

2. The survey

2.1 *Sample selection and presentation of the results*

47. The scheme was evaluated through a survey of vessel owners who fell into four groups: those who had achieved decommissioning; those who failed in their application; those who were successful but subsequently chose to withdraw their application; and those who never applied.

48. The survey sample was based on both the fishing segment and region. Ten segments were identified, along with 13 sub regions within which vessels were selected using a random number technique. The segments correspond to the groups previously identified in the report. The geographic distribution of the vessels was considered to have an important bearing on the sample selection. The regional breakdown has subsequently been simplified into 7 regions. This does not reflect a relaxation of the sample selection method but is merely a means of drawing comparisons for presentational purposes.

49. A prime objective when selecting the sample was that the overall composition should reflect as closely as possible the proportions of the total vessels responding to decommissioning. These became Group 1 (those vessels successful in obtaining decommissioning grants), Group 2 (those vessels unsuccessful in obtaining decommissioning grants), and Group 3 (those vessels having been successful but not accepting the award), by year of application, region and segment. Group 4, representing those vessels not having applied, were likewise selected on the basis of region and segment.

50. The vessels were selected to cover more than 30 per cent of each segment within each region. For Group 4, vessels were selected on the basis of a sub population by group and segment of 20 per cent. The final number of interviews carried out (through a combination of telephone and face-to-face interviews) were as follows: 255 for Group 1, 148 for Group 2, 36 for Group 3 and 454 for Group 4. This represents 44 per cent (from 578), 26 per cent (from 571), 51 per cent (from 71), and 20 per cent (from 2,300) respectively. The response rates for each group were: 86, 90, 88 and 98 per cent respectively.

51. In order to increase confidence in the responses, the results were correlated according to the physical dimensions of the vessels, the VCUs and age structure within each region. This was tested by noting whether the means of VCUs fell within the 95 per cent confidence limits of the mean of the population at large, thus giving a rough measurement of the sample representativeness in terms of vessel size. After testing other variables, such as vessel age, kW and size, VCUs were selected as the most sensitive. Although this test can only be considered indicative it did appear to give an adequate measure of the strength of the sample. The results are shown in Appendix 2.1.

2.2 *Vessels applying for decommissioning*

2.2.1 *The vessels*

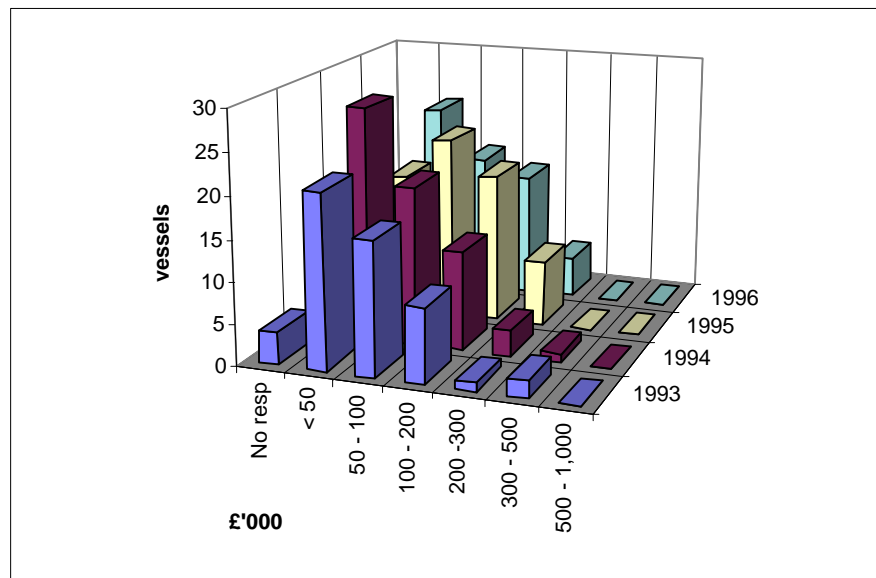
52. On the basis of the sample, 52 per cent of the vessels surveyed had a turnover of less than £100,000 per annum in their last financial year. A further 26 per cent had a turnover of between £100-200,000, 9 per cent between £200-300,000, and 3 per cent a turnover in excess of £300,000. A further 9 per cent failed to provide details of turnover. Of those successful in receiving an award, 64 per cent had a turnover less than £100,000, 21 per cent between £100,000 and £200,000 and 7 per cent between £200,000 and £300,000. Only 1 per cent of the successful applicants surveyed had a turnover in excess of £300,000. A further 6 per cent failed to respond to the question.

53. Significantly, more than half of those applicants who were rejected had a turnover in excess of £100,000, including 20 per cent between £200,000 and £500,000. Of those deciding not to proceed with decommissioning, 34 per cent had a turnover of less than £100,000, a third between £100,00 and £200,000 and a greater proportion (around 20 per cent) had a turnover in excess of £200,000. Fourteen per cent of the respondents did not reply to this question.

54. The survey also analysed the vessel insurance values and these were subsequently used to reflect capital values. Whilst these results are referred to elsewhere in the text, it is important to note that there is a direct relationship between vessel insurance values and gross turnover (Appendix 2.2). As a general rule, the industry has historically perceived its gross turnover to be an exact reflection of vessel insurance / capital value.

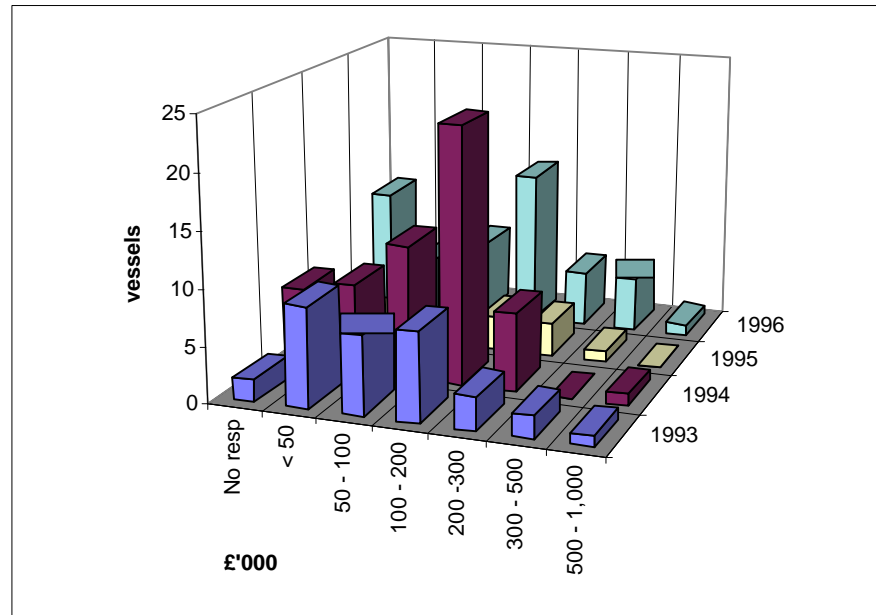
55. Initially it was thought unlikely that the majority of applicants would be in profit when applying. This was the case only in the first year of the scheme's operation when there was a degree of distress sales. Around half the applicants (Appendix 2.3) were making a profit (after deduction of capital costs), a quarter were at break-even point and the remainder making a loss. Amongst the successful applicants, the majority of the vessels making a loss were beam trawlers, followed by the pelagic applicants. However, there were only 4 vessels in the sample, none of which can be deemed to be representative of the current pelagic segment.

Figure 2.1: Gross sales turnover of vessels having been decommissioned



Source: *Nautilus Survey*

Figure 2.2: Gross sales turnover of vessels unsuccessful in applying for decommissioning

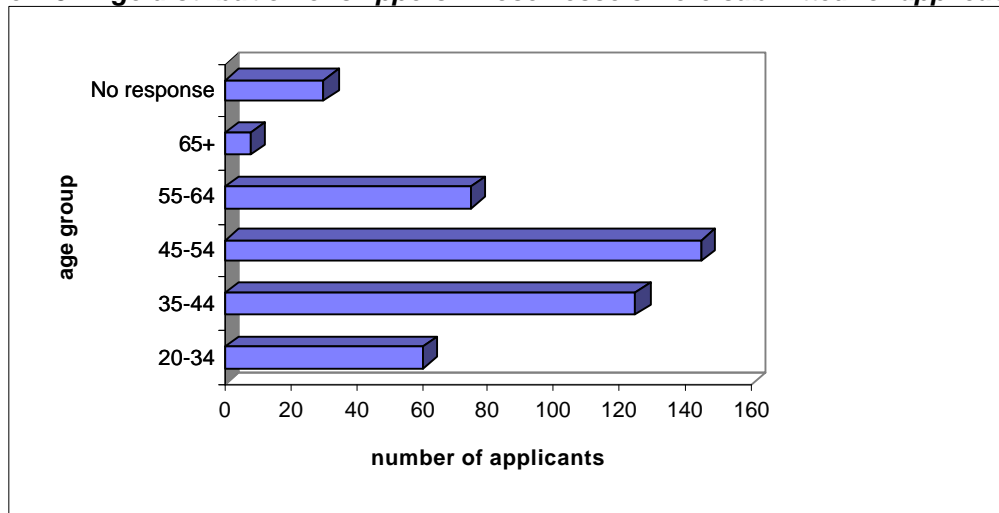


Source: *Nautilus Survey*

2.2.2 Age characteristics of skippers applying for decommissioning

56. Figure 2.3 shows the age distribution of skippers applying for decommissioning. It is interesting to note that most skippers came from the 35-45 and 45-55 years age group (accounting for 60 per cent of all applications), and not from the over-55 years age group. This compares with a population for this group of 12 per cent over 55 years in the fleet as a whole (Figure 2.10).

