	Capacity and effort in the fleet would expand, negating any benefit from decommissioning	Clarify that future schemes will not be made available. Associated licence capping scheme will close off latent capacity.
Insufficient fisherman apply for the scheme	The scheme fails to remove the anticipated capacity from the fleet	Working with coastal offices and the EFF grants facilitators to ensure scheme design targets preferred vessels.
Scheme over-subscribed	Difficult to administer high volumes of applications. Disenchantment of unsuccessful vessel owners.	Targeted invitations to apply based on eligibility criteria. Competitive approach to assessing bids to ensure straightforward decision making process and reduce admin burden
Preferred vessels do not apply for the scheme	Insufficient capacity removed from the fleet and insufficient quota released to stabilise the pool. £5m spend fails to achieve value for money.	Using detailed analysis to target preferred vessels. Ensure final scheme design provides appropriate incentive to attract preferred vessels whilst achieving value for money.
Vessels not decommissioned despite success in bidding under the scheme	No reduction in the fleet is secured	Funds not released until photographic evidence of scrapped vessel is produced and inspected by an appropriate authority.
Fisherman will take funding for decommissioning vessels and buy new boats to fish back in the pool	No reduction in fishing effort	Fishermen to relinquish licence, and therefore right the fish, when decommissioning vessels. The number of licences in the pool is finite and so capacity cannot expand. Tied to licence capping to limit latent capacity.

Benefits

78. The inshore fleet as a whole will benefit from a decommissioning scheme because it will increase the profitability of the remaining vessels through managing the redistribution of quota to remaining catching vessels and providing greater fishing opportunity to a smaller fleet in the short term. This will offer an advantage over the baseline market resolution scenario, whereby many such vessels would have become redundant.

79. It will provide stability to the fleet whilst we explore the social, economic and environmental benefits of the fleet to inform work on long-term reform of the industry. By following the baseline option of not intervening, the vessels which become financially unviable would leave the industry. However, which vessels leave would be unpredictable and may have unintended consequences in terms of delivering the long-term vision for English fisheries.
80. It is likely that the decommissioning will not remove the most economically efficient vessels, but will capture those vessels operating just under this level. The scheme is designed to target those stocks and areas which are under most pressure, and by targeting these vessels, we estimate benefits as described below.
81. It is estimated that up to 92 boats will be decommissioned. The average VCU for the 245 highest catching vessels in the pool is 55. Applying a £1k/VCU calculation, this suggests between 69-72 vessels can be decommissioned for £5m. Current estimates suggest that if decommissioning captures the top 70 vessels in the pool, this will release some 1000 tonnes of quota capacity. If the next 84 vessels are decommissioned instead this will release just over 300 tonnes. On a random analysis whereby 1 in 3 vessels out of the 245 highest catchers applied, 500 tonnes was released. It is likely that the actual figure will be somewhere between 250-650 tonnes, at a value of £600k-£1.2m, as it is possible the economic climate will make it more likely for some of the top 70 high catching vessels to apply although the bulk are likely to be from the tranche below this. There will be no net increase in tonnage, rather quota tonnage will be redistributed to vessels remaining in the pool,
82. The nature of fish as a commonly-available public resource open to exploitation, means that whilst monthly catch limits are equal for all vessels operating in the pool, there will always be an incentive to fish to the catch limit before it is exhausted by others (this phenomenon, where there is un-constrainable competition for a common good/object resulting in overexploitation, is known as the Tragedy of the Commons). At present, once the pool quota has been exhausted by the higher capacity vessels, the fishery has to be closed to all under 10m vessels. There were 10 direct fishery closures to the inshore fleet during the 2007 calendar year; seven of these were caused by exhaustion of the metre allocation and no opportunity to acquire extra quota to maintain the fishery. The remaining 3 were driven by the exhaustion of the UK quota for the fleet as a whole²⁹. If a decommissioning scheme is implemented it would aim to reduce capacity through reducing the number of high catching vessels. If partnered with a licence-capping scheme, this will decrease the pressure on quota for other vessels and enable fisheries to stay open for longer.
83. For those fishermen who choose to decommission their vessels, the scheme will provide the security needed for them to make alternative choices about their future. Fishermen with high levels of debt who may have been operating to recoup fixed costs will now have an option to leave the industry using a method which will provide incentives to reduce or eliminate existing loans. In contrast, in the short-term by choosing to do nothing there will be less control and monitoring of this reduction in employment. From a longer-term perspective, the weakening of the under 10 metre staffing pool could lead to a reduction in the influence of industry organisations such as local Fishermen's Associations, that could play an important role in helping to disseminate information on environmental best practice and sustainable methods of fishing.
84. There will be an administrative saving to the MFA associated with the reduction in the size of the fleet. This can be quantified as the enforcement saving of £22,000 from 80 decommissioned vessels (staff time, based on saving 20 hours per vessel but assumes 10 hours of this spent on new enforcement issues with remaining fleet), and of issuing and varying 80 licences annually, saving £616 (staff time, based on saving 1 minute to produce licence and 20 minutes to make all variations in the year on one licence). These savings are assumed in the first year only since without intervention it is likely that there will be a reduction in capacity in the medium term in any case as vessels become economically unviable.
85. There has been an attempt to increase and leverage the impact of decommissioning funding by tying this in to concurrent measures on licence management. Bids will be accepted only if bidders sign up to conditions to limit their ability to bring new capacity into the fleet. Decommissioning is tied to proposals to remove and cap licence capacity in order to mitigate against possibilities of those benefitting from decommissioning monies continuing to access fishing opportunity, thereby

