



Cynulliad Cenedlaethol Cymru **The National Assembly for Wales**

Y Pwyllgor Amgylchedd a Chynaliadwyedd **The Environment and Sustainability Committee**

Dydd Mercher, 17 Gorffennaf 2013
Wednesday, 17 July 2013

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Motion under Standing Order No. 17.42(vi) to Exclude the Public from the Meeting

Yn y golofn chwith, cofnodwyd y trafodion yn yr iaith y llefarwyd hwy ynddi. Yn y golofn dde, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

In the left-hand column, the proceedings are recorded in the language in which they were spoken. The right-hand column contains a transcription of the simultaneous interpretation.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Russell George	Ceidwadwyr Cymreig Welsh Conservatives
Llyr Huws Gruffydd	Plaid Cymru The Party of Wales
Julie James	Llafur Labour
Julie Morgan	Llafur Labour
William Powell	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Antoinette Sandbach	Ceidwadwyr Cymreig Welsh Conservatives
Joyce Watson	Llafur Labour

Eraill yn bresennol
Others in attendance

Ed Bailey	NFU Cymru NFU Cymru
Gareth Cunningham	Cyswllt Amgylchedd Cymru Wales Environment Link
Dr Euan Dunn	RSPB Cymru RSPB Cymru
Dr Clare Eno	Cyfoeth Naturiol Cymru Natural Resources Wales
Sue Evans	Cymdeithas y Tirfeddianwyr Country Land and Business Association
Dr Nick Fenwick	Undeb Amaethwyr Cymru Farmers Union of Wales
Emma Hockridge	The Soil Association The Soil Association
Brian Pawson	Cyfoeth Naturiol Cymru Natural Resources Wales
Jeremy Percy	New Under Ten Fishermen's Association New Under Ten Fishermen's Association
Joanne Sherwood	Cyfoeth Naturiol Cymru Natural Resources Wales
Arfon Williams	Cyswllt Amgylchedd Cymru Wales Environment Link

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Alun Davidson	Clerc Clerk
Catherine Hunt	Dirprwy Glerc Deputy Clerk

*Dechreuodd y cyfarfod am 9.32 a.m.
The meeting began at 9.32 a.m.*

Ethol Cadeirydd Dros Dro Election of Temporary Chair

[1] **Mr Davidson:** Good morning. In the absence of Lord Elis-Thomas this morning, our first item of business is the election of a temporary Chair. William Powell has been nominated for election as temporary Chair. Are there any objections to his election? There are no objections, so William Powell is duly elected temporary Chair.

Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions

[2] **William Powell:** Diolch yn fawr, **William Powell:** Thank you, Alun, and a Alun, a bore da i bawb. Croeso cynnes iawn i good morning to you all. A very warm chi gyd. welcome to you all.

[3] It is great to see you all here this morning for this really important session, which is also the last session of our committee this term. It is also good to see Members in fine form and refreshed after yesterday's extended Plenary session deliberating on other important matters. Good morning, Joyce. We have no scheduled fire alarms to add to proceedings this morning, so if we hear the alarm, we are in the hands of the clerks. Normal housekeeping arrangements apply in other respects. If there are any declarations of interest, Members should make them now. Otherwise, we will proceed to the next item.

9.33 a.m.

Diweddariad ar Ddiwygiadau i'r Polisi Amaethyddol Cyffredin—Trafodaeth Bwrdd Crwn Update on Reforms to the Common Agricultural Policy—Round-table Discussion

[4] **William Powell:** We have a very wide-ranging panel of witnesses before us today to inform this discussion. I ask each of you to briefly introduce yourselves and make any initial opening remarks that you wish to make on this topic before we open it up to Members for the wider scrutiny session. Ed, shall we kick off with you?

[5] **Mr Bailey:** I am Ed Bailey, and I am a hill farmer from Merionethshire. I am also president of the National Farmers Union in Wales. The common agricultural policy reform has been a very long story, and it has been of massive interest but also of massive importance to the industry. Generally, the outcome from negotiations in Brussels, Luxembourg and various other places has been favourable, but the issue at hand now is how the Welsh Government, particularly the Minister, uses the flexibility, the new powers and the extensive influence that he will have for the benefit of the agriculture industry.

[6] **Ms Evans:** I am Sue Evans, director of policy for the Country Land and Business Association. Following on from what Ed says, it is great that we have a decision made in Europe, and we are now looking to Welsh Government as to the way forward. All the big decisions that will affect our members will now be made here, and there is an awful lot that can be done here that will make big differences to their livelihoods. So, the next stage is very important, and we look forward to getting involved.

[7] **Dr Fenwick:** I am Nick Fenwick, director of agricultural policy for the Farmers Union of Wales. I would agree with everything that has been said, but I would emphasise that we have had movement in terms of the policies that are being discussed, which are far more favourable to farming than they were as initially proposed. However, the overarching concern is on the budget, and the fact that we are looking at a significantly reduced pillar 2 budget for the UK. That is a huge concern in terms of its implications for a country that is very much ahead of others in terms of agri-environment schemes et cetera, but which, nevertheless, has a very low pillar 2 allocation.

[8] **Mr Williams:** I am Arfon Williams from RSPB Cymru, also representing Wales Environment Link. With regard to the proposals, this was meant to be a green reform—a green CAP—so the proposals are a little disappointing. However, we believe that there is flexibility within current proposals. That means that £400 million of public money could still be used to help farmers deliver significant environmental benefits for Wales and the people of Wales.

[9] **Mr Pawson:** I am Brian Pawson from Natural Resources Wales/Cyfoeth Naturiol Cymru. Our purpose, as a newly established organisation, is to ensure that Wales's natural resources are sustainably maintained, enhanced and used, now and in the future. With that in mind, we are concerned to see how the reforms could be used to drive forward progress towards Wales's environmental targets in terms of biodiversity, water, climate change and woodland creation. I would echo the points that others have made: these reforms have produced a great deal of flexibility, and it is how that flexibility is implemented in Wales and across the EU that is going to make the difference. One can look at reforms in one region or one country, but it is also important from the point of view of things such as climate change and biodiversity to think about how these reforms will have an impact across the EU as a whole. The flexibility that we now have will lead to quite varied implementation across the EU as a whole.

[10] **Ms Hockridge:** I am Emma Hockridge, head of policy at the Soil Association. I agree with Arfon's points that the package overall was somewhat disappointing, in terms of greening. Specifically from an organic farming perspective, some points are potentially beneficial, particularly in terms of a specific legal article to support organic farming. There seems to be quite a lot of flexibility within that to support organic farmers. Over the past few years, we have seen a slight drop in organic farmland, but we are now seeing that the market is increasing quite significantly. There is a potential to run into the danger of having to import organic food, so these reforms offer some possibilities for supporting organic farming through the CAP.

[11] **William Powell:** Thank you very much, and thank you all for keeping your initial statements succinct and on topic. I would like to return later to one or two issues around current doubts and discussion around our future membership of the European Union. However, for now, my initial question to all of you is: what concerns do you have about potential delays in moving forward as a result of concerns on finalising the overall medium-term financial framework within the European Union, and its implications for issues such as transfers between pillars 1 and 2? Who wants to kick off with that one?

[12] **Mr Bailey:** One of our major concerns is about the ability to move money between pillar 1 and pillar 2. A non-match funded 15% could be a crucial amount of money to move out of pillar 1. Pillar 1, as you will all be aware, is for the productive side of agriculture, to a certain extent—it is a production subsidy. Unfortunately, we need a subsidy to produce, because, other than that, we have to ask ourselves what the basic reasons are for agricultural subsidies. You could answer quite easily and readily that it is to make food at an affordable price for the public. The ability to move money out of production into conservation, to a

certain extent, is of concern to us. We accept that what we do has to be done in a sustainable way—there is no question about that—but we feel that it could in fact tip the balance a little bit the other way.

[13] **Mr Pawson:** In terms of the delays, our understanding is that there are still a number of elements to be clarified after the political agreement on the multi-annual financial framework, and they are the transfers from pillar 1 to pillar 2, and from pillar 2 to pillar 1, as Ed has said, but also the co-financing arrangements. There is also one other element, which has slipped my mind. The situation, as we understand it, is that the European Parliament, followed by the Council, would need to actually agree the remaining outstanding items on the MFF, and the Parliament may well then choose to intervene in some of the common agricultural policy political agreement, because it would see the two elements as being interrelated. Our understanding is that it is unlikely that the Parliament will be clarifying these issues until September or October, and Council until November or December, so we are looking at implementation in 2015 at the earliest. That is not a great deal of time bearing in mind all the complexities that these reforms have introduced.

[14] **William Powell:** Absolutely, and I understand there are issues around the Bundestag election in the autumn, and, of course, the fact that we face European Parliament elections in the summer of next year. There is some concern that those issues may also play a role in the mix.

[15] **Mr Williams:** Just as long as the delay is used to ensure that, when we get to implementation, it is effective and efficient implementation. We have real concerns at the moment about how Glastir works, and there is going to be a need to unpick Glastir out of this, and the impact of greening on Glastir, and the fact that there are big issues with Glastir anyway. The next 12 months should be used to ensure that, when we get to actually implementing reform, it is a reform that will work and that will deliver the intended objectives.

[16] **Ms Hockridge:** Just to add to that, historically, what we have seen in previous rounds of CAP reform is that the longer the delays, the greater the uncertainty that farmers feel. We have seen impacts, for example, in the organic sector particularly, where, if people do not know what the new schemes are going to look like, rumours start in the farming press, and it seems to generate a feeling of uncertainty. We have seen people, for example, move out of the organic sector within that uncertain period.

[17] **William Powell:** That would have greater implications, obviously, because of the issue of the need for continuity of certification, and so on. Having moved away, it would be very difficult to move back.

[18] A number of colleagues have indicated that they wish to come in. We will go to Antoinette Sandbach first, followed by Julie Morgan and Russell George.

[19] **Antoinette Sandbach:** You have spoken about a lot depending on how the Minister interprets things here. I know there is quite a lot of modelling work going on, but there seems to be an idea that every farmer should, if possible, receive within 60% of the average payment. What is your view on that?

[20] **Dr Fenwick:** The modelling work to date shows that there are models that minimise disruption—that is, they keep a maximum number within a certain threshold, whether it is 60% or 70%—whatever that threshold is. It is impossible to find a model that keeps every farmer within that threshold. There are some people with very high entitlement values on relatively small areas, and, by definition, you cannot possibly, if you move to a flat rate, keep them within a 60% threshold. If somebody is currently receiving, for the sake of argument,

€3,000 per hectare for peculiar historical reasons, and the average regional payment is going to be, for the sake of argument, €250 per hectare, then, by definition, they cannot be kept within that 60% threshold. The objective of the modelling is to look at methods of keeping a maximum number within a certain threshold within regions, and to minimise the redistribution between counties and sectors et cetera. That is the sort of overarching objective of the model.

9.45 a.m.

[21] **Antoinette Sandbach:** Given that there is a movement from the historical basis, do you accept that where people have for, as you described it, rather out-dated historical reasons, got those high payments, that the principle that the greatest number, if possible, should be within that 60% average is a fair way to approach it?

[22] **Dr Fenwick:** The modelling group agreed on its criteria some 12 months ago, and its terms of reference and remit, which was to minimise disruption across a whole host of impacts, whether it is regional, redistribution, redistribution between sectors or disruption within sectors, and for individual businesses as well. However, we have to recognise the fact that, given that we have this direction of travel from Europe, which has been there on the table since 2003—we have all known it is coming—it becomes increasingly more difficult to argue in favour of a system, which, by 2020, will be based on what people were paid 20 years previously. That is a very difficult argument to make.

[23] **Mr Williams:** I will make a quick comment on the modelling. That is the one approach to modelling. The approach that we have raised with Government, which has not been adopted, is to look at the objective need for this money to be spent on achieving environmental outcomes and the 2020 targets.

[24] **Antoinette Sandbach:** I am talking about pillar 1 here rather than—

[25] **Mr Williams:** Absolutely. That should be a consideration for pillar 1 money as well—the way in which it could be spent on geographic payment potentially. That could come into play and it could be a means of supporting farmers within the more marginal parts of Wales, if there was a consideration for using this money to deliver wider benefits.

[26] **Antoinette Sandbach:** I am hoping to come on to areas of natural constraint in a minute, which is really what we are talking about and which would be a pillar 2 payment, but not related to agri-environment.

[27] **Ms Evans:** The CLA believes very strongly that we need to focus on moving forward, sustaining a fit and healthy agricultural industry in Wales, and what is required to do that, rather than looking back at 60% of previous payments. That is rather a red herring, but a good place to start from when modelling. The other problem is that when we are looking at the modelling, we do not see the whole picture. There are payments and factors other than the pure single farm payments, which farmers have had in their incomes, such as Tir Mynydd and Tir Gofal. So, you have to look at a bigger picture, and you must not look just at that 60% when focusing on it.

[28] **Mr Bailey:** It is an interesting concept. The 60%, Antoinette, is certainly one that the Irish are going to follow, as far as I understand from a statement I heard from Simon Coveney, the Irish Minister. To put it in a clearer context, nobody will receive less than 60% of the national average. However, on the other hand, nobody will lose more than 30% of what they have received to the end of the period, which is 2019-20. It is an interesting concept, and it is yet another tool that regional governments have in order to ensure that there is a limiting of the redistribution.

[29] **Mr Pawson:** Just to pick up on Ed's point, the 90% to 60% is one of the tools available. My understanding of the regulations is that the Welsh Government could still choose to move along the lines of the Commission's original proposal of moving from historic payments to area payments over a four-year period to 2019. There is also the provision to increase the level of payment on the first 30 ha of all farms. So, it seems to me that there are three possible tools and several objectives. One objective that Natural Resources Wales would certainly support is to try to minimise the amount of disruption. One of the things we have talked about—I know this is about greening, but we have talked about this in terms of greening—is perverse outcomes. We know that, if we move money around, there will be gainers and losers and a certain number of people in the middle, but we do not know what the impact of that will be until after we have done it.

[30] On the other hand, there is the opportunity to try to combine what is a shrinking resource in the CAP to try to achieve as many of our objectives as possible. One way of doing that, in support of Arfon's argument, would be to look at, in addition to trying to minimise disruption, where we think pillar 1 payments are most required. I appreciate that those two points are slightly mutually contradictory, but that is often the problem with a lot of the things that we are wrestling with. It is looking for solutions that deliver as many of our desired outcomes as possible, because there are not necessarily always perfect solutions. There are quite a few tools there that the Welsh Government could use.

[31] **Dr Fenwick:** To add to what Brian said, irrespective of what you perceive the outcomes should be, the fact that we have these 'new' mechanisms that have finally been agreed upon—they were on the table and being discussed a long time ago, but they have now been agreed upon—makes it imperative for the Welsh Government to investigate those tools and not make any rushed decisions. The modelling team has done some sterling work over a period of 12 months, but it would be a great pity to base decisions on the modelling done to date, without investigating some of these other proposals, which could be done relatively quickly. We appreciate that a consultation is being launched next week, but we hope that that will not instigate a rush to make a decision in Wales before the modelling work on things like the 30 ha top-up has been done in detail. Irrespective of what objectives you are trying to achieve, we have to do that work, because, otherwise, the industry, if there is a big problem, is going to turn around, or indeed maybe the environment lobby or whoever will turn around, and say, 'You didn't look at options c, d and e; you only looked at options a and b'.

