



Department  
for Environment  
Food & Rural Affairs

# Economic Link

## **Strengthening the fisheries**

## **Economic Link licence condition in England**

October 2020



© Crown copyright 2020

This information is licensed under the Open Government Licence v3.0. To view this licence, visit [www.nationalarchives.gov.uk/doc/open-government-licence/](http://www.nationalarchives.gov.uk/doc/open-government-licence/)

This publication is available at [www.gov.uk/government/publications](http://www.gov.uk/government/publications)

Any enquiries regarding this publication should be sent to us at:

[marineandfisheries@defra.gov.uk](mailto:marineandfisheries@defra.gov.uk)

Or

Department for Environment, Food and Rural Affairs  
Fleet Management Team, Marine & Fisheries Directorate  
Nobel House  
17 Smith Square  
London  
SW1P 3JR

[www.gov.uk/defra](http://www.gov.uk/defra)

## Contents

Summary .....	4
Purpose .....	5
Background.....	6
Why do we have an economic link condition? .....	7
How the economic link in England is currently met.....	8
Proposal.....	9
Conclusion .....	12
Technical Annex: Impact of adjustments to the economic link criteria in England .....	13
Summary.....	13
Background .....	13
Impact of economic link adjustments to the UK.....	15
Annex A: calculation of the value of quota transfer required to fulfil the economic link condition.....	18
Existing licence condition.....	22

## Summary

As outlined in the Fisheries White Paper *Sustainable Fisheries for Future Generations*, 2018, leaving the EU has given the Government the opportunity to reconsider the economic link licence condition. The condition currently applies to all UK registered vessels over 10 metres in length that fish against UK quota. It requires them to demonstrate a link, or benefit, to the UK's economy.

The proposals in this consultation relate to England, as it is a devolved issue.

Under the condition vessel owners are required to demonstrate a link by meeting one of the criteria that is listed in their licences. These criteria are to land at least 50% of catch into the UK; employ a crew of whom at least 50% reside in the UK; make normal operating expenditure into UK coastal areas; and donate quota for use by the inshore fleet.

Most UK registered vessels meet the economic link condition by landing at least 50% of their quota catch in the UK. A small number use the other criteria including the donation of quota for use by the inshore fleet.

The intention is to increase benefits across the UK, and in particular to coastal communities, in line with the Government's 2019 manifesto pledge to increase support for the UK's fishing industry.

The proposals in this document involve increasing the landing requirement to 70% for quota species and strengthening the quota donation requirement to increase the value of quota transferred to the Marine Management Organisation (MMO). The proposals also increase the quota donation requirement and allows vessel owners to use a combination of the two criteria, landings and quota donation, to meet the economic link requirement. This recognises the importance of flexibility to support vessel owners' ongoing business practices. Under the proposal the crewing and financial expenditure criteria will be removed as these generate lower economic benefits.

The expectation is that the new economic link requirements for England will come into effect from 2022.

## Purpose

The Government is seeking to introduce changes to the economic link licence condition for vessels registered in England and licensed by the MMO<sup>1</sup>. This licence condition requires vessels fishing against the UK allocation of quota to demonstrate a real economic link, or benefit, to the UK by for example, landing their catch into UK ports.

This public consultation seeks views on a new proposal to strengthen the economic link condition in England. The purpose of this is to increase the benefit to the UK from the exploitation of fish in UK waters which, as a national resource, should be for the benefit of all.

The UK left the EU on 31 January 2020 and entered the Transition Period. During this time EU rules, including the Common Fisheries Policy (CFP), continue to apply to the UK. On 31 December 2020, the UK will leave the Transition Period and the CFP. This will allow the four UK Fisheries Administrations to develop their own fisheries management policies. The Fisheries White Paper stated the UK Government's intention to review the economic link to:

*“ensure that UK registered vessels including foreign owned vessels, fishing for UK quota produce genuine economic benefits for UK coastal communities dependent on fisheries and fisheries related industries.”*

The economic link is a devolved matter, and the policy proposal in this consultation only applies to England. All subsequent figures and other information, unless otherwise stated, refer to the English fleet.

