

HOUSE OF LORDS

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SELECT COMMITTEE ON
THE EUROPEAN UNION

PROGRESS OF REFORM OF THE
COMMON FISHERIES POLICY

WITH EVIDENCE

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TWENTY-FIFTH REPORT

13 MAY 2003

By the Select Committee appointed to consider European Union documents and other matters relating to the European Union.

ORDERED TO REPORT

PROGRESS OF REFORM OF THE COMMON FISHERIES POLICY

ABSTRACT

The Common Fisheries Policy (CFP), after years of failure to achieve sustainable management of European fisheries, was due for substantial overhaul by December 2002.

A promising package of proposals adopted by the Commission in May 2002 was seriously compromised by decisions taken by the Council in December 2002, as a result of special pleading by Member States.

The Committee has no confidence that the new basic CFP Regulation agreed at that meeting, despite some positive features, will meet the objectives of sustainable fisheries and prevent irreversible decline in important stocks unless it is substantially improved.

In particular, the Committee deplores the fact that:

- Total Allowable Catches (TACs) have been persistently set at levels higher than could ultimately be justified;
- Long-term recovery plans for key stocks, especially for cod and hake, have yet to be adopted by the Council: proposals from the Commission have been on the table since December 2001 and fresh proposals for cod have only now emerged, after a long delay, in May 2003;
- Funds will continue to be made available under the Financial Instrument for Fisheries Guidance (FIFG) for construction of new fishing vessels until the end of 2004.

The Committee urges the Government to press hard for adoption by the Council of the following measures:

- Introduction of effort controls, to work alongside TACs and quotas as appropriate;
- Significant reductions in fishing fleet capacity, over and above those necessary to neutralise “technology creep”;
- Early progress towards the establishment of a Community Fisheries Control Agency;
- Urgent establishment of Regional Advisory Councils;
- Comprehensive gathering of economic data as well as scientific data, as a basis for objective long-term planning.

The Committee concludes that economic intervention in fisheries management is vital. It emphasises the importance of giving fishermen a genuine stake in the long-term financial management of fisheries and argues that transitional financial aid, linked to stock recovery plans, is needed to enable fishing communities to adjust to change.

The Committee urges the Government to promote diversification of coastal economies and the development of alternative employment opportunities. It strongly supports the Commission’s proposal to explore the possibility of decoupling FIFG resources from fishing activity in favour of investment in coastal communities.

CHAPTER 1: INTRODUCTION

1. The European Union has had a Common Fisheries Policy (CFP) since 1983 in order to manage fisheries for the benefit of both fishing communities and consumers. Already at the time of its mid-term review in 1992 it was clear that the policy was failing in important ways. A deadline for reform was set for 31 December 2002.¹ In late 2002, amid warnings that the cod stocks in the North Sea were now on the brink of collapse, the Agriculture and Fisheries Council agreed on a reform package. This Report considers whether the new legislation is likely to reverse decades of failure to achieve sustainable management of European fisheries. It is particularly critical of the Council's failure to date to adopt recovery plans for key stocks, especially for cod and hake, despite proposals from the Commission which have been on the table since December 2001. New proposals have now emerged, as we complete this Report (see Box 1), but they face a difficult passage through the Council over the coming months.

Box 1**COMMISSION PUBLISHES PROPOSALS FOR LONG-TERM RECOVERY PLAN FOR COD, 6 MAY 2003**

This Report was virtually complete when the Commission published fresh proposals for a long-term recovery plan for cod (COM(2003)237). The plan would replace the current interim measures (paragraph 14); a separate recovery plan for hake is to follow.

The key features of the plan are:

- The overall aim is to ensure recovery of stocks to precautionary levels, as advised by scientists, within a time frame of five to ten years. This envisages a gradual movement towards setting total allowable catches (TACs) on a *multi-annual* basis, instead of year by year.
- TACs are to be combined with *effort controls* in the form of an allocation to each Member State of *kilowatt-days* (calculated by multiplying the engine power of a vessel by the days spent fishing).
- Member States will distribute the kilowatt-days (which will be transferable) among the vessels of their national fleets.
- Specific measures are included for strengthening monitoring, inspection and enforcement.
- The plan is allied to the €32 million "scrapping fund", already announced (see Box 6, after paragraph 52) for Member States who need to reduce fishing effort by 25% or more in order comply with recovery plans.

Given our views on the vital importance of effort controls and capacity reduction (paragraphs 30, 33, 35 and 52), we welcome these elements of the Commission's proposals. However, in the light of the fate of the Commission's December 2001 proposals, we remain pessimistic that—without dedicated commitment by the UK Government and its supporters in the Council—these new proposals may be the next victims of short-term self-interest and that they will take effect too late.

2. The reforms agreed in 2002 have been long in the making. After a three year consultation process the Commission published a Green Paper on the Future of the Common Fisheries Policy in March 2001, discussing the limitations of the CFP and presenting a number of options for its reform.² We took part in that consultation process by undertaking an inquiry that resulted in the report *Unsustainable Fishing: What is to be done with the Common Fisheries Policy?*, published in January 2001.³ The Committee was pleased to note how the Commission, both in the Green Paper and in its "Roadmap" proposals of May 2002, had arrived at very similar conclusions to those of the report, in particular on the following key failings of the CFP:⁴

¹ Article 14 of Council Regulation (EEC) 3760/92 of 20 December 1992 establishing a Community Framework for fisheries and aquaculture, OJ L 389, 31.12.1992, p 1.

² COM (2001) 135 Final, 20.3.2001.

³ Select Committee on the European Union, Session 2000-01, 3rd Report, HL Paper 12. That Report, like this one, was prepared by Sub-Committee D, whose current members are listed in Appendix 1.

⁴ As summarised by the "Roadmap for the Reform of the Common Fisheries Policies" published by the Commission in May 2002, COM(2002)181.

- *The alarming state of the fish stocks*

Most fish stocks in Community waters are below their safe biological limits for stock biomass. Stock sizes and landings have declined dramatically in the past 25 years. For many commercially important demersal (bottom-living) stocks, such as cod and haddock, the numbers of mature fish are now less than half those of the early 1970s. Without urgent and substantial reform of the CFP, many fish stocks now look likely to collapse. The International Council for the Exploration of the Sea (ICES) suggests that the level of fishing mortality on the most important Community fish stocks needs to be reduced by between one-third and one-half, depending on the species, type of fishery, and fishing area concerned.

- *Over-capacity*

The fishing capacity of the Community fleet far exceeds that required to harvest the available fish stocks in a sustainable manner. The economic incentive to use this excessive capacity is considerable, and has impeded all attempts to reduce fishing effort by the amounts needed to achieve effective conservation. There have moreover been continual improvements in the efficiency (and thus the effective fishing power) of the fleet as a whole (a process known as “technology creep”), which has further seriously exacerbated this problem.

- *Economic Fragility*

Most of the Community fisheries sector faces poor financial profitability and steadily declining employment. Over the period 1990–1998, there has been a loss of 66,000 jobs in the catching sector, an overall decrease of 22 per cent. Over the same period employment in the processing sector has decreased by 14 per cent.⁵

- *Poor enforcement*

Current control and enforcement arrangements have been insufficient to ensure an equitable approach across the Union, undermining the credibility of the CFP and seriously reducing any incentive for individual fishermen to comply with the regulations.

- *Non-inclusive governance*

Stakeholders have not been sufficiently involved in policy formation. This lack of involvement has undermined support for and compliance with the conservation measures adopted.

3. A second consultation process followed the launch of the Green Paper. According to the Commission, a clear consensus emerged that the CFP needed radical reform in order to reverse the disastrous decline in important fish stocks and to provide economic sustainability to the fisheries sector. Nonetheless, the “Roadmap” for CFP reform that the Commission finally published in May 2002 proved instantly controversial.⁶

4. In total, the Commission will have published 18 documents concerned with fisheries reform between May 2002 and the middle of 2003. Among these are Communications and Action Plans on topics including conservation of fish stocks in the Mediterranean, fishing on the high seas, fisheries with third countries, control and enforcement, and aquaculture (see Box 2 below). The three most important documents, however, were the three legislative proposals included in the May 2002 package. The most controversial of these was the proposed new basic Regulation.⁷ The other two proposals related to financial aid to the EU fisheries.⁸

5. At the heart of the Commission proposals was the intention to introduce a more coherent fisheries management policy, combining traditional fisheries management tools (catch limits, gear restrictions etc) with a more effective fleet management policy to ensure a balance between fishing effort and resource availability. The main instrument for integrating these measures was to be long-term stock management plans. These would secure greater stability for the sector and reduce the risk of stock collapse, while moving away from the highly political yearly negotiations on catch limits. The Commission also emphasised that the CFP would take greater account of the ecosystems of which commercial fish stocks are part.

⁵ Commission figures available on DG Fisheries web-site: http://www.europa.eu.int/comm/fisheries/policy_en.htm (as at 11 March 2003).

⁶ “Roadmap for the Reform of the Common Fisheries Policies” published by the Commission in May 2002, COM(2002)181.

⁷ Proposal for a Council Regulation on the sustainable exploitation of fisheries resources (COM (2002) 185).

⁸ Proposal for a Council Regulation amending Regulation (EC) No 2792/1999 laying down the detailed rules and arrangements regarding Community structural assistance in the fisheries sector (COM (2002) 187); Proposal for a Council Regulation establishing an emergency Community measure for scrapping fishing vessels (COM (2002) 190).

6. While the original proposals were well received by many, including this Committee⁹ and environmental interests in particular, they were fiercely opposed by others. The six so-called “Friends of Fishing” countries—Spain, France, Italy, Greece, Portugal and Ireland—decried the measures as draconian. The ensuing five day long Council was “agonising . . . , with some very difficult choices to make”.¹⁰ In order to secure agreement, significant compromises were made in many areas, including fleet policy, the use of subsidies and the introduction of management planning.

7. The reformed CFP is the result of over four years of analysis and consultation, but it has in our view been emasculated by the back-sliding compromises made by the Council. The present Report evaluates whether the reformed CFP has any chance of succeeding where the previous policy failed, namely in providing a sustainable future both for the fish stocks and the fisheries which depend upon them.¹¹ The following chapter looks at the key elements of reform as contained in the new basic Regulation. The third chapter considers a crucial aspect for the long-term reform of the CFP which was not contained in the new Regulation—economic management of the fisheries. Throughout this Report reference is made to the evidence printed. Our witnesses are listed in Appendix 2, and we thank them all for their contributions. We are also greatly indebted to our Specialist Adviser, Professor John Shepherd FRS.

⁹ House of Lords European Union Committee: *Reform of the Common Fisheries Policy: The Current Crisis over Fish Stocks*, 2nd Report, Session 2002-03, HL Paper 16.

¹⁰ Elliot Morley, Q 1.

¹¹ We welcome the decision by the Royal Commission on Environmental Pollution to conduct a study into the environmental effects of marine fisheries. Details of the study (for which evidence has been invited by 30 May 2003) are at <http://www.rcep.org.uk/fisheries.html>. The Royal Commission has commented: “Fisheries are, in the view of many, one of the major causes of damage to the marine environment but the extent, and even the existence, of such damage is disputed. This is an opportune time to consider the wide environmental consequences of fisheries. We are moving from the hunter-gatherer stage of exploiting the ocean’s resources towards farming the oceans. Arguably we are at much the same point with fisheries as we were with agriculture after the second world war. Technological advances and economic pressures are leading to an intensification, which has the potential to wreak as much damage on the oceans as intensive agriculture has on land over recent decades. With agriculture we asked the wrong question—how to maximise the production of food, instead of looking at the wider functions of the rural environment, with their rich inter-dependencies. We must try to ensure that the problems that could arise with intensive fisheries are foreseen, so that they can be avoided.”