[32] **Julie Morgan:** I heard in your opening statements a cautious welcome, but Arfon and Emma said that they were disappointed. Can you expand on what the disappointment was?

[33] **Mr Williams:** This was tabled as a green reform and was meant to signal a change in the direction of the CAP. The potential of what we have at the moment could very much maintain the status quo. My point was that the overall message is of cautious welcome, but we now need to focus on the detail, look at how much flexibility there is in applying greening and use the tools available within greening to go beyond the minimum that we could do in Wales, because that will not actually improve the environmental condition of Welsh countryside. We need to go beyond that. There is also a concern about the amount of funding available for pillar 2, because pillar 2 is the part of the budget that has been compacted more heavily than pillar 1. So, the elements of CAP that are designed and intended to deliver environmental enhancements currently may not actually deliver a whole lot of progress for us in Wales. We need to now look at the tools we have and use those effectively and efficiently in order to ensure that the farming sectors and systems and communities in Wales that deliver a whole plethora of environmental benefits receive support, advice and guidance on the right schemes to continue to do so and to improve what they are doing as well.

[34] **Julie Morgan:** So, you think that the tools are there to do this.

[35] **Mr Williams:** Potentially, yes. They are watered down, but there is flexibility in there to improve what we currently have. That will require a rethink of how we use Glastir and whether it becomes a much more targeted means of delivering support to landowners and a much more effective means of spending that money to achieve action for biodiversity, for climate change, for water and for all of those things that are required to help Government meet its environmental obligations. The tools are there; it is about how they are employed.

[36] **Mr Bailey:** I am slightly surprised that Arfon has taken that line. I think that the potential loss of 30% of one's single farm payment if one does not attribute to the greening prescriptions within the settlement is penalty enough. In the third year, if you do not stick to those prescriptions, a further penalty will be used as well. That would be sufficient, I would imagine, to ensure that most people will abide by the regulations as they have been written out here. We still have the elements of greening. Maybe they have been slightly watered down, but not to any great extent. They still have the environmental focus area and the permanent grassland issues and the other issues that have slipped my mind at the moment—crop diversification issues. These are all things that were the primary aim of the commissioner when he first produced a paper. They have been slightly watered down, but I think that has been done with the idea of being able to maintain a degree of food production as well, which is particularly important.

[37] **Brian Pawson:** In relation to your original question, I was not one of the people who said I was disappointed when I said that there was lots of flexibility. Flexibility is a double-edged sword and it depends how it is used. What is interesting about the reforms is that the trajectory over the last 20 years or so has been to move money from pillar 1 to pillar 2. This reform potentially takes things the other way. Depending on the outcome of the MFF negotiations, we could see 25% of the money going, in some countries, from pillar 2 back into pillar 1. Interestingly, in Wales—it does not seem to get mentioned very much in the European debates—we do have modulation at the moment, which allows up to 20% of money to move from pillar 1 to pillar 2. Wales does actually use 9% of pillar 1 to fund the RDP. So, if we did not have a pillar 1 to pillar 2 transfer in future, we would have difficulty maintaining where we are at the moment in terms of RDP activity.

[38] In terms of greening, I think that all the Commission's elements are there, and there are lots of exemptions. I can remember sitting in front of the committee and pointing out that there are lots of exemptions needed, because small farmers who would have to have two or three crops on 3 ha of arable land would presumably say, 'I won't bother growing a field of barley any more', which, from the point of view of some of the interests we are concerned about, like farmland birds, would be a great shame. So, there are exemptions there that make things more flexible, but, on the other hand, the Welsh Government has calculated in its consultation documents that about 86% of farms with more than 20 ha of land would be regarded as green by definition. So, if you have a CAP reform that says, 'We are going to shrink the CAP and we are going to shrink pillar 2 by more than pillar 1; one of the reasons we are shrinking pillar 2 by more than pillar 1 at European level is we have got greening in pillar 1', then we really do need greening to deliver at least something. So, there is the flexibility there still to ensure that greening delivers something and that we have a well-resourced RDP, but it depends how that flexibility is used.

[39] **Ms Hockridge:** I think that we are in a situation where we are very far from the original aim of a radical reform towards a greener CAP. Those greening measures are at a relatively low level. Organic farms have the green-by-definition agreement there, but I think that we need to look at the payment levels that are supporting, for example, the organic farms. We have seen that farms in each country of the UK are at the lowest level of payments for organic farm systems at the moment. We have seen information from the EU that is showing that that systems approach of the organic farm can take in multiple benefits in terms of the

biodiversity, the water quality and a lot of the support that there is from the farmers themselves. They are paying for that certification process and giving good value for money in that sense.

[40] **William Powell:** I will give Arfon Williams an opportunity to respond to the earlier comments.

[41] **Mr Williams:** I think that Brian has picked up a few of the points there. Touching on the quality and the breadth and depth of greening available in Wales, there are environmental focus areas, there are arable rotations, but obviously they only apply to arable land, of which we only have 3% in Wales. So, they are not particularly relevant across Wales. The permanent pasture prescription has no agri-environmental or ecological objectivity attached to it.

10.00 a.m.

[42] So, with regard to the argument that Wales is a green country, and farmers are already doing a lot for Wales, we would maintain the status quo of what we have at the moment, but that would mean that we would still have biodiversity declining and, possibly, water bodies failing. I recently found out from Welsh Government that, in the last 15 years, something like 27% of wetlands in Wales that have been considered for EIA regulations have been ploughed up. To me, that figure is staggering. That has come directly from Welsh Government, against a backdrop of an increased understanding of wetlands and their value in terms of carbon and water. All of this is happening now and I do not think that greening and what has been proposed will change any of this.

[43] So, we would be very keen to explore the certification scheme and the flexibility of that within Wales to increase the green baselines, which, in turn, has the potential to move prescriptions from Glastir into greening, which, in turn, then frees up money within the RDP for much more targeted use and for it to be targeted at those areas in Wales that are environmentally rich, but also there are these areas that are farmed. That money could then be used to support farmers in those areas to continue farming practices in a way that delivers all of the environmental benefits that we are looking to purchase with the RDP funds.

[44] **Dr Fenwick:** Going back to some of Brian's comments about modulation, I think that it is important for the committee to realise it, or understand it, in context. The reason that we had, and still have, such a high modulation rate in Wales and throughout the UK is because we have an unacceptably low allocation of the European RDP budget. Historically, we had about 9% of the EU's pillar 1 budget, but only about 4.5% or 5% of the pillar 2 budget. That is now down to something like 2% of the EU's RDP budget. Historically, no other countries had modulation, because they had fair allocations from pillar 2—because we did not, but had these primarily agri-environment objectives, we were allowed, alongside Portugal, to modulate money, whereas no other countries in the EU were allowed to do that.

[45] We are now moving away from a more common policy towards a totally uncommon policy—far more so than it was five or six years ago. The danger is that, because of this deficit in pillar 2 funds that are available from Brussels, or the ones that we have given to other member states, effectively, there is this emphasis on the environment, but we also have to bear in mind the economic sustainability of the industry. Every £1 that goes into farming under pillar 1 generates many more pounds for the Welsh economy—possibly £4, £5, £6 or maybe even £9. So, by taking money out of farming and food production, there is a real danger that you will undermine the economic sustainability and that is in nobody's interests. Whether you are an environmentalist or a farmer, that is in nobody's interests whatsoever.

[46] **Mr Pawson:** I had a point about greening and permanent pasture, but, in response to

Nick's points about pillar 2, it would have been better, in terms of the reforms, if more money had been shifted from pillar 1 to pillar 2 and the UK had got a fairer pillar 2 allocation. However, the fact is that we have ended up in a situation—

[47] **William Powell:** We are where we are.

[48] **Mr Pawson:** We are where we are, and the issue is what we do to try to tackle the problem. I appreciate Nick's point that money spent on farming is recycled within the rural economy and has a lot of multiplier effects, but I do not think that, by moving money from pillar 1 to pillar 2, you are necessarily taking money out of farming. There are some elements of the RDP that deal with non-farmers, but the point that I would also make is that an awful lot of farming families are made up of non-farmers, as well as farmers. Most farms, in my experience, run as a business where it is about the total stream of income coming into the farm from all sorts of sources, as well as the income that is coming in just from pillar 1. From the work that we did in a former life in the Countryside Council for Wales, looking at the economic multiplier effects of the Tir Gofal capital payments in particular, they had a significant multiplier effect as well. The other thing is that moving money into the RDP would also be co-financed by the Welsh Government, so an amount of money is being added to the money that is being transferred across.

[49] **William Powell:** Excellent. I have a couple of indications. Ed, did you indicate?

[50] **Mr Bailey:** I just want to point out that it is important to remember that, as far as biodiversity in Wales is concerned, the vast majority of land in Wales comes under some form of protection, whether that is through agri-environment schemes or others. With that in mind, it is quite distressing to think, if Arfon's comments are right, that biodiversity in Wales is declining, because the agri-environment schemes in the first instance were devised by environmentalists and have been up and running in Wales for several years. One of the interesting things that I heard the Minister say, and something that we have pushing as hard we can for, is that farms should be able to get into Glastir on a part-farm scheme as opposed to a whole-farm scheme. You might have, for instance, a fairly intensively farmed dairy farm that has a corner that is a bit wet or that you cannot get a tractor or trailer into and there is certainly a benefit there to biodiversity—to the wildlife or whatever. I think that, if that was taken up, there would be benefits for biodiversity and, to a certain extent, it would be another tool in the box that could be used to ensure that the money is spread more evenly.

[51] **William Powell:** Sue Evans is next, and then I think Nick Fenwick has indicated.

[52] **Ms Evans:** I think that one of the biggest worries that I have, in relation to what Arfon was saying, is that our farmers will end up even more disadvantaged compared to other European and world farmers. We are all now competing in a world market and I think that, in the whole of the UK, we have far more legislation and regulation than you find in most countries. We hear about it all the time when talking about Europe and disallowances in other countries and the kind of things that go on. In this country, we are very highly regulated and it concerns me that, if we push too hard and a lot further than is going on in other countries, we will disadvantage competition in this country to such an extent that farming businesses will not be sustainable. I think that that really does have to be considered. The way that we have managed conservation and the agri-environment schemes to date needs to change. Things must have gone wrong if we have not been producing great outcomes but I think that, possibly, there are some. The recent 'State of Nature' report seems quite damning according to the press, but there are some good-news stories there as well: things like the great crested newt and bats. You environment guys will know this better than I do, but there are some real successes. I think that it just needs a new approach, possibly, to the agri-environment schemes. We can do better.

[53] **Dr Fenwick:** I was just going to say that I think that Brian and I are generally in broad agreement over this. The problem that we have with the emphasis on agri-environment is that, under the current system, effectively, for every £1 that is modulated, 90p is received from the Welsh Government. There is a co-financing requirement. That has now gone, so we may end up with a situation in which the Welsh Government very much has agri-environment objectives—which, on the whole, undermine the economic viability of Welsh agriculture, you might say—but without that co-funding requirement. Therefore, while we are in broad agreement about the current state of play, in future we may disagree with each other far more because there is not that co-funding requirement under European Union regulations. That has to be finalised in September, but it seems like a done deal, to be honest.

[54] **William Powell:** Finally, I will call Arfon Williams on this point.

[55] **Mr Williams:** I have a quick point on agri-environment. I received quite a disturbing and upsetting e-mail from the Welsh Government recently about its approach to implementing agri-environment. Glastir is currently designed or intended to deliver—or has the tools to deliver—the full species package, which is everything a species might need to live within a certain area. The way that this happens is that you bring your various prescriptions together and implement those at a farm level. I received an e-mail a couple of days ago from a Welsh Government official saying that, while this potential exists within the scheme, the Welsh Government is only applying one element of that, or its approach is only one element, because of concern that anything more than that may put farmers off. I thought that that was quite a damning e-mail to come straight from the Welsh Government and would strongly suggest that the scheme, while it contains the elements for success, is not being implemented in a way that will guarantee success.

[56] **William Powell:** It looks as though Brian Pawson has indicated that he wants to respond to that point, and then we need to move on.

[57] **Mr Pawson:** I agree on two things with Arfon. I think that we would agree that the time has probably come to consider part-farm schemes as well as whole-farm schemes, bearing in mind that if we implement greening in a way that delivers some benefits, and we couple it with effective cross-compliance, then, with part-farm schemes, you will not be in a situation in which you might be funding something on one part of the farm and see something that you do not want to happen on another part of the farm. So, you have the potential to use the existing mechanisms in a different way.

[58] On species packages, the best example of a species package is the ciril bunting, which does not occur in Wales, as far as I am aware. It is a bird that used to be distributed across much of southern England, but it is now pretty much restricted to Devon. However, Natural England and the Department for the Environment, Food and Rural Affairs have succeeded in increasing the populations of this farmland bird by a factor of about three over the last 15 years, through a combination of the way that set-aside was applied and the way that agri-environment schemes were applied. What ciril buntings basically need is somewhere to nest, somewhere to feed and somewhere to feed in winter. You can apply all your agri-environment prescriptions in a way that will deliver all the birds' needs, but if you are a farmer, what you want to see is what you do for the ciril bunting. If you look at the species packages in the Tir Gofal handbooks, you will see that they are not user-friendly at all. I would much prefer to see something where, if you were focusing on some key species in a particular area, you had a species package that said, 'If you can do these things, hopefully you will do some good for this bird, this plant or this animal'. So, rather than just tables and numbers, you would have some simple things that you would need to combine to get that culture that says, 'If you do it right, this is what we will hopefully get'. That is how the ciril bunting work was done in England. Sue has made the point that if you look at the 'State of Nature' report, you will see that there are some successes. Ciril buntings were one, and black grouse in Wales were

another. You combine your measures in a way that delivers for the needs of the species.

[59] **William Powell:** Joyce, is your intervention on this point?

[60] **Joyce Watson:** It is on this theme exactly; thank you, Chair. We have seen and heard about the effect of budgets on farms, depending on how you pay them—whether it is pillar 1, pillar 2 or a mix of both—how those payments have been validated and how the total income has been totted up. I want to ask whether the same principles have been applied when tourism is considered, because farms are very diverse and lots of them rely on tourism every bit as much as on food production; they certainly do in Pembrokeshire, where I live, and in other areas. Has there been an increase in the budget as a consequence of greening or agri-environment schemes, whatever you choose to call them? Has that been evaluated? I am talking about people who will walk, who will watch birds and who will stay in the converted farm buildings as a consequence of those actions.

[61] **Mr Pawson:** I think that some work has been done on the benefits of rural tourism to the rural economy. I am not so sure that there are data that will enable you to unpick the impact of particular activities on the rural economy and say that they provide a particular benefit to a particular farm. You could probably do that only through case studies, where you would have to look at an individual farm and say ‘These are its pillar 1 payments, these are its pillar 2 payments, this is the way that it has diversified and the income that has been brought in, and this is the result that it has achieved.’ I do not think that there are data that would allow you to get a Wales-wide picture of that kind of activity.

[62] **Joyce Watson:** We went to see the ospreys, for example, and you have Ynys-hir next door, which has become a very popular place to be, so the number of visitors there is bound to have increased, and they were telling us that it had. Hopefully, there would be somebody looking at the number of stays and spend in the area as a direct consequence of that type of tourism. That is what I am trying to drive at—this balance between trying to help nature, but at the same time trying to help those people who have to make their living off the land.

10.15 a.m.

