Outcome Report

Consultation on proposals to amend the economic link licence condition

September 2022

Scottish Government
Riaghaltas na h-Alba
gov.scot

Outcome Report

Consultation on proposals to amend the economic link licence condition

Contents

1. Introduction

On 30 August 2017, the Scottish Government issued a public consultation seeking views on proposed amendments to the economic link licence condition contained in all Scottish over 10 metre vessel sea fisheries licences.[1] The consultation closed on 31 October 2017.

Publishing a report on the outcome of the consultation was delayed due to pressure on Scottish Government time and resources as officials were required to prepare for and adapt to the UK's departure from the EU which included undertaking a lengthy and complex process of reviewing and incorporating certain parts of the Common Fisheries Policy into domestic legislation, and dealing with the COVID-19 pandemic. This report summarises the responses to the 2017 consultation and provides an analysis of the 154 written responses. It sets out the changes to economic link provisions that will be put into effect in light of the responses to the consultation, subsequent, more recent, discussions with those in the fishing industry and related sectors, associated impact assessments, and other available evidence. The changes to economic link licence provisions will take effect from 1 January 2023.

1.1 Background

Currently, Scottish vessels landing more than 2 tonnes of species subject to total allowable catch (TACs) are required to demonstrate a real economic link to the United Kingdom in one of the following ways:

- by landing 50% of quota stocks caught in any calendar year into UK ports ("the landings target");
- by employing crew 50% of whom normally reside in the UK;
- by incurring 50% of operating expenditure in the UK; or
- if a licence holder fails to meets any of these options, or a combination thereof, they are required to provide quota to their relevant authority – so called "Gifted Quota".

In the 2017 consultation, the Scottish Government proposed to make the following amendments to the economic link licence condition:

- remove the options for demonstrating compliance through crewing and operating expenditure;
- change the landings target so that landings must be made into Scotland rather than into the UK;
- increase the landings target to 55% of all quota species caught, with transitional arrangements proposed for pelagic species so that for pelagic

[1] Consultation on a proposal to amend the economic link licence condition - Scottish Government - Citizen Space

species, there would be an initial landings target of 30% in 2018, 40% in 2019 and then 55% by 2020; and,

- continue to offer the option of gifting quota as an alternative to meeting the landings target but having adjusted the formula used to estimate a suitable quota gift to better reflect the Gross Value Added (GVA) from fishing.

1.2 Summary of Next Steps

In summary, the Scottish Government will introduce the following amendments to economic link arrangements from 1 January 2023:

- landings into Scotland will form the main basis for compliance with the economic link licence condition;

- the options for demonstrating compliance through crewing and/or operating expenditure will no longer be available;

- the option to gift quota in lieu of landings into Scotland will continue with the formula used to estimate a suitable quota gift amended to better reflect the GVA from fishing;

- the minimum level for qualifying for economic link criteria will increase from landings of two tonnes to landings of 10 tonnes;

- the required rate to satisfy the landings target will increase from 50% to 55% for demersal and shellfish stocks covered by the provision;

- the landings target rate for pelagic species will be phased in and increased to 55% over a three year period. This will see the introduction of the following landings targets for pelagic species:

    - 30% landings in 2023
    - 40% landings in 2024
    - 55% landings in 2025

- the landings target will only cover the eight most important species, by landed value, into Scotland. These are – herring, mackerel, *Nephrops*, haddock, monkfish, cod, hake and whiting ("the 8 key species") which account for 90% of the value of total landings by Scottish vessels of TAC stocks.

The policy will be kept under review and may be amended if required.

2. Overview of responses and cross-cutting themes

In this section we provide an overview of responses and a summary of key themes raised, particularly where these themes were present across the four questions posed.

In section 3, we go on to explore responses to questions in more depth and set out the Scottish Government's proposed Next Steps.

2.1 Overview of responses

Overview

- 154 responses were received in total, 107 individual responses and 47 responses on behalf of organisations.
- This included 63 respondents who listed themselves as individual fishermen.
- We identified that many of those who identified themselves as individual fishermen operated on pelagic vessels (45 responses).
- Organisations that responded included: fish processors; representative organisations; Producer Organisations[2]; businesses related to the fishing industry and local authorities.

Analysis of respondents

In replying to the consultation, respondents were invited to provide details of their interest in the subject matter.

At the highest level, respondents were asked if they were replying as an individual or on behalf of an organisation.

If a respondent confirmed that they were responding as an individual, they were given three further sub-choices to describe which best reflected their interest in the consultation. These were:

I. Fisherman
II. Other, related to fishing industry
III. Other, non-related to fishing industry

Some individual responses did not provide an answer to which of the three sub-categories best aligned with their position – they left this option blank.

If a respondent confirmed that they were responding on behalf of an organisation they had the following options:

I. Producer Organisation
II. Fish Processing sector

[2] Producer Organisations are officially recognised bodies set up at the initiative of fishery (or aquaculture) producers. They play an essential role in reducing the fragmentation of the fisheries sector, collectively managing the activities of their members, promoting sustainable fishing, and matching supplies with market demands.

III. Local Authority
IV. Fish Seller /Vessel Agent
V. Representative Organisation
VI. Onshore sector general
VII. Port Authority/ Harbour Trust
VIII. Other

This information assisted us in analysing responses to the consultation and we have sought to align our analysis along interest group lines.

Due to information within responses, we were able to identify the views of fishers associated with the pelagic fleet (referred to as: Individual fisherman (identified as pelagic) and have sought to differentiate between this category of fishers and fishers more generally (referred to as: Fishermen (not identified as pelagic). Five respondents stated that they were answering on behalf of a pelagic fishing vessel (all of which appear to be on behalf of the same vessel) these responses have been included as individual fishermen.

Responses were received from Producer Organisations in both Scotland and England. A response on behalf of the Scottish Association of Fish Producer Organisations was submitted and the United Kingdom Association of Fish Producer Organisations.

A profile of the respondents to the consultation is contained in Annex 2 and a list of the organisations who responded to the consultation and consented to the publication of their responses, is contained in Annex 3.

2.2 Cross-cutting themes

Many responses raised the following key themes in their response. We summarise these, often interrelated, key themes below.

Impact on the pelagic fleet

Pelagic fishers, some Producer Organisations and fish agents took the view that changes to the economic link licence condition were intended to subsidise the processing sector at the expense of the pelagic fleet. There were recurrent concerns that if pelagic vessel owners were to shift their landings to Scotland from elsewhere in order to comply with the proposed new economic link licence condition, they could suffer financial loss as prices tend to be less competitive in Scotland than in other countries and the change could result in result in processors offering lower prices. Concerns were expressed that the anticipated financial loss could be such that it would impact their viability.

Scottish pelagic processing

Many opponents, including pelagic fishers and some Producer Organisations claimed there is insufficient pelagic processing capacity, cold storage and freezing facilities in Scotland to facilitate increased landings of pelagic stocks.

Some cited a report by Poseidon Aquatic Resource Management Ltd which was commissioned by two Scottish Producer Organisations to consider the impacts of a landings target on the pelagic sector (the Poseidon Report). The report, which focused only on the landings target without acknowledging the option of meeting the proposed new economic link licence condition through quota gifting, suggested alternative approaches to achieving increased landings into Scottish ports. [3]

Concerns were expressed about a lack of capacity to deal with increased landings of certain species such as blue whiting for which there is little processing capacity or internal markets.

Others took the opposite view, with some setting out that pelagic processing in Scotland has suffered from pelagic fish being landed abroad in recent years.