Box 2*The CFP reform process*

On 20 December 2002, three new Regulations were agreed on by the Fisheries Council (outlined in more detail in Box 3):

- Council Regulation (EC) No.2371/2002 on the conservation and sustainable exploitation of fisheries resources under the Common Fisheries Policy (the new basic Regulation)
- Council Regulation (EC) No. 2369/2002 amending Regulation (EC) No 2792/1999 laying down the detailed rules and arrangements regarding Community structural assistance in the fisheries sector
- Council Regulation (EC) No 2370/2002 establishing an emergency Community measure for scrapping fishing vessels

The Commission must now present proposals for measures to implement the decisions adopted in December 2002 by the Council.

Commission Proposals since May 2002

- An Action Plan to ensure the sustainability of fisheries in the Mediterranean (COM(2002)535). The measures include: a concerted approach to declaring fisheries protection zones, the use of fishing effort as the main instrument in fisheries management, improving fishing techniques so as to reduce the adverse impact on stocks and the marine ecosystem and promoting international co-operation.
- For the first time ever, a strategy for the sustainable development of European aquaculture (COM(2002)511). This strategy is designed to strengthen the role of aquaculture in providing jobs and in supplying quality fisheries products in a way that does not harm the environment.
- An Action Plan to integrate environmental protection requirements into the CFP (COM(2002)186). A proposal to protect sharks foreseen in this Plan is currently before the Council. Also as part of this Action Plan, in the Summer 2003, the Commission will propose measures to minimise by-catches of cetaceans in fishing gear.
- An Action Plan to eradicate illegal fishing (COM (2002)180).
- Measures to counter the social, economic and regional consequences of fleet restructuring (COM(2002)600). In addition to the measures already in place under the Structural Funds, the proposed actions mainly concern the reprogramming of structural aid in favour of reduction of fleet capacity and social measures, the improvement of the image of the sector and support for sustainable coastal development.
- The reduction of discards of fish (COM(2002)656) The measures proposed aim to prevent catches of unwanted fish, particularly immature fish and to remove incentives for discarding.
- The creation of a single inspection structure (COM(2003)130) to ensure the pooling of Community and national inspection and monitoring resources.

Commission Communications since May 2002

- The setting up of partnership agreements with third countries (COM(2002)637). This Communication looks at ways of improving fisheries agreements, in particular those concluded with developing coastal states by promoting international co-operation and strengthening measures to ensure sustainable fisheries in the waters of the partner concerned
- The improvement of scientific and technical advice for fisheries managers (COM(2003)625). The Commission identifies two main ways to achieve this: by reorganising the provision of scientific advice and by devoting more resources to obtaining the advice.

Still to come in 2003

- Action Plan on improving stock evaluation in non-Community waters; Communication on transparency, performance and compliance in the enforcement of CFP rules in the EU; and a Code of Conduct for responsible fisheries in Europe.

CHAPTER 2: AN EVALUATION OF THE NEW CFP LEGISLATION

A new basic Regulation

8. In January 2003, Regulation 3760/92, often referred to as the basic CFP Regulation, was replaced by a new Regulation on conservation and sustainable exploitation of fisheries resource, Regulation 2371/2002.¹² The new Regulation is more comprehensive than its predecessor, covering a large range of issues dealt with under the CFP and setting broader objectives. In particular, it aims for sustainable exploitation, more long-term resource management and greater coherence with other EU policies. Three key areas of the EU fisheries policy are not dealt with by the new basic Regulation, namely: structural policy, markets and international policy.

Box 3*The main elements of the new basic Regulation*

A stronger commitment to the protection of the marine environment.

Stocks falling below safe biological limits will be managed by recovery programmes, others by multi-annual management plans. The Council is discussing recovery plans for Cod and Northern Hake, which are a template for the likely format of plans for other stocks.

A simpler fleet policy that puts responsibility for matching fishing capacity to fishing possibilities with the Member States.

Current provisions restricting access to the 6–12 mile zone around the coasts of Member States to fishing vessels that have traditionally fished there have been renewed to 2012. Access to the 0-6 mile zone remains restricted to fishermen from the Member States.

Other access restrictions such as the “Shetland Box” (which limits the number of vessels fishing for white fish around Shetland) will be reviewed by the Commission in 2003. The Council will decide on any amendments to existing arrangements by the end of 2004.

Fishing quotas will continue to be shared out according to historic entitlements. This principle is called “relative stability”. According to Fisheries Minister Elliot Morley, the UK fought hard to keep this principle at the centre of the CFP.¹³

Spain, Portugal and Finland have the right to fish for non-quota species in the North Sea from 1 January 2003.

Measures have been introduced to create more equitable CFP enforcement. The Council will legislate on a uniform system of penalties for infringing the rules of the CFP. Member States have increased powers to inspect the vessels of other Member States fishing in their waters, and also to inspect vessels from their fleet fishing in the waters of other Member States.

Regional Advisory Councils (RACs) will be established. They will be able to make recommendations to the Commission about the implementation of the CFP in their areas.

Protection of the Marine Environment

9. One of the key changes enshrined in the new Regulation is the adoption of a stronger commitment to the protection of the marine environment as a fundamental objective of the CFP. Application of the precautionary approach to management is laid down in the objectives, together with sustainable exploitation, minimisation of the impacts of fishing on the marine ecosystem, and progressive implementation of an ecosystem-based approach to management. The new basic Regulation thus provides a clear legal basis for future measures intended to reduce the negative impacts of fishing on the marine environment. As a result, environmental interest groups have expressed cautious optimism to the Committee that the new Regulation will be more effective than previous ones in achieving sustainable development in the fisheries.¹⁴

10. We welcome the stronger commitment in the new basic Regulation to protection of the marine environment. We would nonetheless like to make the following observations.

¹² OJ L358, 31.12.2002, p 59.

¹³ Q 1.

¹⁴ Q 60.

11. It is still not at all clear what an *ecosystem-based approach* to management will involve in practice.¹⁵ Even the proposals of environmental organisations tend to focus on monitoring and evaluating ecosystem-level impacts (for example by studies of non-target indicator species), and do not address the question of what action should be taken as a consequence. For the North Sea, for example, we need to understand the ecosystem well enough to predict with reasonable confidence the consequences on the major fish stocks of culling large numbers of seals (or not doing so), and of fishing more or less than 1 million tonnes of sand eels per year. We also need to consider competition between species (for food and habitat) and interactions between juvenile fish as well as predation by adults. In all of this the science is very difficult. Much work has been done, but much further work is still required in understanding marine ecosystems, before it will be possible to make such predictions, or to incorporate them in management advice. **Existing international research programmes in this area coordinated by the International Council for the Exploration of the Sea (ICES) need to be enhanced, and such work could and should be given a much higher priority, compared with routine stock assessments. This is long-term research, and while the results may not be available for some time yet, it needs to be carried out with much more urgency than it has been hitherto.**

12. Meanwhile, there is an urgent need to incorporate the precautionary approach into management procedures much more effectively. Management targets should be set at precautionary levels, allowing for the possibility of stock collapse through recruitment failure. We consider that the precautionary approach means managing European fisheries on the basis of probable outcomes, rather than certainty (which is unattainable). Target levels of fishing mortality should be set on the basis of the balance of probability of potential stock collapse (i.e. using criteria comparable to the levels of proof required in civil law), rather than the more exacting test of “beyond reasonable doubt” (the criterion required by criminal law, and the sort of confidence level normally required by scientific convention), since by the time such confidence is achieved it is usually too late for effective remedial action.

Long-term Management

13. Among the measures adopted in the new Regulation in order to achieve conservation and sustainability are provisions for the adoption of *recovery plans* for stocks which are already over-fished, and long-term *management plans* for other stocks. Both aim to introduce a much needed long-term approach to resource management, even though the final provisions are rather weaker than the Commission’s original proposals. A good (and very simple) example of this approach is the management procedure for the Icelandic cod stock, which states that the total allowable catch (TAC) each year is just 25 per cent of the assessed spawning stock biomass (SSB), which is believed to be a sustainable level of exploitation.

14. This may of course be compared with the recent level of exploitation on North Sea cod (i.e. landings in excess of 150 per cent of SSB since the mid-1970s).¹⁶ The benefits of such a low level of exploitation in terms of security of recruitment, and stability of catches, are well-known, and also well exemplified by the major EU pelagic stocks (e.g. North Sea herring and Western mackerel) which are also subject to much lower levels of exploitation.

15. The objective of *recovery plans*, such as those adopted (albeit with limited success) for the Irish Sea cod and whiting stocks in recent years, is to increase the likelihood that stocks recover to within safe biological limits within a reasonable time, and a time-frame must be specified as part of the plan. To date, the main instrument has been the annual process of setting TACs in December for the coming year (see Box 4), invariably at or above the highest possible levels considered as feasible options by ICES.¹⁷ Temporary measures to assist the recovery of cod stocks were adopted by the Council in December 2002 and have been in place since 1 February 2003.¹⁸ The final content of individual recovery plans will depend crucially on the Council’s ability to agree on measures proposed by the Commission, even if these in future have originated in a Regional Advisory Council. The fatal weakness of the new legislation is that no deadlines are set for when recovery plans must be established. Without firm deadlines, the negotiations could continue for a very long time, as is indeed suggested by the still on-going negotiations over cod and hake recovery plans.

¹⁵ QQ 91, 147.

¹⁶ This is only possible because the exploitable biomass exceeds the SSB, since it includes juvenile fish which are not yet able to spawn. The Icelandic policy is therefore subtly and substantially more restrictive than it sounds.

¹⁷ See Q 127 and supplementary note by ICES, p 44.

¹⁸ Council Regulation (EC) No 671/2003, OJ L97, 15.4.03, p 11.

Box 4*Calendar of measures taken so far to assist recovery of cod stocks*

December 1999: the Council adopts reduced total allowable catches for Irish Sea cod and requests emergency protection measures for this area.

February 2000: the Commission puts in place emergency measures for spawning cod in the Irish Sea through the establishment of a protected area from mid-February to end of April.

December 2000: TACs for cod are reduced to the lowest ever levels for 2001.

February 2001, 2002 and 2003: the Commission re-establishes the 10-week protected area in the Irish Sea.

March–June 2001: the Commission develops new technical measures for cod, including closures during spawning time and a move to 110 mm, then 120 mm, mesh size for trawling for cod.

December 2001: the Commission proposes a long-term recovery package for cod and Northern hake. This proposal was not adopted by the Council.

December 2002: the Council adopts interim measures for cod including low fishing opportunities and, for the first time, limits on fishing effort to stave off a moratorium on the cod fisheries concerned. The Council asks the Commission to submit a proposal for a definitive recovery plan.

May 2003: the Commission tables a proposal for the recovery of cod stocks.

16. We are dismayed that, as we complete this Report, no firm recovery plans for key stocks, in particular cod and hake, are yet in place, despite having been first suggested by the Commission over a year ago. At the beginning of April 2003 the Commission promised a “definitive cod recovery plan” in a “few weeks’ time”.¹⁹ This envisaged adoption by the Council no earlier than September 2003. We regard this as quite unacceptable and, although the Commission’s new proposals have just recently emerged, urge the Government to press for the establishment of appropriate recovery plans as a matter of extreme urgency.

