



Northern Ireland Audit Office

Sea Fisheries: Vessel Modernisation and Decommissioning Schemes

Department of Agriculture and Rural Development

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

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Northern Ireland Audit Office

**Report by the Comptroller and Auditor General
for Northern Ireland**

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Sea Fisheries: Vessel Modernisation and Decommissioning Schemes

This report has been prepared under Article 8 of the Audit (Northern Ireland) Order 1987 for presentation to the House of Commons in accordance with Article 11 of that Order.

J M Dowdall CB
Comptroller and Auditor General

Northern Ireland Audit Office
25 October 2006

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Abbreviations

CFP	Common Fisheries Policy
DARD	Department of Agriculture and Rural Development
DFP	Department of Finance and Personnel
EU	European Union
ICES	International Council for the Exploration of the Sea
Kw	Kilowatt
MAFF	Ministry of Agriculture, Fisheries and Food
MSA	Marine Safety Agency
NIAO	Northern Ireland Audit Office
SFIA	Sea Fish Industry Authority
TAC	Total Allowable Catch
UK	United Kingdom
VCU	Vessel Capacity Unit

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Glossary of Terms

Common Fisheries Policy

Adopted in 1983 by the Member States of the European Community, the policy has three main functions:

- to conserve stocks through the enforcement of national fishing quotas
- to stabilise fish prices
- to help fishing communities adjust to modern fishing methods.

Fishing Effort

A measure of the intensity of fishing activity. For an individual vessel, it is measured by the product of its capacity and the number of days spent at sea fishing, expressed in 'kilowatt days'.

Total Allowable Catch

Agreed annually by the Council of Ministers for the main species of fish in the European Union's waters. They are divided between Member States into national quotas.

Quota

The allocation of Total Allowable Catch that a Member State receives.

Vessel Capacity

The measure of a vessel's catching potential. It can be stated as either a vessel's Gross Registered Tonnage or its engine power in Kilowatts.

Vessel Capacity Unit (VCU)

The unit measurement of a vessel's capacity to fish. A boat's VCU is measured as its length times breadth (both in metres), plus 0.45 times the vessel's engine power (in Kilowatts).



Executive Summary

Background

1. Although relatively small in employment and economic terms for Northern Ireland as a whole, sea fishing activity is significant to coastal communities, particularly within County Down, where the larger vessels of the fishing fleet are concentrated in three ports - Kilkeel, Portavogie and Ardglass. At December 2004, the Northern Ireland fleet comprised just over 300 vessels.
2. Over the five-year period to 2004, the estimated value of fish landed into Northern Ireland was around £82 million, representing some 4 per cent of total United Kingdom fish landings. Overall, the Northern Ireland sea fishing industry provides direct employment for some 1,660 people. This includes jobs both within the fleet itself and in ancillary areas - fish processing and marketing, boat building and repairs, chandlery and harbour administration.
3. Under the Fisheries (Northern Ireland) Act 1966, the Department of Agriculture and Rural Development (the Department) is responsible for the supervision, protection and development of sea fishing in Northern Ireland.

The European Union Common Fisheries Policy

4. In 1983, the European Union (EU) introduced the Common Fisheries Policy. Its primary aim is to maintain a sustainable fisheries industry, to ensure the long-term balance between fishing activity and the conservation of fish stocks. Since the 1980s, scientific advice has been that many EU fish stocks have been over-fished. Conservation policy is aimed at regulating the quantities of fish caught, through a system of 'Total Allowable Catch' (the allocation of national 'quota' limits on landings of certain fish species). In recent years, quotas in the Irish Sea for white fish, important to one section of the Northern Ireland fleet, have fallen markedly.
5. A review of the Common Fisheries Policy, in 1992, found that there were too many vessels for

existing fish stocks. Reductions in fishing activity have been pursued either through the permanent decommissioning of vessels or, since 2002, by controls on 'fishing effort', where vessels are limited in the number of days they may fish in particular sea areas, using certain types of fishing gear.

6. EU financial assistance to the Northern Ireland sea fishing fleet has been channelled principally through a series of 'Vessel Modernisation' and 'Vessel Decommissioning' schemes administered by the Department. During the period 1994-2003, the Department provided grants of almost £18 million under these schemes.