---

<sup>1</sup> In the Crown Dependencies, the Isle of Man's Department of the Environment, Food and Agriculture issues UK licences to all Isle of Man registered fishing vessels and the economic link licence condition will apply as set out on page 6 of this document.

The economic link licence condition will apply to Jersey and Guernsey registered vessels that hold a licence issued by the Marine Management Organisation.

## Background

A significant proportion of the fisheries catch made by UK vessels are of stocks that are controlled by quota (catch limits). In future, these quotas will be set through annual negotiations with the EU and other coastal States in the north east Atlantic.

English registered vessels that land over 2 tonnes of quota stocks per annum and which are over 10 metres in length, are required by the MMO to demonstrate that there is a real economic link between the vessel and the UK. Vessels registered in the Devolved Administrations are subject to the same requirements by their Fisheries Authorities.

Fishing vessel licences specify the four criteria vessel owners can chose from in order to demonstrate an economic link to the UK. The MMO currently requires vessels to meet one (or an acceptable combination of more than one) of the following criteria:

- Land at least 50% of quota catches into the UK; or
- Employ a crew, at least 50% of whom are normally resident in the UK; or
- Make at least 50% of the vessel's normal operating expenditure in UK coastal areas; or
- Demonstrate a link in another way. There is a long running practice of vessels doing this by donating quota to the under 10m pool.

Details of the full licence condition are included at the end of this document.

### **The Crown Dependencies**

Crown Dependency vessels that hold a UK licence and which fish against the English quota allocation, are over 10 meters in length and which land over two tonnes of quota stocks a year will be bound by the economic link condition discussed in this consultation.

However, it will not extend to Crown Dependency vessels fishing in their own territorial waters under their own Crown Dependency licence.

## Why do we have an economic link condition?

The introduction of fishing quotas under the CFP in 1983 resulted in a considerable number of non-UK based vessels registering in the UK. This was in order to purchase quota that had been allocated to the UK together with the associated fishing vessel licences from existing holders. These vessels made use of fishing opportunities intended to support the UK fleet without being required to return any benefit to the UK. Attempts by the UK Government to prevent this resulted in legal proceedings in the 1990s which were ultimately determined in favour of these vessel owners. The economic link policy was developed to ensure that the UK economy would accrue some benefit from vessels fishing against UK quota, irrespective of their ownership.

In 1999, the economic link condition was added to the licence of all UK fishing vessels meeting the criteria set out in the previous section.

The licence condition ensures that fishing opportunities that have been negotiated for and allocated to the UK are fished by vessels that are genuinely part of the UK fleet, and are able to demonstrate the contribution they make to the UK economy.

At the end of the transition period the UK will no longer be subject to the terms of the CFP and any other relevant EU law and will be negotiating for fishing opportunities as an independent coastal State for the first time in 40 years. We want to make sure that existing quota, plus any additional quota that we are able to negotiate, translates into a greater economic benefit to the UK.

Leaving the EU means that the UK Administrations have the opportunity to design new domestic fisheries policies. The UK Government has a dual role in that it must consider the best interests of the whole of the UK, while also considering how policy specifically applies to and benefits England.

The Fisheries Bill is a framework bill that provides the Government and Devolved Administrations with the powers necessary to move away from the CFP at the end of the Transition Period. The Fisheries Bill includes the 'national benefit objective' which is:

*“that the fishing activities of UK fishing boats bring social or economic benefits to the United Kingdom or any part of the United Kingdom”*

The Bill requires the UK Administrations to state what policies they have in place to meet this, and the Bill's seven other objectives. The legislation places a clear obligation on the four Administrations to maintain an economic link policy in the future.

**Question 1: Do you think that the current economic link licence condition is strong enough?**

## How the economic link in England is currently met

The majority of English-registered vessels land most of their catch into the UK. On average during 2016-2019, 99% of vessels landed at least 50% of their quota catch into UK ports including 94% of over 10m vessels.

Less than half a percent of under 10m vessels, land any catch outside of the UK. Over the period 2016-18, this averaged 24 tonnes per year or 0.11% of the under 10m total landings.

On average, all English vessels landed £89m worth of quota stock into the UK per annum over the period from 2017-2019 and £80m per annum outside the UK over the same period.