Figure 2.3: Age distribution of skippers whose vessels were submitted for application.



Source: *Nautilus Survey*

2.2.3 Reasons for applying for decommissioning

57. The survey identified the key reasons for owners applying for decommissioning (Table 2.1) as: (1) 'vessels reaching the end of their economic life'; and (2) 'a means of financing a new vessel'. This feature is highly significant and reflects the use of decommissioning monies to re-finance new purchases. It will be explored in relation to the additionality question. It could be argued that such a trend is akin to a scrap and build policy. In this respect, it is estimated from the sample that as much as £14 M may have been re-invested into the sector, £10 M into vessels over 10 m and £4 M into the under 10 m sector.

58. 'Finding the fishery unprofitable' was the third most important reason quoted. 'Nearing the age of retirement' was ranked fourth. The only other outstanding feature was that 'bank called in the loan' was ranked as the most significant feature in the first year of the scheme. This feature was particularly prevalent in the demersal trawl segment and is indicative of distress sales in the first year of the scheme's operation.

Table 2.1: Reasons for applying, 1993 to 1996

	1993	1994	1995	1996	total	Rank
<i>Vessel reached the end of its economic life</i>	8.8	18.9	20.2	19.7	17.3	1
<i>Means of buying/financing another vessel</i>	14.3	17.4	12.4	22.8	17.3	1
<i>Finding the fishery unprofitable</i>	13.2	12.1	14.6	9.4	12.1	3
<i>Nearing age of retirement</i>	6.6	10.6	7.9	11.0	9.3	4
<i>Bank called in loan</i>	17.6	9.1	9.0	1.6	8.7	5
<i>Over regulation / too much bureaucracy</i>	13.2	3.8	6.7	10.2	8.2	6
<i>No reply</i>	4.4	3.8	7.9	7.1	5.7	7
<i>Use to rationalise fleet activities</i>	6.6	3.8	6.7	3.9	5.0	8
<i>State of health</i>	3.3	6.8	3.4	4.7	4.8	9
<i>Depleting fishing opportunities</i>	4.4	3.8	2.2	1.6	3.0	10
<i>Want to take up other employment / business</i>	1.1	3.0	3.4	1.6	2.3	11
<i>Difficulty in crewing the vessel</i>	2.2	3.0	3.4	-	2.1	13
<i>Other</i>	-	3.0	2.2	2.4	2.1	13
<i>Prospect of high bid being accepted</i>	2.2	0.8	-	3.9	1.8	14
<i>No family to replace you</i>	2.2	-	-	-	0.5	15
Total	100.0	100.0	100.0	100.0	100.0	

Source: *Nautilus* Survey

59. 'Means of buying another vessel' and 'vessels reaching the end of their economic life' were particularly significant in the nephrops and demersal trawl segments (Appendix 2.4).

60. Based on survey responses, 28 per cent of decommissioned owners moved into the under 10 m sector. The strongest trend was in the demersal sector but significant movements also occurred in the nephrops, shellfish fixed and lines and nets sector. This trend was particularly strong in the south west of England where two thirds of those leaving the industry purchased under 10 m vessels. This feature was also noticeable in eastern England, the South East, western Highlands and N.E Scotland where between a quarter to two thirds of those decommissioning subsequently purchased new vessels in the under 10 m sector. The reason given for the move was 'reduction in the level of control'. However, the under 10 m sector has been subject to a restrictive licensing regime since 1993. The existence of such a restriction allied to the operation of separate aggregation penalties has assisted the reduction of capacity units in circulation within this sector as a result of increased investment. Furthermore, had UK Fishery Departments not introduced a restrictive licensing scheme, the movement from the over 10 m to under 10 m sector, would have been much greater.

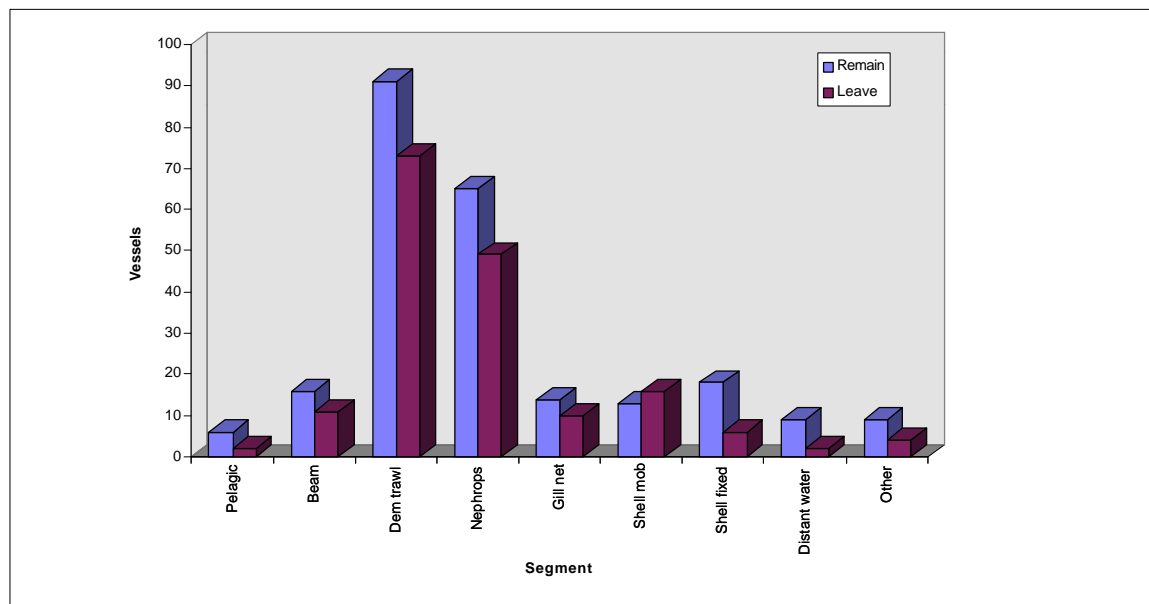
61. It should also be noted that many of those using decommissioning as a means of financing new purchases of over 10 m vessels have found difficulties in re-entering the industry as a result of the rise in licence values. This was also one of the reasons why some of the applicants withdrew from the scheme at the last minute.

62. Using decommissioning funding to rationalise business activities occurred particularly in the beam trawl sector. This behaviour was only significant where companies owned more than half a dozen vessels.

2.2.4 Leaving the industry without decommissioning (additionality)

63. The survey also examined the question 'what if there had been no decommissioning scheme'. The results showed that the majority of successful applicants would not have left the industry had decommissioning been unavailable (Figure 2.4). Forty per cent stated that they would have left the industry in any case.

Figure 2.4: Owners who would have left the industry without decommissioning per segment



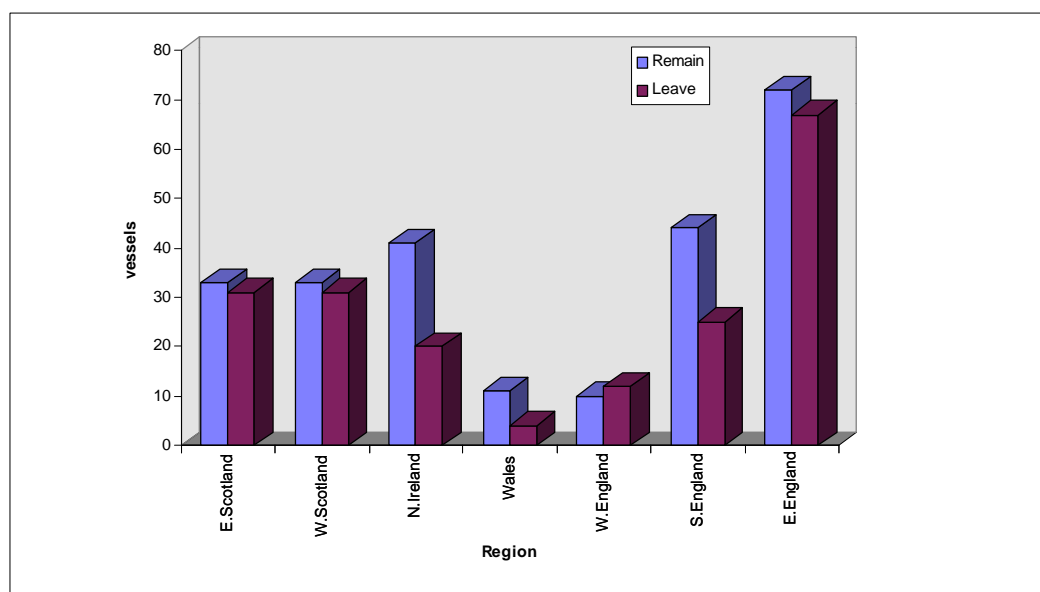
Source: *Nautilus* Survey

64. When asked about what options they would have explored if there had been no decommissioning scheme (Table 2.2), the majority (52 per cent) stated that they would have carried on fishing. Thirty three per cent stated that they would have sold their vessel and licence. The strongest desire to continue fishing was found in the distant water, pelagic and beam trawl sectors. Some of those surveyed also indicated that, in the absence of decommissioning, they would have paid off the debts owed for their existing vessels. This suggests that some operators, particularly those with more than one vessel, would have rationalised their existing operations.