[63] **Dr Fenwick:** I have seen some figures—I think that they were produced by Bangor University—which show that the most significant—I think I might start again. The percentage of that sort of income that comes from wildlife tourism—or wildlife-watching tourism, if you like—is very tiny. If you live in an area like mine, you will see why that is the case. The number of people on the beach in Aberdyfi last weekend was very different from the number of people who were birdwatching up on the hill behind Aberdyfi. That is not surprising; and potentially there has been full growth there, which I think we would all welcome, but we have to be realistic about the degree to which that growth is realistic. During a nice summer, the chances that people want to go to the beach are far higher than the chances that they might want to go birdwatching, although they may spend one day of their holiday at Ynys-hir, for example. I am happy to supply the committee with those figures. However, I would emphasise that those figures—although I cannot remember precisely what they portray—do emphasise the fact that, in terms of wildlife services—if you can give it this broad term—it is agriculture—and forestry, but primarily agriculture—that is by far the most significant contributor to a sort of wildlife valuation, rather than what you might call ecotourism or wildlife tourism, specifically.

[64] **William Powell:** I now call on Arfon Williams, and then Ed Bailey.

[65] **Mr Williams:** I think that Nick made some very good points there. Farming underpins a lot of the habitats that wildlife needs to survive. I think that he is underestimating the financial value to Wales of wildlife and wildlife tourism. I have heard figures that the

economic value attributed to wildlife tourism is greater than that of farming as an output. The point is that it is joined up. It is not a simple case of one or the other. The two are very closely linked. An example would be Gigrin Farm, which has generated approximately £1 million to the local economy in Rhayader. People go to Gigrin Farm to watch kites; so that is very much a kind of wildlife tourism that brings money into the area. The point is an important one and it is something that we have been trying to engage with them in terms of recognising the economic benefits of biodiversity in the kind of wider ecosystem approach to that management—not just in terms of Glastir and CAP, but throughout Wales. There is a moral right for biodiversity to exist, but there are also sound, economic reasons to invest in wildlife in Wales.

[66] **Mr Bailey:** I certainly take your points. You have to bear in mind that not all farms are involved in tourism. The principle of taking money from pillar 1, which is there for productive agriculture to benefit another industry, which admittedly will have a knock-on effect, is one that I am slightly cautious about.

[67] **William Powell:** I now call on Brian Pawson.

[68] **Mr Pawson:** Just on the point, again, about the transfers from pillar 1 to pillar 2, I think that there are elements of the rural development plan that support tourism. However, I think that many tourism activities are getting their support from other sources, or are able to make a living in a free market. An awful lot of the money that is transferred from pillar 1 to pillar 2 is basically to deal with market failure, which is why we spend so much on agri-environment schemes. As Arfon points out, wildlife has a value in its own right, but it also has an economic value. You could bring it back to some of the considerations that the committee will start to look at in terms of resilience. There is obviously wildlife in pollination services, which has an economic value to another industry. It is worth bearing in mind that tourism is a relatively small part of the RDP, but there is evidence, as Arfon says, that if you do spend money in these areas, it does have a significant multiplier effect and uses the same kind of techniques as we used in the Tir Gofal evaluations, where we showed that the £14 million spent on the capital payments in Tir Gofal generated about £21 million of spending in the rural economy. There will always be multiplier effects of that nature.

[69] **William Powell:** Arfon, do you want the last word on this one?

[70] **Mr Williams:** It was an interesting comment from Ed Bailey about going from pillar 1 into another industry and into pillar 2. Eighty per cent of pillar 2 is still directed towards farmers—or was, until recently—via agri-environment schemes. The ceiling has been lowered to 60%, but it is still money that is going into the farming sectors, and it is those farming sectors that are struggling to make a living economically. Based on the Institute of Biological, Environmental and Rural Science's recent figures, it looks like, for upland farms in Wales, their possibility could drop by 50% in the coming 12 months. So, other means of supporting those farmers are essential, and those farms are in areas of Wales that means that they are important for biodiversity, carbon and water. To structure a support system around rewarding farmers for managing the land in order to deliver these requirements seems to make an awful lot of sense.

[71] **Dr Fenwick:** I am afraid I have to come back on that.

[72] **William Powell:** I sensed that that was going to be necessary for the sake of balance.

[73] **Dr Fenwick:** I appreciate everything that Arfon says. However, I am not aware of any changes to the EU pillar 2 regulations, which allow farmers to be rewarded for being in agri-environment schemes. We have had this discussion before—the law of averages means that there are rewards for farmers, because those who will lose out by going into agri-

environment schemes are not going to go in. The law is very clear on this: you cannot pay farmers for delivering agri-environment schemes. It has to be on income foregone, so that you are paying them what they have lost. We have to be careful how we discuss this, because there are clearly financial incentives there for a proportion of farmers, but you cannot just say, 'We will pay you x amount per red grouse or black grouse' or whatever—if you did that, the Commission would be down on you like a ton of bricks, because the regulation states that it has to be income foregone. On paper, you are supposed to break even, and not make any money. We agree on that.

[74] **Mr Williams:** Yes. We have nipped that one in the bud.

[75] **Mr Pawson:** On the very point where common ground has been achieved, I am afraid I am going to disagree, because I do not think that the formula is income foregone. It is income foregone plus costs. We have always interpreted, in this country, income foregone plus costs as meaning the costs that you incur in a marginal sense. If you, say, reduce the number of cattle, then there is income foregone, but if you then move the animals around, you have increased management costs, and those would be the marginal costs of the agri-environment prescription. However, there is actually no reason, if one applies the regulation more subtly, not to fund the actual costs of putting in place a beneficial activity in the area where you want to see it. So, if you wanted to see upland cattle in a particular area, you could actually fund the costs of upland cattle management. That is technically possible under the regulations. The difficulty is, of course, that you would end up spending more money per farmer, and with a fixed budget, you would have less money to go around.

[76] **Dr Fenwick:** It is funding the costs.

[77] **William Powell:** It would be really helpful if you could potentially supply to the committee members some further background detailed information on these points. We clearly need to progress now. Russell George has had the patience of Job awaiting his contribution. I call him now.

[78] **Russell George:** Thank you, Chair, and good morning, all. Mine is a new subject area. My question is particularly aimed at Nick and Ed, for their views on this. I was interested in your views on the proposals for a new mandatory young farmers scheme. What will the impacts of that be on the existing young entrants support scheme?

[79] **Mr Bailey:** It is something that we have argued for. We had expected it to be a voluntary scheme, but now it has become mandatory. As far as we are concerned, in terms of the encouragement of young farmers, there certainly will be an encouragement. You will be aware, Russell, that I think the issue is that it will be 25% extra on their single farm payment up to, I think, 90 ha, as I understand it. It might not be quite that, but I think that is what it is. That should give a certain bonus and a fillip to young farmers to get involved in the industry. Of course, it is one where a young farmer has to show that he is 51% in control of the business. That is similar to the young entrants support scheme in Wales. That is a scheme that we have complemented several times because we think that it is a particularly useful one. I think that the important thing is to make sure that we do get this feed-through from the youth in our industry to actually run their own farms. It might be pedantic, but the average age of farmers is supposed to be 59 or 60 or whatever it is. Being around that age myself, I know only too well that it is often the case that you are there just in name in the partnership and not necessarily taking part. That is the kind of thing that we need to move on, so that young farmers get involved in running their own farms. The important thing is that the elderly farmer, aged 59 and beyond, has an ability to get out of the industry and to be able to do that with a degree of dignity. That is the problem that we have at present.

[80] **Dr Fenwick:** The FUW is very proud to have, for the last five years, if I remember

rightly, supported an increase in what you might call modulation and, effectively, taking a percentage from farmers in order to create a pillar 1 system for new entrants and young farmers. We have given them entitlements, which is what your bog-standard farmer relies on, sadly, for a large proportion of their income. We have not had a national reserve since 2005, which has allowed new entrants to attract the same support that their neighbours might have. I think it is very commendable for our members to have supported such a thing that would have naturally reduced their own income. That position is maintained. We have supported the Commission's view that there should be a mandatory young entrants pillar 1 scheme, because it was perfectly in line with what we had been asking the Welsh Government to do for the previous four years. So, we are generally supportive.

[81] There is some concern over the top-up element, in that, while we supported the granting of entitlements to young and new entrants, there is a concern that there might be some market distortion by allowing this top-up. If you look at pillar 2 and the YES scheme, which has been a great scheme and very welcome, on the whole, it is a drop in the ocean when compared with the old-fashioned national reserve that we had under previous CAP systems, which actually put them on a level footing with their neighbours. At the moment, a young farmer going into farming from scratch has to go to the bank and borrow money to buy entitlements in order to be on a par with their neighbours. That is something that we have been unhappy with for many years.

[82] **Russell George:** I am just a bit concerned—

[83] **William Powell:** Sue Evans has indicated.

[84] **Ms Evans:** This follows on from what Nick was saying. When we speak to our members on this subject, it is the entitlement issue that is the problem. It is about getting access to entitlement, and not just for young farmers. We are also pushing for new entrants, which we believe is a big element of it as well. We have quite a lot of landowners who bought farms and started farming without entitlements and have got into difficulties because they have realised that they just cannot make a living out of it. I agree that the national reserve is a far more important element to young farmers and new entrants than this new entrants scheme.

[85] **William Powell:** Okay. Russell, do you want to come in on this?

[86] **Russell George:** I have a quick question on an issue raised with me by constituents, particularly younger farmers, and that is the issue of criteria. Ed mentioned the 51% ownership, and many farming families are in a partnership together, which is causing difficulties. I am just wondering what other issues there are surrounding the criteria of the schemes.

[87] **Dr Fenwick:** There is a review at the moment. I think that is likely to identify a great number of these problems. Unfortunately, it is always going to be imperfect. There are always going to be people who fall on the wrong side of the threshold or the date limit, or whatever it might be. That will be the case in future. We saw it in 2005, but, hopefully, the review that is being undertaken will identify those types of problems.

[88] **Russell George:** Is that a review that you are both feeding into?

10.30 a.m.

[89] **Mr Bailey:** I think it is important that new entrants or young farmers can appeal if they fall, as Nick says, on the wrong side of being able to obtain entitlements. I am sure that the appeals process is pretty well in place anyway.

[90] **Russell George:** Are you both feeding into the review that is being undertaken?

[91] **Dr Fenwick:** Yes, as is YFC, which is the strongest voice for that sector.

[92] **Llyr Huws Gruffydd:** Bore da i chi i gyd. Rwyf am ffocysu ar yr ardaloedd â chyfyngiadau naturiol, sydd yn rhywbeth pwysig sydd wedi dod mas o'r drafodaeth yma. Hynny yw, symud o LFAs i ANCs ac yn y blaen. Hoffwn ofyn eich barn chi i gyd ynglŷn â'r cytundeb sydd ar yr ANCs a goblygiadau'r rheini i Gymru.

Llyr Huws Gruffydd: Good morning to you all. I want to focus on the areas of natural constraint, which is an important thing that has come out of this discussion. That is, moving from the LFAs to the ANCs and so on. I want to ask your opinion on the agreement on the ANCs and the implications for Wales.

[93] **Mr Bailey:** Rwyf i am gychwyn, os gallaf. Diolch yn fawr am y cwestiwn.

Mr Bailey: I will start, if I may. Thank you for the question.

[94] The classification of ANCs and the setting of new boundaries are actually going to be delayed yet again. You are probably aware of that. An ANC is not necessarily an LFA, but probably, in Wales, it will stick fairly close to the boundary of the present LFA. The important thing is that any payments to ANCs or LFAs—whatever you like to call them—comes out of pillar 2 funding. Bearing in mind that 80% of Wales is already an LFA-designated area, to draw money from that single farm payment for the 100% to pay back to the 80%, there will be no real gain. So, I think that it is important that we work up a scheme that comes under pillar 2 funding to reflect the natural handicaps and hardships of farming within these areas.

[95] **Dr Fenwick:** Rwy'n cytuno 100% gyda'r hyn y mae Ed yn ei ddweud. Yn yr Alban, er enghraifft, mae rhyw £62 miliwn yn mynd allan o biler 2, ac mae canran uchel o'r pres hwnnw yn dod o Lywodraeth yr Alban, ac nid o'r diwydiant ei hun. Mae'r pres hwnnw yn cael ei dalu yn yr ardaloedd llai ffafriol, fel maen nhw'n cael eu galw ar hyn o bryd. Nid ydym yn cael y math hwnnw o daliad. Mae hynny wedi achosi problemau aruthrol eleni, yn enwedig ar ôl y 12 mis a gawsom cyn hynny a'r tywydd ofnadwy. Mae gennym ni'r opsiwn nawr o dan y CAP newydd naill ai i gario ymlaen i wneud y math hwnnw o daliad o dan biler 2, sef gwneud beth mae'r Alban yn ei wneud ar hyn o bryd, fwy neu lai, neu i symud pres o gwmpas y tu fewn i biler 1. Os ydych chi'n symud pres y tu fewn i biler 1, rydych yn tynnu pres o un ffermwr i'w roi i ffermwr arall. Mae problem fawr yn hynny gan nad yw'n bres newydd. Felly, bydd yr Albanwyr—sef y bobl rydym yn cystadlu yn eu herbyn—yn cael swm anferthol yn yr ardaloedd llai ffafriol, ond byddwn ni jyst yn symud pres o gwmpas ac ni fydd ceiniog mwy yn dod i'r diwydiant.

Dr Fenwick: I agree 100% with Ed on that. In Scotland, for example, there is some £62 million going out of pillar 2, and a high percentage of that money comes from the Scottish Government, and not from the industry itself. That money is paid into the less favoured areas, as they are currently described. We do not have that kind of payment. That has caused huge problems this year, particularly after the 12 months that we had and the terrible weather that we experienced. We now have the option, under the new CAP, either to continue to make those sorts of payments under pillar 2, namely to do what Scotland does at present, more or less, or there is an option to shift funds around within pillar 1. If you are moving funds within pillar 1, then you are taking away from one farmer to provide for another. There is a huge problem there, because it is not new money. So, the Scots—these are the people that we are competing with—will be paid a huge sum in the less-favoured areas, where we will simply be shifting funds around and there will be no new money for the industry.

[96] **Llyr Huws Gruffydd:** Pan fyddaf

Llyr Huws Gruffydd: When I raise this

yn codi'r mater yma gyda'r Gweinidog, yr ateb rwy'n ei gael yn aml iawn yw, 'Mae angen inni gael trafodaeth ynglŷn â'r posibilrwydd o symud adnoddau ariannol o'r tiroedd isel i diroedd uwch'. Felly, rwy'n tybio mai'r *approach* hwnnw y mae'r Gweinidog yn ei ffafrio ar hyn o bryd.

[97] **Dr Fenwick:** Rwy'n gobeithio ei fod yn cadw pob drws yn agored. Rydym wedi pwysleisio hynny wrth drafod y mater hwn gydag ef.

[98] **Ms Evans:** Rydym yn edrych ar hyn ychydig bach yn wahanol. Mae'r pwynt am y *modulation* yn dal yn agored. A yw'r 15% am gael ei symud i mewn i'r RDP ai peidio? Rwy'n meddwl y dylem edrych ar hyn fel llun mawr. Dim ond un pot o bres sydd ar ddiwedd y dydd rhwng y CAP a'r RDP, ond mae'n rhaid iddo gael ei wahanu rywsut. Mae'n dibynnu sut yr ydym yn edrych arno. Os ydym yn edrych arno fel un pot, efallai y byddai'n well peidio â symud y 15% drosodd i'r RDP a'i roi i'r ucheldiroedd o fewn piler 1. Efallai y byddai hynny'n system haws, gan na fyddwn yn gorfod creu *scheme* hollol wahanol gyda chostau wedi eu hychwanegu—hynny yw, costau i fynd â'r *scheme* ymlaen i Ewrop, Efallai y gallwn ni ei wneud yn rhatach drwy biler 1.

