



The UK quota system

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Take home messages

- 1. Catch limits (TACs) are a conservation tool.** They are set by the EU ~following scientific advice - EU responsibility
- 2. Quotas (FQAs) are an economic tool,** following theory of market-based 'efficiency' - Member state responsibility
- 3. Quota allocation can have negative social outcomes** - opportunity and need for change.....

Presentation structure

1. EU (TACs)
2. UK (Quota / FQAs)
3. Issues with rights based management
4. Conclusions
5. The future

EU Common Fisheries Policy (CFP)

- Formally created in 1983
- “Common pond” - *reciprocal access rights* based on historic track records
- Member States catches limited under *relative stability**

*One of the oldest elements of the CFP - first raised 1975 (NEAFC) and first applied in CFP (1983).

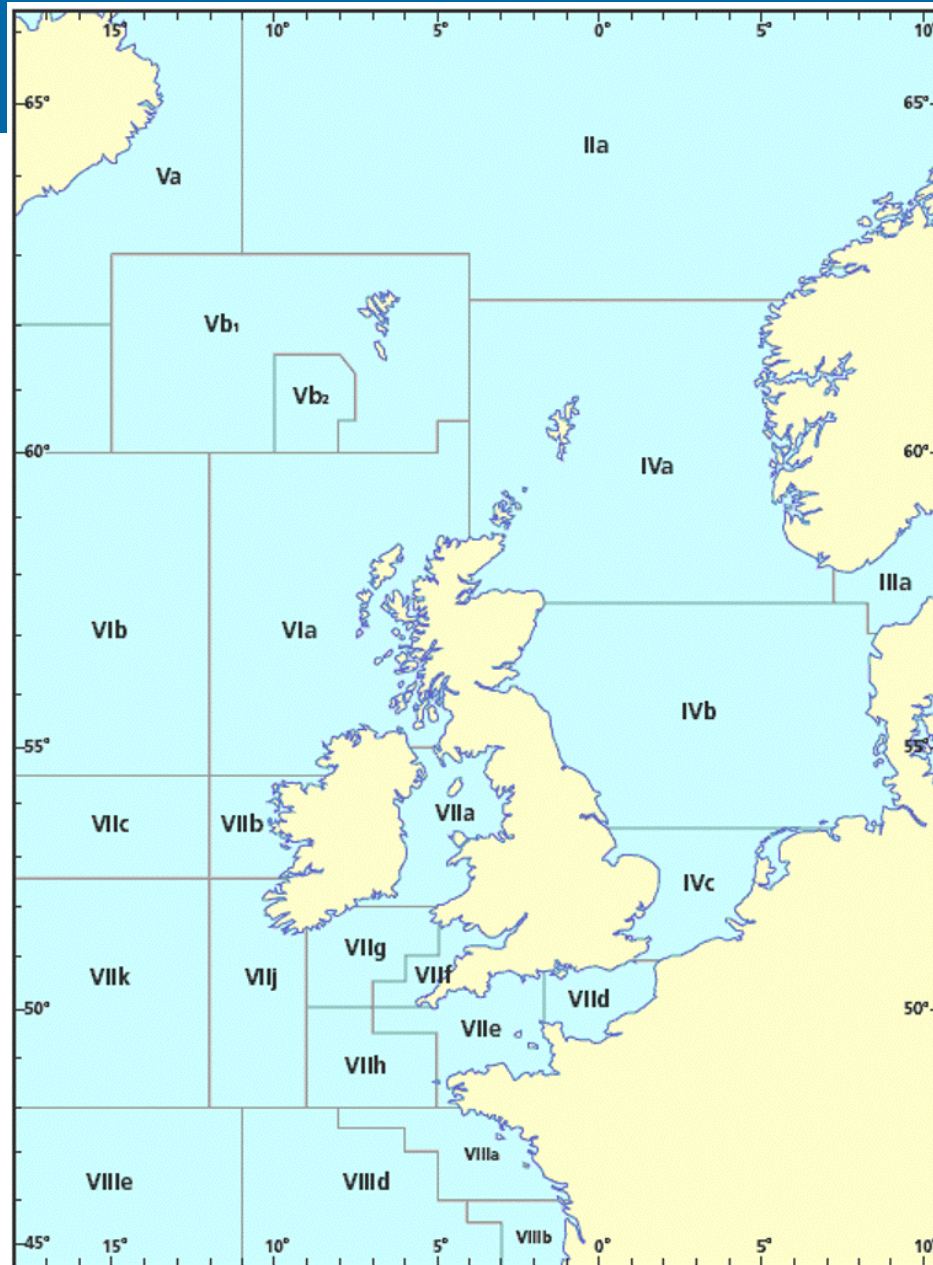
Relative Stability

- Aims to prevent repeated arguments year-year
- **Total Allowable Catches (TACs)** for each stock shared **according to a fixed allocation, based on Member States' historic catches.**
- Key criteria:
 - catches during the reference period (1973-78)
 - preferences for certain fleets
 - compensation for losses in third country waters.
- Encourages short-termism and Natl. focus

TACs and quotas in the CFP

- TACs are **catch limits (tonnes)** set for most commercial fish stocks.
- **Set annually for most stocks**
- Commission proposals based on scientific advice from **ICES** and **STECF**.
- Determined by Council of Fisheries Ministers (at December Council)
- TACs also agreed for shared stocks with non-EU countries, e.g. EU-Norway

TAC / quota areas



TAC / quota species (2015)



Politics vs Science

- **Difficulties – mixed fisheries – setting a TAC is hard / complex science / complex politics**
- *“Sometimes scientific advice on how much of a certain species should be caught is followed to the letter, but it is not unusual for ministers to agree on levels which are very different from the European Commission’s initial proposals.”*