²⁹ Analysis carried out by MFA Fisheries Statistics Unit, 2008

potentially undermining the aim of capacity reduction, either by purchasing a new vessel or by selling on spare licence capacity.

86. Some benefits of our inshore fleet are yet to be valued in monetary terms. However, there is anecdotal evidence of social and environmental benefits of a thriving inshore fleet, particularly associated with smaller vessels. These are discussed in paragraph 89 below. As these benefits are not valued in the market, it is likely that allowing market forces alone to decide which vessels go out of business, will not be those which are the most beneficial overall.
87. As explained above, some higher capacity vessels take a disproportionate share of the under 10 metre quota, (fewer higher capacity vessels catching a majority share of the quota). It is likely that such vessels are more economically efficient but potentially not contributing as much to some of the perceived social and environmental benefits of the fleet. The absence of a decommissioning scheme could result in those higher capacity vessels continuing to fish a disproportionate share of the quota, slowly squeezing out the smaller vessels which would be competing with a stronger section of the fleet for the same stocks.
88. However, by managing the process of quota usage to benefit the majority of vessels in the inshore fleet and thus increasing their individual profitability, we can increase the possibility of the inshore fleet retaining a broad geographical reach around the English coastline, thereby conferring economic benefits on a wider number of communities than could be the case were we to permit market forces alone to resolve the shape of the inshore fleet.
89. Likewise, changing patterns of quota usage to benefit the broad majority of inshore catchers could enable setting of more flexible monthly catch patterns, which could impact on reducing discarding of surplus fish and ensure more efficient use of available resources which in the case of discards are currently not able to be used.
90. It is intended that our evidence base on these benefits be expanded as part of the ongoing work to establish a long term reform strategy for the UK fishing industry. In the short term, this includes an inshore fleet focussed research project building on the 2007 Vivid Economics report “Economics of fisheries management: regulatory design for stock recovery, equity and an efficient fleet”.
91. Some of the social benefits of the smaller vessels in the inshore fleet as a whole have been suggested as follows – these offer key areas for future research that could be used to inform longer-term policy for the inshore fleet in future years:

a. Stewardship and conservation

- Smaller vessels may have a less significant impact on the environment; much of the fleet consists of boats constructed since 1990 which are less likely to contain pollutants such as asbestos and polychlorinated biphenyls and have more efficient engines;
- Many inshore fishermen (in common with some members of the sector and non-sector) have a pronounced knowledge of local fishing conditions and are keen to become involved in conservation initiatives to help evidence the environmental footprint of their activities, such as the Environmentally Responsible Fishing Project;
- The capacity to fish inshore fisheries may suffer if they are not managed through some form of fishing activity influencing numbers, for example fishing of predatory stocks. It is therefore beneficial to have some form of quota management which matches capacity in stocks carefully through inshore fishing;

b. Coastal communities and tourism

- There are some contingent industries which may rely on the under 10 metre fleet, including boat makers, and equipment makers/suppliers. Under the baseline option, these could face redundancy along with the vessels whose needs they supply. Should the inshore fleet require similar services in future, the cost of rebuilding such services would be likely to exceed the cost of maintaining existing ones;
- The inshore fleet provides important employment in coastal areas for lower catching vessels using more traditional methods, and are often family run businesses with long

histories. Securing the future of a larger number of businesses will help to sustain local employment for this group within affected communities, by sustaining current levels of part-time involvement in fishing, and by promoting changes in the employment pattern from part-time involvement to more full-time activity;