They welcomed the changes, arguing this would provide new opportunities for processors and enable them to plan more effectively; give a sound platform for investment, stimulate confidence in the sector and redressing the balance between fishermen and the onshore sector.

Some wanted the Government to go further, and faster, with a landings target of 55% to be implemented straight away and additional, specific targets for high value pelagic species such as mackerel. It was considered that this would avoid redundancies in the processing sector and the consequential damage this would cause to coastal communities.

Economic impacts – local fishing communities

Processors, some representative organisations, most local authorities, a Producer Organisation and some fishermen considered that landings were the most important factor for distributing the economic benefits from Scottish fish stocks to local fishing communities. Increased landings would provide downstream, socio-economic benefits for processors, the wider onshore sector (such as haulage), coastal communities and Scotland's economy as a whole.

To realise these benefits, increased landings of the most valuable species was needed. Other countries with high domestic landings were mentioned and described as providing a good model of how Scotland could benefit economically from higher domestic landings.

In contrast, opponents considered that the changes to economic link provisions would have a net negative impact on the Scottish pelagic catching industry with negative consequences on associated communities. It was felt there was no guarantee that it would result in greater economic activity overall with some citing the Poseidon Report to support this view.

[3] Assessing the impact of the Scottish Landings Target and possible alternatives, 2017, Poseidon Aquatic Resource Management. Available here: [Response 315162220 to Consultation on a proposal to amend the economic link licence condition - Scottish Government - Citizen Space]

Impact on the demersal and shellfish sector

There were concerns that the proposed changes would disadvantage Scottish demersal and shellfish vessels landing in other parts of the UK. It was stated that some of these vessels land their catch into UK ports outside of Scotland and transport it to Scotland for sale and processing with the result that Scotland receives the socio-economic benefits of this catch without it being landed it into Scotland. There were particular concerns by those connected to the plaice fishery for which there is limited Scottish processing capacity and for which key markets are abroad.

EU legislation and UK Fisheries Concordat and UK issues

Pelagic fishermen and some Producer Organisations stated that the proposed changes to the economic link licence condition would be in breach of the 2012 UK Fisheries Concordat.[4] Further, it was stated that the changes would be a quantitative restriction on exports and in breach of Article 35 or Article 1 Regulation EU regulation 2015/470.

3. Analysis of each question and Next Steps

In this section, we go into a more detailed analysis of the responses to each question and then set out arrangements to be introduced. We summarise responses by groupings, seeking to draw out key themes and then provide Next Steps – the changes to be introduced.

The consultation document posed four questions to which respondents were invited to provide a 'yes', 'no' or 'don't know' response. Respondents were then invited to provide reasoning for their answer.

This section should be read alongside Annex 2 which contains quantitative analysis of responses to each question. This is particularly relevant to question 2, where some respondents replied "no" to the question about a proposed 55% landings target but agreed with the principle. In these cases, they disagreed that 55% was the appropriate target, but advocated a higher percentage or one which had an element of 'flexibility'.

Where permission was given published responses can be found on the Scottish Government website: Consultation on a proposal to amend the economic link licence condition - Scottish Government - Citizen Space

3.1 Question 1

Do you agree that landings into Scotland provide the best economic link to Scotland, and that they should form the main basis of the economic link licence condition, and that therefore the present options to demonstrate a link through crewing and/or operating expenditure should be removed?

- 103 respondents disagreed, 49 agreed and 1 answered "don't know".

[4] pb13771-fish-concordat.pdf (publishing.service.gov.uk)

Question 1				
Groups	**Agree**	**Disagree**	**Don't know**	**Not answered**
Individual fisherman (identified as pelagic)	0	45	0	0
Individual fisherman (not identified as pelagic)	8	10	0	0
Individual, related to fishing industry	19	4	0	1
Individual, unrelated to fishing	2	1	0	0
Individual, (interest grouping not specified)	0	17	0	0
Representative organisation	4	5	0	0
Producer Organisation	3	12	0	0
Fish processing sector	7	2	0	0
Local/port authority	4	1	0	0
Fish seller, vessel agent, on-shore sector	2	6	1	0
Total replies	49	103	1	1
Share of total replies	32%	67%	1%	1%
TOTAL	154			

Summary of themes in supportive responses

- Economic benefits for local communities and Scotland from additional landings.
- Enables support of the pelagic processing sector, prevents job losses and secures employment.
- Supports Scotland in becoming a global player in the pelagic fish market.

Summary of themes in opposing responses

- Subsidy for pelagic processors at the expense of the pelagic fleet.
- Insufficient pelagic processing capacity in Scotland.
- Lack of competitiveness of Scottish pelagic processing industry.
- Negative economic impact on local communities
- Non-regulatory approaches preferred to increase landings.
- Negative impact on the demersal and shellfish fleet which lands in the rest of the UK.
- Lack of evidence to justify the changes to the economic link condition.

Views of main respondent groups

Individual Fishermen (identified as pelagic)

All responses identified as belonging to this grouping disagreed. There was a perception that the changes were a subsidy to the processing sector. They were of the view that there was insufficient processing capacity in Scotland, that prices paid would decrease and some stated that Scottish processors would have little incentive to offer a competitive price, if they had increased supply, with resultant lower economic returns for their businesses.

It was stated that the change would have a negative impact on the economic contribution of pelagic fishermen to local fishing communities and the national economy. The reason being that wages of pelagic fishermen were considerably higher than those employed in the processing sector with resultant benefits for their local communities and broader society. The removal of the crewing option may encourage the recruitment of foreign crew.

As an alternative to the proposal, it proposed that processors required to adapt to become more attractive to those landing abroad.

Some fishermen cited the Poseidon Report. This study suggested a number of measures to improve the competitiveness of the processing sector. These included targeted marketing support to enable growth in high value export markets, investment in plant modernisation and support to processors in bidding for fish through the Norwegian auction system.

Fishermen (not identified as pelagic)

Supportive comments included that the changes would result in improved socio-economic benefits for the onshore sector and communities, including securing employment.

Where those opposed elaborated on their opposition, the lack of processing capacity for some species was highlighted along with concerns about a possible decrease in wages received by pelagic crew.

Individuals related to the fishing industry

Many of those who agreed commented that of the options available to meet the economic link licence condition, meeting the landings target generates the most economic benefit to Scotland. The proposed change would ensure that the financial benefits from our fishing quotas (a national asset) would be more widely distributed as it would provide a more secure of supply to sea fish processors and create more employment in this sector.

Themes in opposing responses included: reduced sale prices for pelagic species and concerns over processing capacity as covered above.

Individuals unrelated to the fishing industry

Supporters highlighted the positive economic impact on Scotland as a whole and in particular, the processing industry.

The opposing response stated that the Scottish Government should intervene to make Scottish processors more competitive (such as assistance to modernise and marketing support).

Individuals that did not specify their relationship to the fishing industry

Reponses in this grouping were all opposed but provided no additional reasoning – they did not set out on what basis they opposed the change.

Representative organisations

This grouping was split in their response with four agreeing and five disagreeing. Supportive comments included that it would strengthen the pelagic processing and onshore sector. It was stated that as a result of the change pelagic processors would have access to new markets due to increased supply. Supporters also highlighted the socio-economic benefits that increased processing in Scotland would bring to Scottish fishing communities.

Included in opposing responses were views that: the Scottish Government should not intervene in the practices of individual businesses and that crewing provided a greater benefit than landings.

Producer Organisations

Those who agreed shared the views of most of the processors. They felt that an increased volume of fish landed in Scotland would benefit the pelagic processing sector, allow this sector to plan marketing more effectively and provide a sound platform for investment in the sector. Landings were felt to provide the best support for communities, the onshore sector and the Scottish economy. Other countries with high domestic landings had seen economic benefits as a result and so could Scotland.