17. For stocks within safe biological limits, *management plans* may be set up. The requirements for the use and the content of these plans as adopted are much more vague than the original proposal to introduce multi-annual management plans for all commercial stocks. Management plans are to be adopted by the Council, if necessary, to keep stocks within safe biological limits. Like the recovery plans, they are required to take interactions between different stocks and fisheries into account.

18. Examples of excellent practice in establishing long-term approaches to management can be found in Iceland, Australia, New Zealand and South Africa, where simple “control rules” for operational use have been adopted after extensive simulation studies of both the stock dynamics (including the possibility of recruitment failure) and the effects of both natural fluctuations and observational errors on the whole assessment process. The adoption of such procedures in the EU has unfortunately been prevented by the retention of a system in which horse-trading over TACs and catch quotas is an integral part of the process.

19. The December 2002 Council regrettably did not even agree to delegate responsibility for annual implementation of the recovery and management plans, including setting the catch limits, to the Commission. This was intended to put an end to the annual horse-trading over fishing quotas, which now looks likely to continue, unless the same effect can be achieved by the changes to the operational process of establishing and updating conservation measures which will be required to incorporate Regional Advisory Councils (see paragraphs 45–49 below) into the process.

20. We strongly endorse the development of recovery and management plans, based on the precautionary and ecosystem-based approaches to the maximum extent possible. Such plans involve politically sensitive choices, and will therefore presumably need to be adopted by the Council of Ministers (or a body reporting directly to it). They should however have continuing validity, and therefore need to be prepared or revised only periodically (say every 5 years). They should most certainly not be revisited every year. Such longer-term plans can provide a major tool for depoliticising the routine process of fisheries management, and will moreover set the major constraints within which Regional Advisory Councils will operate to find effective means to implement them.

¹⁹ Commission press release of 3 April 2003.

Effort Control

21. The Commission's original proposals envisaged much more extensive use in the future of direct controls on fishing effort (e.g. days at sea), rather than catch quotas which have been the most important conservation measures under the CFP until now. It is now widely recognised that there are severe problems with management by TACs and catch quotas, and that there would be substantial advantages in control of fishing effort.

22. Briefly, the problems with management by catch quotas (including individual transferable quotas or ITQs) are that they require:

- High quality scientific assessments of the state of the stocks, so that TACs can be set accurately, allowing for natural fluctuations in recruitment and stock size;
- Excellent monitoring and recording at the ports of the quantities and origin of landings (in effect a complete census of landings is required); and
- High levels of enforcement activity (inspections) at the ports and at sea.

23. Unless these requirements are met, TACs and quotas will fail to achieve their objective of controlling the level of exploitation, and will be evaded by mis-reporting of the quantities, species or origin of catches, by illegal and unrecorded landings ("black fish"), and by discarding of over-quota and by-catch species. Regrettably, experience has shown that these conditions are not met sufficiently well in European waters, and all the problems mentioned have become endemic. The problems are especially severe for so-called precautionary TACs, which are set on the basis of recent average catches, in the absence of adequate scientific stock assessments. Their effects are generally counter-productive (because they restrain fishing unnecessarily if and when stock sizes are growing, and fail to restrict fishing and so protect stocks when they are declining). Unfortunately the majority of the TACs set under the CFP are of this nature, because scientific assessments which are accurate enough for effective control by TAC (stock size accurate to within 10 per cent, say) are very difficult and very expensive to carry out.

24. All of these problems would be considerably reduced if fishing effort were controlled directly, because:

- It is much easier (and cheaper) to enforce restrictions on fishing effort (expressed in rough and ready units such as days at sea), especially if there is extensive use of satellite monitoring;
- Controls on fishing effort translate roughly but directly into restrictions on the percentage of the stocks which are caught, and so "track" natural fluctuations of stock size automatically, without the need for precise scientific assessments; they also eliminate the problems that apply to precautionary TACs (see Box 5);
- There is in principle no need for catch controls as well as effort controls, so all fish caught may be landed, eliminating the discard problem.

Box 5

Total Allowable Catches (TACs) and other conservation measures

The tonnage of fish of any stock caught is approximately proportional to the product of the exploitable stock biomass and the level of exploitation (which is usually expressed as the fishing mortality rate). This last is in turn, for demersal fish, approximately proportional to the total fishing effort (allowing for the fishing power of the vessels involved). Thus levels of fishing effort or mortality can be translated as necessary into catch/biomass ratios, and vice versa. A long-term control rule based on a catch/biomass ratio (such as that used by Iceland) does not therefore require that operational regulation of the fishery must be based on the use of TACs and quotas. In fact, it is the (all roughly equivalent) levels of fishing effort, fishing mortality or catch/biomass ratios which are the usual goals of direct conservation measures, and which have staying power. It is moreover the translation of these into absolute levels of catches, through scientific assessments of the absolute stock biomass (in tonnes), every year, and which is required only for management by TACs and quotas, which is difficult, demanding of scientific manpower, and therefore very expensive. Annual TACs need to track the natural short-term fluctuations of stock size, whereas the other measures do not. Working with management based on TACs and quotas has put the scientists on what has aptly been called the "TAC treadmill", to the great detriment of the really more important scientific studies of the ecosystem interactions (competitive and predator/prey relationships) and the factors determining recruitment, both the ubiquitous natural fluctuations, and the long-term stock size dependence which can and does lead to stock collapses.

25. Against this, it must be accepted that effort controls which can be enforced effectively (i.e. at the levels of days at sea) are rough and ready in terms of the fishing mortality so generated, and they do not permit fine tuning on a stock-by-stock basis, which is in principle possible with TACs. However, if carefully designed, adequately enforced effort limitations, disaggregated by vessel size, fishing gear, fishing area and time of year, would almost certainly be more effective than a widely evaded system of TACs and quotas. Effort limits can also easily be allocated to individual vessels, and so become property rights which establish individual ownership of access to the resource (not ownership of the resource itself), thus capturing most of the economic benefits of Individual Transferable Quotas (see paragraph 57 *et seq*).

26. Effort controls have historically not been used extensively as part of the CFP, because it is difficult to equate effort of different types, and so establish a fair allocation between countries and groups of fishermen. However, once these initial allocations have been established, this is no longer a problem since any adjustments of allowable effort levels can be made on a pro rata basis. In this case the fishing effort allocations of all participants in a given fishery (as defined by fishing area and gear) may be adjusted upwards or (more usually) downwards by the same proportion, thus preserving “relative stability”.²⁰

27. There is a further significant problem insofar as effort restrictions will allow progressively higher fishing mortality over time because of increases in fishing power through improvements in efficiency (“technology creep”), so provision needs to be made at the outset for some form of progressive claw-back of effort in the future, but this need not be a major problem.

28. Overall, it is difficult to escape the conclusion that control of fishing effort would be a better instrument—although blunt—for implementation of the CFP than TACs and quotas, and is probably the best such instrument available. We therefore regret that the Council did not agree to implement a properly engineered system of effort controls. Instead an ad hoc system was devised over-hastily, with (in its fine details) many damaging and illogical derogations and special exceptions, which seem to us to have been determined more by political expediency than by the need to conserve fish stocks. There is a danger that the Council’s decisions will serve to discredit effort control as a valid and useful conservation measure rather than contributing to the recovery of the stocks. This would be a serious retrograde step.

29. Adoption of fishing effort as the primary object of conservation measures would in fact also remove the need to set TACs and quotas annually, eliminating at a stroke the worst problems of what has been described as the “Brussels bottleneck”, i.e. the December Council meeting. It is therefore extremely well adapted to a new regime in which most of the operational management decisions are de facto devolved to Regional Advisory Councils (see paragraphs 45–49). The target levels of fishing mortality (and thus, by simple arithmetic, the reductions or increases of fishing effort required in the medium term) would of course still need to be decided periodically, but this would be as part of the longer-term strategic planning process, of which Council approval would still be required for the foreseeable future.

30. Direct conservation measures (such as control of fishing effort), coupled with appropriate technical measures (mesh size limits, closed areas, closed seasons etc), must be introduced. We urge the Government to press the Commission, and to argue in Council, for the implementation as a matter of urgency of a properly designed and well-considered system of effort control, to work alongside TACs and quotas wherever possible, but especially where precautionary TACs are in force.

Tackling overcapacity

31. One of the most fundamental and enduring problems of the Common Fisheries Policy has been the failure to tackle chronic overcapacity of the EU fleet, made worse by “technology creep”. This should have been tackled through the four successive Multi-Annual Guidance Programmes (MAGPs) established between 1983 and 2002, but it has not been effectively tackled through these or by any other means. As new technology makes fishing vessels ever more efficient, the capacity of the fleet should be reduced to maintain a balance between fishing capacity and the quantities of fish that can safely be taken out of the sea by fishing. Within the CFP the MAGPs were intended to achieve this aim by setting, for each coastal Member State, maximum levels of fishing capacity by groups of vessels. However, MAGPs failed to meet expectations and proved cumbersome to manage. This is why MAGP IV, which ended in December 2002, has been replaced in the new Regulation by what is intended to be a simpler scheme.

²⁰ See e.g. J G Shepherd, “Fishing Effort Control : Could it work under the Common Fisheries Policy ?”, submitted to *Fisheries Research*, 2003; also available at <http://www.jgshepherd.com>.

32. National fleet references have been established, thus bringing responsibility for matching capacity with resources back to the Member States. These national fleet references are based on objectives under MAGP IV (1997–2002) and are accompanied by an entry-exit ratio of 1 to 1 for vessels up to 100 gross tonne (GT), and 1.35 GT withdrawn for 1 GT introduced, for vessels between 100 and 400 GT. Publicly funded exits cannot be replaced. These provisions are intended to lead to a gradual downward revision of the reference levels as capacity is removed from fleets using public aid.

33. The only requirement for Member States actually to reduce overall capacity is in Article 13 (2): this only applies if public aid for fleet renewal is granted, and is for a relatively small reduction of 3 per cent over two years. The 1.35 GT withdrawal for 1 GT introduced for vessels between 100 and 400 GT, intended to counteract “technology creep”, was roundly condemned by most of our witnesses as wholly ineffectual.²¹ **The failure of the EU institutions to deal effectively with this serious and persistent problem is in our view further evidence of the lack of any real political will to address the major problems of fisheries management in Europe.**

34. The fleet reference levels apply to Member States’ fleets as a whole. In the future more specific fishing effort limitations would result from fishing mortality targets under the multi-annual management plans, which would lead to further withdrawal of vessels.

35. Most of our witnesses agreed that the new Regulation does not effectively tackle over-capacity. The Regulation relies on Member State implementation and the content of future management plans and therefore the political will of the Council. **Another opportunity to legislate for a serious downsizing of the European fleet has been missed. We urge the Government to press the fundamental need for capacity reduction, as well as effective measures to deal with “technology creep”, in future negotiations over recovery and management plans.**

Control and Enforcement

36. The problems associated with the control and enforcement of CFP Regulations are two-fold. Firstly, insufficient enforcement activity results in continued high levels of “black fish”²² landings. In the case of Scotland, the Committee was given to understand that at least 10 per cent of the catch continues to be landed illegally.²³

37. Secondly, fishermen working in European waters face different levels of control and enforcement depending on the national authorities in charge. There is a widespread belief that enforcement standards are variable and often prejudiced in favour of Member States’ own nationals. This lack of equity undermines the credibility of the CFP and thus the likelihood of compliance.

