

SELECT COMMITTEE ON  
THE EUROPEAN UNION

GOVERNMENT RESPONSES: THE 2004  
EC BUDGET; THE COMMISSION'S  
GREEN PAPER: ENTREPRENEURSHIP  
IN EUROPE; AND PROGRESS OF  
REFORM OF THE COMMON FISHERIES  
POLICY

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# FORTIETH REPORT

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7 OCTOBER 2003

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

ORDERED TO REPORT

**GOVERNMENT RESPONSES: THE 2004 EC BUDGET; THE COMMISSION'S GREEN PAPER: ENTREPRENEURSHIP IN EUROPE; AND PROGRESS OF REFORM OF THE COMMON FISHERIES POLICY**

The Committee publishes as necessary Government responses to our reports. Three such responses to reports made this session are printed here. The report on the Common Fisheries Policy is due to be debated in the House of Lords on Friday 10 October; the other two reports were made to the House for information only.

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# APPENDICES

## APPENDIX 1

### Government response to the Thirty-third Report of the House of Lords Select Committee on the European Union, Session 2002–03

#### THE 2004 EC BUDGET

##### SCRUTINY OF THE ANNUAL EC BUDGET

**46. Although the Financial Perspective sets the overall budgetary spending limits for the annual Budget, and individual spending programmes determine much spending in advance, scrutiny of the annual EC Budget remains important. We appreciate the efforts the Government has already made to co-ordinate with us over scrutiny of the annual Budget—these have helped our scrutiny of the 2004 Budget—and we ask the Government in the future to bring forward as far as possible production of its Explanatory Memorandum on the PDB to facilitate further the scrutiny process (paragraph 21).**

The Government will continue to endeavour to produce an Explanatory Memorandum on the PDB as soon as possible after the relevant Working Documents have been released by the Commission, usually by the middle of May.

##### ACTIVITY-BASED BUDGETING

**47. The 2004 EC Budget is the first to be presented in the new Activity-Based Budgeting (ABB) format. By focusing spending on outputs rather than inputs, ABB will allow more effective scrutiny in future of value for money. We therefore welcome the introduction of ABB. Over time, ABB will enhance transparency by linking expenditure to clear objectives that can be evaluated through performance indicators. We are encouraged to hear there is wide-spread support for the system both from other Member States and the Commission. We accept that it will take time for the full benefits of ABB to be felt, but we urge the Government to press the EU institutions to make as much use as possible of this new system in evaluating and, where necessary, improving value for money in the way in which EC moneys are spent (paragraph 22).**

The Government welcomes the Committee's support for the introduction of ABB. We will continue to work with the Commission, other Member States, and the European Parliament to ensure that ABB is fully implemented.

##### THE 2004 BUDGET

**48. We note with approval that the proposed 2004 PDB expenditure levels are within the ceilings set by both the 1999 Berlin European Council and the 2002 Copenhagen European Council (paragraph 26).**

##### THE GOVERNMENT'S PRIORITIES FOR THE 2004 BUDGET

###### *External Action (Category 4)*

**49. The Committee agrees with the Government that spending on external action should be a priority for the 2004 Budget. We are encouraged to hear that the Government is proposing a larger margin to deal with foreseeable, but as yet uncostered, spending in Iraq and the Middle East. We urge the Government to do everything in its power to ensure best use of EC spending on external action. The Committee supports the Government's initiative to develop a greater poverty focus for EC external action spending over the next few years, but this focus should not deflect from the EU's other objective of working towards stability in regions such as the Middle East and the Balkans. We would welcome greater clarity on how far the Government considers that the EU can take on ambitious plans for greater external action involvement without substantial increases in spending under category 4 of the EC Budget (paragraph 30).**

The Government believes that external actions resources should be allocated on the basis of need and effectiveness, to help ensure that limited resources are deployed with maximum impact. It is also important to make better use of the range of instruments available. For example, middle income countries could benefit more from loans and technical assistance in the long run, freeing up grant aid for the poorest countries, which are less well placed to benefit from other types of assistance. More effective and imaginative use of resources should enable the EU to achieve far more in the wider world without substantial increases in overall spending. The Government will consider any revision of the ceiling for external actions in the next Financial Perspective in the light of progress made on improving the effectiveness of EC external spending.