POs who supported the change commented that a higher landings target was needed in excess of the proposed 55% and in addition, specific targets were needed for high value species such as mackerel. Such measures would maximise the benefits from Scotland's fishing quotas.

Many of the reasons for disagreement were similar to those put forward by pelagic fishermen with further references to the the Poseidon Report. POs also stated that there was little economic benefit to Scotland for increased landings of certain stocks such as hake and anglerfish which are not processed, or have little market, in Scotland. They suggested that all of the options for complying with the current economic link licence condition should be retained. In support of that suggestion, reference was made to a review of economic link arrangements which took place in 2009 and the benefits derived from quota gifting and crewing criteria discussed therein[5]. Three POs stated that the proposed changes to the economic link licence condition were not in line with UK arrangements and others stated that the changes did not take into account the impact on vessels landing in the rest of the UK.

Some felt that some demersal and shellfish vessels would be unfairly penalised by the changes, which were intended to deal with the problems in the pelagic industry.

[5] A review of the effectiveness of the Economic Link, 2009, Vivid Economics

They felt that the Scottish Government should find a way of increasing landings of pelagic species in a manner which would not affect the remainder of the fishing fleet.

Fish processing sector

Supporters stated that the high level of pelagic landings abroad had adversely impacted the processing sector. An increased volume of fish landed in Scotland would provide more employment in the processing industry, allow processors to plan for markets effectively and provide a basis for future investment, as well as providing greater socio-economic benefit. It was stated that landing targets needed to be established for specific species to maximise the economic benefits from Scottish fishing opportunities, particularly for high value species such as mackerel. It was also felt that landings should be measured by value instead of tonnage for high value species.

Those opposed stated that the change would not result in greater economic benefits for Scotland's pelagic sector or fishing communities. One respondent stated that they sourced shellfish from around the UK and advocated the retention of some flexibility in where landings could be made within the UK. A view was expressed any short term gains might not be sustainable in the long term if the catching sector subsidises the processing sector, as processors were viewed as uncompetitive.

Ports and Local Authorities

Those who agreed provided similar reasons to those expressed by the processing sector including noting the benefits the processing sector will gain from additional landings and, benefits to the onshore sector, communities and the Scottish economy. It was stated that landings returned a greater economic benefit than either crewing or operational expenditure.

The local authority opposed similarly responded in line with wider opponents of the change. Including that processors did not currently have the capacity to deal with the additional product, marketing concerns and that there would be a net negative impact on the Scottish pelagic catching sector.

Fish sellers, Vessel Agents, Onshore Sector

Those who agreed provided similar reasons to processors. The current situation favoured the catching sector and the proposed changes would bring benefit to the processing sector with resultant socio-economic advantages. It was proposed that each high value species (such as mackerel) should have a specific landings target and that the target ought to be based on value not tonnage.

Views from those opposed included that an increase in quota gifting could cause whitefish leasing prices to rise which would have a negative impact on the demersal sector.[6] The reason being that if holders of pelagic fishing licenses were required to

[6] "Leasing" or "swapping" quota is where fishers engage with holders of sea fish quota to obtain that fishing opportunity. There is usually a cost in conducting such exchanges either financially or in alternative fishing opportunity.

lease whitefish quota to repay economic link requirements this could push up prices being paid by other sectors of the fleet.

Others stated that there was little economic benefit to Scotland from stocks (e.g. hake and anglerfish) which are not processed in Scotland, or have no market in Scotland. Another stated that the changes would breach the 2012 UK Fisheries Concordat.

Scottish Government Response

It is clear there is a polarisation of views in the responses to Question 1. Respondents with links to pelagic vessels that landed abroad where overwhelmingly opposed, while those associated with onshore facilities (such as processors) tended to be in favour of the change.

As can be seen above, key objections raised in response to this question included:

I. Direct negative financial impact on the pelagic fleet.
II. Concerns around a lack of capacity and competitiveness of Scottish processors, and perception that this reform effectively subsidises pelagic processors at the expense of the pelagic fleet.
III. Negative economic impact on local communities due to an anticipated reduction in the profits of pelagic vessel owners which could also result in lower wages for the crew on board these vessels.
IV. Negative impact on certain demersal and shellfish vessels which land their catch in ports outside of Scotland but within the UK.
V. More should be done to promote Scottish processors/increase market access to incentivise landings into Scotland.

The Scottish Government has reflected on these objections and responses to these key themes are set out below.

I. Direct negative financial impact on the pelagic fleet

In the Poseidon Report, which was referred to by a number of respondents opposed to the proposed changes to economic link provisions, it was estimated that the proposed changes would reduce the potential revenue of the Scottish pelagic catching sector by £4.1m (based on 2016 data). This potential reduction in revenue was anticipated because pelagic fish generally achieve higher prices in Norway than in Scotland.

In the Poseidon Report the point was made that as vessels differ in the amount of fish they land in Norway, the estimated reduction in revenue of £4.1m will not be evenly spread. For some there may be no cost, while for others switching from 100% Norwegian landings to 55% Scottish landings, the cost could be over £500,000 on average.

It is important to set these figures in context. If Poseidon's estimate of a £4.1 million impact is used, this equates to only a 2% loss on the total catch revenue for the pelagic fishing sector. When taking into account that this loss would not be distributed evenly, this impact would translate into around a 5% loss in revenue to those vessels in the pelagic fishing fleet which currently land into Norway and would need to adjust to become compliant.[7]

Moreover, the pelagic sector enjoys high profit margins and a relatively low headcount compared to other segments of the industry; it is therefore likely to be capable of cushioning this limited financial impact without resorting to cost-cutting or job losses.

Set against this £4.1 million loss, based on the Poseidon Report’s methodology Scottish Government estimates that this reform to economic link provisions could generate c.£35 million of additional revenue for the processing sector, as well as related job creation in Scotland.

II. Concerns around lack of capacity and competitiveness of Scottish processors, and perception that this reform will subsidise pelagic processors at the expense of the pelagic fleet

Lack of processing capacity was a key theme in consultation responses opposed to the change, alongside a perceived lack of competitiveness. It was argued that this would lead to reduced fish prices and lower economic returns for crew and vessels. In particular, there was concern that, unlike the Norwegian pelagic auction which provides payment guarantees to fishermen, Scottish buyers do not offer this financial security. Alongside this was a perception that the change would result in the processing sector being subsidised at the expense of the pelagic fleet.

The question of capacity was rebutted by respondents from the processing sector. Most believed that increased landings would allow them to plan for the future and expand their operations, thereby generating wealth for the Scottish economy. Moreover, they did not share concerns about the perceived lack of capacity to process higher volumes of pelagic catch.

Pelagic processors deal with fluctuations in volume from year-to-year and adapt accordingly. In terms of competitiveness, Scotland’s processors are established players on the international markets and increased landings into Scotland should make them more, not less, competitive. We would expect that pelagic processors will continue to compete directly with each other due to their being volume driven.

In addition, the consultation was clear that any changes to the economic link licence condition would be phased for the pelagic fleet allowing both them and the processing sector time to adapt their operations and processes to these new arrangements. It also proposed quota gifting as an alternative means of meeting the economic link licence condition thereby giving vessel owners the option of continuing their current landing practices.