38. In its May 2002 proposals, the Commission set out a number of new provisions regarding evaluation and inspection. Many of these suggestions were, however, rejected by the Council in December. The resulting articles on control and enforcement in the new Regulation have strengthened and to some extent simplified the previous provisions, but they retain the basic principles and thus remain largely ineffective.

39. We welcome the measure to strengthen satellite vessel monitoring by extending its reach to vessels over 18 metres overall from 1 January 2004 and to vessels over 15 metres from 1 January 2005. Indeed, now that satellite position fixing systems such as GPS are ubiquitous and inexpensive, the pace of adoption is surprisingly slow. **There seems to be no substantial reason why satellite monitoring should not be extended to all licensed fishing vessels in the next five years or so. Similarly we consider that the technology now exists for direct electronic reporting of the records of fishing activity on board to be made obligatory in the near future.**

40. In a world of stiff competition for resources, the Scottish Fisheries Protection Agency assured this Committee, during informal discussions in Aberdeen, of the importance of satellite monitoring and electronic tracking for its control and enforcement activities. The potential for the elimination of evasion and abuse of the regulations by these means is considerable. In this context we were impressed by the approach taken by the Scottish Fisheries Protection Agency. **We welcome the extended use of satellite and electronic tracking provided for in the new Regulation, which is likely to prove extremely valuable to national enforcement authorities. We urge the Government to pursue its extension to all licensed fishing vessels over 10m in length by 2005 or very soon thereafter as a high priority.**

²¹ See for example JNCC written evidence at paragraph 1.4 (p 24).

²² See paragraph 23.

²³ This is significantly lower than the 40 per cent illegal landings in the white fish sector still prevalent in the mid-1990s, according to Elliot Morley (Q 9).

41. On the broader principle of uniform enforcement across the EU, the new legislation continues to uphold the basic principle that Member States have primary responsibility of enforcement in waters under their jurisdiction. Co-operation among Member States has been reinforced by giving Member States the right to control vessels flying their flags throughout Community waters, except in the 12-mile zone of another Member State. In order to reduce disparities in the level of sanctions applied by the Member States, a common catalogue of sanctions for serious infringements has been established by the Council. Nonetheless, some Member States can still essentially continue to trade “social peace” for “flexibility in the controls”,²⁴ and so perpetuate discriminatory processes.

42. In our earlier report we argued that so long as enforcement remained a national responsibility there would continue to be universal criticism of the lack of uniformity of enforcement measures through the Community. Member States must eventually accept that an equitable system can only be achieved by allowing a greater degree of monitoring and “peer review” of enforcement activities by the Commission and by other Member States.

43. We welcome the more detailed proposals which the Commission has promised, “by the end of 2003”, for a Community Fisheries Control Agency.²⁵ The proposed Agency, to be established by mid-2004, would pool national means of inspection and surveillance in relation to fisheries and manage them within a Community framework. Pooling of means would include the operation of multi-national inspection teams in both Community and international waters.²⁶

44. We are encouraged by the Council’s acceptance of the need to strengthen co-operation between Member States but believe that a common inspection authority, as envisaged in the Commission’s “Roadmap”, will eventually be required to achieve an equitable system.

Governance

45. The latter part of the new basic Regulation contains some important provisions on governance, notably the concept of Regional Advisory Councils (RACs). A RAC will:

- (a) cover a sea area under the jurisdiction of at least two Member States;
- (b) be established by the Council;
- (c) provide advice to the Commission and the Member States on fisheries management in a given area—this can be in response to consultation by the Commission or on its own initiative;
- (d) be composed of all parties with an interest in fisheries management in a given sea area or fishing zone, including the fishing industry, environmental and consumer interests, regional and national authorities and the Commission.

More detailed arrangements for RACs are expected to be set out in separate legislation.

46. Our witnesses were unanimous in the support for the concept of RACs, and considered its inclusion as perhaps the most positive aspect of the reform of the CFP.²⁷ Regional management is widely seen as crucial to solving some of the fundamental problems of the CFP, especially by eliminating the “Brussels bottleneck” (the yearly horse-trading on catch limits) and by bringing fishermen into the heart of the management system.

47. Our witnesses expressed the hope that the establishment of RACs will allow the Council to focus on medium to long-term strategy rather than bog it down in yearly and highly political negotiations over TACs and quotas. The RACs in turn would have a technical management role. Similarly, it is hoped that RACs will be the key to establishing an attitude of ownership of and responsibility for the fisheries among all stakeholders through peer group pressure.²⁸ As experience in Australia, New Zealand and the US has shown, depoliticising fisheries management has been a key factor in achieving more sustainable fishing practice.²⁹ Depoliticising the management system in Europe would “help enormously”.³⁰

²⁴ EUC 3rd Report, 2000–01, *Unsustainable Fishing: What is to be done with the Common Fisheries Policy?*, HL 12, paragraph 74.

²⁵ Commission press release 24 March 2003.

²⁶ The Committee will want to examine the proposal from a subsidiarity point of view, to ensure compatibility with the principle by which Member States are primarily responsible for the control and enforcement of CFP rules and the Commission is responsible for monitoring and enforcing the correct application of Community law by the Member States.

²⁷ QQ 1, 106, 142.

²⁸ QQ 99, 142.

²⁹ QQ 71, 82. On the US, see in particular the submission by Dr Andrew Rosenberg, pp 45–6.

³⁰ Christine Drury, Unilever (Q 63).

48. There is much work to be done, however, before the proposed RACs can come to fulfil such ambitions. Key considerations in the establishment of the RACs will be:

- *Rules of Engagement*

It is crucial that the advice of the RACs is accepted and implemented by the Council, except in exceptional circumstances. This means that the RACs have to employ the management tools authorised by the Council, and not attempt to reinvent the CFP. Conversely, the circumstances under which the RACs' advice would be rejected by the Council really would have to be exceptional.

- *Terms of Reference*

For the moment, it is right that the role of the regional councils should be to advise rather than to manage. In a fisheries management system as complicated as that of the EU, it will take time to establish and run these Councils; meanwhile responsibility should remain with Fisheries Ministers.³¹ In the more detailed legislation to come, a possible form of words might be: "To advise on the most appropriate management measures needed to achieve the medium and long-term strategic goals set by the Council of Ministers [in . . .] consistent with the provisions of Council Regulation [. . .]".

- *Size and Process*

If all stakeholders are to be represented on the RACs, some of these bodies will be very large indeed. In the case of the North Sea there could be over 100 industry representatives alone. We therefore consider a two tier structure most practicable.³² Annual "open forums" of all representatives would meet to debate issues and elect, but not mandate, an Executive Committee of say 9 industry representatives, 6 managers, 3 scientists, 3 economists, 3 environmental and 3 consumer representatives (a total of 27, which is probably still too many). The Executive Committee members could have (say) 3–5 year terms of office, to promote a medium-term perspective, and could meet quarterly, preferably under the leadership of an independent chair. Relationships with local, regional and national government need to be carefully thought out.

49. We are encouraged by the inclusion of provisions for Regional Advisory Councils in the new basic CFP Regulation. It is of vital importance that these Councils be established as a matter of considerable urgency.

The Financial Instrument for Fisheries Guidance

50. The main EU level assistance programme for the fisheries sector is the Financial Instrument for Fisheries Guidance (FIFG), which provides funding over a seven year period, currently 2000–2006 (see Box 6 for summary).³³ The most criticised aspect of the FIFG has been the funding earmarked for fleet renewal and modernisation.³⁴ Providing funding for new construction at the same time as other budget lines are earmarked for vessel scrapping is counter-productive and wasteful of the EU's resources—a point which has been made on repeated occasions by this and other Parliamentary committees.³⁵ Reform of the FIFG, as part of the so-called "Agenda 2000" process, led to some rationalisation of the funding. Nevertheless, FIFG continued to offer support for fleet renewal and modernisation projects.

51. We therefore welcomed the Commission's proposal in May 2002 to restrict public aid severely for investment in fishing vessels.³⁶ We also welcomed the proposed new €32 million emergency scrapping fund, allowing Member States to offer additional money to vessel owners severely affected by effort reductions. As the Commission's "Measures to counter the social, economic and regional consequences of fleet restructuring", published in November 2002, emphasised, major adjustment of the FIFG is not possible since it is tied to the general seven-year cyclical negotiations of the Structural Funds.³⁷ There is obviously a basic difficulty in reforming the FIFG when its funding is based on an entirely different cycle of negotiations, but that has to be lived with. The FIFG represents only a small

³¹ Q 108.

³² *cf* Q 106.

³³ OJ L 358, 31.12.2002, p 49.

³⁴ Q 44.

³⁵ Select Committee on the European Union, 3rd Report 2000–01 (HL 12), *Unsustainable Fishing: What is to be done with the Common Fisheries Policy*, paragraphs 9, 93. (For references to other parliamentary committee reports, see Box 1 on page 9 of that Report.)

³⁶ COM(2002)187.

³⁷ COM(2002)600.

part of the Funds as a whole; nevertheless, if the financing of new construction and modernisation could be ended, some €611 million would be freed up.

52. The proposal to cut modernisation aid fell victim to the sort of compromises necessary to secure overall agreement; FIG became “the final sticking point” in the negotiations.³⁸ The new legislation (Regulation 2369/2002), will continue to support construction of new vessels until the end of 2004. The Minister thought the 2004 limit was “no mean achievement” given that the “Friends of Fisheries” had a blocking minority in the Council.³⁹ It does mean that Member States can potentially use up all the aid allocated under these new headings for the period 2000–2006. **It is deeply regrettable that the Commission’s proposals for terminating aid for new construction were weakened at the December 2002 Council. We deplore the fact that funds will continue to be available for this purpose until the end of 2004. We regard this as further evidence of the continuing lack of political will by the majority of the Council of Ministers to support genuine reform of the CFP.**

Box 6

FIG legislation

Aid for the renewal of fishing vessels is being phased out but will continue to be available for two more years (up to the end of 2004) for vessels under 400 GT. It will be restricted to Member States which have met their overall MAGP IV capacity targets (which ended in December 2002) and its allocation will have to comply with the overall entry/exit ratios agreed. The Member States which have not met the objectives set in MAGP IV will be subject to infringement procedures.

Aid for modernisation of fishing vessels will only be available for vessels that are at least 5 years old to improve safety, product quality or working conditions, switch to more selective fishing techniques or to equip vessels with the VMS (Vessel Monitoring Systems). When the modernisation is to improve safety, product quality or working conditions, an increase in tonnage will be possible but only for improvements on the vessel’s superstructure (over the main deck). However, such modernisation must not increase the ability of the vessel to catch fish. EU aid will be restricted to Member States which have met their overall capacity targets set under MAGP IV.

A €32 million “scrapping fund” has been established, to help Member States achieve additional reductions in fishing effort required under recovery plans. Vessels whose fishing effort has to be reduced by 25 per cent or more as a consequence of a recovery plan will be eligible for aid from this fund; premiums will be 20 per cent higher than those available for decommissioning under FIG.

³⁸ Q 4.

³⁹ Q 5.

CHAPTER 3: ECONOMIC ASPECTS OF FISHERIES MANAGEMENT

Inherent problems of the fishing industry: the “Tragedy of the Commons”

53. The economic fragility of the fisheries sector lies at the heart of the reform process. “Economics has defeated conservation measures time and again”, in the words of the Chief Executive of the National Federation of Fishermen’s Organisations.⁴⁰ The industry calls for continued subsidies to keep what is a unprofitable industry alive, at a time when scientists are warning that the very resource on which the future of the sector depends on is in many cases on the brink of collapse. **We think that it is entirely wrong that EU taxpayers should continue to finance the over-exploitation of the fish stocks, when this very practice is likely to lead to the future collapse of the industry.** The economics of fisheries is a key question, and one that was not properly dealt with by the 2002 reform process.