<http://www.gov.scot/Topics/marine/Sea-Fisheries/19213/TAC>

Politics vs Science (2)

- TACs still being set above scientific advice

NEF *Landing the blame* reports for 2015

<http://www.neweconomics.org/publications/entry/landing-the-blame>

BALTIC SEA OVERFISHING: WHO'S TO BLAME?

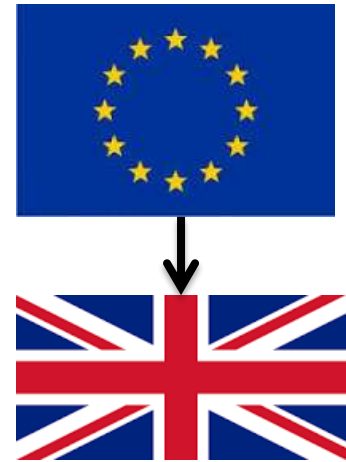
Country	Minister	Quota set above scientific advice
 Poland	 Mr Marek Sawicki @SAWICKIMAREK	10,838 TONNES
 Denmark	 Mr Dan Jørgensen @DANJØRGENSEN	9,727 TONNES
 Sweden	 Mr Sven-Erik Bucht	8,976 TONNES
 Germany	 Mr Robert Kloos	4,444 TONNES
 Latvia	 Mr Jānis Dūklavs @JANISDUKLAVS	4,097 TONNES

DEEP SEA OVERFISHING: WHO'S TO BLAME?

	Country	Minister/Representative	Quota set above scientific advice
1st	 Spain	 Ms Isabel Garcia Tejerina	1,405 TONNES
2nd	 Portugal	 Mr Manuel Pinto De Abreu	1,054 TONNES
3rd	 France	 Mr Alain Vidalies	700 TONNES
4th	 Denmark	 Mr Ole Toft	412 TONNES
5th	 Poland	 Mr Marek Sawicki	291 TONNES

TACs and Quotas

- Each member state gets fixed percentage of TAC (t - RS) for each stock
- ..then distributes to its fishing businesses using its own domestic rules.
- CFP reform: Article 17 of the CFP*
 - EU countries have to use transparent and objective criteria when they distribute the national quota
 - No Member State is doing this yet....



How quota is allocated in the UK



- **Divides across UK fleet using fixed quota allocations (FQAs)**
- ...a form of **rights-based management (RBM)**
- ...RBM schemes define the right(s) to use fisheries resources, assign a value, and can (often) be traded.
- The trade in fishing rights was first addressed in the Common Fisheries Policy (CFP) in 2002.

Property rights (RBM) in fisheries

- Fishermen allocated individual quotas
- Can trade freely with other fishermen (ITQs / TFCs)
- ...advocates say property rights will: *improve efficiency*, increase profitability, and lead to sustainable harvesting of marine resources.

BUT.....