UK vessels land their quota catch into non-UK ports for a number of reasons including receiving a higher or more stable price for their catch, proximity of those ports to fisheries and markets, or economic ties between vessels and the ports.

During 2016-2019 an average of 30 vessels chose not to land at least 50% of their quota catch into the UK and so demonstrated an economic link through other means.

Year	Total English vessels <sup>2</sup>	Vessels not meeting landing requirement
2016	3098	33
2017	3034	33
2018	2923	30
2019	-	26

Of vessels that chose not to meet the landing requirement, 77% donate quota and 23% meet the crewing requirement.

Around 3,000 tonnes of quota have been donated to the MMO during 2016-2019 for use by the under 10m pool with a value of over £10m. MMO analysis suggests that on average only around half of that donated quota has the potential to be used by the under 10m fleet. In 2019 for example, 26 tonnes of North Sea turbot and brill quota was donated to the under 10m pool on top of the 38.7 tonnes initially allocated. However, by the end of the year 37 tonnes remained unfished by the under 10 fleet. This was possibly because these vessels were unable to access that quota or it was unprofitable to fish it.

---

<sup>2</sup> Total English vessels numbers are taken from the UK sea fisheries annual statistics reports – (<https://www.gov.uk/government/collections/uk-sea-fisheries-annual-statistics>). Data is not yet available for 2019.



A small number of vessels comply with the economic link through employing a crew of which at least half normally reside in the UK. Vessel owners can also show that the majority of their expenditure per year is made in UK coastal regions. This option is rarely used. It was met by only one English vessel on one occasion between 2016 and 2019.

## Proposal

Given the findings set out in the previous section, we believe that changes can and should be made to strengthen the licence condition in England and increase the benefit to the UK economy. The changes we propose are to:

- Increase the landing requirement from 50% to 70% for quota catch caught by English registered vessels landing more than 2 tonnes per annum;
- Increase the required value of donated quota and formalise donation arrangements; and
- Remove the lesser used crewing and expenditure options from the existing licence condition.

The proposal would leave vessels with two strengthened routes to demonstrating a link to the UK economy, as well as the flexibility to use a combination of the two.

The landing of quota stock catch into UK ports has the potential to produce the greatest economic benefits of the four current economic link criteria. This is especially true when it results in further economic activity such as when catch is used by the processing sector.

Based on estimates for the past 3 years, if all English vessels met the proposed 70% landing requirement it could result in up to £60m worth of additional landings each year. However, this is likely to be an over-estimation as explained in the technical annex below. In addition, it may not be realistic to expect the majority of vessels that currently land their catch outside the UK to change their behaviour significantly, at least in the short term, given the potential economic, geographic or resource benefits of their existing arrangements.

If vessels do not land 70% of their catch into UK ports, they would either be obliged to use the quota transfer requirement, or to use a combination of landings and quota criteria to meet the licence condition.

We expect the main impact of increasing the landing requirement to result in more quota being donated to the MMO. We want to take this opportunity to make sure that it is used effectively by considering additional ways that it could be allocated. This is explored later in this section.

Our proposals would mean that a vessel landing less than 70% of its quota species into the UK would be required to transfer quota to the MMO proportionate to its shortfall from meeting the landing requirement.

For example, a vessel landing 15% of its quota catch into the UK would be required to demonstrate a link to the UK economy that is equivalent to 55% of its landings (70% - 15%). This would be done through the donation of quota. Example 1 below provides more information and the technical annex provides further details on the proposed calculations for quota donations.

### Example 1<sup>3</sup>

The UK registered vessel “*Mary Lou*” lands 800 tonnes of quota-controlled catch in 2020. Of this, 120 tonnes are landed into the UK and 680 tonnes into France.

The 70% landings target would require the vessel to land 560 tonnes of its catch into the UK.

$$70\% \times 800\text{t} = 560\text{t}$$

Therefore, the “*Mary Lou*” must donate quota in proportion to the shortfall from meeting the landings requirement, 360t.

$$560\text{t} - 120\text{t} = 440\text{t}$$

Quota must be donated that is equivalent in value to 30% of this shortfall.