54. Ocean fish stocks have traditionally been regarded and managed as common property resources. Common property resources, as is well known, are subject to economic problems of over-exploitation and economic waste—the so called “tragedy of the commons”.⁴¹ In fisheries, the tragedy of the commons manifests itself in:

- Excessive fishing fleet and effort
- Too small fish stocks
- Little or no profitability and unnecessarily low personal incomes
- Unnecessarily low contribution of the fishing industry to the GDP
- A threat to the sustainability of the fishery

55. The reasons why the common property arrangement is so economically and biologically damaging are not difficult to understand. Under common property management, the fishermen are forced to over-exploit the fish stocks, even against their own better judgement. When many fishermen have access to the same fish stock, each has every reason to grab as large a share of the potential yield as possible lest the other fishermen reap all the benefit. Prudent harvesting by one fisherman, in order to maintain the stocks, will mostly only benefit other more aggressive fishermen. Thus, an individual fisherman’s best course of action is to try to grab his share as quickly as possible while the resource is large enough to yield some profit. As a result, the fishery expands to an excessive level of fishing effort, leading to reduced or even collapsed fish stocks, and little or no net economic benefit.

56. The key issue for the success of the CFP as a resource management system is how to overcome this catch-22 situation whereby fishermen are forced to over-exploit the resource on which their long-term future relies. According to many fisheries economists the long-term solution to the tragedy of the commons lies in some form of property (or access) rights based approach.

Possible alternative economic management approaches

57. Approaches based on property rights attempt to eliminate the common property problem by establishing private property rights over the fish stocks. Several types of property rights regimes have been employed across the world’s fisheries. These include territorial use rights, individual catch quotas and community fishing rights.

58. Individual catch quotas attempt to solve the common property problem not by defining property in the fish stocks themselves but by allocating individual harvesting rights from these stocks. Thus, individual catch quotas constitute an indirect property right. Transferable or divisible catch quotas are usually referred to as individual transferable quotas or ITQs.

59. Permanent or tradable catch quotas make it advantageous for the quota holder to preserve and rebuild the marine resources. Larger fish stocks mean more profitable fishing. According to a study commissioned by the Department for Environment, Food and Rural Affairs, a consensus has emerged among fisheries economists that an ITQ system offers the most promising general approach to managing ocean fisheries.⁴²

⁴⁰ Q 46.

⁴¹ Q 123; the term comes from the title to Garrett Hardin’s seminal essay in *Science*, No 162 (1968).

⁴² University of Portsmouth, Centre for the Economics and Management of Aquatic Resources (CEMAR), *A review of international experiences with ITQs* (Annex to Report No 58, *Future options for UK fish quota management*, Defra, June 2002).

60. Since the 1970s there has been a clear trend toward the adoption of ITQ systems. Already several major fishing nations, including New Zealand and Australia employ property rights (or ITQs) as their primary fisheries management system.⁴³ In the EU, the Netherlands is the only country to employ a comprehensive ITQ management system.

61. The Dutch system seems to have had beneficial results. There has been a substantial reduction in fleet size, while the remaining industry, uniquely in Europe, is highly profitable.⁴⁴ There is considerable evidence that in the Dutch Case ITQs have contributed to increased sense of ownership, convincing quota owners that strong enforcement of regulations designed to conserve resources is in their own best interest. However, since TACs are set by the EU, increased Dutch resource ownership cannot really be brought to bear upon the setting of TACs in any significant way.

62. This does not mean, however, that ITQs are necessarily the best form of management in all fisheries. For instance, a prerequisite for this method is that the individual quota constraints should be enforceable. In addition, since they are really just a way of implementing, albeit much more effectively, the system of management by TACs and quotas, they suffer from all the disadvantages of this system in general. In particular, they still require high levels of investment in scientific research and monitoring, in catch reporting and recording, and in effective enforcement. It is therefore not surprising that they have been applied most successfully by relatively prosperous (and often small) countries, with populations which are conservation-minded and law-abiding, such as Iceland, New Zealand, and the Netherlands. Since these pre-conditions are not uniformly met within the EU, it is likely that some other way of establishing property (or access) rights, such as individual (vessel) effort allocations, would achieve most of the economic benefits more effectively. Individual allocations of rights also, by definition, favour the individual; and for some fisheries community-based approaches may be preferred.

What does the Commission offer for the way forward?

63. Why have alternative management tools, such as ITQs, not been proposed as part of the reform of the CFP? According to the Commission, the European fisheries sector is still characterized by specific features that make the application of market economics unrealistic. The Commission lists two key reasons:

- the total dependence of certain coastal communities on fisheries;
- absence of similar conditions of competition for operators in different Member States due to different national attitudes towards public aid to this sector.⁴⁵

In other words, the CFP is viewed primarily as an employment vehicle rather than a business, and a heavily subsidised one at that.

64. The Commission does continue to say that “the EU will gradually contribute to creating a more favourable climate to the elimination of such barriers to normal economic activity”.⁴⁶ As a first step, during 2002, workshops on economic management were held. These workshops involved representatives of fisheries administrations, the fisheries sector and other interests to discuss the scope for provisions, within the CFP or Member States fisheries management arrangements, on tradable fishing rights (individual or collective).

65. In recognition of the urgent need for the economics of fisheries to be taken as seriously as the biology of the CFP, ICES has been urged to take on a economic advisory role in addition to its marine scientific role. But it has declined to provide economic advice, conscious of the fact that it lacks the expertise to fulfil such a role. Mr David Griffith, General Secretary of ICES, nonetheless urged Member States and the European Institutions to give higher priority to fisheries economics.⁴⁷

66. We strongly support the initiatives taken by the Commission to open a dialogue on the long-term economic management of the fisheries. Conservation measures will not work as long as fishermen’s livelihoods depend on the over-exploitation of fish stocks. Indeed, it is highly unlikely that there will be sustainable fisheries in Europe until fishermen have strong economic incentives to protect the stocks.

⁴³ Q 84.

⁴⁴ CEMAR, *op.cit.*, p 43.

⁴⁵ Commission position explained on “Reform of CFP” section of DG Fisheries web-site http://www.europa.eu.int/comm/fisheries/policy_en.htm (as at 11 March 2003).

⁴⁶ *Ibid.*

⁴⁷ QQ 153–4.

67. There is of course a close relationship between levels of catches and fishermen's incomes, although this is modulated by the price of fish, which varies greatly in the short term and more gradually in the long term. However, there is equally a close relationship between catches, stock size and fishing effort (see Box 5, after paragraph 24), and moreover between fishing effort and the costs of fishing. The profitability of a fishery is in fact sharply reduced by excessive fishing effort (which increases costs, and reduces stocks, catches and earnings). Long-term profitability therefore depends crucially on achieving and maintaining appropriately low levels of fishing effort (even leaving aside the higher risk of stock collapse if exploitation is excessive).

Availability of economic data

68. A more fundamental, if more prosaic, issue is how economic information can be generated and used. Economic information is typically limited and difficult to obtain, yet its quality and availability is crucial to the success of fisheries management. As long ago as 1988 the National Audit Office concluded that it was very difficult to obtain reliable data of financial support for the UK fishing support.⁴⁸ Ten years later the House of Commons Agriculture Committee highlighted the dearth of official information on the profitability of the industry.⁴⁹

69. It remains difficult to gain access to economic data in the UK and on a European level. Fisheries economists, conservationists, and fisheries industry representatives are united in their criticism of the lack of economic information collected or made available by the Government. We note, however, that it is possible for economic (and other) data to be made available for research purposes while still respecting confidentiality and data protection laws, as evidenced by government practice in several Member States, including the Netherlands, Denmark and France.

70. We are concerned that important decisions on fisheries management and long-term planning are taken in the Council and within the Commission without rigorous economic (as distinct from scientific) advice. We urge the UK Government and the EU institutions to commit resources to the comprehensive gathering of economic data on the fisheries and making this information widely available.

The fishing industry's need for further financial aid

71. Unfortunately the Commission and the Member States may not have the option of a gradual introduction of market conditions to provide for sustainable fisheries. In October 2002 the International Council for the Exploration of the Seas (ICES) recommended a moratorium on cod fishing in the North Sea—other fish stocks may follow shortly to the brink of collapse. To many the ICES recommendation for the North Sea in 2002 was all too similar to the moratorium the Canadian government was forced to impose in 1992 on its cod fisheries. The failure to act earlier cost the Canadian government dearly, and forced many Atlantic fishermen out of their jobs (see Box 7). In the event, the December 2002 Council failed to impose a moratorium on the North Sea. It remains to be seen whether the agreed 65 per cent cut in fishing effort will be enough to allow the stocks to recover. While the Government and the industry remain hopeful, environmentalists and scientists are more pessimistic.⁵⁰

⁴⁸ National Audit Office "Financial Support for the fishing industry in Great Britain", HMSO, London, 1988.

⁴⁹ *Sea Fishing*, Eighth Report of the House of Commons Agriculture Committee, Session 1998-99, HC 141-I, 1999.

⁵⁰ Elliot Morley Q 11, Barry Deas (NFFO) Q 42, Louise Heaps (WWF) Q 67, John Thomson (Scottish Natural Heritage) Q 89, ICES QQ 127-130.

Box 7*The Canadian Experience*

For centuries the Canadian Grand Banks, off the coast of Newfoundland, were prime fishing grounds. The region's abundance of Atlantic Cod supported entire communities. The factory trawlers that subsequently moved on to the banks exacted a fateful toll. Stocks collapsed, and in 1992 Canada's Department of Fisheries and Oceans closed the fishery. In November 2002, the Canadian Fisheries Minister Robert Thibault announced that in all probability the few remaining cod fisheries in the four Atlantic provinces and Quebec would have to be closed in 2003, as the stocks showed no sign of recovery.⁵¹

A severe employment and revenue crisis followed in the immediate aftermath of the moratorium. Fortunately it proved possible to diversify the fisheries. By the end of the 1990s a booming shell-fish industry had increased the total value of fish landings from a cod-based fishery high of C\$1 billion in 1988 to C\$1.2 billion in 1998.⁵² (This is an option largely not available in the UK where diversification has already occurred). While revenue of the fisheries has recovered, it has been achieved with a much smaller workforce and at considerable expense to the Canadian taxpayer.

Employment

At the peak of the ground fish⁵³ boom in 1988, the Atlantic fishery supported 59,000 fishermen working in 27,000 vessels.⁵⁴ In addition, this primary resource supported the activity of 780 fish plants and 30,000 processing workers.⁵⁵ In total, close to 90,000 Atlantic Canadians made a living off the ground fish fishery.

The capital-intensive shellfish industry, which came to replace the ground fish as the main employment in the region, was unable to absorb all of the excess labour capacity. The Canadian government estimates that some 30,000 people lost their jobs in the harvesting and processing sector as a result of the cod crisis.⁵⁶ Others argue that 30,000 is a rather conservative estimate.⁵⁷

Cost to the Canadian Government

In 1992, the shellfish industry was marginal, or as in the case of shrimp, non-existent. It took several years to diversify the industry, during which the Canadian taxpayers footed the bill. The total federal government assistance to fisheries, already generous, grew from c C\$150m in the mid-1980s to c C\$700m per annum in the mid-1990s.⁵⁸ The bulk of the increased expenditure was due to the Atlantic crisis. Assuming that the most pessimistic assumption of a net of 30,000 lost jobs among fishers and the processing industry is correct, this amounts to an annual peak expenditure of c C\$9,000 (£4,500) per individual. With the optimistic assumption that all of these job losses were absorbed by the booming shellfish landings, and by importing fish for processing, it still amounts to C\$6,500 (£3,250) per person, a year.

