

Date Wednesday 16 May 2001
Time: 2.00pm – 4.50pm
Venue: Committee Room, National Assembly Building

FISHERIES - WELSH FISHING VESSEL DECOMMISSIONING SCHEME

Purpose

1. To seek views from the Agriculture and Rural Development Committee about a Welsh Fishing Vessel Decommissioning Scheme.

Recommendation

2. Subject to the views of the Committee, that it would not be appropriate to introduce decommissioning for Wales and the resource identified in the Wales Objective 1 Single Programme Document (£1.2 million) be allocated to other fisheries projects.

Background

3. Most of the important fish stocks around the UK have been in decline over the past ten years as a result of over-fishing. One of the methods used to redress the balance between fishing effort and available stocks is to decommission, i.e. to scrap vessels and to cancel their licence to fish.

4. Grant aid to encourage decommissioning is permissible within the Europe Union's co-financed structural grants programme for fisheries, the Financial Instrument for Fisheries Guidance (FIFG). The scheme offers 100% grants for the removal of vessels over 10 metres, 50 % from the EU and 50% from the Member State; there are no decommissioning grants available to vessels under 10 metres.

5. Between 1994 and 1997, decommissioning has been used successfully by the UK to reduce the fleet size to achieve target reductions in fishing effort, which have been set by the EU. In that period, a total of 21 Welsh registered vessels were taken out of productive fishing at a cost of £2.6 million. Of these vessels, 18 were regarded as indigenous to Wales with an associated decommissioning cost of £0.790 million.

6. The previous decommissioning scheme operated within the UK was based on a tendering system. Owners indicated the price per Vessel Capacity Unit (VCU) that they were prepared to accept in order to scrap their vessels. Bids were ranked on the basis of the cost per unit. Those representing best value for money, up to the financial limit set by the UK Fisheries Departments for each round, were accepted.

7. The earlier rounds of decommissioning were most productive in terms of cost per ton of vessel capacity removed. Later rounds of the scheme proved less cost effective. A recent report by the Cabinet Office indicated that decommissioning no longer offered value for money.

8. The Objective 1 Single Programme Document for Wales includes a combined EU / Assembly provision of some £1.2 million to cater for a fleet decommissioning scheme in Wales.

The Welsh Fishing Fleet

9. The structure of the Welsh fleet is quite different to those of England, Scotland and N Ireland. The Welsh fleet comprises 477 vessels. 77 are over 10m. These are the vessels eligible for a decommissioning scheme. All but a few are Spanish owned.

10. The handful of indigenous Welsh vessels over 10m fish areas that are under less pressure and, collectively, these vessels remain reasonably viable. To-date, the fishing industry in Wales has not made any concerted call for a Welsh decommissioning scheme.

Legal Consideration

11. The Welsh Objective 1 Single Programme Document (SPD), under EC Regulation 2792/99, includes provision for restructuring of the Welsh fleet. Decommissioning is an option but there is no compulsion. The potential legal difficulty surrounds the ability of the National Assembly deciding against decommissioning where other parts of the UK introduce schemes. The Office of the Consul General (OCG) is considering the position. Subject to confirmation from OCG, at administrative level, officials consider that the scope of the SPD offers sufficient flexibility to consider alternatives to decommissioning in Wales.

Financial Implications

12. The SPD provision amounts to a total of £1.2 million. On past experience, the resource would be sufficient to remove a minimal number of the larger fishing vessels – possibly no more than 2. To match the target of 20 per cent fleet reduction proposed by the other UK Fisheries Departments would suggest a financial need of some £9.6 million. There appears to be no scope to make additional funding available.

Decommissioning Elsewhere In the UK

13. The Scottish Executive, in response to pressure from the Scottish fishing industry for financial assistance, because of low profitability, recently announced a decision in principle to launch its own decommissioning scheme. Ministry of Agriculture Fisheries and Food (MAFF) and the Department of Agriculture in Northern Ireland have also announced plans to introduce decommissioning. All are

seeking to remove approximately 20 per cent of their respective fleets. Critically, their plans depend on identifying additional financial resources to fund the cost of decommissioning. In addition, none have worked out the operational detail of individual decommissioning schemes.

The Case for A Decommissioning Scheme

14. The main points are:

- Present fishing over-capacity is greatly limiting the ability to conserve fish stocks.
- There is market failure in terms of fishermen's poor reaction to market signals to leave the industry. The industry remains inefficient, and continually seeks Government aid.
- Without a decommissioning grant, vessel licences remain in place, even if vessels are scrapped, and the fleet can grow again. Decommissioning grants cancel licences and so permanently reduce the potential fleet size.
- While the industry is depressed, and keen to take grants, the cost to public funds will be relatively lower.
- Reallocation of fish quota from scrapped vessels will raise the viability of the remaining fleet.

The Case Against A Decommissioning Scheme

15. The main issues are:

- It is not clear whether the recent decommissioning programmes - while they will certainly have reduced the scale of the problem - were large enough to counter the effects on overall fishing power of improving technology.
- It is estimated that there is a 40 per cent over-capacity in the UK fleet. The proposal to introduce a 20 per cent decommissioning scheme is unlikely to reduce 'real' fishing effort (as opposed to tonnage or number of vessels) to bring it into line with available fish stocks. In other words, there might still be too many boats chasing too few fish. In turn, this raises questions about cost effectiveness and delivering a sustainable future for the industry.
- From the perspective of Wales, the industry has not sought the re-introduction of decommissioning.
- The resources identified in the Wales SPD could offer tangible benefit to the Welsh fisheries interest if invested otherwise than in decommissioning the 10m+ vessels (ie improvements to

ports, fish farming, marketing and processing and safety training).

Issues Related To Decommissioning

16. In the event that decommissioning was to be introduced for the Welsh fishing fleet, a number of issues need to be resolved, including:

- What controls, if any, could legally be used to ensure that the fish quota attached to the decommissioned vessels could be retained for the benefit of Welsh fishermen.
- How could the scheme be most effectively targeted, geographically and/or by type of vessel.
- Should the National Assembly use a bidding mechanism and, if so, whether a single round of bidding would provide better value than a series of bids.
- Would decommissioning offer added value given the level of resources available.

Comment Sought

The Committee is asked for views on the benefit to the Welsh Fishing Fleet through the introduction of a decommissioning scheme. In considering the issues involved, the Committee will need to have regard to the financial resources available. The intention would be to update the Committee on 16th May on the legal position vis-à-vis decommissioning in other parts of the UK.

Contact

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