



Wales Centre for Public Policy
Canolfan Polisi Cyhoeddus Cymru

Summary report: Policy options for Welsh fishing opportunities

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September 2020



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Introduction

The UK's exit from the EU, and the development of a new UK Fisheries Bill (currently in the legislative process), devolves many powers over fisheries to the four UK fisheries administrations (including Welsh Government). This provides a new context in which to evaluate how the management of Welsh fisheries aligns with the Welsh Government's Well-being of Future Generations Act (WFGA).

Compared to the other UK fisheries administrations, marine fisheries in Wales are a small economic sector, even when nation size is accounted for. Welsh fisheries are also small in terms of vessel characteristics, with the vast majority of vessels under 10 metres in length. For Welsh vessels landing to Welsh ports, the largest species by volume and value are whelks, lobsters, scallops, crabs, and seabass. Much of this catch is destined for markets in Europe and Asia.

This international orientation to Welsh fisheries extends beyond trade to fishing practices themselves as Welsh-registered vessels land the majority of their catch abroad (from the small number of large-scale vessels landing in the Falkland Islands, Ireland, and Spain) and the majority of landings to Welsh ports are from non-Welsh vessels (predominately English and Belgian). For species fished under quota limits, these trends are even more extreme.

The Minister for Environment, Energy and Rural Affairs has asked the Wales Centre for Public Policy to consider the policy options to manage Welsh fishing opportunities in the future. This new focus, combined with the opportunities set out in the Well-being of Future Generations Act (WFGA), requires a reimagining of fisheries – and the opportunities to access them – in Wales.

Fishing opportunities are defined as the access rights granted to companies, individual fishers and members of the public that allow them to fish commercially. These may be in terms of tonnage of fish, days fishing, and may relate to specific areas and gear types. The management of fishing opportunities forms a major part of fisheries governance.

This summary report analyses the management of Welsh fishing opportunities by developing well-being objectives for Welsh fisheries, outlining potential policy options for the management of fishing opportunities, and then assessing the strengths and weaknesses of different policy approaches (combinations of several policy options) against the well-being objectives for Welsh fisheries.

Developing well-being objectives

As marine fisheries do not fall under the mandate of any Welsh Government public body, the sector tends to 'fall through the cracks' of WFGA implementation. There is no well-being

reporting or feedback mechanism that evaluates the contributions of the catching sector, considers the type of work in the industry, or even documents the status of fish stocks. As such, this report develops for the first time a potential set of well-being objectives for Welsh fisheries.

Table 1: Twelve well-being objectives for Welsh fisheries

Objective	Components	Source
Sustainability objective	Environmental sustainability; economic, social, and employment benefits; food supplies; capacity managed for economic viability.	UK Fisheries Bill
Precautionary objective	Precautionary approach; fish populations above levels that can produce the maximum sustainable yield.	UK Fisheries Bill
Ecosystem objective	Ecosystem-based approach; incidental catch minimised and eliminated	UK Fisheries Bill
Scientific evidence objective	Collect scientific data; share information between authorities; make decisions based on best available scientific advice.	UK Fisheries Bill
Bycatch objective	Catches below minimum conservation reference size are minimised and eliminated; catches recorded and accounted for; bycatch landed where appropriate.	UK Fisheries Bill
Equal access objective	UK fishing vessels can access any area within UK limits.	UK Fisheries Bill
National benefit objective	Fishing activities of UK fishing boats bring social or economic benefits to the UK (or any part).	UK Fisheries Bill
Climate change objective	Minimise climate impacts; adapt fishing and aquaculture to climate change.	UK Fisheries Bill
Supportive interaction objective	Objectives for different sectors are co-viable; integration in fisheries management between marine sectors; integration between countries.	The WFGA emphasises international impacts and linkages with other sectors and parts of government.
Good governance objective	Simple, respectful, dynamic, responsive, and affordable management structures.	The WFGA emphasises processes as well as outcomes.
Community resilience objective	Resilience to mitigate uncertainty and potential losses; protect and enhance cultural heritage.	The WFGA emphasises communities (in addition to individuals and businesses).
Efficient production objective	Maximise the value of outputs and minimise the cost of inputs (including management costs and the cost to animal life).	Added as objectives should be achieved to the highest degree and at the lowest cost possible.