*Administration (Category 5)*

50. While emphasising its support for sufficient resources to deal with enlargement, the Government says that it is keen to see strict conditions for value for money applied to these institutional increases. The Committee fully supports the Government in this approach. We also wish to see efficient use being made of these increases in administrative costs through the application of modern management practices and techniques (paragraph 32).

51. On a related institutional matter, we would urge the Government, in the forthcoming Inter-Governmental Conference, to continue with attempts to reform the European Court of Auditors. We produced a report on the European Court of Auditors in April 2001, and our view on the subject remains unchanged. In particular, we consider that the European Court of Auditors would be most effective in an enlarged Union if it had a highly qualified chief executive who was appointed impartially. The chief executive would be supported by a large team of audit staff who would report to a part-time, non-executive board of representatives from each of the Members States. We will return to this issue as part of our work on the forthcoming Inter-Governmental Conference (paragraph 33).

The Government agrees that there would be benefit in reforming the European Court of Auditors, and will press its proposal at the forthcoming Inter-Governmental Conference (IGC) on the new EC Treaty. The UK proposal includes a number of ideas taken from the House of Lords April 2001 report, in particular the idea of the non-executive board of representatives. While the idea of a highly-qualified chief executive has obvious attractions for the UK, as it mirrors the NAO management structure, it was clear in the Convention that many smaller Member States were worried more generally about the erosion of their influence in the EU institutions. The UK proposal therefore tries to find a balance between the 25-member executive and the single chief executive proposed in the 2001 report.

## OTHER CATEGORIES OF EXPENDITURE

*Agriculture (Category 1)*

52. We ask the Government to explain exactly how the recently-agreed changes to the CAP will affect the final 2004 EC Budget. We call on the Government to use the recent agreement on reform of the CAP to make progress in the Doha round of world trade talks. Furthermore, we continue to urge the Government to push for further reform of the CAP (paragraph 35).

The impact on the budget of the CAP reform proposals agreed in June will be relatively minor, since the most significant measures will not be implemented until 2005. The latest Commission estimates suggest a total saving of around €90 million in 2004 for Category 1 (Agriculture), compared to continuation of the current CAP policies. The Commission will publish a rectifying letter in the autumn to update its estimates for agricultural expenditure for 2004, which will take full account of the CAP reform package.

The Government believes that the CAP reform measures should put the EU in a strong negotiating position in the forthcoming WTO negotiations. Nevertheless, we will continue to press for further reform, and will take this up when the Commission publishes its second round of reform proposals in September.

*Structural Operations (Category 2)*

53. We urge the Government to make full use of the new Activity-Based Budgeting rules to ensure that structural fund money in all Member States is properly forecast and effectively spent in order to achieve clear outcomes (paragraph 37).

The Government will continue to work to achieve these aims in the budget negotiations, including improving the quality of the UK's own forecasting.

*Pre-Accession Strategy (Category 6)*

54. We note with approval that there was a marked improvement during 2002 in the absorption capacity for funds such as the PHARE programme (paragraph 38).

## PROPOSALS FOR REFORM OF THE BUDGET PROCESS

55. We concur with the Government's view that the changes to the system of Own Resources proposed in the draft Constitutional Treaty are "unacceptable" (Q41). We support the Government in its efforts to retain the status quo for decision-making in this area (paragraph 41).

56. We welcome the proposal that the European Parliament should have a greater say over spending on agriculture (paragraph 43).

57. The proposals for a Treaty base for the Financial Perspectives, the simplification of the annual budgetary process and the requirement for the Commission to produce an annual performance report, if adopted, would greatly aid our future scrutiny of EC spending. We welcome these reforms as facilitating greater accountability for EC spending and urge the Government to continue to support these reforms in the Inter-Governmental

**Conference, which will decide on the final version of the Treaty. We support the Government in its efforts to retain unanimity and the need for national parliamentary ratification for decisions about the level of individual Member State contributions to the Union's resources (paragraph 45).**

The Government welcomes the Committee's support for its approach to the work of the Convention on reform of the annual budget process. The Government is fully committed to improving transparency and accountability in all areas of EC spending, and will approach the forthcoming IGC in this spirit. Establishing a more streamlined and transparent annual budget process will be an important part of this, though it must be stressed that giving the EP a greater say over compulsory expenditure should not be at the expense of maintaining an appropriate balance between the two arms of the budgetary authority.