Table 2.2: Options if not having decommissioned (all responses) - per segment

SEGMENT	Pelagic	Beam	Dem trawl	Nephrops	Lines & nets	Shell mob	Shell fixed	Distant	Non active	Other
Carry on fishing	75%	59%	51%	48%	56%	37%	67%	82%	69%	43%
Sell vessel and licence	13%	37%	37%	32%	36%	43%	17%	9%	23%	43%
Refurbish existing vessel	-	-	4%	3%	-	7%	8%	-	-	-
Retire	-	-	4%	6%	-	3%	8%	-	8%	14%
Pay off debts	13%	4%	1%	1%	4%	3%	-	-	-	-
Seek other employment	-	-	1%	-	-	3%	-	9%	-	-
No response	-	-	2%	10%	4%	3%	-	-	-	-
Tot sample size	8	27	168	126	25	30	24	11	13	7

Source: *Nautilus* Survey

Figure 2.5: Owners who would have left the industry without decommissioning - per regionSource: *Nautilus* Survey

65. There were no discernible differences in Scotland, eastern or North West England when deciding whether to remain in or leave the industry without a decommissioning scheme (Figure 2.5). However, vessel owners in Northern Ireland, Wales and southern England all indicated that they would have chosen to remain in the industry without the decommissioning scheme.

Table 2.3: Options if not having decommissioned - per region

	<i>E.Scotland</i>	<i>W.Scotland</i>	<i>N.Ireland</i>	<i>Wales</i>	<i>N.W.England</i>	<i>S.England</i>	<i>E.England</i>
No response	9.9	8.9	6.2	-	-	2.9	-
Carry on fishing	42.3	53.6	60.0	73.3	36.4	60.0	68.0
Refurbish existing vessel	4.2	5.4	3.1	-	9.1	2.9	1.9
Sell vessel and licence	35.2	28.6	20.0	20.0	50.0	28.6	55.3
Retire	8.5	3.6	6.2	6.7	-	2.9	4.9
Seek other employment	-	-	-	-	4.5	1.4	1.9
Pay off debts	-	5.4	4.6	-	-	1.4	2.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Sample size	142	115	130	30	44	140	242

Source: *Nautilus* Survey

66. These findings suggest that around 40 per cent of those applying for decommissioning would have left the industry in any event. However, whilst the vessel owners may have left the industry, their vessels and licenses would have remained. In effect, much of the capacity would have remained. This capacity would have:

- been retained by the existing vessel owners, presumably by those operating in profit and not seeking retirement
- been sold at a reduced capital valuation commensurate with age and earning capacity. For example, vessels close to the end of their economic life might have attracted lower levels of investment and might have been more likely to continue making marginal profits

- been used for aggregation, in which case some reduction in capacity would have occurred as a result of the application of licence penalties.

67. The survey also sought to establish what vessel owners did when their applications were rejected, or when they themselves chose to withdraw from the scheme. Forty seven per cent of those who were refused the award and 56 per cent of those who chose to withdraw subsequently sold their vessels. Table 2.4 illustrates the differential between the average decommissioning awards, the submitted bids, the actual prices / VCU of vessels sold with their licences, and the prices realised for licences and vessels when sold separately. Contrary to expectations, the average price for vessels and their licences over the four year period was higher in most segments than the average bid from these applicants. The exception to this were the nephrops, shellfish fixed and other segments. For those beam trawl vessels not decommissioning, the sale of the vessels along with the licences was 77 per cent above the initial bid price and 83 per cent above the average accepted price paid within the segment. Higher prices were also achieved on the open market for demersal trawlers (up 47 per cent on the bid price), shellfish mobile, (up 70 per cent on the bid price), and lines and nets (up 13 per cent). This indicates that the vessel owners either placed their decommissioning bids at below the market rate or realised the higher values of both licences and track records. The increasing incidence of withdrawals from the scheme from 1995 onwards indicates that the latter was probably the case.

68. However, even higher prices, relative to the average accepted VCU bid, were accepted when licences were sold separate from the vessel. This was most noticeable in the beam trawl and shellfish mobile sectors. In other cases, notably the demersal trawl, lines and nets and nephrops trawl sectors, the sales prices were broadly equivalent to the initial bid. Whilst these were well above the average rate per VCU, the vessel owners probably took account of the vessel, licence and track record values when determining the initial tender price.

69. Interestingly, the price of licences compared with the price of vessels is between 21 and 85 per cent of the total value. The highest licence values appear to reflect those groups of vessels with high track records.

70. The removal of a significant number of vessels from the fleet has led to an increase in demand for second hand vessels (or more importantly their licences), providing ample reward for many of those failing to achieve the award. In effect, the decommissioning scheme has contributed to the creation of a more dynamic market for second hand vessels, with a premium being paid for vessel licences containing significant track records.

71. This competition has been enhanced by the circulation of decommissioning monies into the open market. Decommissioning monies have had an added multiplier effect which may have stimulated the purchase of additional licences. It is not known, however, whether successful recipients of the vessels actually sought to aggregate new licences from the money received from their old vessel and respective licence. If most of the recipients were previously associated with a low turnover, it is unlikely that the monies would have been used to purchase more than one licence. In addition, 28 per cent chose to reinvest their capital into the under 10 m as opposed to the over 10 m sector. However, reinvestment was fairly commonplace amongst fishing companies. These companies invariably specialise in specific segments and thus reinvest their capital in newer replacement vessels. Most of these companies are in the beam and demersal trawl segments.

Table 2.4: Comparison of sales by segment after not having decommissioned**2.4.1 Selling vessel with the licence attached**

Segment	Sample	Dec price	Bid	Selling vessel with licence	Vessel price from av dec price	Vessel price from tender
		Av £/ VCU	Av £/ VCU	Av £/ VCU	% diff	% diff
Beam trawl	2	388	403	712	+ 83	+ 77.0
Dem. trawl	28	390	504	743	+ 90	+47.0
Nephrops trawl	27	404	512	403	-	- 21
Gill net	3	428	465	527	+ 23	+ 13
Shell mob	7	362	555	946	+ 161	+ 70
Shell fixed	4	420	554	421	-	- 24
Distant water	1	319	433	437	+ 37	-
Non Active	1	457	388	387	-15	-
Other	3	266	368	238	-11	- 11

Source: *Nautilus* Survey**2.4.2 Selling vessel and licence separately**

Segment	Sample	Bid	Licence price	Vessel price	Combined sales of vessel & licence	% proportion attributed to licence	% difference from bid	% difference from av tender
		Av £/ VCU	Av £/ VCU	Av £/ VCU	Av £/ VCU		% diff from bid	
Beam trawl	4	704	905	155	1,060	85.4	+51	+ 173
Dem. trawl	15	607	385	196	581	66.2	-4	+49
Nephrops trawl	6	628	206	342	548	37.6	-13	+36
Lines and nets	2	649	501	136	637	78.7	-2	+49
Shell mob	4	624	650	471	1,121	58.0	+80	+ 209
Shell fixed	3	702	271	222	493	55.0	-30	+ 17
Distant water	1	328	92	345	437	21.1	33	+ 37

Source: *Nautilus* Survey

72. More than half of those who did not achieve decommissioning subsequently sold their licences. The highest vessel and licence sales took place on the east coast of England, where more than 63 per cent of those remaining in the industry subsequently sold their licences. Sales from North East Scotland (mainly the Moray Firth) and the Highlands and Islands were also significant. In contrast, Shetland, South East England and Northern Ireland witnessed very few sales. The principal reasons for the high demand for vessels and licence were attributed to:

- the demand for high track records, in particular those for cod and plaice;
- the increasing awareness amongst those remaining in the industry of the need to legitimise over quota activities;
- demand for capacity units to cater for new vessel constructions (in some cases irrespective of track records). These new constructions were specifically aimed at targeting deep water species.

73. Eighty per cent of those who did not sell their vessels chose to remain in their specific segment. The only major redirection of effort was between the demersal to the nephrops sector and vice versa.