- There is an aesthetic value attached to ports with a plethora of small boats, which can help to attract tourism and contribute to the quality of life in that community – hence the description of Torbay adopted by the local Council as “The English Riviera”. Torbay, which hosts the majority of inshore fleet vessels at Brixham, has built a visitor viewing platform into the new local fish market so visitors can watch the visiting boats³⁰;
- As mentioned above, the existence of the inshore fleet is a contributor to the tourist attraction of the English coast. Smaller, more traditional, boats have long been associated with these areas and their loss could damage the beauty and attraction they hold for tourists³¹;
- A common local focus helps to bring communities together, this supports community cohesion. Whilst our immediate focus is on short-term measures to stabilise the fleet, safeguarding the future of the inshore fleet may help to support this in the longer term, as may be evidenced by further research.

c. Heritage

- Smaller boats are more likely to use traditional fishing techniques, such as pot lining. These may be lost if the fleet moves towards larger, more modern vessels which extract higher levels of stock, making it harder to ensure sustainability;
- Traditional contingent industries, such as hand crafted nets and cages are more likely to supply smaller vessels. These may be lost if the pool becomes dominated by larger vessels, and smaller vessels go out of business.
- Finally, it should be noted that many fishermen’s identity is tied to fishing. Frequently this is because they have been involvement in fishing in their family for generations. Many fishermen do not wish and do not feel able to undertake alternative employment.

Groups affected

92. Vessel owners will be the prime group affected by decommissioning. This will divide into those bidding for decommissioning funds and those benefitting from their use via the release of quota stock. The affect is likely to be direct in terms of funds/opportunity transferred rather than indirect e.g. impact on the vessel price market is likely to be minimal.
93. The vessel owners affected by bidding are likely to be those who have some catch but whose catch patterns have recently been more unpredictable than previously. They may also have been affected by the recent surge in fuel prices. As a result we are likely to catch the middle-ranking vessels of the under 10 metre pool rather than highest-catching or lower-catching vessels. Higher-catching vessels are likely to still enjoy sufficient return on fishing activity to continue in the market. Lower-catching vessels are likely to self-disqualify through having caught significantly lower amounts of catch than the preferred amount under the scheme.
94. The remainder of the inshore fleet should be affected in terms of the release of quota from decommissioning for use by other vessels.
95. Other groups affected are likely to include the UK ship recycling/scraping industry – it is likely that one or two UK scrap yards will enjoy the bulk of trade produced by the scheme. This will hopefully help to underwrite their commitment to the Government’s Ship Recycling Scheme and development of the UK ship recycling industry. Although in terms of scale this impact is likely to

³⁰ <http://www.torbay.gov.uk/index/leisure/harbours/brixhamharbour.htm>

³¹ *Fisheries Research*, Summer 2005-study by Professor Tim Gray of Newcastle University, suggesting tourism could bring in as much income to areas such as Shetlands, North Shields and Lowestoft as fishing.

be quite small it will nonetheless be sending a message supportive of the current regulatory approach.

96. Consumers may be affected by higher prices for fish and fish products – however the likelihood of this is influenced by various factors (See discussion at paragraphs 72- 74).
97. There is flexibility in terms of spend arrangements – although there is a commitment with match-funding to obtain signed contracts and buy-in by bidders by the end of March 2009, there is no linked requirement to spend all the monies by the end of this period. We can therefore control the dispersal of funds with ongoing monitoring during the funding period to ensure funds are being used most effectively to realise the aims of the project.

2) Licence Capping

98. Currently the MFA sets monthly catch limits that apply equally to all under 10m vessels regardless of the amount of quota they land. The monthly catch limit multiplied by the number of vessels is greater than the amount of quota in the under 10m pool because not all vessels fish up to the monthly limits. The proposed licence capping scheme would effectively segment the fleet into those that catch significant amounts of quota and those that do not. The basis of this segmentation would be vessels' record of landing quota species using 2006-2008 landings data collected by the MFA.³²
99. There were some 2500 vessels in the English inshore fleet in 2008, of which 1,050 vessels had no recorded quota stock landings. Therefore, it could be considered reasonable to segment the fleet into those that catch quota and those that do not. However, it is possible that some of the latter group of vessels are landing small amounts of quota that are not recorded by the present system: sales notes are not required for first sales of less than 25kg per transaction sold for private consumption.
100. In addition, such a segmentation does not recognise the uneven distribution of landings. Slightly more than half of the approximately 1500 vessels that have recorded landings of quota, lands over 500kgs a year.
101. The table below details the catches of quota stocks by vessels in the inshore fleet, over the best consecutive 12 months from July 2006 to 7 August 2008. The table shows levels of landings evidenced by Register of Buyers and Sellers sales notes received by the Marine and Fisheries Agency for individual vessels over the period.

