

Reform of the EU Common Fisheries Policy

Briefing on TFCs

Introduction

1. Overview
2. What are Transferable Fishing Concessions (TFCs)?
3. Why TFCs?
4. Designing the TFC management - allocating shares
5. Designing the TFC management - preferential allocations, restrictions and exceptions
6. Current use of TFCs
7. TFCs - some concerns?

Introduction

The Common Fisheries Policy, Europe's fisheries policy management tool since 1983, is up for review for the first time in 10 years.

This year, for the first time, the European Parliament under the codecision procedure has a crucial role to play in reforming the policy.

This briefing provides more specific information about one of the key issues of this CFP reform, Transferable Fishing Concessions (TFCs).

1. Overview

Transferable Fishing Concessions (TFCs) are an important element of the Commission's proposal. The idea behind them is to deal with the existing overcapacity in the European fisheries sector without having taxpayers pay for vessel scrapping. This briefing examines the variety of TFCs in existence today in Europe and considers many of the questions that have been raised in the reform debate, including the operation of safeguards.

2. What are Transferable Fishing Concessions (TFCs)?

In a TFC system, fishing opportunities are allocated as a certain share of a Member State quota to the individual fisherman or group of fishermen. Each quota year the recipient will get an amount of fish in tonnes based on his share of the total Member State quota available for the year.

The fisherman may transfer his entitlement in two ways:

1. He may sell or buy shares: a permanent measure. This is normally done in the context of a structural adaptation, for example the merging of the quota of two vessels to one, accompanied by the scrapping of one of the vessels.
2. He may lease in or lease out kilos of fish within the quota year: a measure that affects allocation for the given quota year. This to cover unforeseen imbalances between quotas and catches or perhaps to change pattern midyear.

TFCs are sometimes referred to as ITQs (Individual Transferable Quotas); IVQs (Individual Vessel quotas) or CFQ (Community Fishing Quotas). Each of these systems can be designed in a number of ways.

3. Why TFCs?

Owning a share of the Member State quota will allow the fisherman to plan his fishery for the whole year and to obtain a degree of certainty regarding his allocation for future years. This allows him or her the possibility to fish according to market demand and fish availability, thus improving his economy

TFCs mean that if a fisher catches fish of stock of which he has no quota, before landing it he can lease quota of this fish from another fisherman. Allowing the fisher to transfer his entitlement will enable him to match quotas with catches on a daily basis thus improving earning and reducing discards due to lack of quota.

4. Designing the TFC management - allocating shares

Two major factors determine the shape of the TFC system:

1. The method used to allocate the concession
2. The fisherman's use of the concession

There are several different criteria that may be used when allocating TFCs. Some examples include taking into account vessels' physical criteria (length or type of gear) or vessels' historical catches. It is also possible to auction the shares.

5. Designing the TFC management - preferential allocations, restrictions and exceptions

In addition to the principal allocation mechanism, preferential allocations may be made to prioritize sectors. This may include small scale fishermen, fishery dependent areas or vessels using certain gear types.

Rules governing use may be put into place. Rules may, for example:

- Limit the transferability of rights
- Limit the concentration of rights
- Restrict transfers of rights within given fleet segments (i.e. non-transfer of quota from the small scale fleet to the large scale fleet)
- Limit rights to active fishermen only
- Introduce revocation clauses
- Introduce priority quota allocation to small scale, young fishermen, regions etc
- Apply local landing requirements

Each TFC system may be designed to achieve a balance of safeguards most relevant to the specific situation of the fleet. Recognising this, the Commission's proposal delegates the design of the TFC system to the Member State/regional level.

Furthermore, the proposal differentiates between the industrial and small scale fleet. The Commission's proposal provides for the use of transferable fishing concessions from 2013 for:

- All fishing vessels over 12 metres
- Fishing vessels under 12 metres fishing with towed gear

This means that most of the EU fleet, which is small scale, would not be covered by the Commission's proposal.

6. Current use of TFCs

TFCs are already extensively used throughout the EU in different forms for all or part of the fleets. Countries using and benefiting from TFCs include Denmark, Estonia, Finland, Germany, Italy, Latvia, Lithuania, Malta, the Netherlands, Poland, Portugal, Sweden and the UK.

Outside the EU, many fishing nations use TFCs, including Norway, Iceland, New Zealand and the USA among others.

7. TFCs - some concerns?

Discussions of TFCs often reveal differences of opinion. TFC systems can deliver positive results in reducing fleet overcapacity. Poorly designed systems may however result in unwanted consequences. It is clear that in designing a TFC system care must be taken to assess the priorities for a given fishery.