#### RECOMMENDATION

**58. The Committee considers that the 2004 EC Budget raises important questions to which the attention of the House should be drawn and makes this Report to the House for information.**

The Government is grateful for the Committee's excellent report, which constitutes a valuable contribution to the debate on the 2004 EC budget.

## APPENDIX 2

**Government response to the Thirty-fourth Report of the House of Lords Select Committee on the European Union, Session 2002–03**

## THE COMMISSION'S GREEN PAPER: ENTREPRENEURSHIP IN EUROPE

## EU LEVEL

**1. The Committee recommends that in any action plan based on the Commission's Green Paper close attention should be paid by both the Commission and the Member States to the arguments justifying EU action as opposed to actions properly left to individual Member States.**

Agree. Careful attention should be paid to justifying action at EU level but it is important that the Commission recognises that it has a significant part to play in creating the right environment for entrepreneurship to thrive, particularly in relation to issues such as better regulation and state aids.

**2. The Government should pay special attention to the views of the Commission, in particular, the view that the support of entrepreneurship is primarily a Member State activity. The Government should also support the Commission in its desire "to go for savings by reducing complexity in the support of networks".**

Agree but we should acknowledge the issues raised in response to the previous recommendation. We do support the Commission's desire to go for savings by reducing complexity in support networks by encouraging integration and simplification for businesses trying to access advice, funding and information.

**3. The Committee recommends that no action plan based on the Green Paper should be agreed before the lessons have been drawn from the strategic valuation of the EU's enterprise support programme which is currently being undertaken by the Commission. It also recommends that where new EU schemes are proposed, no action plan should be agreed before a clear framework is established setting objectives, and a system is in place for monitoring and evaluating such schemes. The Committee further recommends that in disseminating best practice, the Commission stress the importance for Member States to set clear objectives and to establish a system for monitoring and evaluating national schemes to promote entrepreneurship.**

Agree in part. Linking the action plan to the strategic evaluation of the EU's enterprise support programme being currently undertaken by the Commission is likely to delay the development of the action plan for some considerable time. The evaluation of the Multi-Annual Programme for Enterprise and Entrepreneurship, required by Article 5.1 of the Council Decision 2000/919/EC, is unlikely to be presented to the relevant parties before the end of 2004. In the meantime, various evaluations have been or will be taking place which the Commission should have due regard to in formulating the action plan. These include:

- a strategic evaluation of financial assistance schemes for SMEs by Deloitte & Touche (in progress);
- evaluation of the enterprise projects element of the Multi-Annual Programme (completed and recommendations for better focus and priorities noted by the Enterprise Programme Management Committee); and
- evaluation of the EIC<sup>1</sup> network (completed and recommendations for increased funding and tightening of the EIC mission have been noted by the Enterprise Programme Management Committee).

As for monitoring and evaluation of national schemes, we agree with the recommendation. The DTI has already in place strong mechanisms for evaluating its schemes and has published its evaluation guidelines (<http://www.dti.gov.uk/about/evaluation/>) and as part of the Business Support Review introduced balanced scorecards to monitor the effectiveness of its schemes (see response to recommendation 61).

**4. The Committee recommends that any EU scheme to support entrepreneurship which is included in the action plan based on the Green Paper should:**

- **address a clearly identified need at EU level and have a clearly specified objective or set of objectives;**
- **have an agreed set of quantifiable outcomes against which monitoring and evaluation can take place;**
- **have a built-in costing, information and reporting system designed to provide the necessary material on which to base monitoring and evaluation.**

Agree. We are aware that the Commission is still in the process of reviewing its monitoring and evaluation procedures and has produced three communications on evaluation. The most recent (on European Evaluation Standards and Good Practice, December 2002) proposes standards for organisation and conduct of all evaluations to be implemented in 2003. We will continue to support and encourage the Commission in its efforts to implement more effective monitoring and evaluation procedures.

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<sup>1</sup> Euro Info Centres.