Best 12 month period in July 2006 to 7 August 2008

Landings ¹	No. of vessels	Cumulative no. of vessels
0	1052	1,052
0 to 100kg	321	1,373
100 to 200kg	126	1,499
200 to 300kg	78	1,577
300 to 400kg	63	1,640
400 to 500kg	44	1,684
500 to 600kg	38	1,722
600 to 700kg	47	1,769
700 to 800kg	23	1,792
800 to 900kg	19	1,811
900 to 1,000kg	29	1,840
> 1,000kg	679	2,519

¹ English vessel quota stock landings while in the UK inshore fleet

102. For this reason, and recognising the difficulties in managing an uneven distribution of landings through the current pool mechanism, it is proposed to set a limited threshold to segment the fleet, with a cut off of 300kg a year. This figure will allow for some by-catch where other stocks are targeted and/or some low level of seasonal fishing.

³² MFA landings data, published on <http://www.mfa.gov.uk/statistics/catch.htm>

103. Those vessels that have landed more than 300kg of quota stocks a year, in the reference period July 2006 - 7 August 2008, will receive a “full-quota permit” that will entitle them to continue to land up to the monthly catch limits set by the MFA. There will be approximately 950 vessels in this group. The remaining vessels will receive a “limited-quota permit” that will entitle them to land up to 300kg a year of any combination of quota stocks without exceeding monthly catch limits.
104. The permits will not be separately tradable from the licence and if licences are aggregated with different permits, the resulting licence will retain a “limited-quota” permit. In this way, the total amount of licensed capacity that can land significant amounts of quota from the pool will be capped at the level that currently fishes at these levels.
105. There is a possibility that licence holders who have not fished during the reference period or who have fished smaller amounts than they usually would do will not get the category of licence to which they think they are entitled. An appeals procedure will be set up. It is estimated that around 1,600 out of 2,600³³ licences and entitlements in England will be given a limited quota licence. The (one off) administration cost is quantified below.

Costs

Costs to MFA

106. Introducing different licence types and requiring different treatment of catch limits will incur one-off administration costs to the MFA. The appropriate category of licence for each vessel in the inshore fleet will have to be determined, and communicated to licence holders; this is estimated to result in a one off cost of £7.7k³⁴. There will also be a one off IT cost due to amending the licence system to record new licence categories and load new data, this is expected to be approximately £20k³⁵.
107. It is expected that the new licence system will result in around 1,600 out of approx. 2,600 (62%) licences and entitlements in England being allocated a limited quota licence. A certain proportion of these licence holders are likely to appeal this allocation, on the grounds of either their track record, or objections in principle. It is possible that some fishermen with recorded landings of less than 300kg a year will claim that this is due to exceptional circumstances and that they would ordinarily fish at a higher level. An appeals process would allow fishermen who felt that the recorded level of landing was not representative of their normal level to make their case for a different licence.
108. There is considerable uncertainty around this process and it is challenging to accurately forecast the number of appeals that will occur. However, to illustrate the potential cost to the MFA of dealing with appeals the following assumptions have been made; based on the approximate number of appeals received after the introduction of a shellfish permit in 2002, it is expected that the MFA will receive 500 appeals querying the validity of the track record and 350 appeals querying the fairness of the policy³⁶. This results in a one off cost of £115k³⁷. Total one-off costs to the MFA due to the new licence scheme are estimated at £142.5k.
109. The MFA will incur annual running costs due to the new licence scheme. It is estimated that increased monitoring³⁸ and enforcement costs will result in an additional £172.5k, although the true cost could be significantly more or less depending on MFA resources and levels of fishing by vessels with capped licences. Enforcement costs are based on a best case scenario where the 300kg a year limit is enforced appropriately throughout England; this is estimated at requiring 25 hours per day 250 days per year. Table 1 below summarises the costs to the MFA due to the new licence system:

³³ MFA estimate

³⁴ Based on assumption that this work will take 50 grade 7 hours, 100 SEO hours and 15 EO hours. Assumption based on MFA/Defra estimates, using ‘Staff Ready Reckoner’ in Annex B.