[7] This is calculated by using Poseidon’s produced appendix, using sales notes prices throughout. It calculates the diverted value (from Norway to Scotland) by taking the diverted landing volume presented and multiplying it by the price fetched in Scotland to sum to a diverted value. For the value affected, these are taken direct from Poseidon, and sum to £77m, hence £4.1m/£77m=5%.

With regards to the question of subsidisation, there is not a question that the proposed new economic link licence condition is a form of subsidy, rather, it is a measure which is being introduced by the Scottish Government to ensure that societal benefits accruing from Scotland's fishing quotas are distributed in an equitable way.

We would highlight the role that POs have in ensuring the smooth operation of vessels. We would expect POs to play a key role in ensuring that landings by their member vessels are managed to maximise benefits given their role in managing the activities of their members and matching supplies with market demands.

III. Negative economic impact on local communities of reduction in revenue to pelagic fleet

Some respondents stated that any cut to the profits in the pelagic sector would flow down to local communities, due to a reduction in spend by the pelagic fleet. Some cited a 2009 report which stated that greater benefit could be accrued from crewing/operational expenditure than landings alone. Pelagic respondents from the catching sector opposed to the change, stated the fishery is crewed almost entirely by individuals domiciled in Scotland who are largely well remunerated and make important contributions to local economies. They expressed the view that introducing measures which could result in a reduction of their profits could result in vessel owners hiring cheaper labour from overseas, thus reducing local benefits.

As noted above, thorough modelling shows that there will be a cost to the pelagic catching sector this is smaller than the expected benefits to the processing sector. Moreover, given the structure of the pelagic fleet, it is not expected that the labour configuration would alter significantly once the new economic link licence condition is in place. Any such impacts to local communities, as set out in the responses from pelagic fishermen discussed above, would be more than offset by increased benefits deriving from growth in the processing sector. Though informative, we do not consider the 2009 review to be applicable in this case. For example, that review focuses on the activity of UK-registered vessels that have foreign owners (UKRFOs) and focuses on the demersal fleet. The review purposefully excludes the Anglo-Dutch pelagic fleet as it noted it would skew the results depending on the compliance option it was attributed to.

IV. Negative impact on the demersal and shellfish fleet who land in the rest of the UK

It was stated by some who answered 'no' to question 1, that vessels landing into the UK but outside of Scotland risked being negatively affected by the change chiefly on the basis that they would become non-compliant through landing into other parts of the UK outside Scotland. Analysis shows that any such impacts would affect a very small share of the fleet. Based on vessel activity for the period 2015-2019, 42 individual vessels would be impacted.[8]

[8] Based on landings of key species (see Scottish Government response to question 3 for further details of key species).

For these 42 vessels there were 79 instances where these vessels landed in excess of two tonnes of the key species in any one year of the five year period for key species. These 42 vessels were made up of *Nephrops*, demersal and scallop vessels. Of these 79 instances, 25 were for landings of less than 10 tonnes of key species.

In addition, though not covered in any particular depth in consultation responses, since 2015 the landings obligation has required vessels to land incidental catches of quota stocks, so vessels not targeting quota stocks but landing incidental by-catch (such as in the scallop fishery) are more likely to be impacted by the change from landings into the UK to Scotland only.[9] Having considered the Scottish Government will amend the qualifying criteria for economic link provisions as set out in the Next Steps section below.

V. More should be done to promote Scottish processors/increase market access to incentivise landings into Scotland

The Scottish Government agrees that promoting Scottish products is important to ensuring the sustainability of the fishing industry. The Scottish Government is already acting to support processors and market growth for Scottish fish.

For example, in 2021-22, we provided £14 million through our Marine Fund Scotland (MFS) to promote innovation in sustainable practices, allowing businesses to explore new markets, and supporting our coastal communities.[10] The MFS for 2022-23 has been updated to align with the Blue Economy Vision and will continue to enable projects aimed at delivering benefits and supporting innovation for the seafood and wider marine sectors. [11] We also worked with the key trade bodies across the wider food and drink sector to develop a COVID-19 Recovery Plan which was announced in November 2020 and have committed £15 million to support the plan through to 2023.[12]

A key element of support provided by the Scottish Government is the funding we deliver to Seafood Scotland, the national trade and marketing body for seafood in Scotland; a body which includes many fishing Producer Organisations.[13]

The importance of this intervention to deliver increased landings of key pelagic species into Scotland to ensure the continuation of supply for processors is highlighted in correspondence to the Cabinet Secretary for Rural Affairs and the Islands, Mairi Gougeon from late August 2022. In this correspondence, the Chair of the Scottish Pelagic Processors Association (a trade association for Scottish pelagic processors) sets out the grave impact of recent energy price increases on the

[9] The landing obligation is a legal requirement which prohibits commercial fishing vessels from returning any quota species of any size to the sea once caught. This includes slipping or discarding the catch. Once caught, all quota species must be landed and counted against quota, unless subject to a high survivability or de minimis exemption.
[10] Marine and fisheries grants - gov.scot (www.gov.scot)
[11] Supporting documents - A Blue Economy Vision for Scotland - gov.scot (www.gov.scot)
[12] Recovery Plan | Scotland Food and Drink
[13] More information on the Seafood Scotland is available here: Welcome to Seafood Scotland | Business Development Service in Scotland

sector.[14] Costs which are causing Scottish processors to become increasingly uncompetitive relative to other European competitors which don't face the same costs. The correspondence calls for the introduction of amended economic link provisions to ensure continuity of supply.

VI. Wish for all UK Fisheries Administrations to have the same arrangements

Some respondents set out a desire for all UK Fisheries Administrations to have the same economic link licence conditions to ensure consistency across administrations. The situation is that each Fisheries Administration can introduce bespoke economic link licence conditions for the vessels they administer. In April 2022, Defra introduced amended economic link licence condition which applies only to English administered vessels.[15] This is in line with the provisions of the Fisheries Act 2020 and is consistent with many aspects of fisheries management – where regulations change between administrations.[16]

Scottish Government – Next Steps arising from Question 1

Following consideration, the Scottish Government will proceed to implement changes associated with Question 1.

From 1 January 2023, the basis for the economic link licence condition will be amended so that:

- Landings into Scotland will be the basis for compliance with the landings target.
- The present options for demonstrating compliance through crewing/operating expenditure will no longer be available.
- The minimum level for qualifying for economic link criteria will increase from two to 10 tonnes. This is so that vessels landing this relatively small amount of quota will not be covered by the amended provisions.

3.2 Question 2

Do you agree that the landings target included in the economic link licence condition should in general be 55 per cent?

112 respondents disagreed, 38 agreed and 4 answered "don't know".

Of the 112 respondents who disagreed, 10 agreed with the principle of the proposals but wanted greater Government intervention - particularly a higher target, with species specific targets.

In response to this question, some respondents provided a similar reply to that provided for question one, or referenced back to their first answer.

---

[14] More information on the association is available here: Scottish Pelagic Processors Association | SPPA | Pelagics (scotspelagicprocessors.com)
[15] Summary of responses and government response - GOV.UK (www.gov.uk)
[16] Fisheries Act 2020 (legislation.gov.uk)

Views of respondent groups

Question 2				
Groups	Agree	Disagree	Don't know	Not answered
Individual Fisherman (identified as pelagic)	0	45	0	0
Individual fisherman (not identified as pelagic)	8	10	0	0
Individual, related to fishing industry	15	8	1	0
Individual, unrelated to fishing	1	2	0	0
Individual, (interest grouping not specified)	0	17	0	0
Representative Organisation	4	5	0	0
Producer Organisation	1	12	2	0
Fish Processing Sector	5	4	0	0
Local/Port Authority	4	1	0	0
Fish Seller, Vessel Agent, On-shore Sector	0	8	1	0
Total replies	38	112	4	0
Share of total replies	25%	73%	3%	0%
TOTAL	154			

Summary of themes in supportive responses

- Specific targets required for high value species to ensure that Scotland benefits fully from fish quotas.
- Target should be based on value not volume to ensure maximum economic benefit.
- Provides support and opportunities for pelagic processors and downstream onshore sectors.
- The target needs to be reviewed regularly to adjust to circumstances – for example, TACs can vary considerably and the target needs to reflect this.