## UK LEVEL

**5. The Committee recommends that the Government clarify and rationalise further the structure of administering agencies delivering or involved in enterprise policy at local and regional level.**

Agree. The SR 2002 White Paper indicated that “SBS and RDAs would pilot and evaluate different RDA-led approaches to achieving improved co-ordination of business support services at the local level and ensuring that local Business Link services promote Regional Economic Strategies”. Three RDAs (Northwest Development Agency, Advantage West Midlands and East Midlands Development Agency) submitted proposals to bring greater cohesion to business support at the regional and sub-regional level that include taking over management of their Business Link Operators. The business support pilots will involve the Operator Agreements assigned from the SBS to the relevant RDA. The North West has also been selected by DfES to run an LSC/RDA pilot looking at joint pooling of resource to improve the adult skills agenda.

The pilots began in April 2003 and will run until March 2005. In the light of the evaluation of these approaches, and similar developments in other English regions, and the results of the SBS drive to improve the delivery of services from Business Link Operators over the next year, the Government will consider what further changes in the organisation and management of Business Link Operators might be appropriate.

The July 2003 Skills White Paper also invited each RDA to agree with its partners “innovative proposals covering planning, governance and funding, with a view to securing lines of accountability and effective action”.

**6. The Committee recommends that the Government encourage the fuller exploitation of the potential of the Teaching Company Scheme in the UK and continue to support schemes that work well, such as SMART.**

Agree. The Government welcomes the Committee’s suggestion that it should encourage the fuller exploitation of the Teaching Company Scheme (TCS). As a result of the Department of Trade and Industry’s Business Support Review, and with the agreement of the other Departments and public sector organisations that have been funding TCS, it is being succeeded by a new and more flexible product known as Knowledge Transfer partnerships. This operates throughout the UK on exactly the same basis as TCS but with enhanced flexibility. Projects may now involve Further Education Colleges, as well as Higher Education Institutions and public and private sector research organisations, and they may be between one and three years in duration rather than the norm of two years that was possible under TCS.

The Government also welcomes the Committee’s recognition that SMART has worked well. The Department of Trade and Industry built on that success following its Business Support Review by introducing an enhanced Grant for Research and Development on 1 June 2003 to replace SMART. The Government is confident that this new grant will help even more small and medium sized businesses bring their technology innovative, new products and processes to market.

**7. The Committee recommends that the Government give attention to devising methods to assess the impact of general tax changes on entrepreneurial activity in the UK.**

Agree. The Government is increasing the resource available to the Inland Revenue, the Small Business Service and the Treasury to enhance our evidence base on linkages between policy drivers, including tax, and key success measures. This forms part of a wider strategy, set out in the Government Framework for Small Business *The Way Forward*, to improve coherence and co-ordination of policy across Government. Seven strategic themes have been identified, which will enable the Government to focus its efforts on producing real outcomes at the key phases of business development. Success measures are being developed for each of the seven themes. On tax, there has been a substantial increase in the Revenue’s analysis and research function over the last few years, underlining their commitment to evaluating the effectiveness of tax measures designed to address market failures that hinder small business start-up and growth.

**8. The Committee recommends that, in the UK, any proposed scheme to support entrepreneurship which seeks to implement the action plan based on the Commission’s Green Paper should:**

- address a clearly identified market failure and have a clearly specified objective or set of objectives;
- have an agreed set of quantifiable outcomes against which monitoring and evaluation can take place; and
- have a built-in costing, information and reporting system designed to provide the necessary material on which to base monitoring and evaluation.

Agree. Under the new arrangements in the Department for Trade and Industry all new proposals to support entrepreneurship must put forward a rigorous business case before the proposal is agreed. That business case must set out the rationale for the proposal based on market failure, provide clear objectives and set out clear criteria against which the success of the proposal will be judged. Each major business support product relating to entrepreneurship will, in future, have a balance scorecard providing regular management information on key performance criteria.

## APPENDIX 3

**Government response to the Twenty-fifth Report of the House of Lords Select Committee on the European Union, Session 2002–03**

## PROGRESS OF REFORM OF THE COMMON FISHERIES POLICY

We welcome this opportunity to respond to the Committee's conclusions and recommendations. The Committee has identified a number of areas of concern, many of which are shared by the Government. We take note, in particular, of the conclusions identified in paragraph 92, which are addressed in the detailed responses below. In our response below we have grouped together certain recommendations which come under a common theme. The Committee will also have seen the report on the outcome of the December 2002 Agriculture and Fisheries Council (Official Report 7 January 2003, column 81W) and our February 2003 response to the EFRA Committee report on Reform of the CFP.