Under our proposal, an increased proportion of a vessel’s shortfall from meeting the landing requirement will need to be donated to the MMO, this will increase from 16.5% to 30%. We intend this strengthening of the quota donation option to increase the value of quota made available to the MMO and create a greater incentive for vessels to land their catch into ports in the UK.

Some quota is not suited to the under 10m fleet. This may be because it is transferred too late in the year to be fished or because it is inaccessible or unprofitable, for example if the stock must be caught in volumes that the under 10m fleet cannot fish in order to be profitable. We will therefore consider additional ways that this quota may be used. These could include:

- making a proportion of the donated quota available to the over 10m pool;
- allowing the MMO to use it for swaps within the UK to alleviate issues;
- alleviating choke issues for the English fleet<sup>4</sup>; or

---

<sup>3</sup> The vessel name “*Mary Lou*” does not refer to a real vessel.

<sup>4</sup> Choke issues arise where a vessel is operating in a mixed fishery and will catch a number of quota stocks. The choke arises when quota for one of those species is exhausted before the others, preventing the vessel from making use of the remaining quota.

- helping support sections of the fleet that may face year to year cuts in a quota that they are highly dependent on, for example following changes to scientific advice.

As part of the strengthened quota donation criteria we propose to introduce guidance setting out how vessels can transfer quota to meet the new economic link licence condition. This would give certainty and transparency for industry. The guidance could include:

- the period within which quota donations must be made;
- clear rules on the (increased) quantity and value of quota that is required to be donated to demonstrate an economic link to the UK;
- description of any restrictions on the type of quota that can be donated to demonstrate an economic link; and
- a report on the previous year's compliance with the economic link condition in England.

With regard to the remaining two existing economic link criteria: estimates of crew costs for vessels suggest that a vessel meeting the crewing requirement does not contribute as much to the UK economy as it would if it met the landing or quota donation criteria.<sup>5</sup> By removing this part of the licence condition, vessel owners would need to demonstrate a stronger link to the UK through landing a greater share of their catch into UK or by transferring quota to the MMO. We consider that it may be unlikely to have a significant effect on the employment of UK resident crew, given the demand within the industry for crew with high levels of skill and experience.

The expenditure option has only been used once in the last four years by an English registered vessel to meet the economic link condition. Vessels genuinely operating out of the UK and regularly landing their catch into the UK are also likely to be making expenditure in the UK. We are proposing to remove this option on the basis that it provides a weaker demonstration of a vessel's link with the UK economy.

We believe the value of the quota donation needs to be amended to ensure that the link to the UK economy that these donations demonstrate, is more economically comparable with the link shown by meeting the landing requirement. This takes into account that the donations to the MMO provide a different sort of benefit for the UK than the landings, as they enable the targeted support of other sections of the English fleet.

---

<sup>5</sup> Seafish "Economics of the UK fishing fleet" (<https://www.seafish.org/insight-and-research/fishing-data-and-insight/>)

**Question 2: Do you agree that the landing target should be increased to 70%?**

**Question 3: Do you agree that flexibility is required in the system to allow vessels to continue to land all, or a proportion of, their catch outside the UK?**

**Question 4: Are quota donations the best alternative way for vessels to demonstrate a link to the UK?**

**Question 5: Do you agree that guidance should be put in place to increase the usefulness of donated quota?**

**Question 6: Do you agree that some of this quota should be used for new purposes and our suggestions? If applicable, please provide details of new purposes you think would be appropriate.**

## **Conclusion**

Defra believes that the proposals in this document could benefit coastal communities and the wider UK economy.

Subject to the outcome of this consultation, we intend to amend the economic link condition included in licences issued by the MMO from 1 January 2022.

We welcome your views and comments on the proposals and answers to the questions that follow. Please send responses online or in writing.

[marineandfisheries@defra.gov.uk](mailto:marineandfisheries@defra.gov.uk)

Or

Department for Environment, Food and Rural Affairs  
Fleet Management Team, Marine & Fisheries  
Nobel House  
17 Smith Square  
London  
SW1P 3JR

# Technical Annex: Impact of adjustments to the economic link criteria in England

## Summary

The impact of the proposed changes to the economic link licence condition for over 10m vessels in England will be dependent on whether vessels significantly alter where they land their catch.