These objectives form an essential link between the overarching approach of the Welsh Government and specific fisheries policy. The objectives are sourced from the UK Fisheries Bill (in second reading at the time of writing), supplemented by additional objectives sourced from the WFGA and associated documents as well as the Brexit and our Seas consultation. The objectives and their source are displayed in Table 1. A comparison of these twelve objectives against the seven Well-being Goals shows good coverage.

Policy options for fishing opportunities

While the power to allocate fishing opportunities has always rested with EU Member States (a power devolved to the Senedd and Welsh Government), this power was never used to institute any major reforms in Wales. This could change post-Brexit, not due to any new powers but due to a combination of the significant attention that is now focused on fisheries, the possibility for 'additional' quota to become available post-Brexit, and the ability to join up the allocation of fishing opportunities with new powers over other aspects of fisheries policy to create a new vision for Welsh fisheries.

As **Figure 1** illustrates, the allocation of fishing opportunities involves multiple 'levels': type of fishing opportunities, allocation method, use of pooling and/or use of a market within the fishing fleet, policies to deal with externalities in the use of fishing opportunities, and requirements on the landing of fish caught with these fishing opportunities. Each level has different policy options. Segmenting the analysis of fishing opportunities in this way makes it clear which policy options are alternatives (within a level) and which policy options can be paired together (between levels).

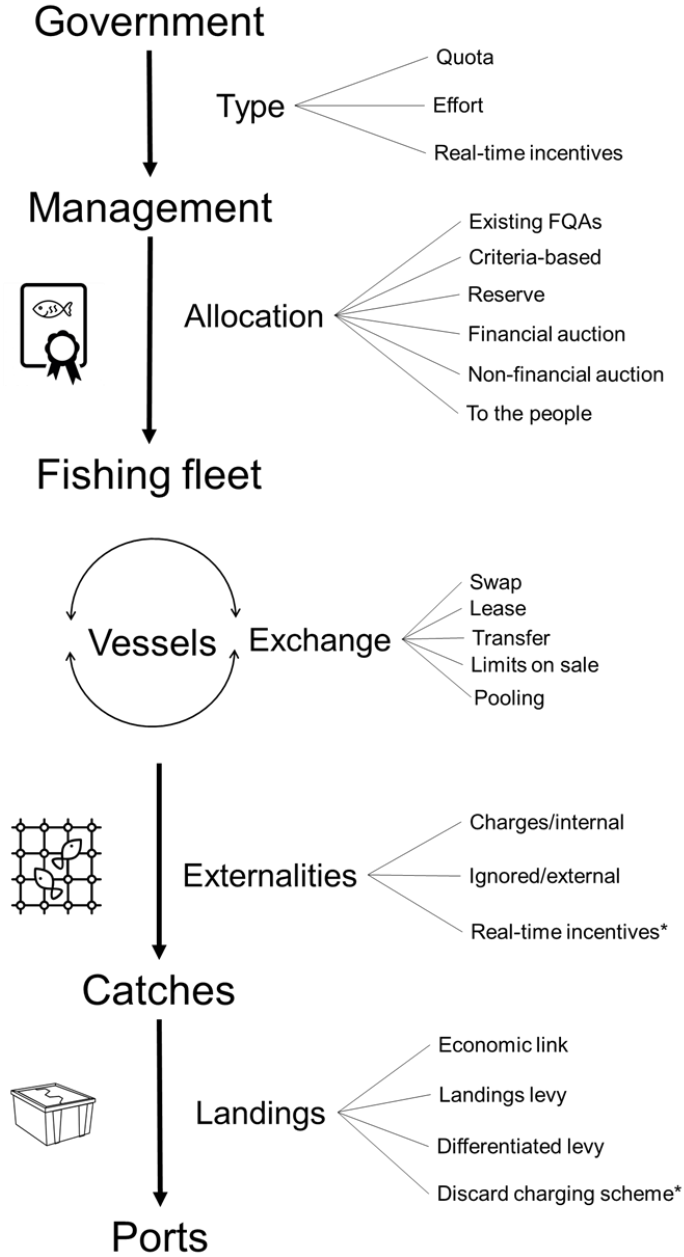
In considering policy options this report takes a 'blank canvas' approach whereby all options are considered with no reference to the existing system. This approach is a radical departure from the majority of policy analysis but is a function of four factors: the small role that fisheries management has historically held in Welsh Government; the ambitious aims of the WFGA for Wales to pursue a world-leading example of sustainability and wellbeing; the overhaul to management that Brexit could allow for; and the widely held sentiment that Welsh fisheries management is not delivering well in its current form.