A guide for fishers and managers on TFCs, a check list for introducing TFC's and concrete examples may be found here: http://www.fvm.dk/transferable_catch_shares.aspx?ID=42785

➤ “What is overcapacity?”

TFCs are the main tool that the Commission proposes to deal with overcapacity of the European fleet. Overcapacity is a known phenomenon, with Beddington stating that “Overcapacity (...) is the most immediate pressure on fisheries and plays a key role in driving overexploitation” (Beddington et al, 2007). While the Commission is still unable to provide a definition of overcapacity, fleets with overcapacity are known to result in:

- the poor state of stocks due to too high fishing effort and discards of less valuable fish
- the poor profitability due to too little resource per boat
- the poor state of the marine ecosystem due to excess fishing effort
- pressure for public subsidies

Addressing overcapacity through a TFC system has several benefits, including economic - the Danish University (Food Economic Institute) noted for example an increase in fisheries gross revenue of 80 million EUR per year as a result of the reduction of overcapacity through TFC management.¹

➤ “Dealing with overcapacity - public or private funds?”

There are two ways which with to deal with fleet overcapacity. The buyback can be paid for by the taxpayers, or it can be secured by the fishermen through a TFC mechanism

1. The current CFP focuses on measures coming from the public purse. The European Court of Auditors recently published Special Report 12, entitled 'Have EU measures contributed to adapting the capacity of the fishing fleets to available fishing opportunities?'. The results are damning, and state that 'although the reduction of fishing overcapacity has been a recurrent theme in previous reforms of the CFP, current measures [of which vessel scrapping is the main tool] have failed'. Since 1994, the EU has attempted to correct the overcapacity in the fleet by providing compensation for decommissioning vessels (“scrapping subsidies”). Despite spending

¹ For more information, see http://www.fvm.dk/transferable_catch_shares.aspx?ID=42785

over €2.73bn on decommissioning, fishing capacity has continued to increase by about 3% per year.

2. The ECA report also encouraged the Commission to investigate the potential role of TFCs in reducing fleet overcapacity. It gave the example of Denmark, a country that used extensive scrapping schemes from 1986 to 2006. Over 20 years of public funding resulted in a continued overcapacity of an estimated 25%. Two years after the introduction of TFCs the capacity was in balance. Denmark has never since used public money for capacity adaptation.

➤ “TFCs and discards”

Often fish are discarded because the fishermen do not have the quota to land them. The benefit of TFCs is that fishermen are able to match quotas with catches; it is possible to lease quota whilst at sea and even after catches are landed. An example is the Danish fish pools, managed by fishermen and representing approximately 80% of catches. The Danish authorities ensure quota compliance for the pool as such and do not interfere with leasing or swapping of quotas between vessels within the pool.

TFCs give fishermen the option of not discarding. However, it is still possible that they may find economic advantages in discarding as they might land and count against their quota only the most valuable fish. To avoid this, a shift to a catch quota system with full documentation will ensure that fishermen have the incentive to land all catches.

➤ “Non-fishermen owning quotas ('Slipper skippers')”

The UK House of Commons raised the question of slipper skippers, referencing football clubs owning quota. While there was no concrete evidence of this particular instance, it is true that slipper skippers can be a concern. The rate of return in some fisheries for leasing quota is high - around 15%.

However a TFC system does not inherently facilitate this; slipper skippers would be a result merely of poor design. Moreover, it is a Member State competence to regulate the ownership of fishing quotas. Several Member States have legislation ensuring that the quotas accrue to active fishermen.

➤ “TFCs lead to concentration”

Quota control or ownership may be concentrated even where TFCs are not in place. Eliminating overcapacity will inherently result in concentration of sorts, with fewer vessels and more fish for the individual vessel. Again, the quota balance between large and small vessels and permitted concentration levels are a matter of designing the TFC system.

High concentration occurs in Danish pelagic fisheries <http://cfp-reformwatch.eu/2011/09/good-times-for-danish-quota-barons/>. This is a result of the design for this fishery, where rational catches of low value species, often in distant waters, require large vessels and efficient fishery. At the same time

however the Danish TFC system allocates small scale fisheries a preferential status in coastal demersal fisheries, giving even small vessels a competitive stand.

References

Beddington et al.2007

Squires D. 2010. Fisheries buybacks: a review and guidelines. Fish and Fisheries 11: 366-387.