³⁵ Cefas/MFA estimate based on expected staff costs.

³⁶ MFA estimate

³⁷ MFA estimate based on 500*7 hours EO time (track record) and 350*0.25 hours EO time (fairness of policy).

³⁸ MFA estimate: 100 hours HEO time.

Table 1: Costs to the MFA of Licence Capping scheme

Cost area	Cost (£k)
Licence determination and communication with licence holders	7.7
IT cost of amending licence system	20
Appeals process	115
Total one-off costs	142.5
Average annual costs	
Monitoring	3.7
Enforcement (inc. prosecution)	168.8
Total average annual costs	172.5
Total cost over 10 years (discounted at 3.5%)	£1.6m

Costs to Fishermen

Effect on value of licences

110. Licences are freely traded in a reasonably transparent manner (for example www.findafishingboat.com has a large number for sale with an asking price). The value of a licence may fluctuate for a number of reasons. There is a large number of licences used either for fishing at low levels or not at all. Hence the value of licences at present is likely to be driven more by perceptions of future earnings rather than scarcity of licences. These perceptions are driven not just by the level of UK quota, but by the MFA's management of that quota, i.e. the extent to which the MFA is able to maintain catch limits at reasonable levels for the duration of the fishing year.
111. Licence values have been falling for some time, and recently this trend may have accelerated. This could be linked to the general fall in the levels of UK quota, together with the more recent apparent change resulting from the introduction of new monitoring arrangements (using RBS sales notes). Although there is currently no available data to test this, it would support the view that potential future earnings are a key driver of licence value.
112. Under the baseline option, it is likely that the redundancy of many vessels and their licences would lead to a greater number of licences being available, and thus a possible fall in their value.
113. In terms of the proposed measures, there are a number of factors affecting perceptions of future earnings and it is very difficult to predict how the market will respond and hence what change there might be in the value of licences.
114. In principle, the potential earning ability of a full-quota licence is higher than a limited quota licence simply because it carries an entitlement to land more quota. The current value reflects fishermen's perception of future earnings and risk. The MFA's commitment to keeping fisheries open for those with limited-quota licences should not have a material impact on those with full-quota licences (because of the relatively small amounts of quota needed to keep fisheries open at a low level). However, the earning prospects will not increase under this proposal and hence, licence values might not change as a result.
115. At present, there are a large number of licences that could be used to fish up to the monthly catch limits, approximately 2600. Under this proposal, there will be a more limited number (approximately 1000). This might create a scarcity value, particularly if there was a recovery of fish stocks generally and this was reflected in increased catch limits for the inshore fleet.
116. Fishermen might perceive that limited-quota licences are more limited in terms of their earning power and hence devalued. However, there is a benefit to holders of these licences in

that fisheries should remain open to them whereas previous they might have closed early. This is a particular benefit to seasonal fishers who might have previously had a fishery closed before their season started. For these reasons, the value of these licences might increase.

117. With these drivers in mind, it is very difficult to predict what impact the measure will have on the market value of licences. On balance, limited quota licences are likely to have a lower value, but the exact level at which this is set will depend on a wide range of factors described above. In order to consider the worst case scenario, a reduction in the market value of licences is explained below, and includes an explanatory monetary estimate of the cost to licence holders. These figures do not represent a forecast of true costs to licence holders and are included for illustrative purposes.

Illustrative cost to fishermen due to licence de-valuation

118. As the potential earning ability of a licence with a limited quota permit could be less than one with a full quota permit, the market value of such licences could decrease. This could be perceived as potential loss of value by fishermen, but may not turn out to be so, due to several factors explained below:

119. Licences are freely traded in a reasonably transparent manner (for example www.findafishingboat.com has a large number for sale with an asking price). The value of a licence may fluctuate for a number of reasons but there appears to be a clear correlation between value and the prospects for future profits and therefore the level of UK quota. Some fishermen have suggested that licence values have been falling for some time. If this trend continues it would reduce the cost impact to limited quota permit holders. This could be linked to the general fall in the levels of UK quota, however, there is currently no available data to test this.

120. The value of a licence is calculated per unit of vessel capacity - measured using Vessel Capacity Units (VCU) - this is equivalent to a unit of potential vessel fishing 'effort', as it measures the vessel's size and power. At present, licences that have a shellfish permit attached generally have a slightly higher market value than those without (around £200 per VCU against £175 per VCU without). The current average licence value for an under 10m vessel is £8k³⁹. We expect that for similar reasons, and other things being equal, full-quota licences may have a slightly higher value than limited-quota licences. However, it is difficult to predict whether this will be the case and if so, what the price differential may be.