2.2.5 Reasons for withdrawing from the scheme

74. Whilst the overall number of vessels withdrawing from the scheme were reportedly small (51 of which 36 were surveyed), the principal reason for withdrawing (Table 2.5) was identified as 'higher price offered for licence / track record on the open market' and 'higher prices offered for the vessel on the open market'. These responses accounted for 56 per cent of the total (excluding non responses) through the life of the scheme, but increasing marginally to 60 per cent in the last year. The other reasons identified for leaving the scheme included: 'couldn't face scrapping the vessel', 'the potential tax burden', 'couldn't find a better alternative vessel to buy' and 'decided to wait a few more years'. As expected, most of those withdrawing their applications came from the demersal trawl sector, although the results are not sufficiently robust to provide any definitive conclusions (Appendix 2.5).

Table 2.5: Reason for withdrawing from the decommissioning scheme

	1993	1994	1995	1996	All	Rank
No response			1	3	4	3
Higher prices offered for licences/track record on open market	2		1	7	10	1
Higher prices offered for vessel on open market	3	3		2	8	2
Fishing prospects improving			1		1	-
Future opportunities for self and family		1	1		2	-
Tax burden		2			2	-
Bid was purely speculative				1	1	-
Decided to wait a few years		1		1	2	-
Couldn't face scrapping vessel				2	2	-
couldn't find a better vessel to buy			2		2	-
Delays in the timing of the announcement	1				1	-
Boat sank		1			1	-
Totals	6	8	6	16	36	-

Source: *Nautilus* Survey

75. Without a decommissioning scheme, the retention of capital and the accompanying licence would have resulted in surplus redundant capacity, thus forcing the price of licences below existing

levels. This might have led to more investment at a time when capacity reduction was the main policy goal.

2.2.6 Determinants of bid

76. Those applying for decommissioning cited two determining factors (Table 2.6) in establishing a bid price. These were 'the value of the vessel' in the years 1993 and 1994, and 'knowledge of the previous decommissioning bids' in 1995 and 1996. These are ranked overall as first and second respectively.

77. The next most important factors over the four-year period were 'expected size of competing bids' followed by 'required capital for future investment'. 'Current debts' were significant in the first year. The incorporation of 'the licence value' into the equation only became significant in the final year but overall did not feature highly. Examination of those vessels that were not decommissioned show that the licence value became one of the most significant factors in determining a vessel's valuation.

Table 2.6: Key determinants of the vessel's valuation when applying for decommissioning

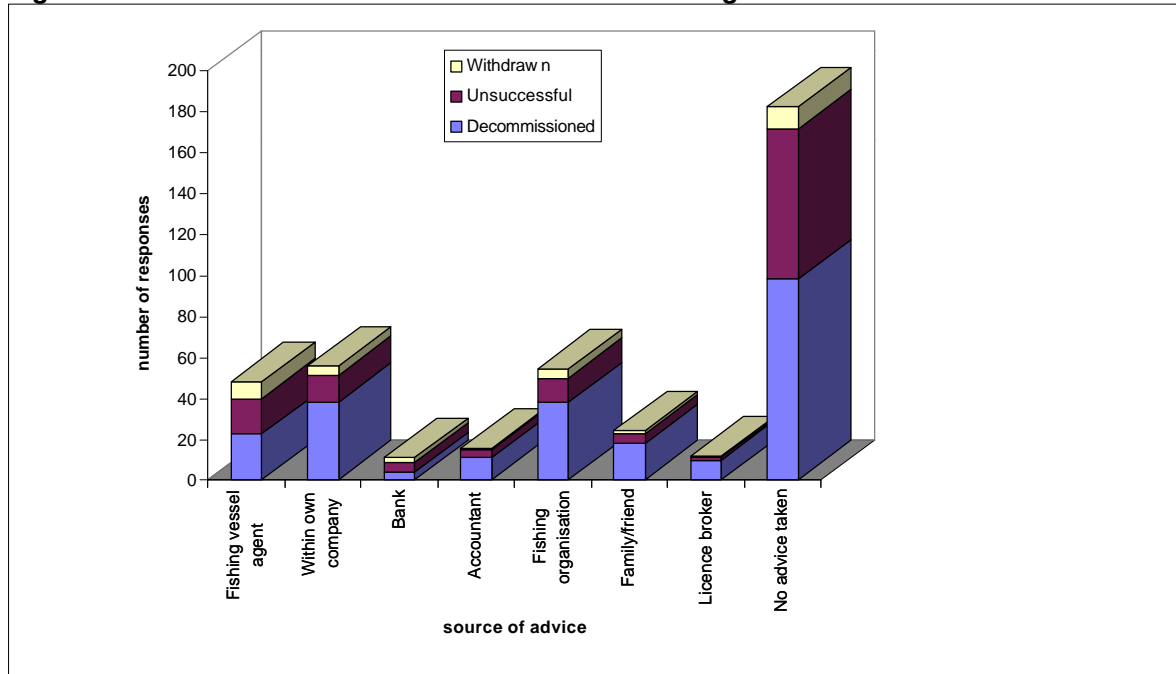
Determinants	1993	1994	1995	1996	Total
Vessel value	36%	43%	29%	27%	34%
Knowledge of previous decommissioning bids	13%	32%	32%	28%	26%
Expected size of competing bids	7%	10%	20%	11%	11%
Required capital for future investment	11%	5%	10%	13%	10%
Current debts	14%	6%	7%	8%	9%
Licence value	10%	2%	2%	12%	7%
Expected future profits from fishing	3%	1%	0%	2%	1%
Cost of scrapping	4%	0%	0%	0%	1%
Past profits from fishing	3%	0%	0%	0%	1%
Total	100%	100%	100%	100%	100%
Sample response	273	132	89	127	621

Source: *Nautilus* Survey

2.2.7 Advice sought for the formulation of bids

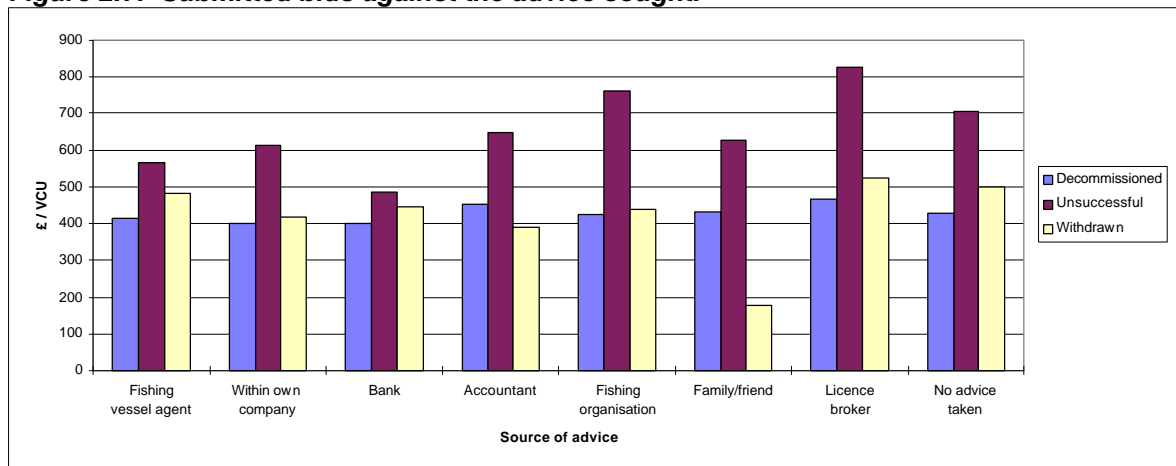
78. Just under half the applicants chose not to take advice when applying for decommissioning, 40 per cent of those who were successful and 60 per cent of those who were unsuccessful. Most of the tenders were based on decisions made by the applicant himself, although hearsay may have affected his decision-making. However, there were other influences, notably: fishing vessel agencies (North East Scotland and Humberside), representative organisations (Northern Ireland), and the company umbrella organisations (eastern England, mainly Lowestoft and Humberside and North East Scotland, mainly Aberdeen). Other sources, not itemised, included advice from Fisheries Officers / Departments.

Figure 2.6: Source of advice for fishermen when seeking to determine the level of bid



Source: *Nautilus* Survey

Figure 2.7: Submitted bids against the advice sought.