- Based on theoretical precepts
- Ignores complexity (property rights embedded in social, legal and political systems).

RBM outcomes

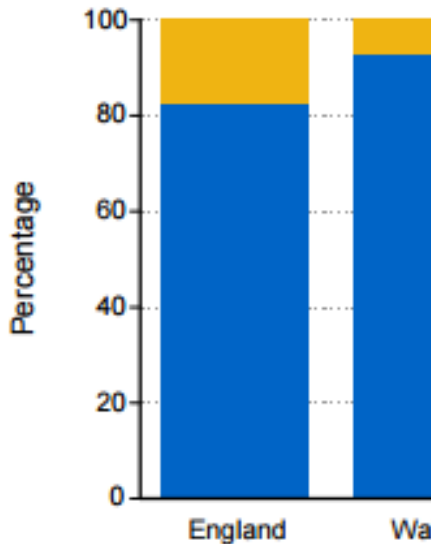
- *Uneconomical* fishermen sell their quota
- *Economically efficient* fishermen / companies / others buy additional quota
- Long term *quota concentration*
- *'slipper skippers'*
- Impact on fishing communities / jobs
- Privatization means its no longer the state capturing the resource rent.

Problems with property rights in fisheries

...can limit the management powers of government:

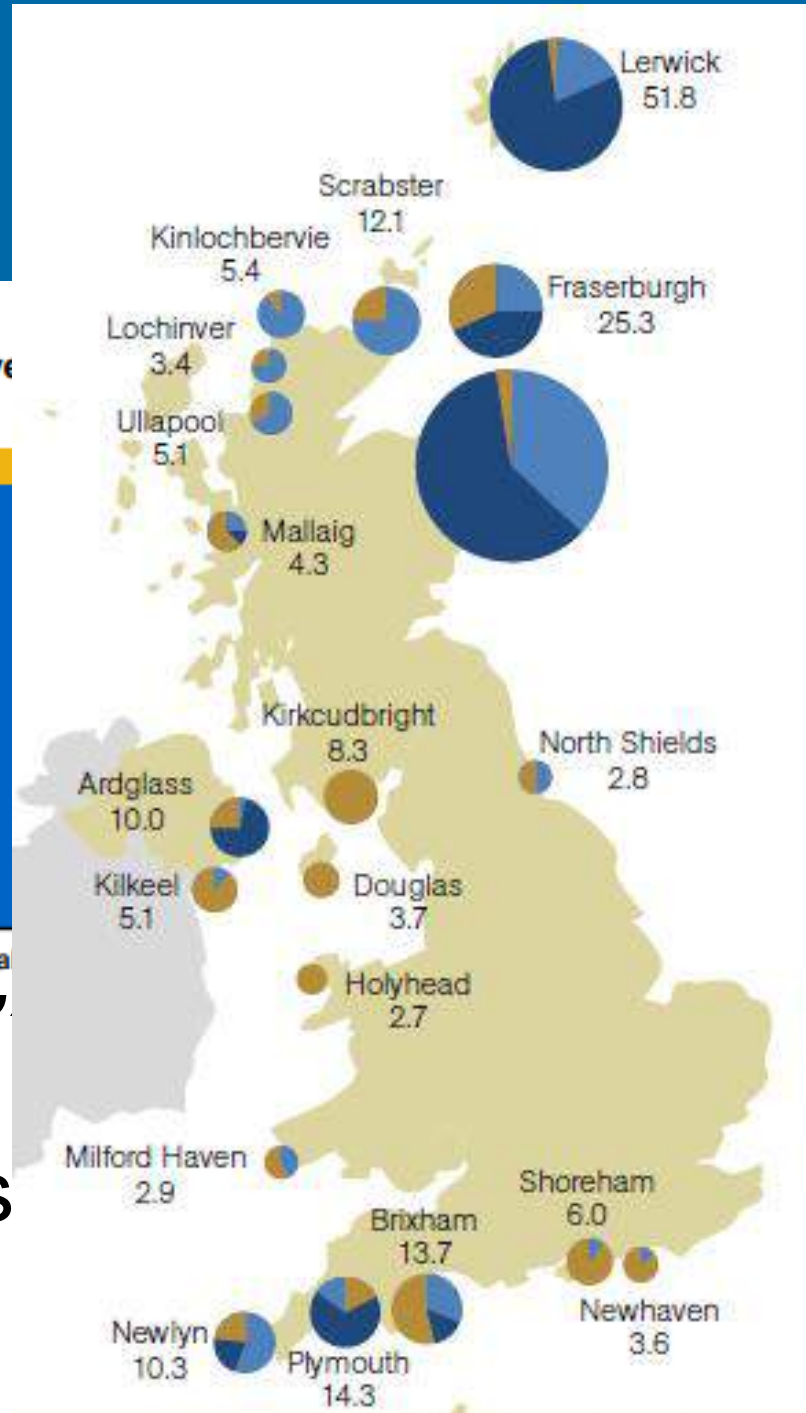
- Property rights subject to existing legal frameworks (e.g. human rights law).
- Adaptability to environmental, social and economic shocks is needed for social / ecological resilience - *legal lock-in* can cause serious problems.