This report does not cover how the total amount of fishing opportunities is determined, nor does it cover the allocation of quota between fisheries administrations (see the WCPP report *Implications of Brexit for fishing opportunities*).

Choosing the type of fishing opportunity

Under current management, many species caught in Wales (shellfish in particular) are not managed through EU quota limits on the quantity that can be caught. Instead, the vast majority of Welsh catch is managed through limits on effort (e.g. pot limits, scallop dredges). The Welsh Government could **bring these fisheries under a catch quota** or, alternatively, pursue **effort limits for the species managed under EU quota limits**. A third approach would be to implement a **new system entirely, such as real-time incentives** (RTIs) that blend features of catch quota and effort limitations. RTIs is a system where credits are used by fishers to pay for rapidly changing 'tariffs' set based species, location, and time of year.

Figure 1: Determining the management system for Welsh fishing opportunities



* policies are repeated

The allocation of fishing opportunities

Like the 'relative stability' principle used to allocate fishing opportunities between EU Member States, the allocation of fishing opportunities in the UK uses a reference period for historical catches and fixes quota shares at this level. The use of these 'fixed quota allocations' (FQAs) also means that the share between UK fisheries administrations remains fixed. While both the UK Government and the Welsh Government have had the ability to change this system of allocations, it has remained one of the most stable aspects of the fisheries management system but also one of the most controversial. There have been suggestions to change FQAs to make the allocations more updated or fairer or to look at different allocation systems entirely.

It is unlikely that diverse fisheries objectives will naturally emerge without explicit and targeted policies. **Criteria-based allocation**, like the concept of 'public money for public goods' in agriculture, uses a public resource (i.e. access to fish stocks, subsidies) to pursue a public purpose. Qualification for criteria-based allocations could be opt-in where data is voluntarily disclosed or integrated through existing (and likely expanded) data collection processes.

Continuing with the use of FQAs or switching to criteria-based allocations are not two mutually exclusive systems. As described, criteria-based allocations could include historical catches as one of the criteria that is applied (in that sense FQAs can be seen as a criterion-based allocation with historical catch as the single criterion). Alternatively, a **quota reserve** can be used to formally separate quota so that some fishing opportunities are allocated using a different method from the main share.

The use of **financial auctions** allocates fishing opportunities to the highest bidder. Based on examples of where auctions have been used in other fisheries, an auction for fishing opportunities in Wales could be used for a portion of the available fishing opportunities, once allocations have been made on the basis of other criteria and priorities. While it is often assumed that auctions for fishing opportunities are financial, this need not be the case. There is also the option to use **non-financial auctions**, for example allocating credits to fishers who can then use these credits (rather than their own finances) to bid on auction. These credits can be allocated according to any number of principles or criteria. The objective is to put fishers in control of balancing the fishing opportunities they need most.

One particularly straightforward approach to emphasize that fish populations are a public asset is the **direct allocation of fishing opportunities across the Welsh population**. Few citizens would use the fishing opportunities directly, but an online auction system (set up by the Welsh Government or privately) would allow licenced commercial fishers to acquire quota in a similar, but likely more disjointed, manner to an auction from the government.

Exchanging fishing opportunities

Regardless of the allocation method used (from government to fishing licence), a system of exchange can be used for secondary allocation between licence holders. Currently in the UK there is the ability for fishers in the 'sector' (members of producer organisations) to swap quota (exchange a quantity of quota for one quota for a quantity of quota for another TAC, e.g. cod for haddock), lease quota (pay for a quantity of quota within that year, after which it returns to the owner), and transfer quota (permanent financial transfer). For fishers in the under 10m pool and 'non-sector fishers', the fisheries administration acts as a broker of their fishing opportunities.