In the short-term, vessels are unlikely to change landing patterns given costs associated with adapting their business structures and pre-existing contractual arrangements. We expect most vessels to fulfil the economic link condition in the short-term by transferring quota to the MMO, primarily for use by the under 10m pool. From our analysis, this is estimated to generate an increase in quota donations worth around £7.3m annually from the over 10m fleet to the under 10m fleet.

Currently there are a few over 10m vessels who already land a significant portion of their catch in the UK (though this is less than the proposed new landing requirement of 70% of the total catch). These vessels could increase the amount they land in the UK further if this practice is less costly than the option of transferring quota to the under 10m vessel pool under the new licence conditions. However, the economic impact of this is likely to be minimal and vessels may opt against choosing the option of meeting the 70% landing requirement if it means added fuel costs and lower earnings from UK ports compared to landing at ports in other countries obtaining for their fish

In addition the quota donation option means that quota is transferred from one sector of the fleet to another (i.e. from the over 10m vessel pool to MMO for use by the under 10m vessel pool). As a result these proposals may not necessarily see an increase in economic activity for the UK fleet as a whole but rather sees a redistribution of quota within it.

## Background

The economic link licence condition was introduced in 1999 to increase the value to the UK from vessels catching UK quota. It stipulates that to demonstrate an effective economic link to the UK vessels must:

- Land at least 50% of their catch of quota stocks into UK ports;
- Have at least 50% of their crew normally resident in the UK;
- Spend at least 50% of operating expenditure in UK coastal areas; or
- Demonstrate a real economic link by other means. In practice, this option generally involves the donation of quota to the under 10m fleet.

Although the majority of the English fleet fulfils the economic link through the landing requirement, the proportion that comply through other criteria account for a large proportion of English quota landings. Over the period 2017 – 2019, 99% of English vessels landed at least 50% of their quota catch into UK ports, with around 97% landing all of their catch into the UK. A few vessels (less than 1%) landed all of their catch outside the UK. The tables below summarise the value of landings and destination of landings by English vessels for the period between 2017 and 2019.

**Table 1: Value of all landings by English vessels (2017 – 2019)**

Year	Landings into the UK (£)	Landings abroad (£)	Total (£)
2017	£230m	£105m	£335m
2018	£231m	£101m	£332m
2019	£238m	£68m	£306m
<b>Average</b>	<b>£233m</b> (72% of value)	<b>£91m</b> (28% of value)	<b>£324m</b>

Source: Marine Management Organisation, English landings dataset 2017-2019

Over the period 2017 to 2019, English vessels made up 72% of the average landing value into the UK (£) and 28% of average value (£) in landings abroad. The figure for the UK was contributed to by the vast majority of the English fleet (97%) while only 3% of the English fleet contributed to the average landing value for English vessels abroad during that period.

**Table 2: Destination of landing by English vessels (total, 2017-2019)**

Destination of landing by English vessels	Number of individual vessels	Tonnage (2017 – 2019)	Value (2017 – 2019)
Vessels landing in UK only	2,488	247,140	£585m
Vessels landing UK and abroad	74	144,120	£269m
Vessels landing abroad only	13	124,052	£118m

Source: Marine Management Organisation, English landings dataset 2017-2019

Of the English landings abroad, 13 vessels (less than 1%) accounted for £118m of all English landings (approximately 12% of total value landed by English vessels over the period).

In this paper, we analyse the impact of removing the crew and expenditure requirements, increasing the landings requirement to 70%, and increasing the required amount of quota transfer from 16.5% of a vessel's shortfall by value (£) to 30% of a vessel's shortfall (£).

## Impact of economic link adjustments to the UK

The proposed adjustments to the economic link licence condition remove the crew and expenditure requirements. Vessels would have a choice to land 70% of catch into UK ports, or donate 30% of their quota to the MMO to fulfil the licence condition. The choice made by each vessel owner will depend on a consideration of costs. The subsequent impact of the proposed adjustments to the condition will depend on the degree to which vessels change their landing behaviour. Where vessels are incentivised to change landing behaviour (i.e. increase landings into the UK), the impact of the proposal will be mainly through higher landings to the UK by the over 10m fleet. Where there is not enough incentive to change landing behaviour, the impact of the proposal will mainly be delivered through quota transfers that will currently benefit the under 10m fleet.