Chart 2.3: Percentage of value

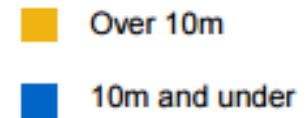


for approx
value.

- Landings in Scotland



country: 2013



value by

ce of



UK fisheries (2)

Fishing businesses in the UK:

- Under ten metre vessels (<10s / inshore fleet)
- ‘The sector’ - vessels that joined a PO* and have their quota pooled and managed by the PO (mainly >10m)
- ‘Non-sector’ who remained outside the PO system

Producer Organisations* (POs) in the UK

- There are 23 Fish POs in the UK
- Help market their members' catch
- Manage / trade fish quotas
- “Dummy licences” for FQAs not attached to a vessel (*i.e. quota which has been bought*).
- Lobby government (UK and EU) on behalf of their members.
- POs account for only a small proportion (~16%) of the UK fleet
- Major voice in management decisions.

PO's and the origin of the UK transferable quota system

- After entry to CFP – Shetland PO asked if they could manage their FQAs locally.
- Idea spread: POs manage their members quotas
- Since 1985 the % of UK TAC managed by POs has been increasing
- Until 1996 FQAs non transferrable - after that an informal market was established.
- Fishermen can now 'shop around' for best quota management regime
- **By 2015 ~96% (of FQAs) or 98.55% (by tonnage) under PO control.** [from Defra quota allocation 2015 spreadsheet]

FQAs and track records

- FQAs based on **historical catch records** and UK **historic vessel landings data** (1994–1996) mainly held by members of **the sector** (legal obligation).
- **Under 10m vessels had no track record** (*as not obliged to keep log books*) and have as a result lost access to their right to fish for quota species...
- **‘Track record’** method of originally allocating FQA units gifted quota to **the sector**

Quota in court:

UKAFPO v Secretary of State for the Environment Food and Rural Affairs [2013]

- ❑ Fish = public resource ('nobody owns the fish in the sea')
- ❑ Quota = possession once allocated (human rights legislation)*
- ❑ ...*unused* - NO value – NO compensation
- ❑ Realignment of £4 mio of *unused quota*
- ❑ Compensation may be due for quota which was *historically used* if reallocated.

Other points of note - Cranston [2013]

- FQA entitlement is not fixed as can be traded
- HMRC recognises them for tax purposes “capital asset”
- FQAs as security for bank finance i.e. banks accept quota as collateral for loans.
- Shortly after FQAs introduced, quota and vessel licences were valued at over £1 billion.
- Compensation payments could be huge.



Department
for Environment
Food & Rural Affairs



Llywodraeth Cymru
Welsh Government



Department of
Agriculture and
Rural Development
www.dardni.gov.uk
AG BORD
Talmhaíochta agus
Forbartha Tuaithe
MINISTRE O
Fairsins an
Kintra Fódéirín



The Scottish
Government
Riaghaltas na h-Alba

Welcome

FQA Register

The FQA (Fixed Quota Allocation) Register is a list of fishing vessel licence and entitlement holders who hold FQA units. Details are given of the FQA units attributable to each licence and entitlement including for the latter those held on Producer Organisation (PO) "dummy licences" together with the source of such units.

In line with the arrangements outlined in the Fisheries Concordat signed by UK Ministers in May 2012, fish quotas that the UK receives from EU are apportioned to each of the four Fisheries Administrations (FAs) by the UK Government on the basis of the FQA units associated with those licences administered by each FA. Each FA then has discretion as to how to allocate its share of the UK quotas.