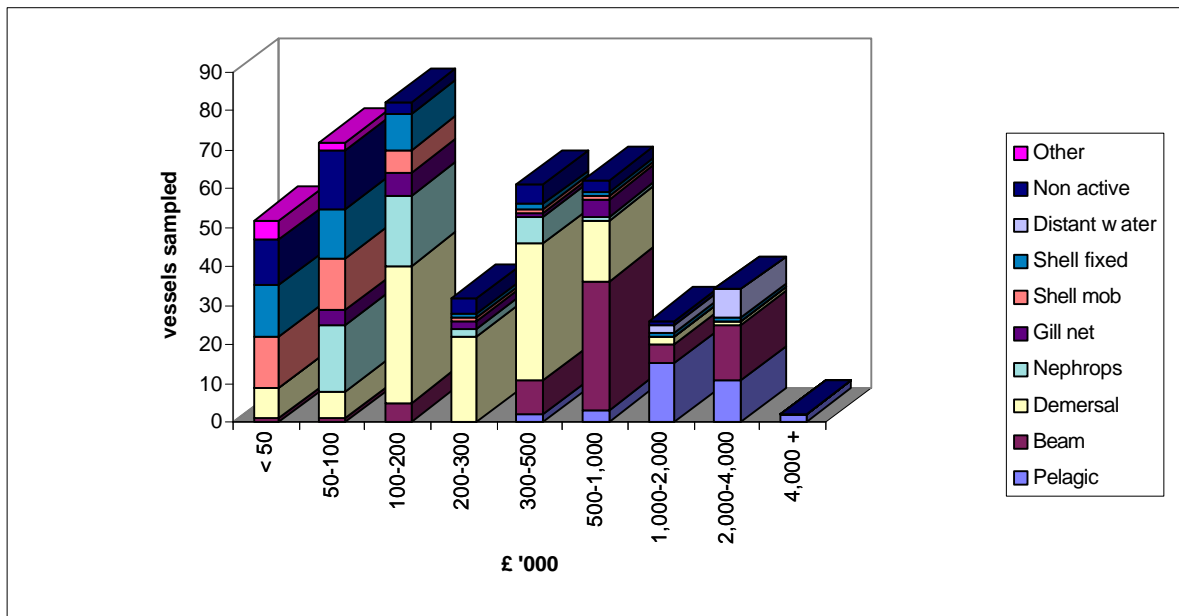
Source: *Nautilus* Survey

2.3 Those not applying for the scheme

2.3.1 The vessels

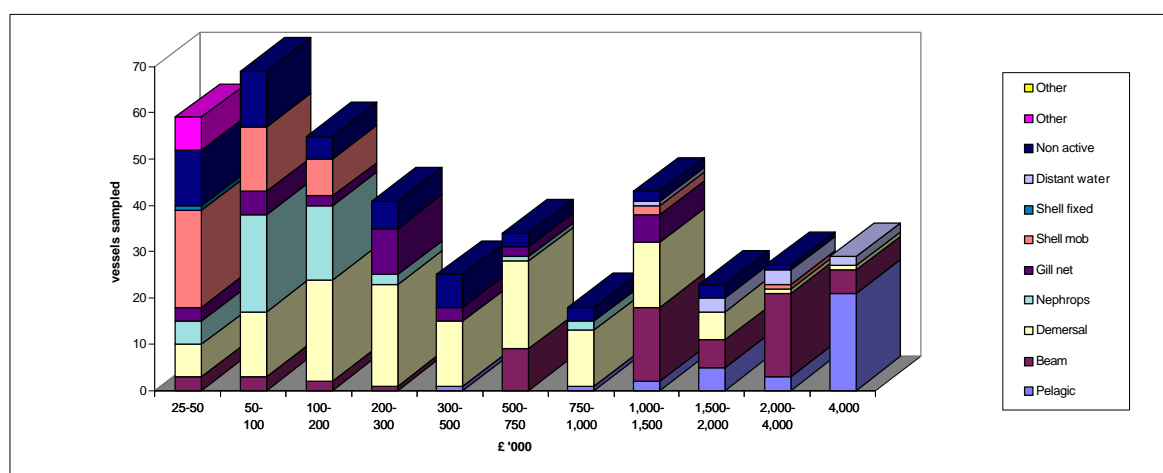
79. Figures 2.8 and 2.9 illustrate the distribution of vessel turnover and vessel insurance values (a substitute for capital values) for those fishing vessel owners / skippers who had not as yet applied for decommissioning. The sample responses show (Appendix 2.1.4), that for each group, those surveyed are representative of the total population. The figures show high turnovers / capital values (in excess of £500,000 and up to £4 M) for pelagic trawlers / purse seine vessels, distant water trawlers and beam trawlers. Earnings for the bulk of nephrops trawlers fall between £50,000-100,000, whilst the demersal trawlers can be divided into two groups: those earning in excess of £300,000 and up to £1 M, and those earning between £100,000 and £300,000. Whilst other vessel turnovers / capital values also exceeded £500,000 (for example the super crabbers based in the south west of England) most of the other groups' turnovers fell below £100,000.

Figure 2.8: Distribution of earnings among the sampled fleet of vessels not having applied for decommissioning



Source: *Nautilus* Survey

Figure 2.9: Distribution of insurance values among the sampled fleet of vessels not having applied for decommissioning



Source: *Nautilus* Survey

80. Over the period of the scheme (1993-1996) just under 80 per cent of those vessels not having applied were consistently in profit, 16 per cent breaking even and 8 per cent making losses. The last two categories did, however, reflect provision made by the vessel owners for re-investment. This was particularly the case in the pelagic sector where more than 20 per cent of the fleet were currently investing heavily in their vessels (largely due to changes in Refrigerated Sea Water equipment). The ratios of profit / loss (and break even) were highest in the distant water sector where they were 100: 1. In the beam trawl segment they were 33:1, and in the pelagic sector 10:1. A sub sample of these groups showed net profits currently between 14 and 25 per cent of turnover.

Table 2.7: Indication of financial profitability (Percentage of total) by segment

	Profit	Breaking even	Loss
Pelagic	83.3	8.3	8.3
Beam	95.7	2.9	1.4
Demersal	73.3	13.7	13.0
Nephrops	67.4	26.1	6.5
Gill net	58.1	32.3	9.7
Shell mob	85.0	5.0	10.0
Shell fixed	69.0	26.2	4.8
Distant	100.0	0.0	0.0
Non active	66.0	25.5	8.5
Other	57.1	42.9	0.0
Total	75.6	16.4	8.0

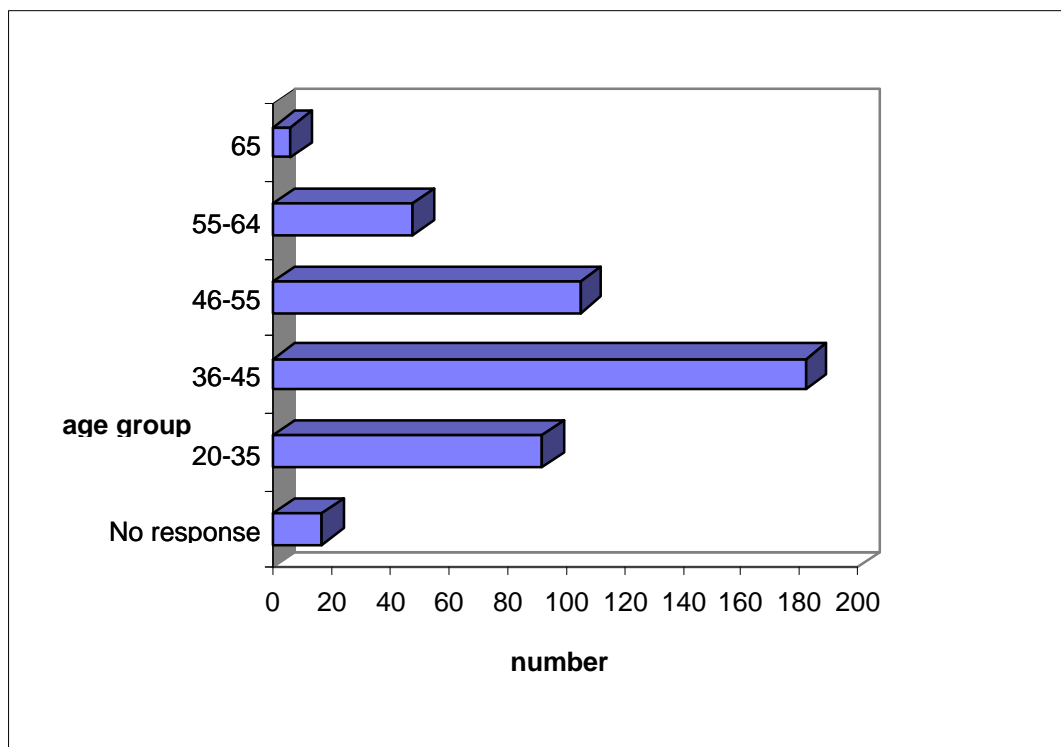
Source: *Nautilus* Survey

81. The levels of profit to loss / break-even were lower in the nephrops, lines and nets, shellfish fixed and non active segments. In these cases 30 to 40 per cent of the fleet did not consider themselves to be in profit.

2.3.2 The age characteristics of the skippers

82. The survey shows that most UK skippers are young. Sixty four per cent of those interviewed were 35 years or under, whilst the number of fishermen over 55 accounted for approximately 12 per cent. There was little correlation between age and interest in decommissioning.

Figure 2.10: Distribution of age amongst fishermen interviewed (those remaining in the industry)



Source: *Nautilus* Survey

2.3.4 The reasons for not applying

83. Only 6 per cent said they had previously been in contact with the Fisheries Departments regarding decommissioning. 32.8 per cent said that they would consider applying. The strongest interest came from the nephrops segment (Table 2.8) where around 69 per cent said that they would consider applying. Interest remained high amongst the other shellfish sectors (fixed and mobile). The respondents in the beam trawl sector expressed only some interest in decommissioning, much of the interest coming from smaller vessels in the sector. None of the distant water sector expressed interest in decommissioning. In the pelagic segment, the only interest came from the smaller class of traditional pelagic trawlers.