Summary of themes in opposing responses

- Retain all existing economic link options as they maximise economic benefit.
- The proposed target is not high enough. Higher targets maximise socio-economic benefit from fish quotas and support the processing and the onshore sector.
- Specific targets are needed for high value species to maximise benefit.
- Will cause prices of pelagic fish to fall and therefore damage the Scottish market.

Individual Fishermen (identified as pelagic)

Again, all included in this category disagreed with the proposal. Responses were similar to those provided to Question 1 with many simply referring back to that answer. Some stated that the amendments to the economic link provisions would benefit a small number of factories in Scotland and that vessels should be able to land to the best markets.

Fishermen (not identified as pelagic)

Reasons expressed were similar to those provided previously. There was a focus on the socio-economic benefits that increased landings would bring from supportive responses.

Flexibility for vessels, impact on pelagic vessels, crews and associated communities featured in opposing responses.

Individuals related to the fishing industry

Many supportive of the change stated that the landings target should be a minimum of 55% and that this was a good starting point from which to increase landings. Some suggested it should potentially be as high as 80-90% in the longer term. There was support for regularly reviewing the required figure and that there should be specific targets for high value stocks, such as mackerel. In common with those who disagreed, a respondent stated that there should be individual targets for specific high value stocks such as mackerel. It was considered that increased supplies would result in increased employment and that the greatest benefits would be in north east Scotland and Shetland, as vessels in these areas have the largest proportion of foreign landings.

As noted previously, some of those who disagreed supported the principle of the proposal but wanted a higher target and/or a target for high value species as they felt that this would provide optimal economic returns. Respondents also stated that the landings target should be reviewed regularly to ensure that it was set at a level that the market required.

Other opposing responses highlighted a perceived lack of processing capacity within Scotland and that the proposal would set Scottish fishing companies at a disadvantage relative to businesses elsewhere.

Individuals unrelated to the fishing industry

It was stated that the landing target needed to be higher so that the fishing industry and the onshore sector could benefit more significantly from the change.

Individuals that did not specify their relationship to the fishing industry

All of the respondents in this group were opposed to the proposed changes but provided no additional reasoning – they did not set out on what basis they opposed the change.

Representative organisations

Supportive comments included that the amended licence condition was proportionate as vessels could still land abroad, it provided an economic return to Scottish communities and the Scottish economy. One organisation suggested that there should be a target for high value species such as mackerel.

Those who disagreed called for the retention of existing criteria and expressed concern there would be insufficient processing capacity at certain times of the year to handle all of the fleet's catch.

Producer Organisations

Where there was support it was stated that the landings target should be reviewed regularly to respond to changing industry circumstances. Of those opposed, a respondent suggested that there should be a higher target and that it should be for high value species only. Many of the reasons for disagreement with the suggested landing target were similar to those put forward by pelagic fishermen. It was stated that the policy did not take account of the nomadic nature of some fleets and some considered the same conditions should apply throughout the UK.

Fish processing sector

Respondents who agreed stated that the landings target should be a minimum of 55%. It was felt that 55% was a good place to start to initiate real change in the processing sector and encourage processing opportunities. Those who disagreed with the 55% target but agreed in principle with the landings target stated that the target should be set at a level which brings full benefits from quota and that it should be regularly reviewed to adjust to industry requirements. It was suggested that there should be specific targets for high value pelagic species.

A respondent who disagreed suggested that the nomadic fleet needed a full suite of economic link options for business flexibility rather than focusing on landings and that economic link provisions should relate to the UK not just to Scotland.

Ports and Local Authorities

Those who agreed stated that the target should be a minimum of 55% and should be regularly reviewed to ensure it continued to fit industry needs. There was concern that without intervention there could be job losses in the Scottish pelagic processing sector which is why some respondents stated that the target should be 55% immediately for all species. The opposing response stated that they opposed the introduction of a mandatory landings target but did not expand on this answer.

Fish seller, Vessel Agent, Onshore Sector

Of those who disagreed, two agreed in principle with calls for a higher target but thought that it ought to be specific to high value species to increase processing opportunities and better distribute the benefits from Scottish quotas.

Others stated that the landing target should be no more than 30%. Continued access to all markets was a concern from those opposed. It was set out that the economic link licence condition should be the same across the UK as it was disruptive to have different conditions for different parts of the UK. Another suggested that the landings target might result in unintended consequences for the demersal fleet which land in other parts of the UK outside Scotland.

Scottish Government Response

Respondents opposed to the overall reform cited a number of objections, many of which were a continuation of themes explored previously in response to Question 1 section 3.1 (above). For example, processing capacity and a concern about the impact on the pelagic catching sector.

Key themes raised were: (i) Opposition to the 55% target; and (ii) a view that the changes amounted to a mandatory requirement to land into Scotland. These two themes are explored below.

I. Disagreement with the 55% landing target

Many respondents (particularly those in the pelagic catching sector) felt strongly that 55% was too high a target. Conversely, others felt that the target was too low to achieve the policy objective of maximising the benefit of Scotland's quota – a national resource. Some respondents suggested that a much higher target (75-80%) should be set instead. There were yet others who felt that the target should be variable as required by circumstance.

In setting the 55% landings target, the Scottish Government has attempted to set a realistic requirement, and one which is not a radical departure from the existing landings target of 50%. The target of 55% represents an increase of benefits to Scotland from the status quo, while still allowing fishers flexibility with their operations (in a way that a higher target would not do).

II. Changes amounted to a mandatory requirement to land into Scotland

Some respondents stated that they did not support a mandatory landings target for vessels. It should be noted that the Scottish Government did not propose to implement a mandatory landings target, however, some respondents did advocate this as a way of maximising economic benefit. Please see question 4 for further details.

Scottish Government – Next Steps arising from Question 2

Having considered the responses to the consultation and other available evidence (such as industry discussion held to inform the Business Regulatory Impact Assessment), the Scottish Government will proceed on the basis of introducing a landings target whereby vessels must land 55% of their catch of specific species into Scotland. This will be one of two options for meeting the economic link licence condition. In reference to arrangements for pelagic stocks and stocks more generally, please see question 3 below.

3.3 Question 3

Do you agree that there should be transitional arrangements in relation to landings of pelagic fish?

87 of respondents disagreed with the Government's proposals, 31 agreed, 17 answered "don't know" and 19 provided no response.

Views of respondent groups

Question 3				
Groups	**Agree**	**Disagree**	**Don't know**	**Not answered**
Individual Fisherman (identified as pelagic)	0	43	2	0
Individual Fisherman (not identified as pelagic)	8	8	2	0
Individual, related to fishing industry	10	10	3	1
Individual, unrelated to fishing	2	1	0	0
Individual, (interest grouping not specified)	0	0	0	17
Representative Organisation	4	3	2	0
Producer Organisation	3	9	3	0
Fish Processing Sector	1	5	3	0
Local/Port Authority	2	3	0	0
Fish Seller, Vessel Agent, On-shore Sector	1	5	2	1
Total replies	31	87	17	19
Share of total replies	20%	56%	11%	12%
TOTAL	154			

Summary of themes in supportive responses

- A transitional period is needed for pelagic processors to adjust and build markets, build relationships and maximise benefits.
- The new licence condition needs to result in an increase in high value pelagic species being landed.