[99] Nid wyf yn dweud mai dyna'r ffordd iawn i'w wneud, ond mae eisiau edrych ar yr holl beth a phenderfynu beth yr ydym ei eisiau allan o'r pot cyfan, ar ddiwedd y dydd. Mae gennym aelodau sy'n dod o gefndiroedd gwahanol—mae gennym lawer mwy o fusnesau cefn gwlad—a byddant, yn enwedig y rheini ym maes coedwigaeth, yn gobeithio am ychydig o bres allan o'r RDP. Mae hyn i gyd yn gorfod cael ei ystyried fel rhan o'r holl beth. Felly, mae'n rhaid inni benderfynu yn gyntaf beth yr ydym am i'r pres ei wneud, o'r dechrau i'r diwedd, ac wedyn ei rannu.

[100] **Mr Pawson:** I agree with Sue. The fact is that we have a single pot of money and, if we move money from pillar 1 to pillar 2 and then use that to pay for an ANC scheme, then that would take away from the cost of other things that we might have otherwise chosen to do under the RDP, whether that is agri-environment and climate or Farming Connect and farm advice. Certainly, we can see the argument that Sue is making, that you could redistribute your payments within pillar 1 in such a way that, if you had a reasonably large number of geographical areas and you paid more within the severely disadvantaged areas, or more in line with the SDA, then that could provide an alternative to having a dedicated pillar 2 system. However, as you heard earlier, we would still like to see money moved from pillar 1 to pillar

matter with the Minister, the response that I get is, 'We have to have a discussion about moving financial resources from the lowlands to the uplands'. So, I take it that that is the approach that the Minister favours at the moment.

Dr Fenwick: I hope that he is keeping all options open. We have emphasised that point when we have discussed this issue with him.

Ms Evans: We are looking at this from a slightly different perspective. The point about modulation is still open for discussion. Is the 15% going to move into the RDP or not? I think that we should look at the bigger picture. There is only one pot of money at the end of the day between the CAP and RDP, but it has to be distributed somehow. It depends how we look at it. If we look at it as a single pot, then it perhaps would be better not to shift those funds over to the RDP and to place it into the uplands within pillar 1. That would, perhaps, be a simpler system, in that we would not have to create an entirely different scheme with costs attached—that is, costs in terms of taking the scheme to Europe. Perhaps we would do it more cheaply through pillar 1.

I am not saying that that is the right approach, but we need to look at the whole thing and decide what we want out of the entire pot, at the end of the day. We have members who come from a variety of backgrounds—there are far more rural businesses—and they, in particular those in forestry, would hope for some money out of the RDP. All of this has to be factored into the whole discussion. Therefore, we first have to decide what we want the funds to do, from beginning to end, and then distribute it.

2 to try to meet the targets that the Welsh Government has entered into.

[101] We have talked about agri-environment schemes today, but we have not really talked about the fact that it has been renamed 'agri-environment and climate'. There were proposals at the start of the reforms to have three pillars for the CAP—a rural development pillar, pillar 1 income support and a climate change pillar. Basically, climate change has gone into the agri-environment and climate measures. However, we can use money in pillar 2 to try to achieve agri-environment climate benefits, but we can also use greening under pillar 1 to achieve some climate change benefits as well. So, Sue's point is important; it is all a whole.

[102] **Mr Bailey:** I watched this with a degree of interest, because I am aware that it was in the Labour Party manifesto when it came into government that it would be looking after hill farming. To a certain extent, we have seen little of that yet. However, there are other ways in which the Minister can support hill farms. I am not saying that this is the way to go, but it depends on how he divides the various areas in Wales. That is, if he decides, for instance, that moorland is to receive a similar payment to SDAs, that would be one way, or if, indeed, it is decided that there are two particular areas as opposed to three or four, as has been mooted. A lot of it depends on the level of compensation or payment that goes to those particular areas. That is what I said right at the very beginning: it is a tremendously interesting conclusion to the talks, because there are so many different conversations and combinations within the settlement that the field is open for him to do exactly what he wants.

[103] **Mr Williams:** Given the potential for greening to deliver very little additional benefit in Wales, it is important that the RDP is used to its full potential. The Government, or Alun Davies, has clearly stated that the RDP is the main means available to the Government to deliver environmental enhancements in Wales. So, a move to an ANC payment without any strong environmental obligations or attachments would move away from that and it would be a missed opportunity. Tir Mynydd has gone into agri-environment, and we now need to make that money work within the RDP in order to deliver these environmental requirements in Wales by the people of Wales—once again, it is public money—and to meet EU obligations.

[104] **Llyr Huws Gruffydd:** Gan ein bod yn sôn am gyllideb yr RDP, fy nealltwriaeth i ynglŷn â'r trefniadau trosiannol o 2014 gyda'r RDP yw y bydd yn golygu y bydd Llywodraeth Cymru yn gallu gwneud defnydd o arian RDP newydd. Nid wyf yn gwybod a oes gennych chi farn ynglŷn â'r effaith y bydd hynny yn ei chael mewn gwirionedd, oherwydd mae'n gyllideb sy'n ddigon tyn fel mae, buaswn i'n dychmygu. Efallai y bydd y ffaith y bydd yn tynnu arian i lawr ynghynt yn dod â goblygiadau yn nes ymlaen. A ydych yn cytuno â hynny?

Llyr Huws Gruffydd: As we are talking about the RDP budget, it is my understanding with regard to the transitional arrangements from 2014 with the RDP that it will mean that the Welsh Government will be able to make use of new RDP funding. I do not know whether you have an opinion on the effect that that will have in reality, because it is a budget that is tight enough as it is, I would imagine. Perhaps the fact that it will draw down money earlier would have implications further down the line. Do you agree with that?

[105] **Mr Bailey:** The disappointing thing is the settlement on the RDP. We have all stated that, and it affects both farmers and environmentalists. When we consider that, within the UK, the payment, if you spread it over the area, will be something like €25 a hectare, and in Bulgaria, it is €250 a hectare. That variance will have a massive impact on what we can and cannot do within the RDP, and initially, whether we have to further add to the RDP, with the 15% flexibility with pillar 1, will have an impact on what we can produce. The settlement that we have had is a big disappointment. I am afraid that I have forgotten the rest of your question.

[106] **Llyr Huws Gruffydd:** Roedd yn **Llyr Huws Gruffydd:** It was on using new

ymwneud â defnyddio arian RDP newydd yn y flwyddyn drosiannol.

RDP funding in the transitional year.

[107] **Mr Bailey:** Nid wyf yn hollol sicr a oes arian newydd i ddod. Mae rhyw fformiwla N+2, ac mae'n bosib mynd â'r arian sydd heb ei wario yn y flwyddyn hon ymlaen i 2016, i sicrhau bod pethau yn parhau nes ein bod yn mynd i'r system newydd.

Mr Bailey: I am not entirely sure if there is any new funding to come. There is an N+2 formula, and it is possible to carry forward funding that has not been spent this year to 2016, to ensure that things continue until we enter the new system.

[108] **Ms Evans:** Y peth pwysig yw sicrhau bod gobaith symud beth bynnag sydd ar gael ar y funud ymlaen, a bod y pres ar gael i sicrhau bod hwnnw yn cario ymlaen. Os oes bwlch, byddai hynny'n ddifrifol ac yn creu llawer mwy o drafferthion. Felly, o ran dod â'r pres ymlaen, y peth pwysicaf yw sicrhau bod y pres yn y system fel y gallwn ei symud i'r system newydd, a sicrhau nad oes bylchau, a fyddai'n beth drwg iawn.

Ms Evans: The important thing is to ensure that whatever is available at present can be carried forward, and that the money is available for that. A gap would be very serious, and would create many more difficulties. So, in terms of carrying the money forward, the most important thing is to ensure that the money is in the system so that we can move it to the new system, ensuring that there are no gaps, which would be a very negative thing.

[109] **Llyr Huws Gruffydd:** Yn amlwg, y gair rydym wedi ei glywed amlaf heddiw yw 'hyblygrwydd'. Mae balans i'w daro, am wn i, rhwng caniatáu hyblygrwydd i aelod-wladwriaethau a rhanbarthau i ddehongli a gweithredu mewn modd sy'n gwneud synnwyr, ac amddiffyn rhyw fath o drefniant sy'n golygu bod gennym bolisi cyffredin. Gan bod llawer o hyblygrwydd o fewn y drefn, fel mae'n sefyll beth bynnag, a ydych yn meddwl bod y cydbwysedd hwnnw wedi ei daro mewn modd addas?

Llyr Huws Gruffydd: Clearly, the word that we have heard most often today is 'flexibility'. There is a balance to be struck, I suppose, between allowing flexibility for member states and regions to interpret and work in a way that makes sense, and securing some sort of arrangement that means that we have a common policy. As there is a lot of flexibility in the system, as it stands at present, do you think that that balance has been struck in an appropriate way?

[110] **Dr Fenwick:** Byddwn yn dweud yn sicr bod y cydbwysedd wedi mynd allan drwy'r ffenest. Y gwir yw bod y pwysau ar y gyllideb ar draws Ewrop, oherwydd y problemau sy'n bodoli ar draws Ewrop, wedi golygu bod llawer mwy o *horse-trading* wedi digwydd a bod llawer mwy o bobl yn barod i roi hyblygrwydd i bobl eraill. Mae'r hyn y mae rhywun sy'n tyfu olewydd yn yr Eidal ei eisiau yn hollol wahanol i beth mae rhywun o'r Alban ei eisiau, wrth reswm. Mae hynny wedi ein harwain yn bellach i ffwrdd o sefyllfa lle mae rhyw fath o *commonality* rhwng gwledydd. Byddech bron iawn yn gallu ei ddisgrifio fel *renationalisation of agricultural policies*. Pan mae un gwlad yn cael trosglwyddo 15% o biler 2 i biler 1, a gwlad arall yn gallu gwneud hynny y ffordd arall, rydym yn symud i ffwrdd o *common*

Dr Fenwick: I would say that that balance has gone out of the window. The truth is that pressures on budgets across Europe, because of the problems that exist across Europe, have meant that there has been a lot more horse-trading and many more people are willing to give flexibility to other people. What an olive-grower in Italy wants is entirely different to what a Scottish farmer wants, naturally. That has taken us even further away from a situation where you have some commonality between nations. You could almost describe it as renationalisation of agricultural policies. When one country can transfer 15% from pillar 2 to pillar 1, and another do it the other way, we are moving away from a common policy. The purpose of a common policy is that we are all competing within the same market, so we are supposed

policy. Pwrpas polisi cyffredin yw ein bod yn cystadlu yn yr un farchnad, felly rydym i fod i gael yr un math o strwythur yn ein cefnogi ni. Y gwir yw bod hynny wedi mynd allan drwy'r ffenest. Mae'n ergyd ofnadwy i'r polisi ei hun ar draws Ewrop.

[111] **Ms Evans:** Rwy'n cytuno â'r hyn mae Nick yn ei ddweud, ac mae'n mynd yn ôl at y pwynt ynglŷn â thegwch ar draws Ewrop ac i'n ffermwyr ni, sy'n bwynt pwysig ofnadwy. O edrych ar hyn, mae gennym obeithion mawr, ond os ydym yn rhoi gormod o bwysau ar y ffermwyr, bydd yn anodd iawn iddynt fedru cario ymlaen i gystadlu gyda gweddill Ewrop a'r byd.

[112] **Llyr Huws Gruffydd:** Pa mor gynaliadwy yw polisi nad yw'n gyffredin mewn gwirionedd? Heblaw am y ffaith bod diffygion y farchnad yn mynnu bod cefnogaeth yn cael ei darparu, os nad yw'n bolisi cyffredin, pam ei fod yn digwydd, mewn un ystyr?

[113] **Dr Fenwick:** Mae'n well na dim byd. Mae Cytuniad Lisbon wedi cymhlethu pethau ymhellach. Mae hynny'n ei wneud yn fwy cymhleth. Ond mae'n well na dim byd, os oes gennym farchnad gyffredin.

10.45 a.m.

[114] **Llyr Huws Gruffydd:** Nid wyf yn awgrymu am eiliad na ddylem ei gael. Fodd bynnag, mae'n amlwg ein bod wedi colli ffocws ar yr amcan gwreiddiol.

[115] **Dr Fenwick:** Do.

[116] **Mr Pawson:** I was going to make the point that I agree with Nick—that is a quote for you there. [*Laughter.*] If you have so much flexibility, it is a double-edged sword. Nick's point is that the policy is effectively being repatriated to regions and member states. However, I think that it is still perceived as a common policy from outside the EU. From the perspective of someone in Brazil, Argentina, Australia or New Zealand, it is seen that we have farm support—pillar 1 and pillar 2. One thing that has not really been mentioned in the debates about the greening of pillar 1 is that the European Commission's original intention was to continue in the same vein as moving toward the single farm payment and decoupling pillar 1 subsidies by greening the single farm payment. It was trying to ensure that the payment was protected within World Trade Organisation green box rules, where the payment resides at the moment. That was my understanding.

[117] We always talk about the level playing field within the EU, but there is also a level playing field at world level. Most people would now describe the playing field within the EU as being rather lumpy. However, outside, people are going to be looking at how justifiable the

to have the same sort of structure to support us. The truth is that that has gone out of the window. It is a terrible blow for the policy itself across Europe.

Ms Evans: I agree with what Nick is saying and this goes back to the point about fairness across Europe and for our farmers, which is a very important point. When we look at this, we have great hopes, but if we put too much pressure on farmers, it will be very difficult for them to continue to compete with the rest of Europe and the rest of the world.

Llyr Huws Gruffydd: How sustainable is a policy that is not, in reality, common? Apart from the fact that market deficiencies make support necessary, if the policy is not common, why is it there, in one sense?

Dr Fenwick: It is better than nothing. The Lisbon Treaty has clouded the waters even further. It has made it far more complex. However, it is better than nothing, if we have a common market.

Llyr Huws Gruffydd: I am not suggesting for a moment that we should not have it. However, it is clear that we have lost sight of the original objective.

Dr Fenwick: Yes; we have.

pillar 1 payment is. I think that one of the Commission's intentions was to try to ensure that that payment was justified. Coming back to the point about greening, with which we started, I think that it is important to ensure that we demonstrate that greening is actually meaningful.

[118] **Mr Bailey:** I think that this is a very good question. I think that commonality has gone out of the window, as Nick said. Time will probably tell, but if we suddenly find, because the competition is that much more difficult, that Welsh lamb, for instance, is too expensive to export, or that Welsh vegetables are too expensive to buy—and, to some extent, British vegetables as well—compared to those of our European counterparts, I think that we will then start rueing the day that we did not have more of a commonality theme in the whole policy. I think that it is an excellent question, if you do not mind me saying so.

[119] **Antoinette Sandbach:** I will, hopefully, draw the focus back to Wales, although I appreciate that there are problems and real issues across Europe over this matter; we have seen it recently here with the Tir Mynydd position, both internally and externally. However, what actions do you think that the Welsh Government now needs to take to be ready to implement these provisions? I appreciate that we do not have the sums yet, but it is not all about the sums. What other actions does the Government need to take by 2015?