Table 2.8: Those indicating an interest in decommissioning

Segment	Sample	Would apply	Per cent
<i>Pelagic</i>	33	4	12.1
<i>Beam Trawl</i>	70	13	18.5
<i>Demersal Trawl</i>	135	36	27.4
<i>Nephrops Trawl</i>	48	31	69.0
<i>Lines and nets</i>	31	8	25.8
<i>Shell mobile</i>	22	10	45.4
<i>Shell fixed</i>	48	28	58.3
<i>Distant water</i>	9	0	0
Total	396	130	32.8

Source: *Nautilus* Survey

84. The largest concentration of interest was in the N.Ireland nephrops sector where more than half said that they would consider applying. Interest was voiced in North East England (North Shields, 20 per cent), North East Scotland (14 per cent) and the western Highlands & Islands. Continued interest in decommissioning was also evident in the South West gill net fleet, the small scale east coast of England gill net fleet, and the demersal segments in South West Scotland, eastern England and South East England. Very few of the vessels indicating an interest had a turnover of more than £200,000.

85. The main reasons for not applying (Figure 2.11) were: that 'the fishery is profitable', and 'family in the industry'. The latter reason was the most significant factor in most regions (Table 2.9) but strongest amongst the pelagic and distant water segments (Table 2.10). The distant water segment seemed more interested in the maintenance of the business structure than in family. 'Competition between decommissioning and vessel / licence values' was a reason not to apply in N.Ireland, eastern England, North East Scotland and the western Highlands.

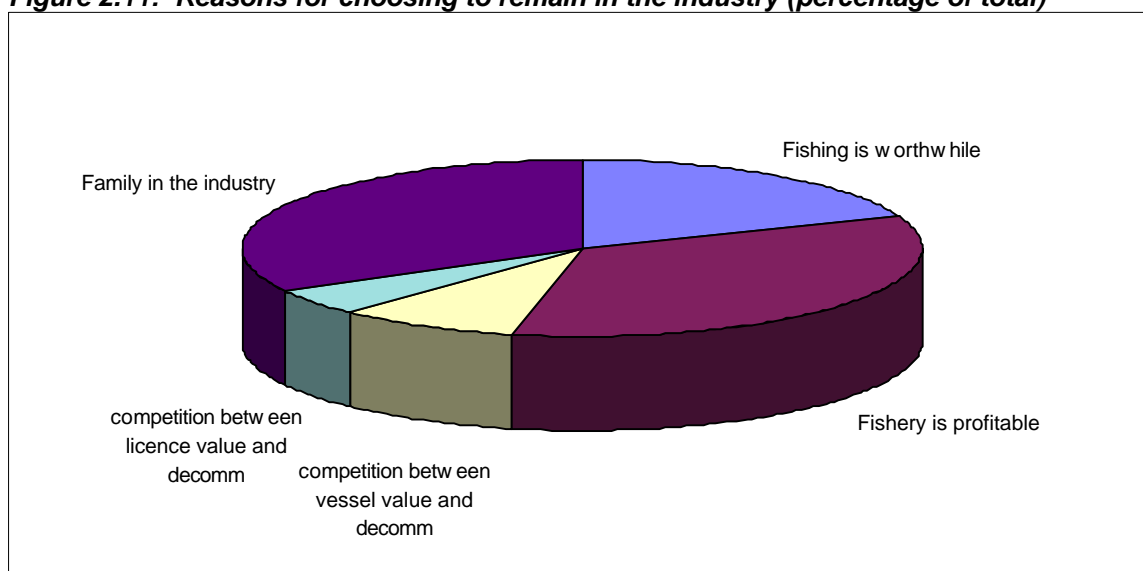
Figure 2.11: Reasons for choosing to remain in the industry (percentage of total)Source: *Nautilus* Survey

Table 2.10: Reasons for remaining in the industry (by region)

Region	Sample	No response	Fishing is a worthwhile profession	Fishery is profitable	compet between vessel value and decomm	compet between licence value and decomm	Family in the industry
<i>E.Scotland</i>	123	11.1	18.5	33.3	22.2	3.7	11.1
<i>W.Scotland</i>	55	3.2	18.3	43.0	11.8	5.4	18.3
<i>N.Ireland</i>	34	4.0	16.0	36.0	4.0	12.0	28.0
<i>Wales</i>	20	0	0	40.0	40.0	0	20.0
<i>N.W.England</i>	5	0	0	0	100.0	0	0
<i>S.England</i>	107	2.2	9.9	29.7	5.5	2.2	50.5
<i>E.England</i>	107	0	16.7	27.8	16.7	5.6	33.3

Source: *Nautilus* Survey**Table 2.9: Reasons for remaining in the industry (percentage responses by segment)**

Table 2.9: Reasons for remaining in the industry (percentage responses by segment)								
	Sample	No response	Fishing is worthwhile	Fishery is profitable	compet between vessel value and decomm	compet between licence value and decomm	Family in the industry	
<i>Pelagic</i>	33	0.0	13.3	20.0	6.7	6.7	53.3	100.0
<i>Beam</i>	70	16.2	4.1	37.8	6.8	2.7	32.4	100.0
<i>Demersal trawl</i>	135	11.2	29.0	34.6	9.3	4.7	11.2	100.0
<i>Nephrops</i>	48	34.3	14.3	20.0	5.7	5.7	20.0	100.0
<i>Gill net</i>	31	44.4	11.1	29.6	3.7	0.0	11.1	100.0
<i>Shell mob</i>	22	33.3	6.7	20.0	13.3	26.7	0.0	100.0
<i>Shell fixed</i>	48	20.0	28.0	32.0	4.0	0.0	16.0	100.0
<i>Distant water</i>	9	21.4	0.0	0.0	7.1	0.0	71.4	100.0
<i>Other</i>	48	3.3	3.3	23.3	16.7	0.0	53.3	100.0
<i>Non Active</i>	7	0.0	33.3	33.3	16.7	16.7	0.0	100.0
	451	17.1	15.7	29.2	8.3	4.4	25.3	100.0

Source: *Nautilus* Survey

86. Finally, this group of fishermen was also asked what would make them consider decommissioning. 259 of the 450 asked said that they would never apply. The remaining 191 cited the following potential persuasions: a collapse in the fishery (33 per cent), increases in debts (22 per cent), increases in the levels of payment (15 per cent), a decline in fish prices (15 per cent), changes to the market price for licences (10 per cent) and a change in the qualification criteria (5 per cent).

2.4 Industry perceptions of decommissioning

87. Decommissioning was generally considered to have been necessary. There was however, concern amongst some of those interviewed that the market for licenses was competing against the decommissioning scheme. Many in the industry (especially fishing vessel companies and fishing vessel agents) stated that 'the industry had undersold themselves'.

88. When including all four groups (Table 2.11), around 71 per cent of those in the industry believed decommissioning to be a good policy. Just under 19 per cent felt that the scheme was bad and 10 per cent were indifferent. The broad percentages stayed the same among the remainder.

Table 2.11: Views on decommissioning

Attitude	Successful applic	Unsuccessful applic	Applic withdrawing	All applicants
Good	75%	72%	67%	71%
Bad	15%	21%	19%	19%
Indifferent	10%	7%	14%	10%

Source: *Nautilus* Survey

89. Comments were sought from those remaining in the industry on a future for decommissioning. The responses from particular segments are interesting (Table 2.12).

Table 2.12: Views on decommissioning from those remaining in the industry

Segment	Attitude		
	Good	Bad	Indifferent
<i>Pelagic</i>	39%	18%	43%
<i>Beam</i>	65%	28%	7%
<i>Demersal trawl/seines</i>	64%	20%	16%
<i>Nephrops*</i>	72%	14%	14%
<i>Lines and nets</i>	74%	18%	8%
<i>Shellfish fixed</i>	45%	30%	25%
<i>Distant water</i>	100%	-	-
<i>Non active / Non TAC</i>	66%	19%	16%

* Insufficient sample

90. A high proportion of beam trawl operators considered the scheme to be bad. Some, but not all, were of the view that more could be achieved by allowing for the purchase of licenses and track records. The pelagic sector, whilst recognising the merits of a scheme, were of the view that decommissioning was irrelevant to their sector. This view was indicative of the high levels of investment in the sector and the very high returns on capital associated with the fishery. The distant water sector outlined similar reservations and stressed the need to facilitate adjustment by allowing for individual transferable quotas and the ability of companies to rationalise while retaining the quota entitlements of outgoing vessels.

91. The views in the demersal sector were somewhat mixed. Those who had a higher turnover, some company or fish agency ownership, tended to be receptive to the concept of reducing the levels of criminalisation within the industry and facilitating the acquisition of quota entitlements. This was not the view in the Area VII fisheries where available quota opportunities were not considered to be extensive, and where many of the vessels concentrated their activities on non-pressure stocks. However, broadly speaking, the demersal sector remained in support of a decommissioning scheme.