Amending the quota transfer rate from 16.5% to 30% by value will impact existing vessels that currently use the quota donation mechanism and could result in an increased cost of £2.6m to those vessels.

The increase in the landing requirement from 50-70% will have a further impact on those vessels that do not land 70% of their catch into the UK. This impact is estimated under two scenarios

- Scenario 1: all vessels comply with the new landings requirement of 70%. This scenario is unlikely given the historical pattern of landings of vessels and the costs involved for a vessel to change its business structure in light of changes to their landing behaviour.
- Scenario 2: vessels stick to their current pattern of landings and use quota transfers to satisfy the economic link conditions.

### **Scenario 1: All vessels comply with the new landing requirement of 70%**

Although unlikely given historical patterns and the costs of changing business practices, vessels may choose to comply with the new landing requirement of 70%. In this scenario, the analysis assumes that vessels move to satisfy the economic link requirement through the landings option, and so assumes that vessels currently

landing less than 70% of their catch into the UK divert their landings to UK ports. We estimate that this would lead to more landings into the UK of approximately £60m per year.<sup>6</sup> This assumes that 70% of all landings are made into the UK (see Annex A for calculation and note that this is likely an overestimation). This value does not reflect added economic benefits to the UK, but instead explains the additional value of landings made into the UK by over 10m vessels. Benefit to the UK is derived in the form of added value from the processing sector when landings are processed in the UK, additional employment created, landing dues at docks and auction house fees. This impact is difficult to monetise. Seafish, however, estimate a greater than proportional rise in UK output for every £ increase in landings.<sup>7</sup>

There may be added fuel costs and business activity costs associated with this scenario if vessels must take longer trips due to the proposals. There may also be an effect on the earnings of vessel owners if prices are lower in the UK than is typical in other landing destinations.

## **Scenario 2: Vessels stick to current pattern of landings**

In a scenario where the majority of affected vessels stick to their current pattern of landings, there will be greater quota transfers to the under 10m fleet. Under this scenario, over 10m vessels landing any catch abroad fulfil the economic link under the new quota donation criteria. We estimate this will generate **additional** quota transfers worth up to £7.3m per year from the over 10m fleet to the under 10m fleet in this scenario. An explanation of the calculation of this estimate is set out in Annex A.

There are potential costs associated with the proposed changes to quota donations. First, there is a risk of net loss in earnings of the English fleet if the under 10m pool does not fish transferred quota that the over 10m vessels have donated and would have fished. This would also need to be considered alongside the future allocation of additional quota in England which could see more quota allocated to the under 10m pool. However, there may be a net benefit if the under 10m pool fish transferred quota the over 10m fleet did not intend to fish. A second risk relates to MMO quota negotiations. Negotiations for the quota transfers are made by the MMO on behalf of the under 10m pool. Under existing rules, the MMO is unable to specify what quota the over 10m vessels or Producer Organisations transfer. The proposed economic link changes aim to strengthen the MMO's ability to negotiate usable quota. There is a potential risk of unforeseen consequences on over 10m vessels if they are forced to donate quota that they may not want to and an inefficiency risk if the proposal does

---

<sup>6</sup> The estimate is calculated by measuring the difference between actual landings (£) and 70% of total annual landings (£) for all vessels landing below the 70% landing requirement. The estimate may increase in the next year depending on EU fisheries negotiations.

<sup>7</sup> Seafish 2002, The economic impacts of the UK sea fishing and fish processing sectors: An input and output analysis.



not strengthen the current conditions enough to increase the usable amount of quota to under 10m vessels.

The size of the impact after economic link changes are introduced will depend on the propensity of vessels to change their landings pattern. In addition, the quota donation option means that quota is transferred from one sector of the fleet to another (i.e. from the over 10m vessel pool to the under 10m vessel pool). As a result these proposals may not necessarily see an increase in economic activity for the English fleet as a whole but rather sees a redistribution of quota.