Summary

Diversifying the Atlantic fishery has staved off the worst socio-economic effects of the cod moratorium. In the short-term the shellfish industry is achieving positive results. Long-term questions remain about the sustainability of the ever larger quotas for shellfish: will shrimp, crab, and lobster stocks eventually go the way of the cod fishery?

72. If the EU—Commission and Member States—is unprepared in the short term to accept the employment implications of an access or property based management system, it follows that some other economic measure is required to allow the most vulnerable stocks to recover. In the UK, a powerful lobby of the fishing industry, environmentalists and academics has emerged arguing for large sums of “transitional aid” as part of recovery programmes.⁵⁹

⁵¹ Allison Dunfield, “Cod Fishery Facing Extinction”, *Globe and Mail*, 20 November 2002.

⁵² Atlantic Provinces Economic Council Atlantic Report, *A Renewed Atlantic Fishery*, December 1998.

⁵³ Ground fish are white fish such as cod, haddock, whiting and plaice.

⁵⁴ Atlantic Provinces Economic Council Atlantic Report, *The Atlantic Fishery in the 1990s: Background to Crisis*, July 1990.

⁵⁵ *Ibid.*

⁵⁶ OECD: *Transition to Responsible Fisheries. Annex: Government Financial Transfers and Resource Sustainability Case Studies, Canada*. OECD, Paris, 2000. Available at: <http://www.oecd.org/agr/fish/docrespfish.htm>.

⁵⁷ Informal advice from English Nature.

⁵⁸ OECD *op.cit.*

⁵⁹ Q 46.

73. The argument is that transitional aid would allow the industry to accept the short term losses associated with any meaningful conservation measures. Barry Deas of the National Federation of Fishermen's Organisations emphasised that the lack of transitional aid is "the fundamental reason why all these previous initiatives have failed" and until "that particular nettle is grasped I do not think we will have recovery".⁶⁰

74. Transitional aid could only be justified to assist an industry to make a well-defined transition, from one state to another. In the case of fishing this invariably means a transition to a future state with permanently reduced fishing effort and capacity. Given technological advance in particular, reduced fishing effort and capacity means reducing the number of fishermen.⁶¹ For this purpose exit payments in the form of decommissioning grants, and payments for permanent buy-back of any licences or individual access rights, would be appropriate. A possible model, provided by our specialist adviser, is in Appendix 4.

75. In some cases, however, more drastic action than reduction to some future sustainable level is required. This is, for example, the case of a temporary but total closure of a fishery, to allow a greater chance of recovery of a stock from a state of actual or imminent collapse. This is also the case with the North Sea cod at present, where the agreed TAC corresponds to a 65 per cent reduction in effort, which is more than the *c* 50 per cent reduction which is believed to be necessary in the long term.

76. In such cases, additional temporary tie-up compensation payments (somewhat analogous to set-aside payments to farmers) could be justified. These would provide time-limited compensation for those fishermen who are forced not to exercise their access rights. For example, compensation for temporary suspension of entitlements might be set at (say) 10 per cent of past average daily earnings per day's suspension (to allow for reduction of short-run operating costs as well as earnings). Such tie-up compensation should be available only for the duration of the exceptional conservation measures, and would cease as and when the normal long-term conservation measures were restored. Such transitional aid would go some way towards reducing the violent opposition to complete closure experienced in December 2002 in relation to North Sea cod fisheries, on the grounds that the industry could not survive a complete cessation of a major part of its income for one year.

77. Transitional aid is problematic for several reasons. As the Canadian experience has shown, it can take a very long time for stocks to recover, if at all. Thus, the industry's optimistic guess⁶² that it will take "three or four years" for cod stocks to recover is not shared by ICES, whose General Secretary said ten or more years was more realistic.⁶³ It is, however, not unheard of for stocks to recover. North Sea herring was fished out but did recover after a fishing moratorium in the mid-1970s. The pelagic fisheries in Scotland now appear to be on a sustainable footing.⁶⁴

78. Another problem is how to ensure that transitional aid does not end up contributing to maintained or even increased capacity of the fleet at a time when it is vital to reduce capacity. The problem of "technology creep" is all too familiar. It would be manifestly absurd to allow stocks to recover only to over fish them again with an ever more powerful fleet financed by transitional aid. The Joint Nature Conservation Committee (JNCC), unlike WWF (which has signed up to the initiative), remains unconvinced that it would be possible to track the use of transitional aid and remains convinced that such aid would only contribute to increased capacity.⁶⁵

79. The third question mark hanging over the initiative is how such transitional aid would be financed. The Commission, in its "Action Plan to counter the Social, Economic and Regional Consequences of the Restructuring of the EU Fishing Industry" published in November 2002,⁶⁶ made it clear that no new financing is to be available from the EU Structural Funds (see Box 8). The 2000–2006 structural funds are highly unlikely to be renegotiated in the 2003 mid-term review in favour of the fisheries. An example of the low priority of fisheries was the decision to redirect funding from EU fisheries agreements with third countries to finance humanitarian operations in Afghanistan in 2002.⁶⁷

80. The Commission could only suggest redirecting FIGG money from new vessel construction into socio-economic measures—an option which is unavailable to the UK, which does not finance new vessel construction. It remains unclear which part of the UK's FIGG spending was used for the £60

⁶⁰ Q 50.

⁶¹ Q 96.

⁶² Q 52.

⁶³ Q146; the WWF said "it is impossible for us to say how long it would take" (Q 67); *cf* JNCC Q 93.

⁶⁴ Q 11.

⁶⁵ Q 93.

⁶⁶ COM(2002)600.

⁶⁷ Draft Opinion of the Committee on Fisheries for the Committee on Budgets on the 2003 budget, 7 May 2002, PE 309.210.

million emergency aid package for the white fish fleet announced in January 2003. According to the Minister, some FIGF funding was used for this package, most of which will go towards decommissioning.⁶⁸ £10 million will be used for socio-economic measures in Scotland, but not tie-ups.

81. In our earlier Report (*Unsustainable Fishing*) we noted that in England and Wales the uptake of FIGF funds had been poor, at around 55 per cent—a significant underspend of the funds available. This, we were told, had been due in part to the inability of British vessel owners to gain access to Renewal and Modernisation Grants, because of the absence of matching funding. Many witnesses commented on the failure on the UK's part to take up full structural fund entitlements, citing the Fontainebleau Agreement as a principal reason for this.⁶⁹ In evidence to the present inquiry, the Sea Fish Industry Authority commented that the reluctance on the part of the UK Government to match available EU funding restricted opportunities for restructuring UK fishing and promoting the wider UK seafood industry.⁷⁰ **We recognise that the Fontainebleau Agreement has wider implications than fisheries, but we would regard it as unfortunate if, because of the particular application of the Agreement to FIGF, opportunities are being missed for using FIGF funding for purposes which contribute to the diversification of local economies currently dependent on fishing and thereby to reductions in fishing effort. We recommend that the UK Government review the position in relation to assistance for fisheries communities.**

⁶⁸ QQ 21–25.

⁶⁹ The net benefit to the UK of Community funding is considerably reduced because of the rebate on UK contributions to the EU under the agreement negotiated by Prime Minister Thatcher at the Fontainebleau European Council of June 1984. The rebate reflects the view that the UK's then different economic structure meant it gained less from EU funding programmes than many other countries. The rebate is based on 66.6 per cent of the difference between the UK's contributions to the EU and EU funding spent in the UK. This has the result that if the UK draws down an extra £1 from some EU scheme, the rebate is reduced by 67p—in other words a notional £1 of European funding is only worth 33p net. For example, for a UK beneficiary of an EU scheme to receive an extra £1, the Exchequer has effectively to put in 67p while 33p comes from EU funds. Thus even EU schemes which on paper appear to be providing 100 per cent funding are in practice only providing 33 per cent: the rest has to come from the Exchequer in the form of rebate forgone. If a EU scheme requires a matching contribution from the Member State, the effect is compounded. For example, in a 50:50 matching scheme the Government has to spend an extra £1 directly on the scheme as well as the 67p lost in rebate to get a net EU contribution of £33p—in other words an actual gearing of £5 of UK expenditure to get £1 of real extra money from Europe instead of the intended 1:1 matching funding. (Adapted from an explanation by the UK Sustainable Development Commission at <http://www.sd-commission.gov.uk/pubs/pcfff/05.htm>.)

⁷⁰ p 50.

Box 8*How does the EU allocate funding for fisheries?*

The EU has four Structural Funds through which it channels financial assistance:

- The Financial Instrument for Fisheries Guidance (FIFG)
- The European Regional Development Fund (ERDF)
- The European Agriculture guidance and Guarantee Fund (EAGGF)
- The European Social Fund (ESF)

There are two additional ways in which the Community supports the fisheries:

- Fisheries Agreements with third countries
- Aid for research and enforcement

Financial Instrument for Fisheries Guidance

The FIFG is the main instrument for Community aid to the fisheries sector. Decisions on FIFG intervention are taken in two stages: (1) Member States submit a draft programme to the Commission, which sets out the strategy and priorities for assistance, as well as request for funding; (2) Commission negotiates the programme with the Member States, and having reached an agreement approves it. Member States can usually change their spending patterns during the budget cycle. Programmed expenditure under the FIFG for 2000–2006 amounts to €3.7 billion.

EAGGF

A very small part (approximately €10 million out of a budget of €40 billion per year) of the EAGGF goes into a price support mechanism in favour of the fisheries. Community aid for price support of fish is of marginal economic importance, representing less than 0.5 per cent of market value of the species concerned. It is only an occasional safety net to be used in the event of market failure

ERDF

ERDF resources are targeted at certain less favoured regions and Member States. Only a very small part of the €73.1 billion for the period 1994–1999 was used for aid for fisheries dependent areas. The ERDF does not allocate aid to the fleets. ERDF may typically be used for financing structural projects such as port improvements.

ESF

The ESF provides funding for programmes which develop or regenerate people's "employability". It is impossible to assess how much of this aid, approximately €42.9 billion in the period 1994–1999, goes to fishermen—but it is one way for fishing communities to access funding.

Fisheries Agreements

To support the EU's distant-water fleet, the Community funds substantial transfers to the authorities of third countries in return for right of access for European fleets in waters that are under-exploited.

Aid for research and enforcement

The Commission may target funds to encourage specific research on areas relevant to the CFP. In 1999 €20.9 million was used for support of fisheries research. In 2000 a specific Regulation was adopted by the Council to allocate the bulk of these funds to the collection of basic data for assessing the state of the fisheries.

82. Some funding may, however, be available from the Community budget in exceptional circumstances. The European Parliament voted in February 2003 to set up a special €150 million emergency fund to support the white fish sector. The proposal would allocate €50 million to transitional aid for forced tie-up schemes in 2003 and a further €100 million in 2004 for golden handshakes—early retirement and retraining grants.⁷¹ The proposal does not include a country-by-country breakdown of the funding.