[120] **Mr Bailey:** I think that my initial suggestion would be for further modelling to be carried out. I understand that there is going to be some sort of consultation form introduced again. I think that the elephant in the room, if you like, is that we have no idea which way the Minister is going to go in deciding on the area-based payments and how many areas there are in the first place. Like you say, Antoinette, I think that it is probably a little too soon to be able to make that judgment. However, further modelling to inform us and our members about whether they can expect to be beneficiaries of the new CAP, or whether they will suffer financially because of it, is the crux of the matter. It is about further information—farmers need to know.

[121] One of the things that we have found over the last two years, because of the uncertainty over the whole deal, is that the industry has just stagnated. It is a great pity, because there are people out there doing great things, but there is a fear of reinvestment in the business. People are not sure, particularly after the last 12 months, quite where we are going to go, as far as the sheep industry is concerned. With the Minister getting Kevin Roberts to review the resilience of the sheep industry, and all of that, it is all negative at the moment. We want to try to move away from that, because I firmly believe—I have made the point already this morning—that there is a really good industry that we can get hold of in Wales. The emphasis on Welsh products in Wales, which is something that we are working on at the moment, is tremendously important. We just need those fair decisions made to minimise redistribution as much as possible, but we accept that there will be winners and losers. If we can do that we can look ahead to the next five or seven years, until we get into this situation all over again, by which time I will be long retired, fortunately.

[122] **Mr Pawson:** I agree with Ed on modelling and improving the information that is available. Another thing that needs to be done is costing up some of the things that we want to do. I have talked about our environmental objectives; we have done work in that area that demonstrates that, in order to achieve them, we would need to be spending at least 30% more than we are currently spending under the entire RDP. So, we have to cost things up and say what our scale of ambition is. We also need to cost up some of the other elements of the RDP, such as Farming Connect, and give an idea about how much money we would like to move from one part of the CAP to another because we have an idea about what our objectives are. We cannot afford everything, so we will have to look at the things that deliver multiple benefits—measures that promote environmentally sustainable farming that have environmental and economic gains. We have done some work in that area.

[123] **Antoinette Sandbach:** I think that this is the first CAP where forestry is included, but there is no-one from the forestry industry here. You said that you had done some work on this, but has Natural Resources Wales looked at the woodland sector?

[124] **Mr Pawson:** It is certainly something that we are looking at. There is an element of the woodland sector that would fall within the confines of Glastir, in terms of the woodland planting grants and the management grants, but there is also the private forestry sector. We are certainly talking to Welsh Government colleagues about how that sector might be better supported, perhaps through something that mimics Farming Connect, as a business advisory service for woodland managers. The problem is that all of these things cost money. It is a case of costing up all the various elements—

[125] **Antoinette Sandbach:** Is that not what the Forestry Commission did?

[126] **Mr Pawson:** There are ways of enhancing delivery, as I understand from colleagues.

[127] **William Powell:** Sue, I believe that your organisation represents quite a number of significant forestry businesses also.

[128] **Ms Evans:** We have been pushing for a commercial forestry grant, which we believe was lost when Glastir came in, because it was not comparable with what we had previously. The problem is and the reality is, with the money available, how much will be achievable? Even though we are pushing hard for this, what the Welsh Government has to do first is decide on its objectives. It has to decide on clear objectives about what it will fund in order to be able to come up with the simplification of delivery that we are hoping for. One of the things that we feel most strongly about is that RDP delivery has previously been very convoluted and complicated and costly, we presume, because of all this complication. Members have found it very difficult to find out what is available. We find all kinds of schemes that are quite spurious. We would like to see a real simplification introduced in the current CAP review, the RDP and the new payment scheme coming forward.

[129] **Mr Williams:** I agree with what was said there. The CAP and the RDP have a job of work to do, but as yet there have not been clear targets in the current RDP as to what contribution all this money is going to make towards delivering biodiversity, water and climate change targets. That needs to be clarified. It is very difficult to put your delivery mechanisms in place if you do not really know what you are trying to deliver. There is a real overarching need to clearly state, 'This money is intended to contribute towards the delivery of x, y and z. This is how much money will be allocated and this is how it will be spent.' There is a logical progression there. In a lot of these things, we always come back to Glastir, because it is seen as the main means of delivering environmental enhancement. Glastir does not work; there are lots of things wrong with Glastir. The upcoming review of Glastir must be root and branch, and it must ensure that, when an all-new, all-singing, all-dancing Glastir is rolled out again, it will deliver what it sets out to achieve.

[130] **William Powell:** Finally, I call on Nick.

[131] **Dr Fenwick:** I think that everything that has been said will emphasise and underline what I am going to say, which is that they should not rush into anything. All this work has to go on, but they certainly should not be painting themselves into any corners or making any promises, given that we do not even know what the Welsh allocation within the UK will be, and given that we are still waiting for the draft implementing regulations. We have these headline agreements saying 30% this and 40% that, but we do not know how it will look within the regulations. Sometimes, when you read these things, their meaning can change completely. I would hope that that modelling work that Ed has referred to is accelerated and that they look at different options, but that no-one backs the Government into a corner and

makes promises to various elements of the industry, the environmental lobby, or whoever, given that so much is unknown. We probably will not see those critical documents until August, or maybe even later.

[132] **William Powell:** You referred there, Nick, to unknowns. We have spent the last hour and a half discussing the future of the CAP and how it can safeguard our farming industry and the environment. Of course, one of the biggest unknowns of all is that, in the context of the tsunami of Euroscepticism that seems to be sweeping the country, the surge of support for UKIP and the nature of the UK media, has put into question our membership of the European Union as never before. I am particularly going to direct this to those of you who represent member-based organisations. Are your organisations agnostic on whether or not the UK remains in a reformed European Union? Do you have a view on that? In what way will you and your members be engaging in the debates, particularly in the context of last week's poll, which I think was the first time that there was an indication that the majority of people in Wales, if asked last weekend, would have voted to leave the European Union, in which case we will have spent an hour and a half on a fairly academic exercise? I would value your thoughts on that.

[133] **Mr Bailey:** I think that I am a committed European. I have spent sufficient time there to see the complexities of the whole thing. A couple of weeks ago, I was in Luxembourg. The buildings in Luxembourg are massive and huge, and particularly empty. So, I think that there is an awful lot of race there. However, as far as being European goes, we need to remain within the fold. It is often said, fairly light-heartedly, that the best friend that a Welsh farmer has is a French farmer, because they tend to be slightly more ready to get out on to the streets and show people what they are made of. Welsh farmers tend to be slightly more pacifist than that, I am pleased to say. To work for so many years to build up a structure within Europe, where we now have 28 member states, and then, for some quasi-political reasons—possibly ones where people do not seem to be able to sort out things like the European Court of Human Rights in terms of who has a say in that, and taxation could well be another one—that we should disassemble all of that, I think, would be a massive mistake. We need to be part and parcel of this larger trading organisation, which we are now. More than that, it then gives us routes into other parts of the world. To lose that, I think, would be a big mistake.

[134] **Ms Evans:** It is a big question and it is something that is being discussed among our members. As it is among the general public, it is something that is wide open. Nothing has come forward as a decision from our organisation on this, as far as I know. We have a lot of farmers who would love to farm without subsidies—the freedom of it, to be able to be released from all of this—but the reality of actual practicality is that it is an impossibility for Welsh farmers at the moment when you have a look at their bottom line which, a lot of the time, is 80% of their single farm payment. That means that 20% of the single farm payment disappears into costs. It is actually a necessity at the moment for the survival of Welsh farmers, and it would be wonderful to find another way for them to be able to survive.

11.00 a.m.

[135] **Dr Fenwick:** Our members are being consulted on this issue. If I remember rightly, a number of times, but certainly once since I have worked for the FUW, following calls from one county to pull out of the EU, they have resolutely come back and said, 'No, we are pro-European; we want to be in Europe', because they recognise the economic importance of that. That is not just in terms of what Sue has referred to—our sad reliance on these payments—but the fact that we are part of a common market, and if we were without Europe, we would have to start talking about what our import quota would be into our main market in France and Belgium et cetera and what the import tariffs would be, and we would have to have all those convoluted discussions that take place with countries like New Zealand. So, that is an important issue.

[136] I think that the Welsh general public, like the UK general public, tends to blame Europe for everything. That blame is misplaced a great deal of the time. There are some ridiculous regulations that come out of Europe, I think that we all agree on that, but most of the ridiculous regulations that I come across are instigated by the Welsh or UK Governments. They come from ignoring options that are there, for example, derogations, which were made available specifically for rural areas such as Wales. A classic example is water purification, whereby there is a specific derogation for rural communities where a well supplies more than one property, and there is a derogation that means that you do not have to purify the water going to those properties. We have gold-plated it by ignoring the derogation and we therefore require water purification to be installed on those premises, even though there is a mother and father and their children living in the different properties and generations have drunk the water for hundreds of years. I go to Brussels and Europe and I do not see all of this bureaucracy there like you have here. We have a huge appetite for gold-plating here.

[137] **William Powell:** That is an interesting reflection.

[138] **Mr Williams:** With a membership of over 50,000 in Wales and representing 25 organisations, this is, as much as possible, a non-political answer. I think that the advantage of being in Europe, from a conservation point of view, is in considering the nature directives, which provide a very strong framework and targets around which funding can coalesce, and a means of delivering practical conservation in the UK and in Wales. So, to lose that would be a considerable backward step and would take an awful lot of work to try to recreate something to replace that.

[139] **Mr Pawson:** Natural Resources Wales is not a membership organisation, but looking at it from an environmental point of view, I think that one of the key things about Europe is that it enables us to deal with cross-boundary effects. We do not live along the Danube, so we are not so worried about the quality of the water flowing through our respective countries, but we want to tackle issues such as climate change, and if we are talking about biodiversity, plainly, there are a lot of links between what happens in this country and in other EU countries. Being able to deal with those issues under a common framework brings a lot of benefits.

[140] **Ms Hockridge:** For our farmer members, there are obviously huge benefits in terms of the payments and also the greater recognition, more generally, across Europe, of the benefits of organic farming and the way that that has been incorporated into a lot of the thinking, particularly around, for example, the design of the CAP. There are obviously benefits in terms of that market flow across European boundaries. It is quite interesting to look at the New Zealand example of a country that has suddenly taken away those payments. I have a colleague out there at the moment, looking at some of the issues there, and I think that it has been quite a rocky ride for that country, with problems now in terms of things like water quality, et cetera. So, it is quite interesting to look at those examples as well.

[141] **William Powell:** Diolch yn fawr **William Powell:** Thank you very much for iawn am y sesiwn y bore yma. this morning's session.

[142] Ed, would you like to say something?

[143] **Mr Bailey:** I would like to thank you, as the temporary Chairman. You will be aware that Lord Elis-Thomas is my Assembly Member and I certainly shall not be telling him what a good job you have done, in case he fears for his position in the future. *[Laughter.]*

[144] **William Powell:** I do not think that that is necessary. *[Laughter.]*

[145] **Mr Bailey:** Thank you very much for your time.

[146] **William Powell:** Diolch yn fawr. **William Powell:** Thank you. It is break time
Mae'n amser paned nawr. now.

[147] We will reconvene at 11.15 a.m. Thank you very much.

*Gohiriwyd y cyfarfod rhwng 11.04 a.m. ac 11.20 a.m.
The meeting adjourned between 11.04 and 11.20 a.m.*

Diweddariad ar Ddiwygiadau i'r Polisi Pysgodfeydd Cyffredin—Trafodaeth Bwrdd Crwn

Update on Reforms to the Common Fisheries Policy—Round-table Discussion

[148] **William Powell:** Bore da, bawb, a **William Powell:** Good morning, everyone; a
chroeso cynnes. warm welcome to you.

[149] Welcome to this final meeting of the Environment and Sustainability Committee of this term. We are discussing reforms to the common fisheries policy in today's session, and we look forward very much to your comments. Could you please initially introduce yourselves, just for the levels, and also make an initial statement about your perspective on the current state of the reforms and their implications? Let us start with you, Gareth.

[150] **Mr Cunningham:** I am Gareth Cunningham, and I am here to represent Wales Environment Link, which is a consortium of non-governmental organisations in Wales.

[151] In terms of the common fisheries policy reforms, we are broadly quite impressed with the way that it is moving towards maximum sustainable yields, and we are hoping that this will transfer across into the Welsh fisheries strategy and Wales's management of marine resources in general going forward.

[152] **Dr Dunn:** My name is Euan Dunn. I am principal marine adviser at the RSPB, but I am here representing the same link group as my colleague. I have been working on the CFP for some years. The cup is more than half full, I think, with the outcome of the CFP reform. I am heartened in particular by the huge input that the Parliament made and by the vast improvement on the original proposal from the Council. The cup is less than half full for the structural funding that will support it, and I am sure that we will come to that in due course.

[153] **Mr Percy:** Good morning. My name is Jeremy Percy, and I am the chief executive to the New Under Ten Fishermen's Association, which represents small-scale vessels of under 10m in England and Wales. I am also a licensed and registered Welsh commercial fisherman, fishing, when I get the opportunity, which is rare, from the Milford Haven area. When I provided evidence to your committee previously, I think that I said that we were all still operating within the asylum and the last-chance saloon, to mix my metaphors.

[154] I think that the final outcome of the CFP has the potential to make a dramatic difference. It depends almost entirely on how it is now interpreted and implemented. However, I think that our main concern, from a Welsh catching sector's perspective, is that this CFP largely, not exclusively, is predicated on quota species, and the recent signing of the concordat to divide quota access between the four devolved administrations has resulted in Wales having very little access to these quota species, and until we get that sorted out, it will have limited effect.

[155] **Ms Sherwood:** My name is Joanne Sherwood. I am the head of natural resources

planning at Natural Resources Wales. Broadly, we welcome the CFP and the new arrangements. I think that it will be in the implementation. We have a lot of information and data that we would like to share as we go forward into that information, and particular expertise on things like ecosystems.

[156] **William Powell:** That is excellent. Thank you very much for those opening remarks.

[157] **Dr Eno:** I was going to say something, just to add to Joanne's remarks. My name is Dr Clare Eno, and I am more of a specialist. I am the senior fisheries adviser at Natural Resources Wales, and I am very pleased to be part of this round-table discussion today. We consider it a very welcome follow-up to the inquiry that the committee conducted in October 2011, to which we also made an input, especially now that the text of the new fisheries policy has been agreed at a political level. It is actually the third review of the common fisheries policy that I have been involved in—and I am not that old—from a statutory nature conservation perspective. I would say that the intent, and the text of it, has come a tremendously long way in the last 20 years, especially in terms of integrating the requirements of safeguarding the environment that support the fish, and hence the fishermen. Certainly, we have worked closely with others—with NGOs, and with fishermen, including those around the table here—in trying to move things forward. It is really exciting at this time that the Minister—our Minister, Alun Davies—is planning to take forward some of the initiatives, particularly the regional management element. There are many elements in the new CFP that potentially provide real opportunities for more environmentally sustainable fisheries, particularly the discard ban and other elements. However, there is going to be a lot of work to implement them effectively, and that is why it is excellent timing for your committee to actually want to look at ways forward now.

[158] **William Powell:** Absolutely. Thank you very much. I would like to ask Julie James, who has been the long-standing Chair of the common fisheries task and finish group, to open up our questioning.