Main Findings and Recommendations

On Vessel Modernisation Schemes (Part 2)

The 1994-99 Vessel Modernisation Scheme

7. The Department has administered three vessel modernisation schemes. Under the 1994-99 scheme, assistance was available to projects to improve crew safety and working conditions, on-board conditions for handling and storing fish and the radar equipment on vessels. Grants were available up to a maximum of 50 per cent of the cost of each project. Individual projects were assessed using a pro-forma sheet, with points awarded across 13 criteria. The Department made 181 offers of assistance, amounting to £4.1 million, through six annual 'rounds' of applications (paragraphs 2.1-2.4).

Project Appraisal

8. In our view, the Department should have established, through a survey or inventory, the specific modernisation needs of the fleet and fully defined the priority areas for development, before introducing the scheme. Although the Department considers that this would not have been practical, in our view it would have helped to ensure that grant was targeted at priority areas.

9. We also consider that the Department could have used the pro-forma approach more effectively to establish the worth of individual projects against scheme guidelines and the relative merit between different projects. This would have helped ensure that assistance was directed towards projects offering better value for money. It could also have formed the basis for decisions on the levels and rates of assistance to be offered to individual projects - for example, with a weighting towards projects in priority areas, so that maximum impact could have been obtained from grant assistance.

10. In future schemes of this type, we would suggest that the Department considers introducing a minimum quality threshold for projects seeking assistance (paragraphs 2.7-2.9).

Additionality

11. Department of Finance and Personnel (DFP) guidance requires Departments to consider 'additionality' when assessing applications for financial assistance. The additionality criterion aims to ensure that the *minimum* amount of assistance is provided to bring about the benefits of a project. DFP's guidance refers to any assistance over and above the minimum amount as 'deadweight'.

12. There is strong evidence of a substantial level of 'deadweight' in the assistance paid by the Department. Although the completed application forms provided the information necessary for the Department to consider the additionality of each project, this information was not used to determine the level of funding, if any, to be offered. Despite one-third of applicants declaring that they were prepared to proceed without any grant and a further 50 per cent of applicants stating they would undertake some modernisation work even if their application was unsuccessful, the Department still offered the maximum (50%) rate of assistance in all cases. With some £662,000 being paid to those 53 applicants who said that they would proceed in the absence of funding, there is strong evidence of deadweight. While the Department said that it considered that the information provided by applicants was not universally reliable, we saw no evidence of such concerns being expressed at the time. Further,

we do not consider this sufficient reason, in any case, for not even attempting to test an applicant's need for maximum assistance.

13. The Department's failure to effectively apply the additionality criterion during project appraisal led to significant levels of unnecessary expenditure. In order to achieve value for money in the future, it is important that the Department adheres to the DFP guidelines and ensures that only the minimum level of public funding necessary is provided (paragraphs 2.10-2.18).

Project Monitoring

14. The Department monitored the purchase and installation of grant-aided equipment, using the Sea Fish Industry Authority. However, it could have further improved its monitoring and inspection regime by:

- ensuring that the scheme requirements for the retention of grant-assisted equipment were included as conditions in Letters of Offer - both to ensure that claimants were aware of their obligations and, where necessary, to provide a basis for any recovery proceedings against defaulters
- undertaking vessel inspections to confirm that grant-aided equipment had been retained as required. Even in those cases where the five-year retention period had expired, a follow-up visit could have been undertaken to establish the current position (paragraphs 2.19-2.24).

The 2002 Vessel Modernisation Schemes

15. In 2002, the Department introduced two new vessel modernisation schemes - the 'Marketing and Quality on board Fishing Vessels Scheme' to improve the hygiene and refrigeration facilities on board fishing vessels and the 'Safety Equipment Scheme' to improve safety standards by assisting with training and the purchase of equipment. With a combined budget of £500,000, these schemes are much smaller than the 1994-99 Vessel Modernisation Scheme.

16. The Department has improved its administration of vessel modernisation grants, compared with the earlier 1994-99 scheme - in particular, through the specific targeting of assistance on safety and product quality, the tightening-up of the appraisal process and improving its monitoring procedures to ensure that on-site inspection visits are carried out. This is encouraging.

17. In our view, there is scope to further improve and we would recommend the following:

- the Department should consider carrying out a survey of the fleet to determine the current position of safety and other equipment, with a view to being able to pinpoint aspects in greatest need for modernisation
- given the modest levels of assistance being offered under the 2002 modernisation schemes, the Department should review its appraisal process to ensure that the effort expended on appraisal is proportionate to the amounts of public funds being offered
- at the time of our review, all 26 projects offered assistance under the 2002 schemes had been offered the maximum 40 per cent level of support available. The Department needs to look again at its application of the additionality criterion, to ensure that only the minimum amount of public funds necessary is provided to bring about the benefits of individual projects (paragraphs 2.25-2.28).