⁷¹ As reported by *EUobserver* on <http://www.euobserver.com/index.phtml?aid=10530>. The European Parliament's Budgets Committee will need to examine in more detail which part of the EU's annual €100 billion budget the aid could come from. The Parliament's definitive proposal would then have to be approved by the 15 national fisheries ministers before the fund could be set up. MEPs have asked fisheries ministers to take their final decision by June 2003.

83. It is clear that if Member States are to finance tie-ups to increase the likelihood of compliance with conservation measures several conditions will have to be met. **Transitional aid needs to be linked to a recovery plan with a clearly stated timetable for stock recovery. If stocks fail to recover within that period further, permanent, decommissioning will become necessary. Recovery plans will first need to be agreed to at the Council before individual Member States can commit funding.**

84. **Transitional aid would need to be monitored closely: it must not be allowed to contribute to increased capacity.** One of the more interesting proposals put to the Committee, during an informal visit to Aberdeenshire, was that fishermen should be reimbursed for their loss of income whilst they are engaged in stakeholder dialogue, and on official business such as participation in Regional Advisory Councils—in other words, they should in effect be “paid to talk”. The WWF emphasised that money is required for “stakeholder committees, identifying what is the best and most appropriate way forward in terms of management schemes and setting up fishing-free zones”.⁷² Transitional aid could be used to finance initiatives similar to the North Sea Commission Fisheries Partnership—a forum funded to promote trust and co-operation between scientists and fishermen in monitoring and managing fisheries in the North Sea.⁷³ ICES confirmed that the forum has been very helpful in promoting understanding, and giving the fishermen what they deserve—“an ownership of the problem”.⁷⁴

85. Transitional aid may be advisable in the temporary closure of an entire fishery but coastal communities still need to face up to the fact that the fisheries will provide less and less employment as technology continues to improve. There are many developments beyond the CFP which may lead to more profitable fisheries in the future (see Box 9), yet employment is unlikely to increase. The Committee was therefore encouraged to hear during its visit to Scotland of promising efforts in the port of Peterhead to diversify economic activity.

Box 9

Developments for more profitable and sustainable fishing

Ecolabelling

The Committee was given the example of the Marine Stewardship Council (MSC) label. The MSC programme was created in 1996–97 by Unilever and WWF. After 4 years of consultation a standard for sustainable fishing was developed. By 2003, seven fisheries had passed the standard and another 37 were in the process of being assessed. The attitude of consumers to ecolabelling in fisheries had been positive, with an increasing number of supermarkets willing to carry MSC-certified products. It is too early to tell what sort of impact the initiative is having on the fisheries. In the words of the MSC’s international policy director, Christine Grieve, “more short-term and medium-term goals . . . would need to be put in place in order to achieve the much longer-term goal of pursuing some kind of certification.”⁷⁵

Fish Farming

While fish farming may still play an increasingly important role in complementing efforts to stabilise and boost stocks of wild fish, our witnesses were sceptical about the ability of fish farming to replace wild fish, particularly in the case of cod, largely because the high costs of feed and husbandry are likely to make it uneconomic for the foreseeable future.⁷⁶ Funding should continue to be devoted to the research and development of fish farming but, like eco-labelling, this is a long-term rather than an effective short-term response to the crisis in the European fisheries.

86. Some form of economic intervention in fisheries management is vital. It is extremely important to find ways of supporting the development of alternative employment opportunities in areas affected by long-term decline of the fishing industry. Preferably, for reasons of social cohesion, these should be in the marine or marine-related sectors. We therefore urge the Government to promote the diversification of the economies of coastal communities and strongly

⁷² Q 73.

⁷³ See Agenda item 1, Scottish Parliament Rural Development Committee meeting on 11 February 2003, RD/03/06/1d.

⁷⁴ QQ 135, 142.

⁷⁵ QQ 66–67.

⁷⁶ QQ 53, 54, 75, 115, 143–4. Nevertheless, according to press reports, there has been some investment in this area, including a newly established cod farming business in Shetland (see, for example, *The Guardian*, 7 April 2003, “First farmed cod on the slab”). We welcome the fact that the current study by the Royal Commission on Environmental Pollution (see paragraph 7, footnote 11) will be considering this area.

support the Commission's initiative to open up a dialogue on the possibility of decoupling the FIFG from fisheries in the next budget in favour of broader support for coastal communities.⁷⁷

⁷⁷ COM(2002)600.

CHAPTER 4: CONCLUSIONS AND RECOMMENDATIONS

List of conclusions and recommendations

87. We now bring together the conclusions and recommendations which we have highlighted in bold type in the preceding Chapters. We then end with a synthesis of our final conclusions.

- (a) The reformed CFP is the result of over four years of analysis and consultation, but it has in our view been emasculated by the back-sliding compromises made by the Council (paragraph 7).
- (b) We welcome the stronger commitment in the new basic Regulation to protection of the marine environment (paragraph 10).
- (c) Existing international research programmes in this area coordinated by the International Council for the Exploration of the Sea (ICES) need to be enhanced, and such work could and should be given a much higher priority, compared with routine stock assessments. This is long-term research, and while the results may not be available for some time yet, it needs to be carried out with much more urgency than it has been hitherto (paragraph 11).
- (d) We are dismayed that, as we complete this Report, no firm recovery plans for key stocks, in particular cod and hake, are yet in place, despite having been first suggested by the Commission over a year ago. At the beginning of April 2003 the Commission promised a “definitive cod recovery plan” in a “few weeks’ time”. This envisaged adoption by the Council no earlier than September 2003. We regard this as quite unacceptable and urge the Government to press for the establishment of appropriate recovery plans as a matter of extreme urgency (paragraph 16).
- (e) We adhere to that opinion, even though the Commission has at last published its proposals (May 2003) for a long-term cod recovery plan. Given our views on the vital importance of effort controls and capacity reduction, we welcome these elements of the Commission’s proposals. However, in the light of the fate of the Commission’s December 2001 proposals, we remain pessimistic that—without dedicated commitment by the UK Government and its supporters in the Council—these new proposals may be the next victims of short-term self-interest and that they will take effect too late (Box 1).
- (f) We strongly endorse the development of recovery and management plans, based on the precautionary and ecosystem-based approaches to the maximum extent possible (paragraph 20).
- (g) Greater use could and should be made in future of alternative direct conservation measures (such as control of fishing effort), as well as appropriate technical conservation measures (mesh size limits, closed areas, closed seasons etc). We urge the Government to press the Commission, and to argue in Council, for the implementation as a matter of urgency of a properly designed and well-considered system of effort control, to work alongside TACs and quotas wherever possible, but especially where precautionary TACs are in force (paragraph 30).
- (h) The failure of the EU institutions to deal effectively with the serious and persistent problem of “technology creep” is in our view further evidence of the lack of any real political will to address the major problems of fisheries management in Europe (paragraph 33).
- (i) Another opportunity to legislate for a serious downsizing of the European fleet has been missed. We urge the Government to press the fundamental need for capacity reduction, as well as effective measures to deal with “technology creep”, in future negotiations over recovery and management plans (paragraph 35).
- (j) There seems to be no substantial reason why satellite monitoring should not be extended to all licensed fishing vessels in the next five years or so. Similarly we consider that the technology now exists for direct electronic reporting of the records of fishing activity on board to be made obligatory in the near future (paragraph 39).
- (k) We welcome the extended use of satellite and electronic tracking provided for in the new Regulation, which is likely to prove extremely valuable to national enforcement authorities. We urge the Government to pursue its extension to all licensed fishing vessels over 10m in length by 2005 or very soon thereafter as a high priority (paragraph 40).
- (l) We are encouraged by the Council’s acceptance of the need to strengthen co-operation between Member States but believe that a common inspection authority, as envisaged in the

Commission's "Roadmap", will eventually be required to achieve an equitable system (paragraph 44).

- (m) Operational management could and should be devolved to appropriately constituted non-political Regional Advisory Councils (RACs). We are encouraged by the inclusion of provisions for RACs in the new basic CFP Regulation. It is of vital importance that these Councils be established as a matter of considerable urgency (paragraph 49).
- (n) It is deeply regrettable that the Commission's proposals for terminating aid for new construction were weakened at the December 2002 Council. We deplore the fact that funds will continue to be available for this purpose until end of 2004. We regard this as further evidence of the continuing lack of political will to support genuine reform of the CFP (paragraph 52).
- (o) We think that it is entirely wrong that EU taxpayers should continue to finance the over-exploitation of the fish stocks, when this very practice is likely to lead to the future collapse of the industry (paragraph 53).
- (p) We strongly support the initiatives taken by the Commission to open a dialogue on the long-term economic management of the fisheries. Conservation measures will not work as long as fishermen's livelihoods depend on the over-exploitation of fish stocks. Indeed, it is highly unlikely that there will be sustainable fisheries in Europe until fishermen have strong economic incentives to protect the stocks (paragraph 66).
- (q) We are concerned that important decisions on fisheries management and long-term planning are taken in the Council and within the Commission without rigorous economic (as distinct from scientific) advice. We urge the UK Government and the EU institutions to commit resources to the comprehensive gathering of economic data on the fisheries and making this information widely available (paragraph 70).
- (r) If the EU—Commission and Member States—is unprepared in the short term to accept the employment implications of an access or property based management system, it follows that some other economic measure is required to allow the most vulnerable stocks to recover (paragraph 72).
- (s) We recognise that the Fontainebleau Agreement has wider implications than fisheries, but we would regard it as unfortunate if, because of the particular application of the Agreement to FIFG, opportunities are being missed for using FIFG funding for purposes which contribute to the diversification of local economies currently dependent on fishing and thereby to reductions in fishing effort. We recommend that the UK Government review the position in relation to assistance for fisheries communities. (paragraph 81).
- (t) Transitional aid needs to be linked to a recovery plan with a clearly stated timetable for stock recovery. If stocks fail to recover within that period further, permanent, decommissioning will become necessary. Recovery plans will first need to be agreed to at the Council before individual Member States can commit funding (paragraph 83).
- (u) Transitional aid would need to be monitored closely: it must not be allowed to contribute to increased capacity (paragraph 84).
- (v) Some form of economic intervention in fisheries management is vital. It is extremely important to find ways of supporting the development of alternative employment opportunities in areas affected by long-term decline of the fishing industry. Preferably, for reasons of social cohesion, these should be in the marine or marine-related sectors. We therefore urge the Government to promote the diversification of the economies of coastal communities and strongly support the Commission's initiative to open up a dialogue on the possibility of decoupling the FIFG from fisheries in the next budget in favour of broader support for coastal communities (paragraph 86).

FINAL CONCLUSIONS

“There are things to be welcomed within the package but perhaps it does not provide a coherent and integrated strategy that could really deliver on longer term reform As a coherent and integrated package . . . it is rather underwhelming.”

Marine Stewardship Council (Q 60)

“What emerged out of the December Council may be described as political compromise but certainly was not a coherent plan for rebuilding fish stocks.”

National Federation of Fishermen’s Organisations (Q 42)

“What is in the new Regulation is a significant move towards the sustainable management of fish stocks and framework for that, but the decisions that were taken about total allowable catches are very much the old political horse-trading, which is very much at variance with the spirit of the Regulation. We hope for the future that the spirit of the Regulation begins to be turned into real practical measures through the recovery plans and the management plans that are envisaged.”

Scottish Natural Heritage (Q 89).

88. The persistent problems of fisheries management around the world are largely due to a vicious interaction between biological and economic factors involved, leading to the well known failure of the free market to deliver an acceptable outcome, appropriately known as the “tragedy of the commons”. These problems have only been overcome when fishermen have been given a long-term interest in the health of the fish stocks (and the ecosystem) on which they depend, by the allocation of some form of property rights. Some form of economic intervention in fisheries management is vital.