Some commentators have advocated **individual transferable quotas** (ITQs) as a potential model for post-Brexit fishing opportunities. The existing system is already indistinguishable from an ITQ system, although certainly a more open and active market could be created. Transferable systems can also have **limits on sale**, for example by ringfencing quota by region or fleet, having one-way transfers, or limits on concentration for any one owner.

An alternative system to add flexibility into the quota system would be to scale-up systems of quota swaps which do not involve financial transactions. New technologies (e.g. mobile phone apps) could be used to facilitate an **online platform for peer-to-peer quota swaps**.

Most of the policy options for allocating and exchanging fishing opportunities imply that fishing opportunities are held individually, but they can also be held collectively. These systems involve fisheries exploiting a **pool of fishing opportunities** until it is exhausted.

Externalities

In economic terminology, an 'externality' refers to a cost or benefit that is incurred or received by a third party to an activity. In environmental policy, negative externalities are discussed in great detail (e.g. air pollution from diesel and petrol motor vehicles) but fisheries policy is rarely described in this terminology despite the recognition of their existence (e.g. bycatch, seabed impact, fuel use).

In general, negative externalities from fishing are dealt with through regulations to minimise their extent (e.g. mesh size, protected areas), but externalities could also be dealt with through criteria-based allocation of fishing opportunities, real-time incentives or by levying taxes for the creation of negative externalities. **Taxing externalities** attempts to lower the production of externalities in the same way that a price increase lowers the demand for a product or activity and thereby 'internalising' the externality.

The UK Fisheries Bill grants the power to the UK Government's Secretary of State to establish a **discard charging scheme** to charge fishers for unauthorised catches of fish.

This allows fish caught to still be used for human consumption while balancing the incentive for selectivity with the incentive for illegal discarding.

Landings

Policy governing fishing opportunities can also apply after fish has been caught and the fishing opportunity has been transformed from an access right to physical catch. In an attempt to ensure that fishing opportunities provide a real benefit to UK coastal communities and wider society, the existing **economic link** policy specifies a UK licence condition whereby one of the following options must be satisfied: 50% of quota landings into the UK; 50% of crew normally resident into the UK; or, 50% of operating expenditure in the UK. The economic link is currently applied at a UK-wide level but there is an opportunity for each fisheries administration to establish their own economic link (whether an economic link to the UK or the specific devolved nations). There are several other policy options concerning what happens to the landings of fish that are caught using fishing opportunities.

Fisheries management is extremely expensive, especially relative to the size of the industry in terms of financial value or employment. Fisheries management also generates resource rent through limiting entry to the fishery – rent that the government does not directly recover. A quota auction – also detailed in this section – is one approach for generation government revenue from fisheries. Another option is to institute a **landings tax**, which has the advantage of extending beyond quota fisheries and cover all species.

As a potential modification, a **differentiated levy for domestic and foreign landings** (i.e. a higher rate for landings abroad) would provide an incentive alongside raising revenue. The treatment of landings from foreign vessels into UK ports under this levy is an important consideration as it should balance the incentive to land in the UK with the perception that domestic vessels are being disadvantaged.

Ownership

There is a great deal of ambiguity surrounding the ownership of fishing opportunities in the UK. Fishing opportunities are considered by both the UK and Welsh Government as a public resource, however due to the continued allocation of fishing opportunities through the same FQAs, in 2012 the High Court ruled that FQAs could be considered a private possession. Much of the debate over ownership is specific to fishing quotas, although in theory some of the arguments could apply to non-quota fishing opportunities. However, it is generally assumed that effort limits and other non-quota fishing opportunities do not represent a possession.