121. Given the explanation above, fishermen affected by the limited quota permits may well see a de-valuation in the selling price of their licences, however, due to the large uncertainties that surround this cost it is only possible to calculate an approximate estimate that should be considered an illustrative upper bound cost. Further, all licences carry the inherent uncertainty of future quota availability and licence holders are aware of this risk when licences are bought. This is calculated as follows:

122. Assuming that the proportion of licence market value that is lost due to implementing a limited quota licence is comparable to the differential between a current licence which includes a Shellfish permit and one that does not, the limited quota licence will be worth £25 less than a full licence. Due to the uncertainty surrounding this assumption, a range (£15 - £35) has been used to illustrate the potential cost to licence holders. Assuming that the average VCU is 40⁴⁰ and there are 2,250 fishermen allocated limited quota licences, the total loss in licence value to all those affected ranges between £1.35m and £3.15m⁴¹. This is considered a one-off cost felt in the first year of policy implementation.

123. The reliability of this estimate relies upon the assumption that the reduction in licence value due to implementation of limited quota licences is comparable to the additional value of a Shellfish permit. This assumption should be considered with caution and the estimate should be used as an illustration of the potential cost to fishermen.

³⁹ This is calculated by multiplying market value per VCU by average under 10 m VCU value: 200*40=8000. Estimates provided by the MFA.

⁴⁰ MFA estimate. The average VCU for under 10's likely to be allocated a limited quota licence is 40.

⁴¹ Loss in market value of licence*VCU*number of licence holders affected. 15*40*2250=1.350m 35*40*2250=3.150m.

Cost to fishermen of disputes/appeals

124. Some fishermen may dispute the classification of their licence. Although it is possible that those with a full-quota licence may want to claim a limited-quota licence, the reverse is more likely. This is because fishermen may consider that a licence with tighter restrictions on the amount of quota that can be caught has a lower value than otherwise. There may therefore be some disputes brought by fishermen seeking to maintain the perceived value of their licence. In certain cases, appeals may not be considered valid.
125. There are three potential forms of genuine dispute. First, there is likely to be some fishermen who are fishing, but have recorded less than 300Kg in a twelve month period for a variety of reasons. Second, there will be some fishermen who have sold their vessel with the intent of buying or building a replacement. These fishermen will not be fishing and will have a licence entitlement. They will have low or zero landings and may intend to fish more than 300kg. There are approximately 280 under 10m licence entitlements issued by the MFA. A proportion of these may dispute the issue of their licence. Third, there may be some fishermen who had been planning to increase their catch level in the future.
126. The cost to fishermen in disputing their licence should be minimal. They will need to gather documentary evidence to support their dispute, for example, evidence of landings, vessels in build or repair etc. They will then need to submit this evidence with their written case to the MFA. We envisage that disputes will be dealt with by correspondence. The cost of this should be negligible.
127. It is expected that fishermen will continue with current fishing patterns and will not therefore need to diversify into other stocks. Therefore the risk of displacement costs is considered negligible. This assumes that the appeals process is fair and reasonable, and licence holders receive the correct allocation of licence category.

Cost to fishermen of lost income

128. As fishermen are expected to continue with their current fishing pattern, the proposal is not likely to cause any loss to current income. Assuming that those fishermen who's current fishing pattern is not reflected in RBS data successfully appeal, there will be no loss of earnings as a result of the proposal.

Benefits

129. The proposal stabilises catch patterns for many members of the pool at existing and historic catch levels, which show many fishermen in the inshore fleet are hobby fishermen catching significantly less quota stock than this. As such, capping at this level should take account of historic catch patterns. The probability of this occurring has been increased by our proposal to take account of 25 months catch data in place of the original 18 months reference period, which will give a more accurate yardstick for measuring ongoing patterns of fishing effort made by individuals over time. The proposal will prevent a licence from being used to expand catch in a market where there is no scope for expansion.
130. Following the baseline option of market-led resolution, would arguably lead to a more unstable situation in the inshore fleet, where ongoing reductions in Total Allowable Catch and quota would be more likely to lead to a race to fish. This would be likely to exhaust existing quota stock more quickly than would be the case where intervention has limited the capacity available to do this.
131. Judging a possible outcome for decommissioning to be the release of around 250 - 650 tonnes of key quota stocks (see para 60b) as highlighted above, limiting latent capacity would help ensure this overfishing would be less likely.
132. Almost as crucially, it will also help ensure a more equitable division than in the baseline scenario of the remaining stock amongst under 10 metre fishermen in a way designed to maximise sustainable exploitation of the remaining stock. Many fishermen have expressed concern of the impact of capping on their ability to diversity catch patterns, but capping offers a way to ensure the benefit of quota stock reaches more of those who fish regularly for it more frequently than in a pool where market rules have removed many lower catching vessels. .