## **Annex A: Calculation of the value of quota transfer required to fulfil the economic link condition**

*Note the figures in this annex are illustrative to give an idea of potential impacts, the actual impact will depend entirely on vessel owners' decisions. The analysis is simplified for ease.*

The proposals to strengthen the economic link conditions will affect two groups of vessels. The two groups are:

- 1) vessels which land exclusively abroad will have to either:
  - a. increase the quota transfers they currently pay from 16.5% to 30%; or
  - b. pay increased levels of quota transfers to satisfy the 70% landings requirement or land more catch into the UK.
  
- 2) vessels which land more than 30% of their catch abroad will have to either:
  - a. increase the quota transfers they currently pay from 16.5% to 30%
  - b. pay increased levels of quota transfers to satisfy the 70% landings requirement or land more catch into the UK.

Note: vessels that land less than 30% of their catch abroad automatically satisfy the economic link landing condition as the rest of their catch is landed in the UK and this equates to the 70% landing requirement.

These changes are analysed using the two scenarios discussed below. Scenario 1 is a simplified analysis that assumes that all vessels landing exclusively abroad or both abroad and into the UK switch to landing 70% of their catch into the UK. Scenario 2 assumes that all effected vessels use quota transfer to satisfy economic link conditions.

### ***Quota transfer rate increase using a 50% landing rate.***

Regardless of the change in landing requirements, the quota transfer rate increase will affect those vessels that currently satisfy the economic link through quota donation, increasing their donation rate from 16.5% to 30%. The donation rates received by the MMO vary and so this analysis is for illustrative purposes only, the table below sets out the donation amount received for the past 4 years and shows what these would have been under a 30% rate (noting that the total value of donated quota would not have necessary been 16.5%). This shows that just increasing the donation rate would increase donations by £2.6m.

**Table 3: Quota donation contribution (2016 – 2019)**

Year	Number of vessels complying with Economic Link	Donated quota (tonnage)	Total value of donated quota (£/m)	Potentially useful proportion of donated quota	Estimated value of quota donated if 30% (£/m)	Additional quota received as a result of the change in donation rate
2016	<b>Total vessels not meeting the landing requirement ~ 33</b>					
	Quota donation ~ 24	1,148 tonnes	3.3	555 tonnes (48%)	6	2.7
	Crew ~ 8					
2017	<b>Total vessels not meeting the landing requirement ~ 33</b>					
	Quota donation ~ 23	842 tonnes	2.2	500 tonnes (59%)	4	1.8
	Crew ~ 7					
2018	<b>Total vessels not meeting the landing requirement ~ 30</b>					
	Quota donation ~ 28	723 tonnes	5.6	281 tonnes (39%)	10	4.6
	Crew ~ 2					
2019	<b>Total vessels not meeting the landing requirement ~ 26</b>					
	Quota donation ~ 19	383.4 tonnes	1.5	307 tonnes (80%)	3	1.2
	Crew ~ 7					
<b>Average</b>			<b>3.2</b>		<b>5.7</b>	<b>2.6</b>

Source: Marine Management Organisation: Quota donation briefing 2019 (Requested through [MMO Info](#))

**Scenario 1:** affected vessels satisfy economic link conditions through landings into the UK (i.e. quota transfer is not used)

For **vessels which land exclusively abroad**

Total value of landings 2017-19 = £118m

Average value of annual landings = £39.3m (£118m / 3 years- see Table 2)

Under this scenario we assume vessels which land exclusively abroad move 70% of their landings to the UK. Under this assumption, the transfer of landings from abroad to the UK would be worth £27.5m. Under this scenario, as all these landings would previously have been landed abroad, this would all be additional landings into the UK. This is known as the UK link arrangement (i.e. the level of landings required to meet the landing requirement).

UK link arrangement = (70% x average annual landings)  
 = (70% x £39.3m)  
 = £27.5m

**For vessels currently landing more than 30% of their catch abroad and thereby not meeting the 70% landing requirement**, landings of 70% from these vessels would be worth £31.7m. This measures the UK link arrangement. The estimate is calculated by the MMO from measuring the difference between 70% of a vessel's landings and actual landings, for all vessel's landings below the 70% landing requirement. For example, for a vessel landing 100 tonnes, if it currently lands 40 tonnes into the UK, it would need to increase its landings by 30 tonnes to meet the economic link landing requirement – it is the 30 tonnes that is included in the £31.7m figure.