At the two extremes of fisheries ownership are an alignment of the ownership of the resource with the alignment of the ownership of fishing opportunities, i.e. the privatisation of fisheries management where fishers set the regulations or the nationalisation of the fisheries industry

where fishers become public sector employees and all revenue goes directly to the government. Neither of these systems are common globally, nor have they been suggested for Wales. Much more likely is that quota (whether all or a portion) is 'renationalised'. There are several policy options through which this could take place:

- **Nationalise quota:** reclaim all existing FQAs.
- **Provide notice period:** reclaim all existing FQAs after a period of years (e.g. seven) so investments can be recuperated.
- **Gradual drawdown:** reclaim a share of existing FQAs each year until all quota has been reallocated (e.g. ten percent each year for ten years).
- **Top slice quota transactions/vessel retirement:** claim a share of FQAs when a sale is made or when a licence is sold (with FQAs attached).
- **Top slice new quota:** claim a share of FQAs that are gained through post-Brexit policy changes or from quota increases (i.e. when stocks grow in size).

To help resolve ownership ambiguity, a legal duration to new issuances of fishing opportunities could specific a **legal duration to fishing opportunities**. This policy offers the benefits of security to fishers while also formalising public ownership of a public asset. Ownership would then become a long-term lease (whether paid or unpaid) from the state.

Similar to how the management of fishing opportunities has been devolved from the UK Government to the Welsh Government, in the future management could be devolved to local government or community groups. **Community ownership** involves self-governance by fishers where there are no national allocation rules and ownership is at the community level so an individual cannot leave the scheme. A second form of community ownership is the purchase (or gifting) of quota shares by communities (such as local authorities).

Revenue use

Several of the policy options previously detailed raise revenue through their application (financial auctions, charging externalities on use, and a landings levy). If any of these policy options are implemented a complementary policy over the use of revenues raised will be required.

As part of a strategy to gain support for new taxes it has become popular to propose the **earmarking of tax revenues** for specific purposes (i.e., the hypothecation of revenues). Hard hypothecation requires that revenue and expenditure balance in a certain period, but this generates extreme uncertainty in spending plans. Softer forms of hypothecation, where a new tax contributes towards covering a larger expense, is primarily about 'policy presentation' as the other sources of revenue could rise or fall in response

An alternative to hypothecation (whether hard or soft) is to simply direct the revenues to the **general government coffer**. This approach is both easier to implement and a more honest account of how government finances operate.

A third alternative, focusing on the ‘resource rent’ aspect of revenues that are raised, is to issue **royalty payments to citizens**. While there are no international examples of such a scheme in fisheries, this approach is used for other resources like oil revenues where each citizen receives an annual cheque.

Other associated policies

The policies detailed in this section are related to the allocation of fishing opportunities in a fairly direct manner. There are however related policies that would support their success in implementation even if their link to fishing opportunities is indirect.

It has long been recognised that different segments of the fishing fleet have different management needs and may be even be managed separately in pursuit of different objectives. The UK, like many countries, recognises a ‘small-scale’ fishing fleet, delineated in the UK as fishing vessels that are 10 metres and under in length. This delineation has been criticised as arbitrary and alternative **fleet delineations** such as ‘low-impact’ from the UK Fisheries Bill could be used.

For the ‘sector’, quota is currently managed by **producer organisations** (PO) that act on behalf of their membership. This structure has several advantages by providing a co-management system where fishers have more control over how their quota is used and ultimately accountability rests with the PO, easing the management burden for government. The PO model is widely supported by fishers in the sector, but some fishers outside the system see it as an “old boys’ club” who profit from leasing quota whether or not they are active fishers themselves. Keeping the PO structure but increasing transparency and supporting membership of under 10m vessels – most likely through the establishment and support of a producer organisation(s) for their interests – would be beneficial for future management.

A community-based quota scheme is one approach that would localise decisions concerning fishing opportunities for the particular communities involved. The management of **community quota** is distinct from the establishment of inshore fisheries groups, although the two are sometimes confused. Welsh Government has ended the use of inshore fisheries groups and opted for a much more centralised form of fisheries management (contrasting with fisheries management in England and Scotland where inshore groups are being heavily promoted).