Aspects of fisheries policy is devolved within the United Kingdom and so this response has been prepared in consultation with the devolved administrations.

**(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).**

There is no option but to co-operate internationally over the management of fisheries; naturally there will be areas of conflicting interests and therefore compromise.

Throughout CFP reform negotiations, we pressed strongly for our objectives to be met:

- to work for a CFP that is environmentally and economically sustainable;
- to strengthen the CFP's regional dimension, increase industry involvement in decisions on fisheries management and conservation and improve the dialogue between fishermen and scientists;
- to increase the integration of environmental concerns into fisheries management;
- to introduce clearer procedures for responding quickly to conservation emergencies;
- to confirm the six and 12 mile access restrictions on a permanent basis, continue relative stability (including Hague Preference) and retain the Shetland Box;
- to ensure greater effectiveness and consistency in control and enforcement of EU requirements, while attempting to simplify the burden of control on fishermen;
- to improve value for money of third country agreements and their coherence with development and environmental objectives and to promote the effective operation of Regional Fisheries Organisations;
- to phase out the use of subsidies for vessel building.

**(b) We welcome the stronger commitment in the new basic Regulation to protection of the marine environment (paragraph 10).**

The UK has pressed for some time for a stronger commitment to the protection of the wider marine environment under the Common Fisheries Policy and placed some emphasis on the improved integration of environmental protection requirements into fisheries policy during the review of the CFP. We therefore welcome the opportunity to take forward this agenda under the revised CFP framework regulation which places care for marine ecosystems (and specifically the progressive implementation of an ecosystem-based approach to fisheries management) at the heart of the policy.

To add to the principles outlined in the revised CFP framework regulation, the Commission action plan for integrating environmental protection requirements into the CFP was endorsed earlier this year, by the Council, with strong support from the UK. It is now important that these principles and commitments are translated into action through the implementation of policies to protect the wider marine environment. There are encouraging signs of action on the part of the Commission in several specific areas where the UK has been seeking action, namely in the reduction of cetacean bycatch, the protection for the Darwin Mounds and a recent Regulation restricting the practice of shark finning. But ultimately, for integration and protection of the marine environment to be effective, these specific actions will also need to be accompanied by measures to reduce fishing effort to sustainable levels, through for example, recovery plans and the development of multi-annual management plans.

**(c) Existing international research programmes in this area [marine ecosystems] co-ordinated 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).**

Interpretations of the “Ecosystems Approach” or “Ecosystem Based Management” for the marine environment do vary, but generally refer to using (and developing) knowledge of marine ecosystems to take account of and mitigate human impacts on the environment. Principal goals are sustainable human use of the marine environment for social and economic benefits together with maintenance of ecosystem health (which includes conservation of habitat biodiversity and productivity). The UK has endorsed an ecosystem-based approach to the marine environment at a number of international fora. The application of an ecosystem-based approach to fisheries and marine management is a challenge both to managers and scientists, but some progress has been made in both areas, for example:

- the Commission Action Plan to integrate Environmental Protection Requirements into the CFP—COM(2002)186, and the Council Conclusions of January 2003 on the same;
- the Commission Biodiversity Action Plan for Fisheries—COM(2001)162;
- the FAO Code of Conduct for Responsible Fisheries (see section 2); and
- the FAO Guidelines on the Ecosystem Approach to Fisheries.

The UK is one of the major contributors to science within ICES. ICES has recently established a specialist Advisory Committee on the Ecosystem in which the UK participates. In 2002 ICES adopted a new Science Strategy, of which the core is marine ecosystem science and its link to advice for marine environment and fisheries management. Mr Morley signed the Copenhagen Declaration on behalf of the UK. The Declaration recognised ICES’ increased commitment to a strengthened role for scientific research on marine ecosystems as a basis for advice. Signatories affirmed their support for ICES and stressed the need for science and advice in an ecosystem context. The Commission’s DG-Fish have also entered into discussions with ICES on how to incorporate ecosystem considerations into fisheries advice.

Within the available financial support a balance has to be struck between longer term research and stock monitoring and assessments. The poor state of some of the most important stocks suggests this is not the time to pull back from assessments of those stocks. Indeed robust assessments which carry credibility with stakeholders are a priority. Nevertheless the UK does support a significant R&D fisheries ecosystem programme, in addition to complementary marine environmental science. This work is integrated into ICES science and advice. In addition DEFRA have just brought into service a new £23 million multipurpose research vessel, a tangible demonstration of the Government’s commitment to long-term marine research.