Summary of themes in opposing responses

- To maximise the economic benefits from Scottish fish quota and distribute those benefits to coastal communities and the onshore sector, a species-specific target is needed to ensure landings of high value species.
- Exclude other low value pelagic species from economic link provisions as there is insufficient processing capacity in Scotland for high volumes of these species.
- The landings target for pelagic species should be no more than 30%.
- There should be no transition for pelagic fishermen as they should be treated the same as other fishermen - they have had sufficient notice of the changes.

- The changes would result in a breach of EU export laws as the proposed changes are a restriction on exports.

Individual Fishermen (identified as pelagic)

No respondents in this category supported the principle of transitional arrangements for the pelagic sector. A clear focus was a perceived lack of access to key markets for Scottish processors.

Fishermen (not identified as pelagic)

A fisherman who agreed supported the transitional arrangements on the basis that a sudden change to economic link provisions could impact negatively on the industry.

It was commented that similar arrangements should be available to other sectors of the fleet to similarly reduce the impact of the policy change on them.

Individuals related to the fishing industry

A respondent, who was unsure, stated that all parts of the fishing industry should make a fair commitment to the Scottish economy in proportion to the size of their business. Respondents who agreed felt that processors needed time to develop markets for the additional fish which would become available to them. It was considered that the landings target needed to relate to specific, high value pelagic species and that it may be necessary to reduce the transitional period so that the 55% landings target for pelagic species is introduced sooner than proposed.

Some who disagreed with a transition period, also wanted targets for specific, high value pelagic species and it was suggested that the target should be implemented immediately to maximise the socio-economic benefits to Scotland. Others who disagreed stated that government should engage with industry to find a long term solution to the marketing and processing issues faced by Scottish processors.

Individuals unrelated to the fishing industry

It was commented that a phased introduction of the new economic link licence condition was a practical solution.

Representative organisations

A range of views were expressed, from those who felt that the transitional period was necessary to allow processors to adjust, to those who felt that the 55% target needed to be implemented immediately as the transitional target would limit benefits to the processing sector.

One respondent, who responded positively to question 3, stated that though they opposed the changes to the economic link licence condition generally, they supported a transitional period for the pelagic fleet in the event of the wider changes from the proposed in the consultation being introduced.

It was stated that the pelagic fleet should be treated the same as the rest of the fleet – that there should not be transitional arrangements for this sector or the fleet.

Producer Organisations

Supportive POs stated that a transition period was necessary since industry needed time to adjust. One PO who disagreed felt that there was already sufficient processing capacity in Scotland so a transitional period was not necessary.

Again there were calls for the same provisions to apply throughout the UK.

Fish processing sector

The supportive respondent set out that landings should be managed so that they are in line with market capacity. Those who disagreed stated that the current scale of landings already put processors at a disadvantage and that the target of 55% needed to be implemented immediately to ensure that current capacity is not depleted and to save jobs in the processing industry.

Ports and Local Authorities

In common with the processing sector, some of those who disagreed felt that the landings target should be implemented immediately to support the processing industry and to prevent job losses.

Fish sellers, Vessel Agents, Onshore Sector

Respondents stated there needed to be individual targets for high value pelagic species as this was the best way to support local communities and secure jobs. Concerns were expressed about blue whiting, sprats, sandeels and Atlanto-Scandic herring as UK factories generally did not process these species. In addition, fishermen had to travel a long way to catch them so it was not practical to land those species in Scotland.

Again views were expressed that there should be no transitional arrangements for the pelagic sector as this would reduce socio-economic benefit during the transitional period.

Scottish Government Response

Again many of the themes raised in response to Question 3 had been raised in response to the two preceding questions. Two key themes raised were: (I) a lack of domestic market or processing capacity for certain stocks and (II) whether a transitional period is necessary.

As with answers to previous questions, arguments from the pelagic catching sector in opposition to this proposal tended to focus on objections to the level of the target and the lack of processing capacity in Scotland.

I. Lack of domestic market processing capacity

Respondents raised concerns over the processing and domestic market for specific pelagic stocks (points which were raised by some in relation to other, non-pelagic, stocks also). This is distinct from concerns over the capacity for mackerel and herring (which is dealt with in Section 3.1 (Question 1). Historically, certain species, such as blue whiting have been processed predominantly outside of Scotland. Respondents raised concerns that the proposed policy change could have unintended consequences, including:

(i) that fishers are compelled to land some of their catch for such species into Scotland, despite a lack of local processing capacity and/or market, with negative economic consequences for all concerned; and

(ii) that fishers could meet the licence condition by landing fish into Scotland for which there is limited processing capacity or market (which tends to lead to lower value) while continuing to land higher value stocks abroad.

The Scottish Government considers there is merit in these concerns and has adjusted the proposal as set out in the Next Steps section below.

II. The need for transitional arrangements

There were also respondents who felt that phasing in the licence condition for pelagic species was not the right approach, and that the 55% target should be implemented immediately. On the basis that it is needed to save jobs and maintain current operations.

The Scottish Government also noted a significant number of respondents expressed the view a transitional arrangement represented a sensible compromise, allowing all parts of the industry to adapt their operations while ultimately realising the expected benefits for Scotland.

Scottish Government – Next Steps arising from Question 3

Having considered the responses to the consultation as summarised above and in light of subsequent discussions with the fishing industry and others affected by the policy, the Scottish Government will proceed to phase in the implementation of the economic link licence condition for pelagic species as proposed. This will see the introduction of the following landings targets for pelagic species:

- 30% landings in 2023
- 40% landings in 2024
- 55% landings in 2025

3.4 Question 4

Do you agree that there should continue to be arrangements whereby fishing vessels that do not meet the landings target should instead be able to meet the economic link licence condition by making quota gifts to the Scottish Government?

78 respondents disagreed with the Government's proposals, 59 agreed, 13 answered "don't know" and four provided no response.

Views of respondent groups

Question 4				
Groups	**Agree**	**Disagree**	**Don't know**	**Not answered**
Individual Fisherman (identified as pelagic)	0	43	2	0
Individual Fisherman (not identified as pelagic)	9	8	1	0
Individual, related to fishing industry	11	9	3	1
Individual, unrelated to fishing	1	1	1	0
Individual, not answered	14	0	0	3
Representative Organisation	5	3	1	0
Producer Organisation	9	6	0	0
Fish Processing Sector	3	4	2	0
Local/Port Authority	2	2	1	0
Fish Seller, Vessel Agent, On-shore Sector	5	2	2	0
Total replies	59	78	13	4
Share of total replies	38%	51%	8%	3%
TOTAL	154			

Summary of themes in supportive responses

- Quota gifting provides flexibility and choice
- Quota gifts will enhance opportunities for small vessels, inshore sector and boost local economies
- Quota gifts should be distributed to all fleet segments – and not be restricted to under 10 metre vessels
- For communities to benefit there needs to be significant landings of high value species
- Compliance with economic link should be on a case-by-case basis
- Unclear whether quota gifting is in the best interests of the processing industry

Summary of themes in opposing responses

- Quota gifting could have a negative economic impact on the demersal and shellfish fleet who land in the rest of the UK

- Quota gifts dilute the benefits from quota and are an inexpensive way of complying with the economic link
- Increased quota gifting could lead to unintended consequences on whitefish leasing prices
- A full UK wide review of the economic link should be undertaken

Individual Fishermen (identified as pelagic)

Many reiterated their opposition to the proposal and/or pointed to responses provided previously. One respondent felt that the Scottish Government had provided no help to the pelagic catching industry and that non-regulatory approaches should be utilised instead to increase landings into Scottish processors.