A formal incorporation of recreational fishing activity into a quota management system would end the separation between the two sectors and could lead to more harmonisation in management. The characteristics of a **quota system for recreational fishing** activity is

much more complicated than in commercial fisheries due to the lack of catch records, highly variable activity, and large number of participants. An alternative approach is a hybrid model with current management, where there is a total quota level for the recreational fishery and this is essentially managed as one pool that can be exhausted.

Assessing policy options

The full version of this summary report assesses these policy options against the well-being objectives for Welsh fisheries. From this exercise a few key conclusions emerge:

- Policy choice matters as few policies perform identically across all concerns.
- It is impossible to escape trade-offs as not all concerns can be optimised simultaneously.
- Much of the assessment depends on the detail of the policy option.
- Nearly all policy options that are not currently in place face some barrier to implementation.
- Many of these policy options would be new to Wales and whole 'levels' have no existing policy by any level of government and others only have UK policy.

While this report outlines policy options, the research behind them, and assesses their performance against the well-being objectives for Welsh fisheries, there are a number of issues need to be considered before any particular option should be pursued:

- **Conditionality on increased opportunities:** All policy options could be technically implemented with existing levels of fishing opportunities, however some policy options are more dependent on a 'Brexit dividend', as the existing Welsh FQAs are so small in size that some options may not be worth the cost of pursuing. Pursuing these policies may be more sensible if relative stability and/or the UK Concordat on Fisheries Management is revisited.
- **Government capacity:** Stakeholders frequently comment that Welsh Government lacks capacity in fisheries management, which the Senedd questioned the government on in its Brexit impact report.
- **Infrastructural capacity:** In assessing whether the Welsh fishing fleet could take advantage of additional fishing opportunities a consideration of physical infrastructure needs to be made. This is not a constraint for the actual allocation of fishing opportunities, only the quantity and species involved.
- **Policy interactions and overall coherence:** Rather than considering each policy option separately, policy options can be combined. There is a risk that the high performing policies do not pair together.

- **Trialling new systems:** To move some of these policy options forward, for example a days-at-sea system with flexible catch composition, it has been suggested that localised trials should be implemented to collect data and measure the impact. The first issue is how comprehensive the trial needs to be to properly inform management. There is also the issue of opportunity cost as an informative trial requires a significant amount of time and funding to administer – resources that could be spent on other policy options considered in this report.
- **Acting unilaterally:** Separate to the issue of trials, it would also be necessary to explore with the UK Government whether the Welsh Government could implement its own management regime independent of the rest of the UK. For example, if the Welsh Government decided to abandon the use of FQAs (either to move to a non-quota system and/or to pursue a reallocation of shares) it is likely, given statements from the UK Government, that FQAs would still be used to allocate to Welsh licences through the UK Fisheries Concordat.
- **The need for consultation:** It is of great importance that policy change on fishing opportunities is only taken after thorough consultation with fisheries stakeholders. At present, there are significant trust issues in Welsh fisheries management, so policy change will need to be pursued gradually and with buy-in.
- **Ensuring a just transition for those negatively impacted:** In implementing changes to the management of fishing opportunities, the Welsh Government has a duty to think of the well-being of current and future generations of beneficiaries, including those adversely harmed. If policy change involves fewer fishing opportunities and/or landings elsewhere then at the very least complementary policies are required to ensure a 'just transition' for those fishers and communities.
- **Process for secondary legislation:** There remains a lack of clarity on the legislative requirements in Wales with regard to fisheries. A commitment was made in 2019 to a fisheries bill being presented to the Welsh Assembly in the current term, but that timetable could only be set out once the UK Fisheries Bill has passed through the UK Parliament and the developing post-EU exist position becomes clearer.

The fishing industry in Wales, particularly the sector dependent on quota fishing opportunities, is extremely small. This is not set in stone, however, and with effective planning the industry can grow without putting any additional pressure on the marine environment (as activity is displaced from elsewhere). Regardless, size is not necessarily a barrier to ambition. While developing new systems comes with fixed costs, the smaller number of fishers in Wales means that stakeholder engagement consensus should be easier to reach. Indeed, some of the largest fisheries have continued with the same management systems for decades. In this context, Wales can lead in demonstrating what fisheries managed for the well-being of future generations can look like.

Author Details

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