[159] **Julie James:** I think that I will rush right in where angels fear to tread and start to talk immediately about the fish recovery areas, the marine conservation zones, and how you think we should take the ecosystem approach forward in the light of what we now have on the table as proposals. I am sure that we will get to what is wrong with the proposals as we go, but what we really want to concentrate on is exactly that—how the Welsh Government and the Minister can take forward the proposals with a view to the best possible fit for our Welsh waters. I am probably asking everybody, so let us start at one end.

[160] **Mr Cunningham:** I am happy to start with that. Obviously, Alun made a statement a few weeks back talking about our various obligations within Welsh seas, and how we should be using the existing tools to move towards more sustainable seas, which is great. CFP reform will obviously release some more funding in terms of the European maritime fisheries fund. From what I understand, this will not be a huge amount in Wales. At the moment, it is likely to be £23 million over six years, so it does not give us much more than £3.5 million a year. Do not quote my maths on that. So, we need to really be sensible in how we use this funding. As Jeremy has touched on, one of the issues with quota in Wales is that we are a data deficient nation. We do not have a great amount of data on pressure stocks and non-pressure stocks. It would make sense if we were to use this funding to try to assess what we have. We cannot manage it properly if we do not know what we have. Other legislation, like the marine strategy framework directive, has very strong indicators that we need to fulfil—good environmental status for the third descriptor is based on pressure stocks. We need to know what they are in order to achieve good environmental status. We need to know what we have to start with, and we can then move forward to management. Marine conservation zones obviously fit into a wider network, so we have to remember that we have a whole raft of existing sites, and they roughly cover around 30% of Welsh inshore waters, so management

of these sites is essential, not just for economic gain, but long-term sustainability. There are a lot of measures that we could do through this, and—as not only the Wales Environment Link has identified, but also the Welsh Fishermen’s Association—we need to embrace the ecosystem-based approach. We need to be working on recovering and adding resilience to the actual ecosystem that we have so that we deliver an economic use of the seas, and, in the long term, it all needs to be sustainable.

[161] **Dr Dunn:** To add a few things to what my colleague has said, I think that the European maritime fisheries fund presents some really good measures now for allocating spend to the sort of things that will develop an ecosystem-based approach to fisheries management. I am thinking first of all of the measures for adapting fisheries and aligning fisheries more to the conservation objectives of Natura 2000 sites. There is a lot of good language in there about spend on management, monitoring and restoration of Natura 2000 sites, and, given the spread of marine protected areas in the Welsh waters, that is obviously of high relevance to you.

11.30 a.m.

[162] There is also good language in there about the control of fisheries and surveillance and remote monitoring through CCTV, and these are going to be very important in that regard. Lastly, again, there is the point about data collection for ecosystem-based management. Money for pilot studies to reduce the bycatch of non-target species and suchlike is, again, germane to the Natura 2000 agenda. The other thing that is very useful is that, on the maximum sustainable yield, the alignment between the common fisheries policy, as agreed two days ago in the Council, and the marine strategy framework directive target that the UK has agreed and has drawn up for maximum sustainable yield, is very close now. That means that there is not a big problem about agreeing that alignment across those two policy planks. I think that there may have to be a discussion with your Irish partners about how they interpret the maximum sustainable yield target. I think that is something that we could come to later on.

[163] **Mr Percy:** You will not be surprised to hear me say, as a representative of the catching sector, that we have to strike a balance. I think that is a key term. You will be aware, no doubt, that the Welsh Fishermen’s Association created a document, which I am sure that you have seen, ‘Striking the Balance’. We all had an input into that. It was particularly heartening that it was, effectively, written by a Welsh fishery scientist and independent consultant, Dr Andy Woolmer, who is now nationally recognised in his field. It is nice that we are generating that sort of approach in Wales, rather than having to go elsewhere to find that expertise.

[164] I am not going to repeat what is stated in ‘Striking the Balance’; I am sure that anyone with an interest has already read it. I think that it does encapsulate a more co-management approach. I have been in the fishing industry, as well as being a regulator and a manager, for more years than I would like to recall. There was always this ‘them and us’ attitude; we were never, as a catching sector, going to tell anybody—God knows, certainly not fishery scientists—what we did, where we were or what impact we had or what we saw. We did not tell each other, never mind anybody else. There has been a sea change and a step change in the approach. That is, I think, encapsulated in ‘Striking the Balance’ and that sort of allied approach. We now work much more closely with fishery scientists, and with Government, from a self-interested perspective, to say that these areas are important to us and this is why from a socioeconomic perspective.

[165] At the same time, we embrace the ecosystem-based approach. I was the catching sector member on what was a Welsh-based INTERREG project, PISCES—Partnerships Involving Stakeholders in the Celtic Sea Ecosystem—that was largely driven by WWF

Wales, and very well indeed. It was to create guidelines for the implementation of an ecosystem-based approach in the Celtic seas. It was a very successful project. We are now into PISCES 2 to take this further on. The point that I am making is that, from a catching sector perspective, we are really engaging—it is no longer ‘them and us’. I spend a significant amount of my time now in talks with fishery scientists. We are, as an organisation, a member of the fisheries science partnership. We work closely with CEFAS and with other bodies to develop the science, to ensure that there is a fair and equitable approach, but that we are no longer going to have an adverse impact on the marine environment across the board. I think that the CFP, as Euan referred to, clearly gives us both carrots and sticks in terms of incentives to ensure that we take that forward. Largely—certainly in the UK; I am not quite certain how much it is embraced in other member states—we are taking that forward with some gusto. I spent the weekend at an event organised by the Prince of Wales’s international sustainability unit, looking at how we can further reduce the impact of our activities.

[166] From a Welsh perspective, given that about 90% of our fleet is under 10m and largely uses passive gears, then we do not have this particular concern over impact. Nevertheless, within the CFP, there is now a much clearer recognition of the need and the willingness to do that. There are various other elements that we will no doubt come on to.

[167] **Dr Eno:** You asked about the fish stock recovery areas. To me, that is probably one of the most exciting last-minute additions to the text of the CFP. Amazingly, it has come from the southern states, and it probably needs a lot of working up, but it has the potential to look at areas and see where you can establish protected areas on the grounds of their biological sensitivity. I am excited about that because we have been doing a collaborative project with the fishing industry, Fish Map Môn, which I mentioned when we came and gave evidence before, and that has been looking at the sensitivity of the sea bed to different fishing activities and mapping it out in collaboration with all the fishermen.

[168] Picking up on what Euan said as well as in relation to the text, there is a very exciting bit that says that member states should promote responsible fishing by providing incentives to those operators who fish in the least environmentally damaging way. At last, it is explicitly saying that we need to provide incentives. In the past, there has been a problem in that there have been different selective methods of fishing that have been proposed and tried out, and there has not been the financial incentive to encourage the fishermen who want to try those out to fish in a less financially rewarding way, and so they have been disadvantaged. So, that is very encouraging text to be included in there.

[169] Certainly, we have been involved, along with others, in developing gears and there is a lot of work, including colleagues that Jeremy is referring to, and there have been lots of trials in terms of scallop dredgers. You will be aware that scallop fishing is probably one of the most lucrative fisheries, although it is not covered by the CFP in Wales, and a lot of the damage is caused by the scallop bags full of scallops and stones essentially squashing everything that they are pulled over. So, very simply now, we are trying to put sleds underneath them. This work is now being led by Bangor University, but we have certainly had a lot of input in terms of developing it and we can comment on where the habitats are that are most sensitive. It is a very positive spin that is being put on it.

[170] We are also doing a lot of work with other scientists—CEFAS, et cetera—to look at more effective ways of reducing the bycatch of skates and rays. In Wales, that is so important: a study was carried out in the Bristol Channel, and it is so important because rays are a very important fishery here in Wales. There are various initiatives that we would promote: there is the Neptune project and a pilot project—Shark By-Watch UK—which was carried out in the Thames, and we would like to encourage that to be carried out throughout Welsh waters as well.

[171] **Ms Sherwood:** It is really heartening to hear the comments from my colleagues around the table about working together in partnership, because this is the only way that we can manage, particularly the Irish sea, going forward. Jeremy made a comment about self-interest, and, to me, that is where it lies. The long-term sustainability of the fishing industry relies on these habitats being well-managed, so that the young fish can come on and we have this long-term industry in Wales.

[172] **Julie James:** Just on that point then, I will raise a little hobby-horse of mine, which you will have heard me go on about before, and that is the market failure for local fish in Wales. The Minister has talked a little bit about trying to encourage a market for locally-caught fish and stopping people eating tuna and salmon all the time. Can you comment on some of that? I know that the under 10m fleet has had some success, very locally to them, but perhaps not wider in Wales.

[173] **Mr Percy:** We have a number of problems in the Welsh context in this regard. Not least is that the vast majority of what we catch is shellfish—lobster and crab—and, God knows, 90% odd is exported. I have tried to encourage the fact that we could do very significantly more. The Welsh Federation of Fishermen's Associations, which was a precursor to the Welsh Fishermen's Association, did a great deal in terms of looking at Welsh consumer interests. Again, as I said earlier, I spent two days with a group of 100 other people from across the UK and further afield looking at how we can benefit these things. There are opportunities.

[174] Unfortunately, I think across the UK—and Wales is no different—we have lost the culture of eating fish. I have often said, if it has eyes or has ever had a pulse, very few house persons are interested in doing anything with it. How do you change that culture? We had a very interesting report at this meeting, which said that people will go out to restaurants and eat fish and they focus on all of the good things—it is healthy and nutritious and so on—but when you start doing studies about why they do not eat it at home, it is all the usual suspects: its smell, its bones, and 'I don't know what to do with it', or 'It is not filling enough'. There is not a great deal of concern by the consumer for sustainability. One would have hoped and thought that perhaps that was a little higher up the list. Seafish did a very significant survey and, unfortunately, that is still the case, mainly because people are confused about what they should and should not eat. They do not really recognise the various accreditation schemes and they get confused.

[175] I cannot remember whether it was 70 million or 90 million fish fingers a year that are consumed, so, from a Welsh perspective, plonking a crab in front of somebody is not going to result in increased sales. We have this particular problem with finfish, which is where you would start. There are two elements. In terms of shellfish, we ought really to have a marketing initiative in the Welsh Government and the industry collectively to try to encourage Welsh consumers, because it ticks every box that there is in terms of health et cetera.

[176] In terms of finfish, the overwhelming problem that we have is that we are not allowed to catch it. Just as you referred to your hobby horse; this is mine. I think that it is a fundamental nonsense in this day and age, for a whole raft of reasons, not least because we have this concordat agreement. For instance, I fish in areas 7F and 7G, which is the Bristol Channel. The entire quota for the entire Welsh fleet of under 10m vessels for the whole year of pollock is 400 kg. With all due respect, I could eat 400 kg of pollock a year, never mind catch them. *[Laughter.]* Unfortunately, the powers that be would suggest that this is based on track record and we have been very much a shellfish fleet rather than that sort of fleet, but what that decision does is cut out any opportunity for diversification. I have been talking to Milford Haven Port Authority, which is very keen to develop an infrastructure to enhance processing and so forth, but it is about where the fish will come from.

[177] I make a plea that the Welsh Government, generally, notwithstanding the concordat, talks to people like me and others to see where we could actually add benefit and find more fish for the Welsh fleet. There is every opportunity for the fleet to diversify. For my sins, I chair the crustacean committee for the Shellfish Association of Great Britain, and we had a recent report by the highly respected Dr Colin Bannister who said that there are serious concerns about the status of shellfish stocks around the UK waters, and Wales is no different. We need to look at effort and capacity and how we control that.

[178] There are opportunities for the Welsh Government to look more proactively at how we can bring in more quota and there are options and opportunities. Some of them are encapsulated within the common fisheries policy. However, having done that, and I think that it is vital that we do, at the moment, we are moving towards a situation where, as a Welsh fisherman, I will be stood on the quay in Milford Haven without the ability to sustainably catch fish in Welsh waters, while watching European fleets—our other member states—landing hundreds and hundreds of tonnes, using infinitely less sustainable methods, such as beam trawling, from Welsh territorial waters. I fail to understand how that can be sensible or logical. So, I think the short answer to your question—I apologise—is that, first, we have an opportunity to gather more quota in and we need to be a lot more proactive perhaps, than we have been to date. Secondly, there are and should be significant opportunities to encourage Welsh consumers. We land fish and shellfish—the most sustainably caught, freshest day fish—and we should not have to then extend the supply chain by hundreds, if not thousands of miles, when we have consumers that need and deserve it on our doorstep.

[179] **Julie James:** I could not agree with you more. On that point, the Minister made a statement yesterday about the new marketing strategies for Welsh-produced food and so on. Have the fishing fleets' fishermen been involved in that?

[180] **Mr Percy:** I am not sure whether the Welsh Fishermen's Association representatives have had an input. I was with them this weekend and on Monday and Tuesday for meetings and they did not refer to it. I previously sat on the food advisory group to the Minister, which was seriously revamped. I am not sure how much input we have had. Certainly, no-one has asked me or my organisation, which is, perhaps, a shame. However, I think that there is still time—having been in meetings, I am not aware of the Minister's statement on this, but I would hope that it is very significantly positive, especially in relation to fish.

11.45 a.m.

[181] **Julie James:** He is basically announcing a consultation on revamping the marketing of Welsh high-value food.

[182] **Mr Percy:** Excellent; I look forward to that quite significantly. I think that there are significant options that are mutually beneficial. It is a mutually beneficial circle—if we can encourage Welsh consumers to consume Welsh fish, apart from doing me no harm if I am a Welsh fisherman, not that I get a chance to go fishing, we can also sustainably use fish in our waters and have better access to them in our own waters.

[183] **Dr Eno:** Just building on what Jerry said, I think that it is a very interesting issue that Wales has been given these low quotas. We are going to run into problems when it comes to the discard ban—if fishermen are catching them, what are they going to do with all of the prime fish that they are catching? How are we going to swap it around? On the positive side, with regard to the aquaculture business, the mussel industry in the Menai straits is the largest that there is in the UK; it is probably worth about £20 million a year. That is a very positive thing. However, they are not marketed as Welsh mussels because of the water quality elements. I do not know whether now, with the enlarged remit of Natural Resources Wales, our organisation might help with that.

[184] **Julie James:** The mussels are processed in Holland, are they not?

[185] **Dr Eno:** That is right. They take the mussels over to Holland to dehydrate and clean them, because of the standard of the water.

[186] **Julie James:** That is extraordinary, in my view.

[187] **Dr Eno:** It is to do with E. coli spikes in the water in the Menai straits. It is a worthy aim to try to ensure that the waters are clean enough, so that all of those millions of tonnes of mussels could be marketed as Welsh mussels, to capitalise on the fact that they have been produced in Wales.

[188] **William Powell:** Could that process be undertaken in Wales, if there were sufficient investment, or is there a reason why the practice is that they are taken to the Netherlands for that?

[189] **Dr Eno:** It could. I think that there is interest in that, but I cannot divulge project proposals.

[190] **Mr Percy:** The brief answer to your question is ‘yes’; potentially, you could do that. However, I should add that I have randomly spoken to fishermen, and others, around Wales, including some of our mussel producers, who are part of a highly successful and very proactive industry, of which we should be very proud. They were concerned about the new potential requirements, or the restriction on the longevity of regulating Orders. A huge investment—potentially more investment—is needed, because, as Clare quite rightly recognises, the aquaculture industry in Wales is important. It should be given permanent access to resources, without always having to worry that that business is going to be taken away from them.