89. Existing tools for fisheries management are excessively reliant on Total Allowable Catches (TACs) and quotas, which have demonstrably been ineffective in the European context. Greater use could and should be made of alternative direct conservation measures, such as control of fishing effort, as well as appropriate technical conservation measures, in future.

90. Fisheries management in Europe has become excessively politicised, largely because of the annual renegotiation of TACs by the Council of Ministers (the “Brussels bottleneck”). Only long-term strategic plans need to be ratified (from time to time) at a political level. Once these are agreed, operational management could and should be devolved to appropriately constituted non-political Regional Advisory Councils.

91. It is the unanimous view of the Committee that the generally excellent and widely supported proposals made by the Commission to reform the Common Fisheries Policy have been emasculated by the Council of Ministers, which has been held hostage by some Member States acting in the perceived (but in our view misconceived) short-term interests of their fishing constituencies—rather than for the long-term common good or in the interests of the conservation of the marine resources of the Community.

92. In particular we draw attention to the failure of the Council:

- **To impose over the years TACs at levels which permit stocks to recover;**
- **To make a start on using direct control of total fishing effort in addition to relying on TACs;**
- **To reduce the total fishing capacity and to stop using FIFG funds for the construction of new fishing vessels with increased capacity;**
- **To impose a Community Fisheries Control Agency in order to provide equal enforcement on all fishing vessels in EU waters.**

93. Without these changes we have grave doubts whether the new revised CFP can achieve its objectives.

RECOMMENDATION TO THE HOUSE

94. This Report is made for debate.

APPENDIX 1

*Sub-Committee D**(Environment, Agriculture, Public Health and Consumer Protection)**Members of the Sub-Committee*

Baroness Billingham
Rt Hon The Lord Carter
Rt Hon The Lord Crickhowell
Lord Fyfe of Fairfield
Lord Haskins
Professor The Lord Lewis of Newnham
Lord Livsey of Talgarth
Baroness Maddock
The Countess of Mar
Lord Palmer
Professor Lord Perry of Walton
Rt Hon The Lord Renton of Mount Harry
Earl of Selborne (Chairman)
Lord Walpole

The Specialist Adviser was Professor John Shepherd FRS

APPENDIX 2

The following witnesses gave evidence. Those marked* gave oral evidence.

- * Countryside Council for Wales
- * Department for Environment, Food and Rural Affairs (Defra)
- * International Council for the Exploration of the Sea (ICES)
- * Joint Nature Conservation Committee
- * Marine Stewardship Council
- * National Federation of Fishermen's Organisations
Dr Andrew A Rosenberg
Government of Spain
Sea Fish Industry Authority
- * Unilever Plc
- * Scottish Natural Heritage
- * WWF-UK

The Committee would like to record their thanks for the advice and assistance given by:

Andrea Carew, English Nature
Niki Sporong, Institute for European Environmental Policy
Aaron Hatcher, Sean Pascoe and David Whitmarsh, Centre for the Economics and
Management of Aquatic Resources, University of Portsmouth

Informal Visit to Scotland, 25-26 February 2003

Dr Paul Brady and Sue Spencer, Scottish Executive Environment and
Rural Affairs Department
Paul Du Vivier (Chief Executive) and Captain Ian Campbell (FPV Vigilant),
Scottish Fisheries Protection Agency
Dr Robin Cook, Chief Executive and Director, Fisheries Research Services,
Aberdeen
Alex Smith (President), Hamish Morrison (Chief Executive) and
Theresa Middleton, Scottish Fishermen's Federation
Mike Park, Chairman, Scottish White Fish Producers Association Ltd (SWFPA)
John Paterson, Chief Executive, Peterhead Harbour Trustees
Andrew Tait (Chairman) and Derek Duthie (Secretary), Scottish Pelagic
Fishermen's Association Limited
John Watt, Chairman, Fraserburgh Branch, SWFPA

APPENDIX 3

Long-term and short-term aid to fisheries: buy-outs and resource rentals

A possible model by Professor John Shepherd

In the long term, if profitable fisheries can be achieved, some form of resource rental (such as *pro rata* charges for effort deployed, or a levy on landings) will be necessary, to reduce what are otherwise likely to be future demands for increases of effort (which would be unsustainable and undesirable, as they would simply restore the fisheries to a state of over-exploitation). The future income stream from such a resource rental could be used to fund both short-term and long-term compensation payments for the reductions of effort needed to achieve rebuilding of the stocks to the levels required. The levels of compensation which would be appropriate need to be determined, and a simple example (not a firm proposal) of how this might be done is outlined below.

- Significant resource rentals for fishing entitlements would need to be introduced progressively, and this could be done if (and when) the stocks recover to satisfactory levels. Charges at a level of around 10 per cent to 30 per cent of gross earnings may be eventually be needed to moderate demands for increased effort sufficiently, but the eventual level should be assessed as this progressive implementation proceeds. Charges might be applied on either the licensed or on the utilised entitlements (e.g. days at sea), or as a levy on landed value, or in various other ways, and these options need to be evaluated.
- Compensation for *permanent* suspension of entitlements (such as permanent effort reductions) needs to allow for the loss of *all* of the future income stream, and might therefore be set at something like the net present value of the expected future “rent” (operating surplus). For a discount rate of (say) 5 per cent, this would equate to 20 years’ worth of the “rent” from a day at sea. If the operating surplus is x per cent of the daily earnings, this would imply compensation levels of around $(20/100)x$ (i.e. $0.2x$) of expected daily earnings for a day at sea forgone. If x is (for example) around 10 per cent, this would imply compensation of about twice daily earnings, per day at sea forgone. Where entitlements to fishing activity are removed permanently, the surplus of fishing vessels so created should logically also be decommissioned as soon as possible, with additional compensation where appropriate.
- Compensation for short-term (transitional) reductions of fishing activity, where it is decided that these are needed to achieve faster and/or more secure stock recovery, would need to be comparable to the expected net operating surplus for the period of the suspension only.
- For the North Sea in 2003 a 65 per cent reduction of effort is implied by the agreed TACs. A reduction of about 50 per cent is desirable in the long-term, so ideally a permanent buy-back of entitlements at this level would be appropriate, and only the remainder (15 per cent) would be in the form of short-term tie-up schemes, and so eligible for transitional aid.
- This means that in future the potential for recovery of fishing effort in the North Sea (as distinct from catches and earnings, which will recover by a larger amount if and when the stocks are rebuilt) is probably only from the 35 per cent of former levels agreed for 2003 to about 50 per cent of former levels. This therefore equates to a future 45 per cent increase above the low level of 2003.
- In bald terms the current agreed TAC for cod in the North Sea, and the longer term perspective, mean that (ideally) 50 per cent of the current capacity should be decommissioned, and a further 15 per cent tied up temporarily. The balance between long-term and short-term reductions may of course be adjusted somewhat, but it is unrealistic to suppose that the emphasis should not be primarily on long-term reductions. These details will of course vary from region to region, and from stock to stock, but the numbers are not untypical.

APPENDIX 4

Glossary of main fisheries terms used in the Report and evidence

Age group	All those fish spawned in the same year, and thus of the same age (for example, “0-group” are fish in their first year of life, “1-group” are fish in their second year of life, and so on).
Aquaculture	Fish farming, i.e. controlled breeding of fish or shellfish (typically in fresh water or sheltered coastal marine environments).
Black fish	Fish landed illegally at night or in small unregulated harbours (fish are typically undersized or from quotas that have already been exceeded).
By-catch	Any organism that is caught in addition to the target fish. Some by-catches are marketable although much is discarded.
CFP	Common Fisheries Policy. Introduced in 1983 as a 20-year programme for fisheries management in EU waters.
Days at sea	See Fishing effort.
Demersal	Fish living near the sea bottom (e.g. cod, haddock, halibut, ling and turbot) (<i>cf</i> Pelagic).
Discards	Fish and other organisms disposed of at sea, usually dead (typically discarded because they are non-target species or below minimum landing size, or because the quota for that species has been exhausted).
Eco-labelling	Labelling of products or commodities to indicate that they satisfy certain environmental criteria.
Effort controls	See Fishing effort.
Ecosystem approach	A fisheries management system which considers the overall marine environment and the effects of commercial fishing on established food chains and community structure.
Fishing effort	The amount of fishing exerted by a fishing vessel. This is roughly proportional to the percentage of total stock taken each year. A reduction in fishing effort (effort control) can be achieved by limiting the time spent on fishing (days at sea).
Fishing mortality rate	Mortality caused by fishing, in addition to natural mortality. A rate of no more than twice the natural mortality is thought desirable; in EU waters it can be as much as 4 or 5 times as high.
Ground fish	See Demersal.
Hague Preference	Adjusts the CFP quotas to give some preference to coastal communities that are particularly dependent on the fishing industry.
Industrial fishing	Large-scale fishing for low-value fish (e.g. sprat, pout and sand eel) to produce fish meal, oils and fat. In the EU, notably by Denmark.
ICES	International Council for the Exploration of the Sea.
ITQ	Individual Transferable Quota. A fisheries management system where each boat is allocated, or purchases, a portion of the national stock quota. ITQs could be traded between

	boats to reflect actual catches, and thereby reduce the need for unnecessary discards of marketable fish.
JNCC	Joint Nature Conservation Committee.
MAGPs	Multi-Annual Guidance Programmes. EU programmes in which fleet capacity reduction targets are laid down for each Member State.
Multi-Annual TACs	TACs set for more than one year at a time, to avoid end of year problems when fish have to be discarded until the new quota year commences. Application of this policy requires longer term forecasts of stock levels to be made, with potentially high margins of error.
Nephrops	<i>Nephrops norvegicus</i> : Norwegian lobster, Dublin Bay prawn or langoustine.
No-take zone	An area of the sea closed to all fishing.
OECD	Organisation for Economic Cooperation and Development
Pelagic	Fish and other organisms living in the upper layers of the sea (e.g. tuna, herring, mackerel and pilchard) (<i>cf</i> Demersal).
Precautionary approach	Fisheries management term equivalent to the “precautionary principle”, as used in environmental protection policy generally—i.e. a presumption against taking action which has the potential to harm the environment, even where scientific certainty is lacking.
RACs	Regional Advisory Councils.
Ranching	The enhancement of natural fisheries by artificially rearing young fish to be introduced to the wild.
Relative stability	The principle within the CFP that the total volume of allowable catch is shared among Member States in a manner which assures each State relative stability of fishing activities taking one year with another.
SSB	Spawning stock biomass.
Structural funds	The various Community funds, financed by the EU budget with matching contributions from Member States, through which aid is directed towards less developed areas of the EU.
TAC	Total Allowable Catch. A component of the CFP designed to achieve a specific fishing mortality rate (e.g. if so many tonnes of fish x are caught this year then the fishing mortality rate of y will be achieved). TACs are set each year by estimating the number of fish available in each age group, based either on scientific data (“analytical TAC”) or on estimates from historical catch data (“precautionary TAC”).
White fish	Fish with white flesh (mostly demersal) as opposed to oily fish such as herring and mackerel (mostly pelagic).
Year class	All those fish of a particular stock spawned in any one year. For example, the 1996 year class is all those fish (of a particular stock) spawned during 1996.
6–12 mile zone	The part of the 12 mile limit within which others having a historic right may fish as well as vessels of the coastal state.
12 mile zone	The area of sea under the jurisdiction of the coastal state.