Current research in the UK includes programmes measuring the impact of fishing on ecosystems (with annual budgets of £750K from DEFRA and £400K from SEERAD). These include work on the following:

- development and testing of ecological indicators and models to monitor and predict the ecosystem effects of fishing;
- assessing the abundance, distribution and vulnerability of rare and declining species impacted by fisheries;
- fishing gears with mitigating ecological impacts;
- fishing impacts on marine mammals and mitigating measures.

The EU also funds relevant work through the Framework Programme, including, for example, a €2.2 million project on managing fisheries to conserve ground fish and benthic invertebrate species diversity; and another costing the impact of demersal fishing on the marine ecosystem processes and biodiversity (€1.4 million). Both projects involve UK institutes, FRS and PML.

As part of its commitment to an integrated ecosystem-based approach, the Government is also taking forward a pilot project in the Irish Sea under the auspices of its Review of Marine Nature Conservation. The Irish Sea project is trying to develop a package of measures which would effectively promote the sustainable conservation of marine habitats and species and the wider marine environment around the UK. The Review is also giving further consideration to this important issue through a draft paper on the delivery of an ecosystem-based approach, drawn together by statutory nature conservation agencies. The Review will report to the Government in 2004.

**(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).**

*Joint Response to (d) and (e)*

The Government shares the Committee’s view that recovery plans for cod and hake should be established. We took that line during negotiations in 2002 on the Commission’s initial proposal for legislation, and we reaffirmed our position in debate in the Council of Agriculture and Fisheries Ministers in its meeting on 22 July this year. While negotiations in 2002 did not result in a full recovery plan, an interim measure was agreed at the December Council. This was designed to reduce the level of fishing effort on cod by a substantial percentage. However, it remains our aim to secure a satisfactory set of measures for the longer term.

As the Government has consistently made clear during negotiations on recovery plans an acceptable form of recovery plan will be one that offers the prospect of a successful outcome for the stocks to justify the painful restructuring of the industry that will be involved.

**(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).**

As indicated in the responses above, the Government supports the use of the precautionary and ecosystem approach.

**(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).**

The Government and the Devolved Administrations accept that there is a good case for effort control as a management tool, supported its introduction for cod recovery this year and is playing a constructive role in assessing the appropriateness of the Commission’s current proposals. We agree with the Committee that any scheme must be properly designated and well considered. Both the Government and the Devolved Administrations also accept the value of appropriate technical conservation measures and we have asked for these to be properly explored. We will be arguing that the package of measures measure should have an equitable impact on the various fleets which catch cod and hake. It will also be important to seek a form of implementation which avoids unnecessary bureaucracy and costs, both to the industry and the enforcement services. We would anticipate that all member states potentially affected by the measures will have similar concerns, and they will need to be satisfied on these scores if the Council is to be willing to accept the introduction of these recovery plans.

**(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).**

*Joint Response to (h) and (i)*

The Committee is right to be concerned that technological creep will tend to raise the overall fishing effort of a fleet over time, and its comments are noted. The Government has consistently argued for substantial cuts in the overall capacity of the EU fishing fleet, and is disappointed that more progress is not being made. However, as the Committee notes the effect of tight limits on fishing effort in key sea areas would tend to provide downward pressures on fleet size. Success in achieving effective recovery plans would therefore contribute to reductions in overlarge fleets.

It is understandable that skippers and owners should—like any business—seek to maximise the efficiency and hence returns of their operations. This may be particularly the case in periods where fishing opportunities are reducing. It is not always possible for regulators to anticipate how fishermen may develop their fishing methods in the future to maintain incomes, which is why the Government recognises that regulators must remain alert to such developments, respond to them promptly and, if necessary, ban those that are most damaging.

The EU and the UK have adopted many regulations to limit the adverse impact of technological developments of fishing methods. These restrictions cover all aspects of fishing gear including the construction and geometry of fishing gear, mesh size etc. The UK is currently proposing an EU wide ban on multiple trawls—a form of fishing which has the potential to increase substantially the catching efficiency of trawlers. The difficulty of anticipating technological developments provides further support for the case for effort control to protect the most vulnerable stocks. It also underlines the need to encourage and support (including financially through FIG) the take up of more environmentally sustainable fishing methods.