Therefore under the scenario where all vessels meet the economic link condition through the landings requirement, the estimated total landings occurring as a result of the economic link condition into the UK would be approximately £60m.

Total annual UK link arrangement = £31.7m + £27.5m  
= ~ £60m<sup>8</sup>

Under this scenario any other ways vessel owners used to satisfy their economic link licence condition, such as quota donation, would be lost. Therefore there would be a loss to the under 10m vessel pool. This is not estimated here for simplicity. But it should be noted as it means £60m is therefore an over estimate.

**Scenario 2:** Economic link condition is satisfied through the quota transfer.

This is a simplified assessment.

### ***Vessels landing exclusively abroad***

Vessels landing exclusively abroad would have to pay the 30% economic link transfer rate on £27.5m (i.e. 70% of their landings abroad), resulting in a total quota transfer of £8.25m.

For vessels landing into the UK and abroad, if we assume that they exclusively use quota transfers to satisfy the economic link conditions on anything between their UK landings and the 70% landings rate, the quota transfer would be paid on £31.7m (which takes into account their landings into the UK<sup>9</sup>) this equates to £9.51m.

Assuming all vessels landing abroad exclusively and into the UK and abroad use quota transfer to satisfy the economic link – the total economic link donation would be worth £8.25m + £9.51m = £17.8m.

In terms of additionality as on average £3.2m is transferred already from the existing rate of 16.5%, this would result in an additional £14.5m (£17.8m - £3.2m) being transferred to the u10 fleet. This therefore takes into account both the increase from 16.5% to 30% for existing transfers as well as the additional transfers from the increase in landing requirements from 50-70%.

---

<sup>8</sup> Taking into account sensitivity analysis considering additionality this would be £12.6m + £27.5m = £40.1m

<sup>9</sup> For example, for a vessel landing 100 tonnes, if it currently lands 40 tonnes into the UK it would need to pay a quota transfer on 30 tonnes of landings to meet the economic link landing requirement of 70%.



## Existing licence condition<sup>11</sup>

- 8.1 This condition applies to any vessel whose total landings of stocks subject to EU quotas, and which the vessel is licensed to retain on board during the period for which this licence is issued, amount to 2 tonnes or more between 1st January 2020 and 31st December 2020.
- 8.2 The licence holder must ensure that there is a real economic link between the vessel to which this licence relates and the United Kingdom, Channel Islands or Isle of Man, in so far as this link concerns only the connections between the fishing activities of the vessel and those communities which are dependent on fisheries and related industries.
- 8.3 The real economic link condition shall be deemed to have been complied with where any one of the following options is satisfied during each of the periods specified in paragraph 8.1 above:
- (a) at least 50 per cent by weight of the total landings of all stocks subject to EC quotas landed by the vessel, and which the vessel is licensed to retain on board, has been landed in the United Kingdom, Channel Islands or Isle of Man; or
  - (b) at least 50 per cent of the vessel's crew (measured by reference to the total number of crew-days at sea) is made up of persons who normally reside in UK coastal areas or the Channel Islands or Isle of Man; or
  - (c) the vessel owner achieves another arrangement which consists of:
    - (i) a combination of the above options (the minimum percentage chosen for any one option may be less than 50 per cent but the percentages chosen individually and in combination must genuinely provide a real economic link); or
    - (ii) criteria other than the above options which genuinely provide a real economic link; or
    - (iii) a combination of (i) and (ii) which genuinely provides a real economic link.
- 8.4 It is the responsibility of the licence holder to demonstrate compliance with whatever option has been chosen to the satisfaction of Fisheries Administrations. If the licence holder fails to comply with whatever option has been chosen by no more than 10 percentage points, Fisheries Administrations may, at their discretion, allow such shortfall to be met by adding the same number of percentage points to the option which the licence holder chooses to comply with in the following licence period. In such case, an Economic Link Notice of Variation will be issued to the licence holder in the following licence period to increase the percentage threshold requirements of the economic link condition by such percentage shortfall.

---

<sup>11</sup> Text as it appears in vessel licences