[191] **Mr Cunningham:** If I could just add to that, a lot of the issues that were talked about highlight the fact that we cannot just look at this as being about water quality. There are impacts from agriculture and other land use. It is not just going to be shellfish affected. You mentioned that the Minister has a new strategy for food. That ties in with the tourism strategy. However, what about water quality, because people use beaches? If people are appalled that they cannot go into the sea to swim, imagine the marketing strategy—‘If we cannot swim in the water, why can we eat food from it?’ We really need to address these issues if we are going to move forward.

[192] Coming back to the data requirements, if we are talking about sustainable fisheries, there are accreditations out there that can help to market our produce as being sustainable and that gives it better market value. This requires investment in gathering the right data. Marine Stewardship Council accreditation is quite data-heavy. The Welsh Government could help by investing in this. It would fulfil some of the other requirements under European legislation, but it would also help with the marketability of our stocks.

[193] **Llyr Huws Gruffydd:** Nid oeddwn **Llyr Huws Gruffydd:** I had not intended to wedi bwriadu codi hwn, ond gan ein bod yn raise this, but as we are discussing sôn am farchnata— marketing—

[194] **Mr Cunningham:** I missed the end of that; I am sorry.

[195] **Llyr Huws Gruffydd:** I have not finished my question.

[196] Gan eich bod yn sôn am farchnata, As you are discussing marketing, perhaps I

efallai byddaf yn achub ar y cyfle i ofyn i chi ynglŷn â'r hyn sydd wedi cael ei gynnig o gwmpas sefydlu eco-label newydd. Sut ydych yn meddwl y byddai hynny'n cyfrannu at y potensial o ran marchnata? A fydddech, felly, yn cefnogi datblygu rhyw fath o label sy'n cyfateb i hynny yng Nghymru?

will take the opportunity to ask you a question about what is being proposed around the establishment of a new eco-label. How do you think that that would contribute to the potential in terms of marketing? Would you, therefore, support the development of some sort of label that would correspond to that in Wales?

[197] **William Powell:** Who would like to lead on that?

[198] **Mr Percy:** I will start. I will probably want to come back having forgotten something or not covered everything. I always have a concern about eco-labels. As I mentioned earlier, Seafish and others have done significant work on it. One of the problems is about knowing who you are doing it for. It is clear from the studies that I mentioned earlier that the consumers themselves do not really understand it. The Marine Stewardship Council's label is the flagship one. In a study by Seafish, almost no consumers had any real understanding at all of what MSC did. Then, you have any number of others. In agriculture, you have the red tractor and so on. The other reason for the drive for MSC—50% of UK landings are now covered by MSC accreditation, but that is in bulk terms—is because it mainly supplies the multiples and the main retailers. The main retailers have corporate responsibility, or they recognise the need to be seen to be whiter than white. I will not mention 'horsegate' on the way past, but consumers do have concerns. The retailers and the multiples want to be seen to be doing that.

[199] One of the other parts of this survey that was particularly interesting is that the consumer trusts the supplier in terms of the multiples. Consumers do not want to know. They are not particularly interested. When they go into a supermarket, with very few exceptions, they go in on the basis that that retailer has done the work and that they can buy with confidence. It is not always the case, but certainly accreditation helps in that respect; if not for the consumer, then certainly for the retailers themselves. So, I would be concerned about putting a lot of resources into an eco-label. From a Welsh perspective, we could do it, by all means. It would probably do no harm to have some sort of reassurance to the consumer that it is caught sustainably, which is about MSC. However, equally, there is the quality. We also have the responsible fishing scheme—again, it is a Seafish-driven initiative—and a number of Welsh vessels have signed up to that. That is more about the quality side. It is about keeping the boat clean, ensuring good catch quality, plenty of ice, and so on. I think that a label that incorporates all would be no bad thing, but I think we would need to think very hard about who we were trying to persuade of what and at what level of resources. I think I will leave it there. There is a potential, but I think we have such a good story to tell. Whether we need to back it up with a label is open to further debate.

[200] **Dr Dunn:** I should declare an interest. I have recently come off the board of the Marine Stewardship Council, so I have a lot of empathy for this question. I would endorse a lot of what Jerry says. Apart from the MSC, which is the gold standard, there is a plethora of smaller labels beginning to appear and different countries are trying to put their imprimatur on their fisheries, like Alaska and so on. In the marketplace, the public is finding this quite confusing. It is not really sure what to do. My feeling is a little bit like Jerry's; I can see a lot of opportunity. I know that you are not going to get a lot of the European maritime and fisheries fund pot, but I think there is a huge potential in the FLAG programme—the fisheries local action groups. For example, some of our colleagues in non-governmental organisations are working as stakeholders in the Holderness area on the Yorkshire coast. There, they are working to raise public awareness of healthy seafood from a healthy marine environment, helping the fishermen to develop their gear to be more selective—escape panels in crab pots and so on. It is also a good opportunity for building stakeholder and community buy-in to this

whole idea. It is beginning to filter quite strongly into the hotels and restaurants in the hinterland of that sub-region and the message is there. People are taking it on board, without the need for the added value, if you will, of a label. So, if you go about developing the right narrative around your fishery, then I think you can do a lot without going towards the label, which can create an extra layer of possible confusion for the consumer and does not always give you the extra bang for your buck that you had hoped for.

[201] **Llyr Huws Gruffydd:** Diolch am yr atebion hynny. Mae cwestiwn arall yr hoffwn ei ofyn a threulio ychydig o amser yn ei drafod. Mae'r cwestiwn hwnnw yn ymwneud â'r ffaith bod dyframaethu yn gynwysedig yn y polisi pysgodfeydd cyffredin. Hoffwn wybod eich barn am hynny, ac yn bwysicach na hynny, am yr angen i aelod-wladwriaethau gynhyrchu cynlluniau strategol cenedlaethol ar gyfer dyframaethu cynaliadwy erbyn 2014. Yn eich barn chi, beth ddylai blaenoriaethau Llywodraeth Cymru fod yn y cyd-destun hwnnw?

Llyr Huws Gruffydd: Thank you for those answers. There is another question that I would like to ask and spend a little time discussing. That is about the fact that aquaculture is included in the common fisheries policy. I would like to hear your views on that and, more importantly, on the need for member states to produce national strategic plans for sustainable aquaculture by 2014. In your view, what should be the Welsh Government's priorities in that context?

[202] **William Powell:** Who would like to lead on that?

[203] **Dr Eno:** It is very encouraging that aquaculture is now being brought into the common fisheries policy in all of its guises, which means freshwater and land-based recirculation systems, as well as marine aquaculture. That is a very positive thing for Wales, because aquaculture is really important. I mentioned that the mussel industry is worth about £20 million. The value of aquaculture in Wales is between £20 million and £50 million. Certainly, there has been a lot of work done to develop leading expertise in relation to recirculation technology. There is a lot of work going on in the different universities, in collaboration with fishermen. So, this is a very positive step. There is a lot that Wales can do in terms of contributing to the new national strategic plan. It is quite a tight deadline, as the plan has to be drawn up by the middle of 2014. Wales should be really pushing this forward, in terms of making a contribution.

[204] The importance of aquaculture has been stressed by the EU Commissioner et cetera. The EU is the biggest importer of fish, so if you produce more aquaculture, you reduce the reliance on imported fish. We could say more about priorities. There is going to be a new aquaculture advisory council, and its scope is going to be vast, because all member states are going to be interested in it. Previously, the advisory councils were regional, so there were just neighbouring member states and those who fished in that area. However, all 28 member states will want to have seats on this advisory council. Euan is on the North Sea Regional Advisory Council, so he will know what it will mean to have a much-enlarged advisory council. It is interesting that no guidance has been given as yet as to how the advisory council is going to be subdivided into all of the different elements of aquaculture. In Wales, we do not grow finfish—we do a lot of aquaculture for everything else, but not finfish, such as salmon and the like. Ironically, however, Natural Resources Wales does have hatcheries for salmonids, so we do promote the development of salmonids; that is ironic in relation to Wales as a whole. That is not for aquaculture purposes; it is more for restocking purposes. It is so important for Wales to have input here, and we have a lot of experts, who are not represented here today, unfortunately, who could advise the Welsh Government very well on that.

[205] **Mr Percy:** I would just like to make a brief comment. This is something of a conundrum. We are, in some ways, a world leader in aquaculture, in terms of recirculation. The plants up in north Wales are leading the way and are constantly developing. I sit on the

Welsh Government's European fishery fund selection panel. We have a fairly constant stream of project applications.

12.00 p.m.

[206] In terms of development, it is probably a shame that we are neither southern Ireland nor Scotland, where there are lots of locks, inlets and bays where aquaculture can take place. I used to fish on the southern Irish coast. I went back there recently and found that all of the bays where I used to fish quite happily with a small boat were just smothered with rafts of mussels, scallops, oysters or whatever else. It is a massive business. We are never going to meet that. However, we do have world-leading research areas in our universities, and with the commercial undertaking that I have already mentioned in terms of mussels et cetera, we have tried to introduce small-scale projects in Wales to benefit the fishermen themselves. The bottom line is that, as a country, we need to look outside the box, and seek to develop any and every benefit that could come to Wales from anything in terms of aquaculture, specifically, because we do have some of the best brains around to do so.

[207] **William Powell:** Julie had a brief point on this issue.

[208] **Julie James:** In terms of important information, I think that this is one of the areas that consumers have most difficulty with—labelling and so on. For example, the argument about whether or not farmed salmon is more sustainable than wild-caught salmon. Very few people realise that most imported anchovies are used to feed farmed salmon, and the devastation underneath the salmon farm, on the sea bed, has to be seen to be believed for most people. I just wanted to make the point that, in having this conversation about aquaculture, it is important to make the point about Welsh aquaculture being shellfish orientated, and that that is sustainable. I think that, actually, that is one of the messages most lost in that conversation. It is not so much a question; I just wanted to make the point.

[209] **Dr Eno:** Certainly, farmed mussels are probably more sustainable than caught mussels. The mussel industry is doing studies, looking at windfarms, and combining it with growing macroalgae—large algae, such as kelp and so on—so there is that potential for farming kelp and farming microalgae. There are all sorts of areas of potential being developed in Wales.

[210] **Julie James:** The point that I am making is to have that sustainable label put on it, so that it is not confused with large farmed salmon fisheries, for example.

[211] **Mr Cunningham:** I think, again, it comes back to the point that you raised about how we portray that to people. You talk about what sustainability is: is it bringing in massive amounts of fish from Africa to feed your fish, or is it actually what we do in Wales, where we have mussels and so forth? It is very much about the message that we give out. At the end of it all, it has to be sustainable, otherwise we will not be delivering what we need to deliver.

[212] **Ms Sherwood:** Could I make another point about aquaculture, and the economy in Wales? I think that part of that is making sure that, as we manage aquaculture in Wales, we are not introducing invasive non-native species. We have certainly worked closely in the Menai straits to try to help eradicate things like the slipper limpet. So, I think that we have to bear that in mind as we go forward, because that would be the ultimate in unsustainability.

[213] **William Powell:** Joyce, you have been extremely patient.

[214] **Joyce Watson:** Good morning, all. I live in Haverfordwest, which is not very far from Milford Haven, and I cover Mid and West Wales, which is all coast, it seems. I was particularly interested in trying to link a few things together, like the enterprise zone that

exists in Milford Haven and the fishing that is done in Milford Haven, albeit by large vessels that are fishing differently to the way you do. How can we add some value, perhaps, to the products? It is about trying to link the sustainability of your industry, in my view, with the sustainability and economic viability of that region, which is suffering significantly at the moment. So, do you have any thoughts on that? Do you think that the tools that we have already put in place might enable some of that to happen? I suppose that that is for Jeremy. For Euan, there is this idea about putting that together, as the RSPB, with the real eco-tourism that already exists in that area—the puffins immediately come to mind for everyone who goes to Pembrokeshire, and all the other breeds: choughs and suchlike. How do we link it all together? I would like some thoughts on that.

[215] **Mr Percy:** Bearing in mind that we have not got all day, you are entirely correct, madam, about the opportunities here. As I alluded to, I have a meeting with Milford Haven Port Authority next week, funnily enough, and with the local fishermen's association, South West Wales Fishing Communities, to discuss exactly this. For my sins, in a former life, I also put my money where my mouth was and created a fish processing facility in Milford that bought whiting, mainly from the French trawlers that were landing there, which was their excess catch, and processed it, filleted it, skinned it and sold it into the French market. We were very successful in doing so, up until the supply dried up. There was a message there that the sort of quantities that we were able to process with local staff et cetera, were a drop in the ocean compared with the southern Irish, who chucked massive quantities of this product—butterfly fillets, they are called—into the French and European markets. However, the quality of what we were able to do meant that we could sell everything that we got—in the fish business, it is not how much you get, but whether you can sell it all on a daily basis. So there is certainly a lesson there.

[216] The problem that we have is that, as I alluded to earlier, we have not got any product. We can do more with shellfish, but at the moment, lobster is a pretty high-end product, and you cannot really do a great deal with it without almost adding more value, and it is expensive enough for the consumer—we do not get a great deal for it, but consumers pay a great deal for it; I have not quite figured that one out yet, in 40 years of fishing. With crab, we have some quite proactive processers now. A lot of them are selling into the Chinese market—an increasing number; as the Chinese economy is increasing, so they are demanding better. That is really a big opportunity for our existing Welsh fishermen, provided that it is fished sustainably, but again, there is no real added value. The market prices are actually quite good, so when you turn to finned fish—again, I have a low boredom threshold, so I have had quite a variety of careers: I ran the first electronic fish auction in Milford; it was the first real-time electronic fish auction in England and Wales—it was developed on the basis that we would be able to access supplies from the Spanish, French and Belgians, none of which came to fruition. They all wanted to send them back, for different reasons, to their own countries. So, we were unable to do that, and there was not sufficient local supply to support that level of infrastructure. I am concerned that, in the present climate, we would have the same problem should we seek to do that.

[217] Having said that, I think there is a very significant opportunity, notwithstanding my rather gloomy remarks about access to quota species previously. Coming back to the CFP, we have a new article, article 16(a), which sets a legal requirement: it says that member states 'shall'—not 'may', 'could' or 'might'—use social, economic and environmental criteria when allocating the resource. Given that we have been disenfranchised with this split of the quotas between the various devolved administrations, this is an opportunity for our Minister to go back to Benyon and others and say, 'Okay, we really need this'—especially in that sort of area. I fish out of Milford, or have done—I live close to Haverfordwest; I could have scrounged a lift. We have an opportunity here for our Minister to say, 'Listen guys: you know that we came out of this pretty poorly, and despite our poor track record with quota species, we need to develop and diversify, and we need to encourage new entrants'. I go to meetings

of fishermen in Wales and further afield, and it is like a male-only Saga holiday club. [*Laughter.*] We are an ageing workforce, and we desperately need youngsters, and we need that foundation to be able to encourage them in. The opportunities are there.

[218] If the member state considered that the allocation of quota should be revamped along the requirements of article 16, I think that Wales could stand to benefit, and benefit quite significantly, because we can show that we can harvest sustainably. If you take the CFP in its wider form, and these additional requirements for more environmentally acceptable, low-impact fishing—at the beginning of the new CFP tool, it is very much about the need to encourage, support and demand low-impact fishing—then Wales really will be at the head of the queue. As I alluded to earlier, we used to have significant finfish stocks in Welsh waters, and they have been dramatically denuded, largely, though not exclusively, by the efforts of other member states with historic rights—and we all know the problems in trying to shift historic rights. When I am talking to the Welsh Government, and you, as I am doing now, it is ludicrous for a small-scale, sustainable fleet that needs to provide, and has the opportunity to provide, jobs and those socioeconomic benefits that you referred to, but is restricted from doing so by access and by the fact that we have the 6.001 miles and very large European beamers taking our fish.