**(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).**

*Joint Response to (j) and (k)*

Satellite monitoring plays a vital role in the control and enforcement of fishing activity. Its primary function is in determining where a vessel is at any given time. This is of most use for vessels at sea for lengthy periods of time and moving between different sea areas. By their very nature UK vessels of less than 15 metres overall length generally fish in a much smaller area than larger vessels and will be at sea for shorter periods of time, often less than 24 hours. They do not normally fish outside Community waters or even to any great extent in the waters of other Member States. So there is much less of a need from an enforcement point of view to keep track of their movements. And while the cost of satellite monitoring equipment has come down the sums required are not insignificant, at some £2,500 to £3,500 per vessel. Installing equipment on an additional 800 fishing vessels between 10 and 15 metres in overall length would also lead to a significant increase in the volume of traffic received by the UK's Fisheries Monitoring Centre which would increase its running costs. The same is likely to be true for other Member States. So while the technology is becoming more widespread it is by no means clear that the extension of satellite monitoring to all vessels over 10 metres would bring meaningful enforcement benefits which would currently justify the cost to fishermen and to enforcement authorities.

The technical feasibility of replacing paper logbooks with electronic reporting of catches has not yet been satisfactorily established. The United Kingdom has take part in a preliminary trial of such systems and other Member States are also conducting trials, prior to the Council considering this issue in 2004. There are however issues other than technical feasibility that need to be addressed before electronic logbooks can be introduced. These include legal issues such as the admissibility in court of information supplied in this way.

**(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).**

The United Kingdom has consistently pressed for more effective and consistent standards of enforcement across the Community. We therefore welcome the Communication which the Commission published in March 2003: "Towards Uniform and Effective Implementation of the Common Fisheries Policy". This sets out a comprehensive programme of action to improve standards of control and strengthen co-operation between enforcement authorities. That programme is to involve a feasibility study into setting up a Joint Inspection Structure (JIS) including the establishment of a Community Fisheries Control Agency. It is envisaged that that this will lead to significant improvements in control in areas in which Member States acting alone are not well placed to deliver fully effective enforcement.

**(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).**

The Government attaches importance to the setting up of Regional Advisory Councils as soon as possible to give stakeholders, especially fishermen, greater involvement in the process of managing fisheries. Consensus among prospective participants in various Member States will be required before any individual

Regional Advisory Council can be set up, and this means that stakeholders will need to take time to develop proposals properly. The Government is working with fisheries departments in other Member States and with the Devolved Administrations and each is working with stakeholders to assist the development of proposals for specific RACs. The Commission is expected to make the necessary proposal for a Council regulation enabling a decision by the Council early in 2004.

**(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).**

The UK was at the forefront in pressing the case for ending grant aid for construction of fishing vessels. The Government welcomes the decision to end grants both for construction of vessels and for their modernisation in ways that add to vessels' ability to catch fish. A decision to achieve an earlier ending was not possible given the priority which a number of Member States gave to achieving a phase out period for the construction grants.

**(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).**

The Government welcomes the Committee's conclusion and considers that continued subsidies to maintain an over-large fleet in being are inappropriate.

**(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).**

The Government shares the Committee's view that fisheries management arrangements should take full account of economic considerations. The UK was represented at a two-day workshop held by the Commission in April 2003, the main purpose of which was to consider how more rational economic management might contribute to the objectives of the CFP, to business efficiency and viability, and to sustainability and meeting socio-economic needs. The workshop identified the need for the gathering of more information on the various management systems operated by Member States to serve as the basis for further work. Within the UK the system of fixed quota allocations (FQAs), under which there is considerable scope for fishermen to transfer or exchange their fishing opportunities on an annual or permanent basis, already in practice provides many of the advantages which are generally ascribed to individual transferable quota systems.

In the context of incentives to fishermen to adjust methods, the DEFRA Bycatch Response Strategy points to public support for environmentally friendly fishing methods and recommends giving urgent consideration to providing an accreditation scheme for fisheries adopting cetacean-friendly methods of fishing.