133. Running a capping process simultaneously with decommissioning helps to mitigate the risk that individuals will use decommissioning monies to purchase new licences and boats either themselves or using third parties (such as relatives), using up capacity released.
134. This proposal will assist with stabilising rates of change in the fleet which will create a more stable basis on which to continue to develop our understanding of the activity of the inshore fleet and make longer term plans for its sustainability. It will also give us time to consider the social and cultural impact of the fleet's presence for local communities up and down the English coast.

Risks

Risk	Consequence	Mitigation
"Administration hopping" – re-registration to another UK national administration where licences are uncapped.	<p>Could undermine the policy benefits as the licence will remain uncapped.</p> <p>It should be noted that since the possibility of licence capping was first aired in February 2008, there have been very few vessels that have re-registered and this has been balanced by new vessel registrations. Indeed figures show no significant change to any other typical year. This suggests the risk is low.</p>	<p>We are unable to prevent vessels re-registering to another administration due to the nature of the current licensing system. However, this risk will be considered in the framework of future policy direction of the inshore fleet.</p>
High level of appeals and associated costs.	Delay to achieving objectives of the licence capping scheme, until all appeals are resolved.	A robust, transparent and efficient appeals process.
Legal challenge against decision to cap licences, or against the track record of catches themselves.	Delay to achieving objectives of the licence capping scheme, until resolved.	<p>An extended reference period on which to base decisions about capping of licences. A robust, transparent and efficient appeals process.</p> <p>Where licences are sold to an unregistered buyer, the buyers evidence of track record of catch will be accepted. We will be clear that if this amounts to evidence of a breach of RBS Regulations, and action may be taken.</p>

Groups affected

135. Affected groups will include those licence holders catching less than 300kg per annum of identified quota stock, MFA staff engaged in licence issuing and enforcement, appeals panel staff and (where policy elements are identified) DEFRA policy staff.

Conclusion

136. The fundamental problem is that the total amount of quota available to the English inshore fleet is insufficient for the current capacity of that fleet. By implementing the preferred option, we will reduce capacity in the fleet thereby providing opportunity for the remaining fleet to catch the quota released by decommissioned vessels. A more level playing field in terms of vessel capacity

will help to make it possible to manage of the quota across the fleet more effectively, and it should reduce the likelihood of the need for early closure of fisheries.

137. The decommissioning scheme will be carefully targeted to ensure best value for money and greatest benefit for the remaining fleet. To increase the impact of the decommissioning scheme, it has been tied to licence capping measures in order to mitigate against the risks of those benefitting from decommissioning monies to use them to continue accessing fishing opportunity.
138. In addition, the potential for latent licence capacity to become active is real, and threatens to worsen the imbalance between quota and capacity. Capping licences can achieve the aim of reducing this threat and ensuring that the low capacity vessels continue to have access to fisheries. The benefits of the preferred option are therefore considered to outweigh the costs.
139. The proposals are considered to offer the least risk to the short-term economic stability of the fleet, thereby securing a more stable short term future for the English inshore fleet, and enabling Government to work on its proposals for longer term reform of the industry. This is essential if we are to properly value the social, environmental and economic benefits of this fleet before it disappears, so that we can make informed choices about the future direction of England's fleet.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes/No	Yes/No
Small Firms Impact Test	Yes	No
Legal Aid	N/A	N/A
Sustainable Development	Yes/No	Yes/No
Carbon Assessment	Yes	No
Other Environment	Yes/No	Yes/No
Health Impact Assessment	Yes/No	Yes/No
Race Equality	Yes/No	Yes/No
Disability Equality	Yes/No	Yes/No
Gender Equality	Yes	Yes/No
Human Rights	Yes/No	Yes/No
Rural Proofing	Yes/No	Yes/No

Specific Impact Tests

Competition Assessment

1. New entrants will broadly face the same costs to enter as at present. They will need to acquire a vessel and vessel licence. The proposal is not expected to have an adverse impact on competition.