[219] **Dr Eno:** I knew a lot of the positions that Jerry had held in the past, but I am delighted to hear about the whiting, and I say that positively, because, when Julie James was asking about the future diversification potential, I did not say anything about whiting. I was very concerned about the whiting potentially ending up as fishmeal or something, so it is good that it could be produced. I know that we have not talked about discards yet, and I am sure that we would like to get on to it. However, in relation to the Nephrops fishery, which is obviously very important as the basis of scampi, which is very important down the Irish side of the Irish sea, estimates from before were that about half of the catch was juvenile whiting. Hopefully, that figure has now been reduced with the use of selector trawls. However, the bycatch of these undersized demersal fish that live just above the sea bed, including whiting, is very high—it is up to 40% of the catch. The recent International Council for the Exploration of the Sea figures say that it is very high, and I was very concerned about what was going to happen to the whiting. We often get reports of large numbers of whiting in Cardigan bay, but its market value is so low that it is not really worth the fishermen's while catching it. However, they are not going to be able to discard it in future, not at the levels that they may be catching it. So, I am kind of thinking, 'Oh, maybe we should talk to Jerry', about the potential for restarting whiting processing, particularly if there is a market there.

[220] **Dr Dunn:** I would answer the question in two ways. First of all, I really want to endorse what Jerry and Clare have said about this new article 16(a), because we cannot overestimate the importance of it. It was only on Monday, on 15 July, that the final text of article 16(a) and the new basic regulation of the CFP were agreed. It really gives an opportunity to use this allocation of a criterion for best practice. It gives you the chance to have a market edge in the marketplace—I know that that is tautological, but I have said it now. So, if you can establish that you are raising the bar on your social and environmental criteria, that could be how much you contribute to the local economy, how well you have complied with CFP rules in the past, or just your use of environmentally sensitive gear. It is all of these things, and I am sure that Jerry and I will be working to get these criteria into administrations in time for them to be used on 1 January, but they give Milford Haven and other places that already feel that they are championing best practice the means to say, 'We qualified for this stuff, and we are advertising that and we are using it'.

[221] The second way I wanted to answer the question was that I spent many years peering down puffin burrows on Skokholm, where I worked for many years. I slept in Marloes car park and all sorts of things, waiting for the boat to go out, back in my hippie days. I am writing a book on puffins at the moment, I should say, but that is not a promo; it is just

something that happens to be relevant to what you asked. So, I like your question, and I think that there is huge potential to draw together the strands of what the likes of the RSPB do and what the good fishermen like Jerry are doing.

12.15 p.m.

[222] We capture this in the programme of work that we are developing at the moment called Futurescapes, where we develop partnerships in communities. It is all about sustainable use and linking community awareness of marine protected areas to healthy and sustainable seafood. It is all about developing that narrative.

[223] Up on the north-east coast of England, I worked in a funny little place called Amble, which has a big colony of seabirds just offshore. They have an Amble puffin festival every year; they have a week where all of these people can crow about how well they are doing, and raise regional awareness of all the sustainable use that they are making of their marine environment. I think that it is a great idea that could be replicated in other places. You would probably have to find another name for it, because that would infringe copyright. [*Laughter.*] We know about the political difficulties of the big society, but there is a nugget of real sense in there about local communities doing more for themselves to make all of these linkages, so that the whole is greater than the sum of the parts.

[224] **Mr Percy:** This particular question highlights a number of issues in the CFP that are relevant to this discussion. Whiting is only one of a number of species that I could use as an example, but we will use that as it has been raised. I was in London two weeks ago for the scientific advice that will underpin fishing opportunities quota for next year. The information was provided by ICES. This is a complex scientific thing, but I always look at the pictures because I am no fisheries scientist. This is its advice for each stock, everywhere, and for every species.

[225] Whiting is a good example in our area. Fishing mortality has dropped dramatically, mainly because the French fleet has gone home; it used to hammer the hell out of whiting. On that basis, spawning stock biomass has risen to probably its highest figure than we have known for a considerable time—many years. So, you have a reduction in fishing mortality and an increase in biomass, so, as a fisherman, I am thinking, ‘We’ve done the job, and I’m going to get an increase in growth next year’. That is particularly important because of the discard issue. Instead, it recommended a 12% cut, because this is one of the species where we are forced to try to reach a maximum sustainable yield by 2015. As a result of that, it wants to cut the quota. This is one of those species where a more pragmatic approach to MSY by 2016 or even 2017 should be taken, because the stock is healthy. We have good biomass, and everything else, so there is a policy and science interface there.

[226] Apart from the fact that the Welsh fishing sector does not have a lot of quota, if we catch whiting, under the discard ban, we will not be able to catch it or release it. So, if, as a Welsh commercial fisherman I decided and said, as my colleague quite rightly said, ‘We have an idea, we’re going to add value and here’s the stock; Cardigan bay is full of it, we have increased selectivity in mobile gears with square mesh panels, and so on, and because we are mainly a passive fleet, we don’t have a large discard quantity anyway’, but, we would be forbidden to go to sea if we did not have sufficient quota to cover our intended catch because of the choke species issue. So, as a Welsh fisherman, say that I have 100 kg of quota for cod, whiting, pollock, plaice, sole and so on, and that is how it works generally, but as soon as I hit that 100 kg of any individual species, I am forced to stop fishing for everything else.

[227] How this is going to be implemented on a UK basis has created great concerns, but from a small-scale fisherman’s perspective, because we have such low quotas in the first place, my choke species scenario is at a much lower level than most of the rest of the UK.

That is unfair. So, we need to look at how we can enhance that. From a CFP perspective, we have MSY, which we need to reach and we are supportive of it, but perhaps not quite as enthusiastically as to do it by 2015. From a discard issue perspective, we need to consider these stocks and others to make sure that our fleet can still go to sea so that we have sufficient quota. With regard to the way in which it is implemented, I produced a three-page note for DEFRA on the implications of the discard ban for small-scale fishermen, which I am quite happy to share with the committee.

[228] **William Powell:** That would be very helpful.

[229] **Mr Percy:** So, I think that there is a collective opportunity and a collective thread, but the vital socioeconomic benefit that we can derive from fish stocks in Welsh waters caught by Welsh fishermen sustainably and processed to add value to them, is there, but only if we can win the arguments about the way that the CFP is implemented.

[230] **William Powell:** Joyce, your question provoked a really good and full answer on these matters. We now move to Russell George, who has shown customary patience, for the final question.

[231] **Russell George:** Thank you, Chair. If this is the final question, perhaps it is helpful that I ask it in this way—a lot of the issues that I wanted to address have already been answered, as it happens, so I thought that this would be a good opportunity to ask a wide-ranging question to give you the opportunity to tell us about anything about which we have not specifically asked. There is a requirement for member states to develop their national strategic plans, so what do you think that the Welsh Government's priorities should be in such a plan? It is quite a wide-ranging question, but I wanted to ask it to give you the opportunity to talk about something about which we have not specifically asked.

[232] **William Powell:** Do you want to kick off, Gareth?

[233] **Mr Cunningham:** I might as well start to give the others a chance to have a rest. Obviously, the strategic plan covers the CFP but, as we mentioned earlier, it links to a lot of other things that are going on. I am pleased to see that fisheries and marine policy are now effectively combined within the Welsh Government, so we are going to see more of a joined-up approach—I hope so, at least. The strategic plan needs to involve talking to other member states. As Jerry said, on catching and landing, we can address the grandfather rights issue, or the historic access. Alun has a consultation coming out on fishing within 3-6 nautical miles of the coast; the interesting thing will then be the 6-12 nautical mile issue. That is still in our territorial waters, but we have less control over it because it falls under different legislation.

[234] If we talk about an alteration to the minimum landing size for bass, for example, and if we wanted to raise that to allow fish to breed longer in Welsh waters, thus increasing the biomass, if Wales alone increased the landing size to 40 cm, but England or Ireland went for 36 cm, it would exclude Welsh fishermen from landing those fish in Welsh ports—of course, they can only land them there because that is where they are registered. It is meant to give a better biomass, but if the other member states are not following that rule, or if they have a different perception of how it can be achieved, it is going to cause some conflict. We need to look at it in a wider context than just Wales. A lot of this comes back to an ecosystem-based approach. That includes the other non-protected species—anything that is not fished. We are talking about puffins, kittiwakes, gannets and porpoises; they all feed on fish. Everything needs to be in proportion. That is the idea of maximum sustainable yield—it allows enough fish for other species to survive.

[235] If we are talking about Skomer, Skokholm, Grassholm and Ramsey, which we touched on in the marine inquiry, the recommendations talked about the wider context. One

of the issues there was the special protection area extensions. I am hopeful that those areas will be included in the update that Alun gives this week on how we progress the SPA extensions. It is all joined together; we cannot just look at what we are going to do for fisheries, or how we are going to deliver the CFP. These things have so many knock-on effects that we have not addressed properly and have not entwined in our discussions. It comes into tourism and economic strategy, yet time and again we see it as a single issue. It needs to be part of the wider context.

[236] If we are talking about a brand of fisheries in Wales, as you suggested, it needs to come into ecotourism. We can then enhance visitor numbers to Wales. Welsh tourism contributes a vast amount to the economy, and coastal tourism represents one of the largest proportions of that. Sustainable fisheries and local food are a way of advertising that—‘come out and see our seabirds, our porpoises and everything else’. We need to attract boat users, like they do on Ramsey island. The islanders there rely on the island being a tourist attraction. Without the tourists, they would not have a business. There is a direct link there, and Bardsey island is very similar. The operator of the boat there is a commercial fisherman for lobster, but he also provides the tourism link so that people can get out and see that historical site.

[237] The industry is there and the non-governmental organisations are moving along, as Euan mentioned—Futurescapes is a series of projects that is looking at this and trying to manage things in terms of conservation in a large-scale landscape. However, we need the Welsh Government to envisage that; it needs to be transposed into the environment Bill and it needs to be taken forward as a sustainability Bill. You cannot just do it through one piece of legislation.

[238] **William Powell:** Are there ways in which the Welsh Government can further foster the regionalisation agenda and maximise the involvement of stakeholders in a way that would make the process more robust and better understood?

[239] **Dr Eno:** I feel quite strongly about that, because—I am sure that Jeremy and Euan will remember—the last round of common fisheries policy reform was when we first looked at the concept of regional advisory councils. It got scaled back from being regional management, but everyone was pushing for regional management. When it was the Countryside Council for Wales, an incredible leading scientist, David Symes—of whom some of you may know—and his team worked with the Countryside Council for Wales and we did a feasibility study of integrated regional management of the Irish sea. I have dug the study out again—it is 10 years old now—and other than a few of the statistics, the principles are great. What they did was that they interviewed fishermen from all around the Irish sea and held a series of workshops, and I think that certainly contributed to the North Western Waters Regional Advisory Council, with there being an Irish sea workshop involved in it. However, it is a fantastic proposal that the Minister is now saying that he wants to lead it. He is so well-positioned to lead all sorts of Irish sea options in this respect. As the Irish sea is relatively small and semi-enclosed, there are some challenging issues to address. However, he could lead the way in Europe and be the first to put this forward and look at regional management in practice. We would certainly like to share what we have done in the past with him.

[240] **Ms Sherwood:** I just add that we have updated information that we would like to share and work in partnership with the other stakeholders. I think that that is one of the priorities; it is about bringing everybody along together, so that we have an agreed vision for what we want. We work closely with Welsh Government and we shared some staff with it to try to take forward work in this area.

[241] **William Powell:** Jeremy, could you draw this discussion to a close?

[242] **Mr Percy:** The simple message is that if we are going to have a strategic plan, we

actually need to use it. I saw a comment recently that it would be the first strategic plan. I wrote the first commercial sector of that plan in 2008. We produced a Welsh fisheries strategy and followed that up, because all of us—Clare and others—recognise that a strategy on its own is worthless; you have to have an implementation plan covering who will do what, by when, and for what reason. We created an implementation plan and, to my knowledge, not very much of that has been implemented. To be fair, about 50% of the work related to the implementation plan was going to be done by the Welsh Fishermen's Association, which the Government then decided that it would no longer fund.

[243] It has to be flexible. We live in an ever-changing world across the board. I was having a brief chat with Euan earlier, who, as ever, managed to depress me even further about the effects of climate change on birds and other things, and we need to have a built-in flexibility to ensure that we meet future problems.

[244] More importantly, it has to be proactive. I am not only a fisherman and a representative fisherman, I am also a local parish councillor and various other bits and pieces, and I look at Wales and I think that we have to recognise that we are a fairly small nation on the side of the UK, which is a member state within an increasingly federalised Europe, in a global economy dominated by the Chinese and probably the Indians, depending on what day of the week it is. We need not just to be good, but great—not better, but the best. The fishing industry is no different. We have some very big opportunities and representation is one of them. The regional advisory councils were great, if you had the money, time and resources to go to them and we do not. We are members of the North Western Waters Regional Advisory Council, but we do not go there.

[245] So, I could wax lyrical, but I think that the message really is that our officials need, perhaps, to be more accessible than they currently are. Again, I did a poll of fishermen around the coast and there were quite a few comments that it is something of a black hole and there is a lack of action. So, we need to be far more proactive and open and we need to go for and grasp any opportunity that we can.

[246] **William Powell:** Diolch yn fawr. Dr Dunn, do you wish to make one final remark?

12.30 p.m.

[247] **Dr Dunn:** Very briefly, I do not know the specifics of the Welsh strategic plan, but I will just say two things. First of all, I think that the common fisheries policy reform has given us a fantastic platform to develop this kind of thing. The regionalisation agenda is there to be used and to be harnessed, and we have to grab that opportunity. I am sure that the North Sea Regional Advisory Council that I work on will be very alive to that. The second thing I wanted to say, very briefly, is that when I started 20 years ago, the stakeholders were very much at odds with each other. On virtually this day two years ago, Jerry and I were together on a panel for the launch of the Commission's proposal for CFP reform. Stakeholder dialogue has improved dramatically and we are all pulling in the same direction now. That gives us a fantastic optimism for the future. Wales has fantastic stories to tell, and I am sure that, by working together, we will be able to make them all happen in the right way.

[248] **William Powell:** That is a really positive note on which to end this session.

[249] Diolch o galon am ddod heddiw ac Thank you very much for coming today and
am y sesiwn y bore yma. for this morning's session.

[250] It has been extremely positive in terms of taking our work forward on this critical issue, and I thank you very much indeed for your attendance and Members for their participation.

12.31 p.m.

Papurau i'w nodi
Papers to note

[251] **William Powell:** We now need to move to item 5, to note the papers, including the letter from the Minister for Natural Resources and Food. I see that you are happy to do that.

Cynnig o dan Reol Sefydlog Rhif 17.42(vi) i Benderfynu Gwahardd y Cyhoedd
o'r Cyfarfod
Motion under Standing Order No. 17.42(vi) to Exclude the Public from the
Meeting

[252] **William Powell:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 17.42(vi).

[253] I see that there is no objection.

Derbyniwyd y cynnig.
Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 12.31 p.m.
The public part of the meeting ended at 12.31 p.m.