What are FQAs?

FQA units are the main means by which fishing quota are apportioned and allocated amongst the UK industry. EU countries receive a share of the Total Allowable Catch (TAC) for each quota stock, and within the UK these are largely distributed by reference to FQA holdings.

Each FQA gives the holder access to a share of the quota for that fishing stock, following various adjustments applied

Who owns quota?

- Still unclear who is the "ultimate controlling party" for much of the UK's FQAs is
- Opportunity for middlemen to hold quota as capital with the aim of financial accumulation / speculation.
- *The extent of this is currently unknown.*

Positive aspects of the UK quota system

- PO system responsive and works with regulators (MMO, Defra)
- Stability as FQAs same year on year – allows for long term planning and investment
- Regional aspects and local knowledge can be considered a major benefit in some cases e.g. Fife PO / Shetland PO

Negative aspects of the UK's quota system (1)

- A matter of principle: public compensation *at full market value*
- ...the basis of a short track record* is a problem for non-sector and inshore fleet (majority of active fishers)
- UK legislation didn't have power to dispose of quota as a 'property right' - legal confusion

Negative aspects of the UKs quota system (2)

- Impacts of quota concentration on active fishers and communities
- Not a conservation tool
- Barrier to entry (renting / leasing quota)
 - No incentive
 - Lack of certainty (duration?)

Conclusions

- UK FQAs - significant legal / economic consequences
- Legal property frameworks mean disputes are raised and resolved in court*
- A property-rights based system dramatically decreases adaptive management capacity
- Legal issues are rarely considered in economic theory that drives market-based fisheries management.

Opportunity for change



Reformed CFP: Article 17

Transparent, Objective criteria
Economic, Social, Environmental
Selective gear
Reduced environmental impact

When allocating the fishing opportunities available to them as referred to in Article 16, member states shall use transparent and objective criteria including those of an environmental, social and economic nature. The criteria to be used may include, inter alia, the impact of fishing on the environment, the history of compliance, the contribution to the local economy and historical catch levels. Within the fishing opportunities allocated to them, member states shall endeavour to provide incentives to fishing vessels deploying selective fishing gear and using fishing techniques with reduced environmental impact, such as reduced energy consumption or habitat damage.”

Criteria	Measure
Gross profits	£/kg of bass landed
Direct employment	jobs/kg of bass landed
Economic value chain	price/kg of bass landed
Greenhouse gas emissions	kgs of CO2/kg of bass landed
Bass discards	kgs of bass/kg of bass landed
Other discards	kgs of discards/kg of bass landed
Damage to spawning stock	kgs of future bass/kg of bass landed
Bycatch	descriptive
Fleet dependency	percentage
Port dependency	percentage
Subsidies	£/kg of bass landed
Ecosystem damage	descriptive
Ghost fishing	descriptive

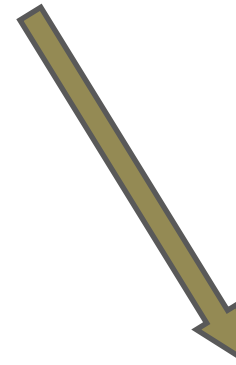
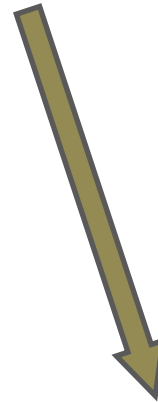
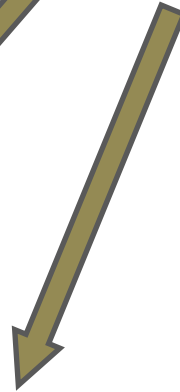
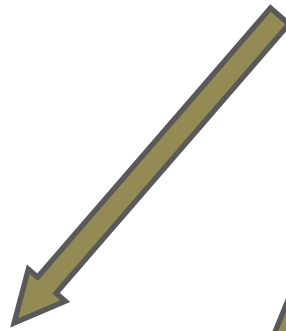
Quota allocation



Historic share



Quota to allocate



Minimise fuel use
(l/kg)

Maximise jobs
(jobs/kg)

Maximise profit
(profit-subsidies/kg)

Minimise effort
(KW/kg)

What are the impacts of quota reallocation?