**(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).**

The Government has found, as has the Committee, that it is difficult to gain access to comprehensive economic data on the fishing fleet in the UK, even though the STECF does provide some economic advice. Furthermore, the reformed CFP now puts greater emphasis on obtaining socio-economic advice from this Committee.

We have taken the approach recommended by the Committee of promoting the acquisition of data in ways that respect the confidentiality of vessel owners. The Sea Fish Industry Authority, with financial support from Fisheries Departments in the UK, has carried out surveys of segments of the UK fishing fleet, producing useful data. The Government would welcome a commitment by the fishing industry to respond comprehensively to such approaches, since the results would be of value in managing the fisheries.

**(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).**

The Government is keen to ensure that the UK has a vibrant and competitive industry. It will continue to base its strategy on the need for sustainable fish stocks and a better balance between the stocks and fishing capacity, which will promote the viability of the fleet for the long-term. Financial grant aid targeted to key

needs remains available following the CFP review. DEFRA, DARDNI and the Scottish Executive have adopted a flexible approach in the different parts of the UK; and their respective Regional Development Agencies enable focused support to be provided to fishing dependent communities.

**(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).**

It is not the case that the level of funding under the FIFG scheme in the UK is related to the existence of the Fontainebleau Agreement. The position is that payments under FIFG (including both the EU element and the UK financed element of the grant payments) must be covered by financial provision within the relevant Department's overall spending limit. The funding available for these grants is thus determined by the Department's spending priorities.

**(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).**

*Joint Response to (t) and (u)*

The Government notes the options discussed by the Committee for transitional aid. The Committee notes several difficulties with the approach of paying subsidies for temporarily tying up vessels. The Government agrees that the first need is to achieve a permanent reduction sufficient to provide a balance between the fleet and fish stocks in the long term. The Committee is right to question the practicality of paying tie up aid for the substantial period of time before the stocks recovered to sustainable levels. The problem of inadvertently generating further capacity over this period through "technological creep" is also relevant here, as the Committee notes. The Government is not convinced that such payments would provide value for money.

The Committee will also wish to note that current EU legislation limits the period for which such payments can be made. Article 16 of Regulation 2792/99 provides for "temporary cessation" payments to be made to fishermen. Where a recovery plan is adopted by the Council these payments may last for one year, and may be extended by one further year. Where the financial contribution from FIFG exceeds €1 million or 4 per cent of the Community financial assistance for fisheries in the UK the national measures must include a decommissioning scheme, with the aim of removing vessels with fishing effort at least equal to the effort of the vessels for which the temporary cessation payments are given.

In Scotland the Scottish Executive has introduced, with EC approval, a Transitional Support Grant Scheme, with a budget ceiling of £10 million, to help fishermen deal with the effects of fisheries reductions consequent to the interim cod recovery measures; and, as a complement to its £40 million decommissioning scheme, to help manage the process of catching sector restructuring and rationalisation. Detailed scheme arrangements and conditions are in place to help discourage diversion of whitefish fishing activity to other areas (such as the valuable nephrops fisheries).

Northern Ireland will set in place enabling legislation and seek appropriate approvals from the European Commission so that transitional aid could be paid to help manage fleet restructuring and rationalisation, and address possible hardship issues arising as a result of cod recovery measures.

**(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).**

Responsibility for the provision of support for the development and regeneration of coastal communities, where fishing opportunities decline, is a matter for the individual countries of the UK. Measures, with appropriate funding, are in place in all regions for this purpose. The Regional Development Agencies in England and the Devolved Administrations are addressing the socio-economic consequences of reduced fishing opportunities by supporting diversification in coastal fishing communities, through a range of approaches including the promotion of tourism, the development of training and skills, and business support.

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Appendix 4  
**European Union Select Committee**

The members of the Committee are:

Baroness Billingham  
Lord Brennan  
Lord Cavendish of Furness  
Lord Dubs  
Lord Grenfell (Chairman)  
Lord Hannay of Chiswick  
Baroness Harris of Richmond  
Lord Jopling  
Lord Lamont of Lerwick  
Baroness Maddock  
Lord Neill of Bladen  
Baroness Park of Monmouth  
Lord Radice  
Lord Scott of Foscote  
The Earl of Selborne  
Lord Shutt of Greetland  
Baroness Stern  
Lord Williamson of Horton  
Lord Woolmer of Leeds