Fishermen (not identified as pelagic)

A supportive respondents stated that quota should be given to vessels that had already exhausted their quota for a particular species. Fishermen who disagreed felt that an increase in the number of vessels meeting the economic link licence condition through quota gifting could result in a rise in whitefish leasing prices which would have a detrimental impact on whitefish vessels.

Individuals related to the fishing industry

Those who were unsure felt that quota gifts should be given to both the sector (vessels that are part of a Producer Organisation or Quota Management Group who facilitate their quota opportunities) and non-sector (vessels for which the Scottish Government manage their quota opportunities) and that quota gifting should not be a more affordable option than not meeting the landings target. Another felt that quota gifting might not be in the best interests of the processing sector.

Those who agreed felt that quota gifts provided opportunities to enhance the catching capabilities of smaller vessels and would boost local economies. However, it was felt that quota gifts needed to reflect the 55% landings target. Despite agreeing with the proposals, some were concerned about the impact of the quota gifting arrangement on the demersal sector, which might be faced with a rise in whitefish leasing prices due to more vessels seeking to make use of the arrangement. An explanation of how the quota would be distributed was also called for.

The clear view of opposing respondents was that they felt that quota gifting did not return the same benefit as landings.

Individuals unrelated to the fishing industry

One individual stated that it was unclear if quota gifts were in the best interests of processors.

Individuals that did not specify their relationship to the fishing industry

Most of the respondents in this category supported the retention of quota gifting as an alternative with several “don’t knows”. However, they did not give further reasoning in support of their response.

Representative organisations

There were doubts about the benefit of quota gifting. Comments included concern that quota gifts did not provide the same benefits as landings. One supportive respondent stated that quota gifts should be distributed to all parts of the fishing sector and not just the 10 metre and under non-sector. Three respondents felt that an increase in quota gifts would benefit local economies and communities and support small vessels.

Producer Organisations

Comments from supportive POs included satisfaction with quota gifting arrangements as they allowed vessels flexibility and delivered optimum prices for their landings.

There was concern that quota gifts did not deliver the same benefits as landings and that clarity was needed to avoid unintended consequences on the catching sectors especially potentially negative impact on whitefish leasing prices if there was an increase in vessels seeking to use quota gifting as a means of meeting the economic link licence condition.

Fish processing sector

There was support for the retention of quota gifting as an alternative to the landings target. Some who disagreed were concerned that quota gifting did not deliver the same benefits as landings.

Ports and Local Authorities

Those who agreed stated that the availability of additional quota from quota gifts made in compliance with the economic link licence condition would enhance fishing opportunities for small vessels, support diversification (increasing the range of species that fishers are able to catch) and boost local economies. One opponent called for more clarity on the potential effects of quota gifting to avoid unintended consequences on the catching sector (they did not elaborate on this point). Another stated they opposed the introduction of a mandatory landings target.

Fish seller, Vessel Agent, Onshore Sector

Those who agreed stated that quota gifting arrangements worked well and another stated that economic link provisions could be best assessed on a case-by-case basis, highlighting the importance of flexibility, the Landings Obligation and fluctuating annual quotas.

Scottish Government Response

As with previous questions, there were a number of divergent views regarding quota gifting. Pelagic catching respondents tended to be opposed, as were some other respondent groups. Those who agreed with the proposal focused on the potential positive impacts of quota gifting – such as increased opportunity for the inshore under 10 metre sector – others sought a more equitable split of benefits derived from quota gifting. Those who disagreed set out a number of reasons for doing so, including that:

I. Quota gifting provides a lesser economic benefit compared to landings;
II. there may be unintended consequences on the wider leasing market (e.g. whitefish) if pelagic vessels are required to gift quota; and
III. that gifted quota should be distributed differently.

The Scottish Government sets out its response to these main points below:

I. Quota-gifting provides a lesser economic benefit compared to landings

Whilst the Scottish Government acknowledges that quota gifting provides less economic benefit as compared to increased landings of valuable fish stocks into Scotland, it considers it reasonable and proportionate to the policy aim to include an alternative means of meeting the economic link licence condition. Meeting the economic link licence condition through quota gifting is the preferred alternative option for a number of reasons, most notably, that it facilitates a diffusion of benefits from Scotland's quotas across the wider industry, for example through the distribution of gifted quota to the 10 metres and under non-sector vessels allowing them to diversify their activities.

Evidence shows that there is less economic benefit to Scotland from vessel owners meeting the economic link licence condition through either the crewing or operational expenditure criteria. By removing these criteria and having quota gifting as the only alternative means of meeting the licence condition, the Scottish Government is creating conditions to encourage (but not mandate) increased landings into Scotland.

II. There may be unintended consequences on the wider leasing market (e.g. whitefish) if pelagic vessels are required to gift quota

The quota gifting provision maintains flexibility within the system: it will be up to individual businesses whether, and to what extent, they land into Scottish ports. If a vessel does not meet the landings target or does not meet it in full, then the alternative mechanism for complying with economic link requirements is to provide quota to the Scottish Government for onward distribution.

Those who do not comply with the landings target will be expected to provide quota to the Scottish Government in one of the 8 key species identified above. Our expectation will be that quota due to the Scottish Government will be provided in the species that caused the vessel to fail to meet the landings target provision – so, if landings of mackerel and herring outside of Scotland cause a vessel to require to provide quota to the Scottish Government, payment would be expected in mackerel or herring. Therefore, there will be no requirement for those required to Quota Gift to enter into the whitefish market. New arrangements for the allocation of gifted quota are set out below in the Next Steps section.

III. That gifted quota should be distributed differently

Traditionally, gifted quota was distributed in such a manner that it supplemented fishing opportunities for the 10 metres and under non sector group. These smaller (predominantly inshore vessels) do not hold individual quotas and their potential for obtaining additional fishing opportunities is limited. The use of gifted quota has allowed for increased fishing opportunity by inshore vessels in the east coast *Nephrops* fleet and the Shetland handline sector. However, depending on the scale of utilisation of the option to quota gift, the available pool of gifted quota may increase substantially and provide more opportunities that the sector has capacity. The Scottish Government agrees that opportunities arising from gifted quota could be distributed more widely.

Scottish Government – Next Steps arising from Question 4

Following consideration, the Scottish Government has decided to retain the option of providing quota gifts in lieu of meeting the landings target condition.

As set out in the consultation document, the rate of quota gifts sought from vessels that choose this option will increase from 15% to 26% of the gap in landings between what is caught and the landings target. As this revised percentage remains an affordable alternative means of meeting the economic link licence condition but better captures the missed economic value resulting from landings outside of Scotland.

With regards to the allocation of gifted quota, the Scottish Government is mindful of a need to allocate these fishing opportunities in such a way as to ensure that benefits are maximised. This means acknowledging when and where the inshore sector may, or may not, be in a position to realise additional fishing opportunities (as has been the case in previous years). It is anticipated that the change to the policy will result in an increase in the amount of gifted quota available for distribution, in the interests of transparency and to allow for greater stakeholder input into the method of distribution we will introduce changes in the way quota gifting is allocated. These changes will take effect from 1 January 2024 (the first year in which quota gifting arising from this change in policy will become available) and are set out in detail below.