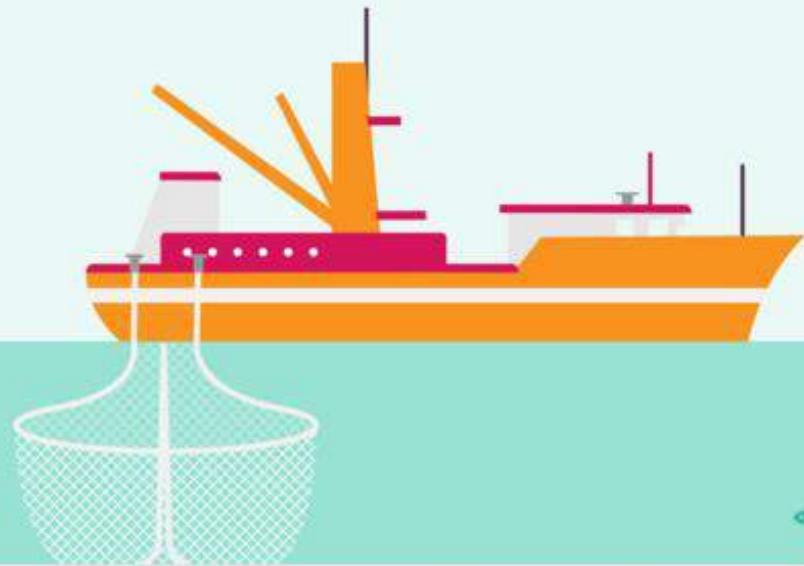
www.fisheriesmodel.org

Bio-Economic Model of European Fleets

A bio-economic model of fish stock restoration in Europe.
Explore the socio-economic impacts across fleets and countries.

Tour

Skip



Quota Reallocation



- ***‘...manifesto commitment ...vessels will receive more than 1,000 tonnes of uplift to support smaller scale fishermen as they adapt to the discard ban.’***
<https://www.gov.uk/government/news/uk-fishermen-see-next-phase-of-the-discard-ban-take-effect>
- ***‘..increased quotas... In line with a manifesto commitment to support smaller fishing communities, the Government will be allocating the first 100 tonnes of any additional quota received—and 10% of anything more we receive on top of this 100 tonnes—to the English inshore fleet.’***

Any questions?



References

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- Abdicating Responsibility: The Deceits of Fisheries Policy. Bromley, D. W. (2009). Fisheries, vol 34 no 6, June 2009 www.fisheries.org
- MSEP Facts and figures on capture fisheries <http://www.mseproject.net/capture-fisheries>
- European Commission
http://ec.europa.eu/fisheries/cfp/fishing_rules/tacs/index_en.htm
http://ec.europa.eu/fisheries/documentation/publications/cfp_brochure/how-we-manage-our-fisheries_en.pdf
- Defra / MMO <https://www.gov.uk/government/publications/allocation-of-additional-quota-in-england/allocation-of-additional-quota-in-england>
- Fixed Quota Allocation Units (FQAs)
<https://www.gov.uk/government/publications/fixed-quota-allocation-units>
- FQA register <https://www.fqaregister.service.gov.uk/>
- World Ocean Review on fisheries management
<http://worldoceanreview.com/en/wor-1/fisheries/fisheries-management/>

DETAIL: What are FQAs?

- Each FQA = part of the quota for that stock
- The value cannot be determined as it depends on the amount of TAC allocated
- FAs adjusted - quota pool is made available - divided into FQAs.
- Originally allocated to the sector based on vessels share of landings (1994-1996).
- The number of FQAs did not change unless fishermen traded FQAs
- FQA entitlement is not fixed as can be traded.

Cranston [2013] ruling paragraph:

- *“113. And the reality of the situation is that, albeit built very much of sand, there is a trade in fixed quota allocation units. As seen earlier in the judgment this has attracted official recognition time and again. Units are not only traded but also used as security for bank finance. Valuers place a figure on them even if the methodology is relatively opaque. The tax authorities have seized upon the economic reality to treat them as a capital asset where disposal is capable of generating a capital gain. To use the language in Nicholds, fixed quota allocation units have a monetary value and can be marketed for consideration. In my view fixed allocation quota units are possessions falling within Article 1, Protocol 1 of the Convention and article 17 of the Charter.”*