92. Finally, more than half the shellfish (fixed gear) sector considered the scheme to be bad. The general view was that fisheries should live and die on the basis of the activities of the fishermen themselves and as such, should not be assisted in any way. However, a large proportion of this group still indicated that they would consider applying.

2.5 SWOT analysis - industry views

93. Respondents were also invited to make more specific comments on the decommissioning scheme. These comments have been subdivided, with most important listed first, into a summary of the industry's perceived Strengths, Weaknesses, Opportunities and Threats (SWOT). The table is shown in Appendix 2.7. The results show the following:

Weaknesses

- the fishermen who leave are not those responsible for the heavy exploitation of the stocks
- there are insufficient funds available for an adequate decommissioning scheme
- there is disincentive to decommission because of taxation applied to fishermen under 55 years
- fishermen are discouraged because of the prospect of destroying their vessels
- it will contribute to the decline in the infrastructure and employment dependent on the fishing industry
- it has facilitated investment in the under 10 m sector thereby adding to pressure in this sector
- it limits the possibilities for new young fishermen entering into the industry
- it has caused the prices of licences to rise
- it represents a poor use of vessels and acts as a disincentive to many would-be applicants
- it has caused many vessels to leave the industry at below the market rate

Strengths

- the decommissioning scheme works well
- it facilitates re-investment in the fleet
- it leaves greater opportunities for those remaining in the industry
- it concentrates ownership into areas which are most capable of exploiting the fisheries
- it provides an easy means for fishermen seeking to leave the industry
- it helps to increase fish prices
- it reduces over-capacity in vulnerable fisheries

94. In conclusion, 32 per cent of the respondents considered the biggest weakness of the scheme to date is that the scheme to be that it 'has not been directed towards the most efficient vessels'. The next biggest weakness was 'insufficient funds available for an adequate decommissioning scheme'. The two major strengths identified were: 'that the scheme has worked well' and that it has 'facilitated new investment'.

95. The major perceived threat is that without the facility for decommissioning, the stocks will be irreparably damaged.

96. The four key opportunities are:

- to allow for the sale of track records and decommissioning of the licence from the vessel
- to target the most efficient vessels doing most damage to stocks
- to introduce fixed rates
- make more funds available for decommissioning

2.6 The industry's views on the system of tendering

97. Thirty per cent of those who achieved decommissioning awards believed that their applications would be successful (Table 2.13 and Appendix 2.8). In some of these cases, there was strong pressure from the banks and other creditors to clear debts even if it meant vessels leaving the industry at a rate below realistic capital values. A high proportion of the applicants, who were subsequently unsuccessful, also considered their bids to be highly speculative. These fishermen indicated a willingness to contemplate decommissioning only if the financial reward was significant.

Table 2.13: Summary table of attitudes to bids (see Appendix 2.8)

Attitude	Successful (Gp 1)	Unsuccessful (Gp 2)	Withdrew (Gp 3)	All applicants (Gp 1 to 3)
Guaranteed	30%	6%	28%	22%
Reasonable	54%	56%	50%	54%
Highly speculative	16%	38%	20%	24%

Source: *Nautilus* Survey

98. In addition, all the fishermen were asked whether they considered the scheme to be generally good value for tax payers' money. Approximately half said 'yes' and half said 'no'. Most applicants concluded that the existing tender scheme was successful in taking out vessels at a cheaper rate, that the scheme was highly competitive, and that the scheme was less expensive than the comparative EU scheme. Some of the applicants, whilst conceding that the tender scheme had been successful, felt that it would be more appropriate in future to examine the potential of establishing a scheme based on fixed rates. They felt that vessels of marginal value were achieving awards well above their true market price and that some of the vessels requiring withdrawal could be attracted only by higher marginal rates.

99. Some preference was given to incorporating GRT into the formula, although this came mainly from respondents who would have achieved higher marginal rates of award had the EU scheme been in operation.

100. The overall opinion from the industry was that VCUs were the most appropriate tool for decommissioning (Table 2.14). Most applicants stated that they preferred the current method of using VCUs to determine decommissioning payments. Those who were less successful expressed more dissatisfaction with the scheme, but few suggested alternative systems. In effect, it appears that the industry understood the system, had become used to the scheme and found it user-friendly. Equally, the fact that the licensing scheme used the same methodology allowed for cross comparisons to be made.

101. Basic support for the system of VCUs was even stronger amongst those vessels remaining in the fleet, ranging from 64 to 100 per cent (Table 2.15) for those remaining in the industry and from 43 to 96 per cent of those vessels having achieved decommissioning. The majority of respondents (62 per cent) gave a preference for maintaining the existing scheme. However, when asked whether the scheme should be amended, 46 per cent of the total number of respondents (including those decommissioned and those remaining in the fleet) suggested that it should be altered to include other features.

Table 2.14 Opinion whether VCUs are the most appropriate tool to calculate decommissioning (percentage yes by group)

Group	Yes	No
Successful applicants	70%	30%
Unsuccessful applicants	58%	42%
Withdrawals	69%	31%
Non-applicants	78%	22%

Source: *Nautilus* Survey

Table 2.15 Opinion as to whether VCUs are the most appropriate tool to calculate decommissioning (percentage yes / no by segment)

Segment	Yes for those having been decommissioned	Yes for those remaining
Pelagic	86%	81%
Beam Trawl	93%	96%
Demersal trawl / seine	77%	79%
Nephrops Trawl	60%	67%
Lines and nets	69%	64%
Shellfish mobile	63%	70%
Shellfish fixed	79%	71%
Distant water	82%	100%
Non active / Non TAC	96%	83%
Unknown	43%	71%

Source: *Nautilus* Survey

102. Table 2.16 identifies additional criteria which could be included into the calculation of the fleet decommissioning scheme. This table gives the response from those who remain in the industry and shows a strong divide within it. Higher earning vessels such as beam trawl, pelagic, distant water and some of the demersal segment, are supportive of the need to include higher payments for those with track records as part of the scheme. Similarly, since the current levels of decommissioning payments fail to attract these vessels (and those with the largest amount of effort), many of the fishing vessel owners suggested that the scheme should be more targeted. This is not to say that vessel groupings should be excluded. It merely suggests that either the budget is increased or an additional incentive is built into the scheme to encourage the applications from the larger class of vessel. A system of fixed rates based on segment was frequently suggested by would-be applicants.

103. In contrast, those vessels, not in possession of track records or unaware of their specific catch records (a common feature) were less likely to support additional allowances for track records or for targeting specific segments. This was also true of those vessels holding limited pressure stock (category B and C) licences.

Table 2.16: Other suggested factors to be used in addition to the existing decommissioning system of vessel capacity units

	Sample	Pelagic	Beam	Demersal	Nephrops	Gill net	Shell mob	Shell fixed	Distant water	Other
First choice										
None	50	4	5	12	35	30	-	37	-	27
Track record	171	88	92.5	80	30	41	8	16	78	20
Segment	22	4	-	1	10	4	42	12	22	23
Licence type	15	-	2.5	3	10	-	17	7	-	23
Vessel age	11	4	-	3	10	3	25	7	-	3
GRT	8	-	-	1	5	16	-	7	-	3
Second choice										
Track record	5	8	3	1	50	-	-			
Segment	124	92	92	96	-	100	50			
Licence type	9	-	3	1	50	-	-			
Vessel age	5	-	4	1	-	50	50			
GRT	1	-	-	-	-	-	-			

Source: *Nautilus* Survey

104. The development of the scheme was explored with the group that had not decommissioned. Applicants had recognised that a system of payment linked to segment was a good idea. Non-applicants were asked whether they would be **more likely** to apply if fixed rates were set for each segment, if the vessel owner were allowed to sell his quota prior to decommissioning, and if vessel owners were allowed to sell their vessels outside the industry when applying for the scheme. This last point arose in response to a great deal of anecdotal evidence from the first set of survey results that many fishermen were reluctant to apply as they did not wish to see their vessels destroyed.

105. Table 2.17 shows strong support for proposals to allow for the vessel to be sold separately. Equally, there is attraction in selling track records (the pelagic and distant water sector) and the possibility of establishing a fixed system of payments. These issues will be explored later in the report.

Table 2.17: Attitudes to proposed potential alternatives / amendments to the current decommissioning scheme: More prone to apply

Segment	Sell track records	Decommission licence and sell the vessel	Establish a system of fixed rates
Pelagic	21	12	12
Beam	18	18	12
Demersal trawl / seines	18	13	41
Nephrops	34	49	50
Lines and nets	40	54	29
Shellfish mobile	32	32	60
Shellfish fixed	-	75	38
Distant water	21	50	29
Non active / Non TAC	15	47	-
Unknown	42	43	42

Source: *Nautilus* Survey

106. When setting up the scheme, Fisheries Departments set a number of criteria that applicants has to meet in order to qualify (Appendix 1.2). These have generally met with widespread support in the industry. Two areas receiving more criticism than others (Table 2.18) were the exclusion of specific segments and the exclusion of younger vessels. In the former, the criticism is directed primarily at the decision in the 1995 scheme to exclude vessels in the nephrops segment. This criticism is based on the fact that vessels within this category also participate in the directed

demersal fisheries. To be excluded because of recent activities in a different segment is considered unfair by the fishermen.