Gifted Quota Allocation

In seeking to obtain the greatest societal benefits from gifted quota, the Scottish Government aims to:

1. ensure that opportunities arising from gifted quota are distributed fairly and meet needs/capacity of the different sectors

2. allow for greater stakeholder participation in the allocation of gifted quota arising from this policy change; and

To that end, for the utilisation of gifted quota arising from fishing activity in 2023 and subsequent years, the Scottish Government will organise a small working group made up of relevant, interested parties.

This working group will act as an advisory group for the allocation of gifted quota. Using data provided by Scottish Government officials, it will propose how to utilise the available gifted quota in the best interests of the Scottish fishing industry and wider society.

The factors which will shape the allocation process include:

- the types of quota likely to be available, for example, is likely that there will be greater quotas of mackerel and herring available;
- the volume of quota available, which will depend on the extent to which licence holders opt to comply with the economic link licence condition through quota gifting;
- consideration of any evidence of the need for additional fishing opportunities across the industry; and
- prevailing market conditions.

The proposed distribution of gifted quota as developed by this working group will be subject to review by the Fisheries Management and Conservation Group (FMAC) and thereafter, subject to approval by the Scottish Ministers who have the ultimate decision making powers.

We would expect the working group to seek to continue to allocate at least a proportion of gifted quota to the 10 metres and under non-sector vessels so as to maximise their fishing opportunities. This is for the following reasons:

- traditionally, it is this group which has principally benefitted from the allocation of gifted quota;
- they have limited opportunities to obtain quota from other sources and are dependent on fishing opportunities that Scottish Government officials can obtain on their behalf; and
- it allows for diversity of opportunity for the sector by spreading economic benefit and reducing pressure on non-quota stocks.

The working group may seek to attach certain conditions to the allocation of gifted quota. For example, only those with a track record of landings of the stock available would receive allocation. However, fishing opportunities will normally be apportioned on an equal basis to all eligible vessels.[17] Only vessels which complied with the economic link landings target provision will be eligible for gifted quota.

17 Apportioned on an equal basis to all eligible vessels means that vessels within the different fleet segments, which complied with the economic link landings target provision, would be allocated quota on an equal basis. However, the stocks and quantities allocated to the different fleet segments would likely vary. So all eligible non-sector 10 mu vessels would receive the same allocation; all eligible pelagic sectoral vessels receive the same allocation but the tonnage available to different groupings would vary.

Once the working group has made a decision as to how the gifted quota available for distribution ought to be allocated amongst the fishing fleet, this will be reviewed a meeting/correspondence with the FMAC grouping and signed off by the Scottish Ministers who have the ultimate decision making powers.

Following the conclusion of the quota year (on 31 December), the Scottish Government will publish a summary detailing:

- The species (and volume) of quota received by the Scottish Government as a result of quota gifted in compliance with the economic link licence condition
- How the gifted quota was distributed amongst the Scottish fishing fleet?
- The estimated utilisation and value of landings of gifted quota

The new process set out above for the allocation of gifted quota arising from the policy change will take place in 2024. The reason being that gifted quota arising from the change in economic link conditions will be available for the first time in 2024. For 2023, the allocation of gifted quota arising from the economic link arrangements in place in 2022 will remain the same as it has been.

4. Next Steps

The changes to licence condition set out above will be introduced from 1 January 2023. The new arrangements for the allocation of gifted quota will be introduced from 2024.

5. Annex 1 Consultation Questions

Q1a Do you agree that landings into Scotland provide the best economic link to Scotland, and that they should form the main basis of the economic link licence condition, and that therefore the present options to demonstrate a link through crewing and/or operating expenditure should be removed?

Q1b Please provide reasons for your answer.

Q2a. Do you agree that the landings target included in the economic link licence condition should in general be 55 per cent?

Q2b Please provide reasons for your answer.

Q3a. Do you agree that there should be transitional arrangements in relation to landings of pelagic fish?

Q3b Please provide reasons for your answer.

Q4a. Do you agree that there should continue to be arrangements whereby fishing vessels that do not meet the landings target should instead be able to meet the economic link licence condition by making quota gifts to the Scottish Government?

Q4b Please provide reasons for your answer.

6. Annex 2 Quantitative analysis

Question 1a Do you agree that landings into Scotland provide the best economic link to Scotland, and that they should form the main basis of the economic link licence condition, and that therefore the present options to demonstrate a link through crewing and/or operating expenditure should be removed?

Response	Total	% of total replies
Yes	49	32%
No	103	67%
Don't know	1	0.5%
Not answered	1	0.5%

Question 2a. Do you agree that the landings target included in the economic link licence condition should in general be 55 per cent?

Response	Total	% of total replies
Yes	38	25%
No	112	73%
Don't know	4	2%
Not answered	0	0%

Question 3a. Do you agree that there should be transitional arrangements in relation to landings of pelagic fish?

Response	Total	% of total replies
Yes	31	20%
No	87	56%
Don't know	17	11%
Not answered	19	12%

Question 4a. Do you agree that there should continue to be arrangements whereby fishing vessels that do not meet the landings target should instead be able to meet the economic link licence condition by making quota gifts to the Scottish Government?

Response	Total	% of total replies
Yes	59	38%
No	78	51%
Don't know	13	8%
Not answered	4	3%

Profile of respondents

Individual categories

Respondent Group	Total	% of total replies
Fisherman	63	41%
Other, related to fishing industry	24	16%
Other, non-related to fishing industry	3	2%
Individual, not answered	17	11%

Organisations

Respondent Group	Total	% of total replies
Producer Organisation	15	10%
Representative Organisation	9	6%
Fish Processing Sector	9	6%
Local & Port Authorities	5	3%
Environmental NGO	0	0%
Fish Seller/ Vessel Agent/ Onshore Sector General	9	6%

Groups	Total	Share
Individual fisherman*identified as pelagic	45	29%
Individual fisherman	18	12%
Individual, related to fishing industry	24	16%
Individual, unrelated to fishing	3	2%
Individual, (interest grouping not specified)	17	11%
Representative Organisation	9	6%
Producer Organisation	15	10%
Fish Processing Sector	9	6%
Local/Port Authority	5	3%
Fish Seller, Vessel Agent, On-shore Sector	9	6%
Total replies	154	

* Identified in analysis as pelagic fisher

7. Annex 3 Organisational Respondents (published)

Aberdeen Fish Producers Organisation
Aberdeenshire Council
Antares fishing company
Argyll and Bute Council
Comhairle nan Eilean Siar

East England Fish Producer Organisation Ltd
Fleetwood Fish Producer Organisation
Hooktone Ltd
J Pieroni & Sons Ltd
Lunar Group (Producer Organisation, Fishing and Processing)

Macduff Shellfish (Scotland) Ltd
National Federation of Fishermen’s Organisations
North Sea Fishermen’s Organisation
Orkney Fisheries Association
Orkney Fishermen's Society Ltd

Pelagia Shetland
Scottish Association of Fish Producer Organisations
Scottish Fishermen’s Organisation
Scottish Pelagic Fishermen's Association
Scottish Pelagic Processors Association Ltd

Scottish Whitefish Producers Association
Serene Fishing Company
Shetland Fish Producer Organisation
Shetland Fishermen’s Association
Shetland Islands Council

South Western Fish Producer Organisation
Sunbeam Fishing (Fraserburgh)
United Kingdom Association of Fish Producer Organisations
West of Scotland Fish Producer Organisation
Western Isles Fishermen’s Association

This publication is available at **www.gov.scot**

Any enquiries regarding this publication should be sent to us at

The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-80435-966-2 (web only)

Published by The Scottish Government, September 2022

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS1154302 (09/22)