Small Firms Impact Test

2. For the purpose of Impact Assessments, all businesses having fewer than 250 full time equivalent (FTE) employees are considered small and medium sized enterprises (SME). All of the fishing businesses affected by the options have been classified as SME's.⁴² It is not thought that the assessment for new licence would disproportionately disadvantage the small businesses.

Carbon and other environment

3. The Strategic Environmental Assessment Directive (2001/42/EC) aims to provide for a high level of protection of the environment and to contribute to the integration of environmental considerations into the preparation and add option of plans and programmes, with a view to promoting sustainable development.
4. In this context, a Strategic Environmental Assessment has been conducted in order to identify potential environmental issues arising from implementation of UK Operational Programme of the European Fisheries Fund (EFF), which includes the option of decommissioning. The assessment considers a number of environmental topics including biodiversity, flora and fauna; population; human health; water; air and climate; material assets; landscape; cultural heritage and soil.

Sustainable Development

5. The proposal to cap licences adheres to the five principles of sustainable development to which the Government is committed.

Race/Disability/Gender Equality

6. Licence capping will apply to all under 10m vessels. There are no limitations on the grounds of race, disability or gender.

Legal Aid

7. This proposal does not create new criminal sanctions or civil penalties.

Carbon Impact test

8. The options will have no significant effect on carbon emissions, although it may have an effect in preventing future increase in emissions, through controlling future increases in fishing capacity.

Health Impact Assessment

9. The Health Impact Assessment considers the effects policies, plans, programmes and projects have on health and well-being, and in particular, how they can reduce health inequalities. There are no immediate quantifiable health impacts following from implementation of the proposed measures. However longer term analysis of the hypothesized social benefits conferred by the inshore fleet may identify an impact on health of future policies.

Human Rights

10. The Proposal is consistent with the Human Rights Act 1998.

Rural Proofing

11. Rural proofing is a commitment by Government to ensure domestic policies take account of rural circumstances and needs. The majority of those employed in the fishing and aquaculture industry are based in coastal communities in rural areas. The licence capping scheme is designed to ensure greater long term certainty about access to quota, which is a positive effect for the fishing community.

⁴² Source: The Department for Business, Enterprise and Regulatory Reform, SME Statistics 2006. <http://stats.berr.gov.uk/ed/sme/smestats2006.xls>

Hours on 2007 decommissioning exercise

by member of staff

8 claims out of 26 applicants out of 55 contacted

Estimated hours on 2008 decommissioning**exercise** by member of staff

Assume, 80 claims out of 250 applicants

Assume (allowing for economies of scale) 9 times as big

Name	Grade	Hours	% one off cost	% linked to size	One off cost	Linked to size	Total	Hourly £	Cost £
Julian Roberts	SEO (N)	44	0	100	0	396	396	39	15,566
Phil Whitby	HEO (N)	45	0	100	0	401	401	32	12,832
John Stipetic	EO (N)	35	0	100	0	311	311	27	8,424
Dave Munday	HEO (N)	26	0	100	0	234	234	32	7,498
Paul Bryan	HEO (N)	22	0	100	0	194	194	32	6,200
Justin Williams	SEO (N)	17	0	100	0	151	151	39	5,926
Nick Wright	HEO (N)	18	0	100	0	162	162	32	5,191
Mick Sheppard	EO (N)	18	0	100	0	164	164	27	4,456
Barry Smart	SEO (N)	3	0	100	0	23	23	39	884
Dave Putt	EO (N)	1	0	100	0	9	9	27	244
Nick Albrighton	AA (N)	1	0	100	0	9	9	19	169
Not London		228			0	2052	2052		67391
Roger Mason	SEO (L)	600	100	0	600	0	600	43	25,826
Richard Winborn	SEO (L)	115	50	50	58	518	575	43	24,750
Omotola Babatunde	EO (L)	31	0	100	0	277	277	32	8,796
Ian Sutherland	EO (L)	24	0	100	0	216	216	32	6,849
Guy Ellis	7 (L)	50	100	0	50	0	50	58	2,901
Other ¹	SEO (L)	50	100	0	50	0	50	43	2,152
Mike Pigott	AO (L)	8	0	100	0	72	72	27	1,933
Neil Wellum	7 (L)	15	100	0	15	0	15	58	870
London		893			773	1083	1855		74078
Grand Total		1,121			773	3,135	3,907		141,469

1. Printing, lawyers, data protection, other staff etc etc.