Table 2.18: Industry's views on the qualification criteria

Excluded because	Fair	Unfair
Under 10 m	68.5	31.5
Production of DTI certificate	79.7	20.3
Days at sea	76.9	23.1
Because previously declined	75.3	24.7
Specific groups	50.8	49.2
Vessels > 10 years	42.9	57.1

Source: *Nautilus* Survey

107. Whilst many fishermen argued that young vessels should not be excluded, it was accepted that few young vessels would apply. However, it should be noted that support for excluding young vessels was strongest (57 per cent) amongst those that had not yet applied.

108. Negative comments were aimed at the unnecessary expenses involved in producing a Department of Transport Safety Certificate. However, those who supported the qualification condition felt that without a certificate, the Government could find itself decommissioning old inactive vessels and attracting considerable criticism. There was also criticism of the days at sea criteria. It was felt that the impact of severe weather in previous years had subjected vessels to long lay-up periods and caused some to fail to meet the criteria.

109. There was considerable support for the stipulation that those who withdrew their applications in previous years should be ineligible to re-submit in the following year. Most fishermen felt that without this condition, the Fisheries Departments could find themselves besieged with speculative applications.

2.7 Employment considerations.

110. Decommissioning is aimed at reducing the size of the fleet but does not consider the socio-economic implications or the ability of fishermen to find other employment. A *Nautilus* study¹ on fishermen's re-deployment concluded that a significant number of fishermen would prefer to remain in the industry. This was confirmed in the decommissioning survey where, having left the industry through decommissioning or subsequently selling the vessel, many of the skippers sought to either re-invest in newer vessels (often in the under 10 m category) or seek employment on other vessels. This was also often the case for the crew. However, much depends on the particular economic circumstances within the region, such as the rate of unemployment, job availability, fishermen's remuneration relative to other earnings within the region, and the importance of the fishery sector relative to other employment groups.

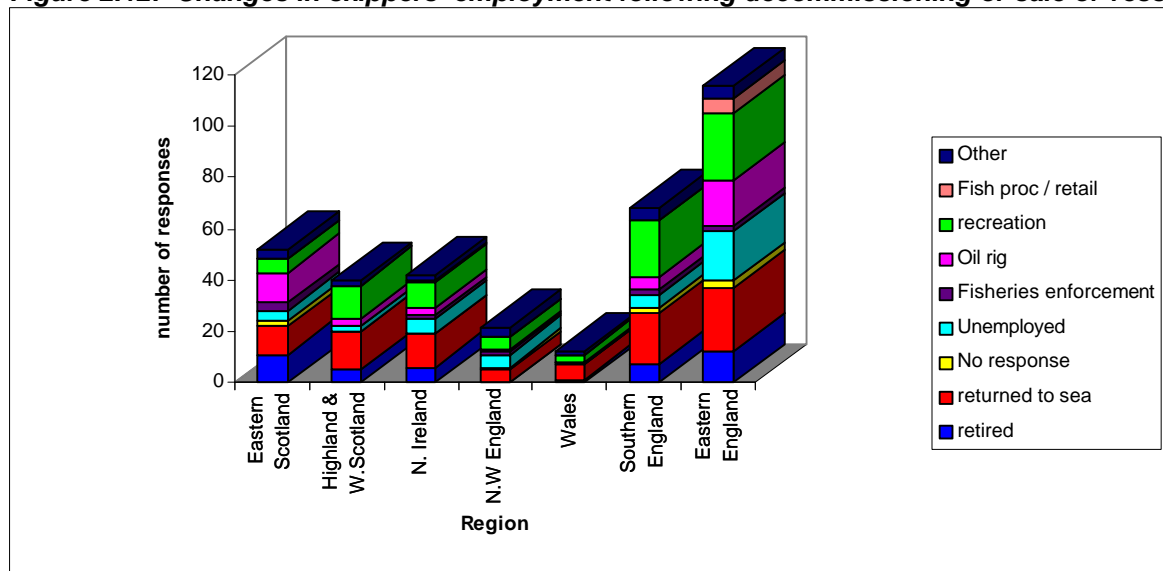
111. Table 2.19 provides a rough estimate of the numbers of fishermen employed on decommissioned vessels in the period 1993 to 1996. These figures are approximate and not based on actual crew sizes. However, the table shows that about 2,250 fishermen had to find alternative work, 54 per cent from England, 31 per cent from Scotland, 12 per cent from N. Ireland, and 3 per cent from Wales.

112. It is difficult to gauge the extent to which skippers and crews remained in the industry and the problems they faced when seeking other employment. Skippers were asked about changes in occupation (Figure 2.12) following decommissioning or the sale of the vessel. The diagram shows a

¹ Reconversion of fishermen: A study prepared by Nautilus Consultants, funded by DGXIV, Commission of the European Communities, 1995.

significant proportion (27 per cent) returned to sea as skipper, crew or mate. This trend was stronger in some ports than others (Appendix 2.9). Mallaig, Portavogie, Milford Haven and Hastings saw more than 40 per cent of the total returning to sea. Similar patterns were seen in Eyemouth, North Shields, Fleetwood and Newlyn.

Figure 2.12: Changes in skippers' employment following decommissioning or sale of vessel



113. Thirty five per cent chose to remain in other marine-related activities. These were predominantly:

- a move from fishing to offshore oil-related activities, 11 per cent in total, 16 per cent in Eastern England and 10 per cent in Eastern Scotland
- a move to recreational activities such as angling, boat charters and scuba diving vessels. This move represented 24 per cent in total (32 per cent in southern England and Highland and West Scotland, 22 to 24 per cent in North West England, Northern Ireland and eastern England).

114. Unemployment amongst skippers represented 12 per cent in total, the most of these being in the port of Grimsby (21 per cent). However, this figure relates mainly to the most recent exits from the sector. The only other notable unemployment black spot was N. Ireland where out of work skippers amounted to 14 per cent.

115. The pattern of re-deployment of skippers from the fisheries sector is broadly similar to the trends identified in the reconversion study. They were as follows:

- there was a distinct difference between urban and rural locations. Employment in urban areas was generally more attainable, whilst employment in rural areas was often confined to seasonal work (for example recreational activities)
- the more skilled fishermen, usually those in possession of skippers' tickets, had little difficulty in finding employment, with most skippers (or engineers) gaining work within 6-12 weeks.
- unskilled crew found difficulty in obtaining jobs, particularly in rural areas where they could be out of work for up to nine months. Many of these individuals returned to sea.

116. The reconversion study also identified considerable employment attributes of fishermen. These were a their willingness to work long hours at unsociable times, a strong aptitude towards team work, a knowledge of the sea, and skills such as navigation and mechanics.

Table 2.19: Estimates of employment on board decommissioned fishing vessels, 1993 - 1996

REGION	East Scotland			Highland and West Scotland			Total Scotland
Segment	Av. crew size	vessels decomm	Total	Av. crew size	vessels decomm	Total	Total Scotland
Pelagic	-	-	-	-	-	-	-
Beam trawl	-	-	-	-	-	-	-
Demersal trawl / seine	4	32	128	4	6	24	152
Nephrops trawl	4	49	196	4	45	180	376
Lines & nets	3	1	3	3	1	3	6
Shellfish mobile	3	2	6	4	3	12	18
Shellfish fixed	3	4	12	3	22	66	78
Distant water	5	1	5	5	5	25	30
Other	4	2	8	4	4	16	24
Total	23	91	358	20	86	326	684

REGION	North West England			Southern England			Eastern England			Total England
Segment	Av. crew size	vessels decomm	Total	Av. crew size	vessels decomm	Total	Av. crew size	vessels decomm	Total	Total England
Pelagic	-	-	-	-	-	-	-	-	-	-
Beam trawl	6	2	12	6	2	12	8	19	152	176
Demersal trawl / seine	3	27	81	3	57	171	4	67	268	520
Nephrops trawl	4	5	20	4	1	4	4	15	60	84
Lines & nets	-	-	-	4	16	64	4	20	80	144
Shellfish mobile	-	-	-	2.5	17	51	4	17	68	119
Shellfish fixed	-	-	-	3	3	9	4	11	44	53
Distant water	-	-	-	-	-	-	4	7	28	28
Other	3	1	4	3	17	51	4	10	40	95
Total	18	35	117	22	113	362	32	166	740	1,219

REGION	Northern Ireland			Wales			Total UK
Segment	Av. crew size	vessels decomm	Total	Av crew size	Vessels decomm	Total	Total UK
Pelagic	5	7	35	-	-	-	35
Beam trawl	-	-	-	6	1	6	182
Demersal trawl / seine	4	14	56	3	6	18	746
Nephrops trawl	4	44	176	-	-	-	636
Lines & nets	-	-	-	6	2	12	162
Shellfish mobile	-	2	6	4	1	4	147
Shellfish fixed	-	1	3	3	1	3	137
Distant water	4	1	4	5	3	15	77
Other	-	-	-	3	4	12	131
Total	17	69	280	18	35	70	2,253

Source: UK Fishing vessel agents