On Vessel Decommissioning Schemes (Part 3)

18. Some £15 million assistance has been provided through a series of three decommissioning schemes. To date, 100 Northern Ireland vessel-owners have decommissioned their vessels in return for grant. The first scheme, which ran from 1993 to 1998, was introduced on a UK-wide basis and administered by the former Ministry of Agriculture, Fisheries and Food (MAFF). Following devolution, Northern Ireland introduced two further decommissioning schemes, in 2001 and 2003, administered wholly within Northern

Ireland (paragraphs 3.1-3.4).

The 1993-98 UK-wide Decommissioning Scheme

19. We note the conclusions of consultants, engaged by MAFF to review the impact of the scheme, that the method of selection increased the risk of collusion on bid prices by applicants. Also, contrary to its aims, the scheme appeared to decommission the least productive of applicants, as opposed to those fishermen exhibiting the highest degree of activity (paragraphs 3.7-3.13).

The 2001 Decommissioning Scheme

20. Although the Department took steps to improve selection in its 2001 scheme, concerns were expressed over the accuracy of some of the data on which it based its decisions. Fishing vessels were split into two classes and allocation to a class was based on the vessel's record of catching whitefish over the three-year period from 1994 to 1996 - that is, between five and eight years before commencement of the 2001 scheme. Given the lapse of time, it is likely that fishing patterns changed, such that the data used by the Department to administer the Scheme may not have reflected vessel catches at that time. In our view, the Department should have taken the opportunity which existed, to gather more up-to-date information on catches when targeting the 2001 Scheme. Failure to use accurate and timely data undermines the quality of decision-making.

21. In order to qualify for the scheme, a vessel also had to have been at sea for a minimum of 75 days in each of the two preceding years. The Department told us, however, that because there was no EU requirement at that time to monitor the number of days at sea, it had had to rely on information provided by the applicants themselves. As a result, it was unable to independently validate applicants' declarations. It will be important, in any future scheme, to ensure that the Department can validate information provided by applicants, where this has a bearing on their eligibility for support.

22. In response to concerns of collusion within the 1993-98 scheme, the Department operated a 'strike-price' mechanism in its 2001 scheme, designed by an external, fisheries economist. However, problems arose with the method by which the Department selected vessels for decommissioning. Five unsuccessful applicants appealed against the methodology used, but the Department upheld its original decision. One vessel owner then applied for a Judicial Review which, in due course, found in his favour. In May 2005, the Department was ordered to pay decommissioning grant, plus interest and legal costs. Two other applicants who were refused grant would also have been eligible. In addition, six applicants who were offered assistance would not have been entitled to grant (although only four of these subsequently decommissioned).

23. The Department misinterpreted the advice given to it by the fisheries economist, on how the strike price mechanism should be operated. Its interpretation of the Scheme and the subsequent decision at Judicial Review, that the interpretation was incorrect, has proved costly to the taxpayer. The Department has had to pay compensation of some £153,000 to two of the three applicants unlawfully refused grant. It has also had to pay for interest charges over a three-and-a-half year period and the legal costs of the two applicants - this amounted to a further £88,000. In the case of the third applicant wrongly refused grant, no payment was necessary - by the time of the Judicial Review ruling, the boat had already been decommissioned under the (subsequent) 2003 scheme. However, the decommissioning grant paid in this case was some £18,000 higher than the amount that would have been payable under the 2001 scheme valuation. The Department has also paid some £281,000 to the four applicants who, under the revised scheme interpretation, would not have been successful.

24. It is clear that, [in any decommissioning schemes which the Department may introduce in the future, care must be taken to ensure that the procedures applied are non-discriminatory against any section of the fishing fleet.](#) The Department has conceded that there was "*a degree of ambiguity and lack of clarity in the legislation*", but told us that, in its view, there was adequate consultation with the industry. Given,

however, that the appeal against the Department was lodged by a representative of one of the Producer Organisations, it is clear that there was a lack of understanding at the highest level within the industry on how the Department intended to operate the scheme. [In our view, a more effective discussion with the industry, prior to the launch of the scheme, may have avoided the subsequent confusion \(paragraphs 3.14-3.36\).](#)

25. We are concerned that the use of a strike price mechanism did not represent value for money. In the 22 cases where the applicants submitted bids below the strike price, the Department increased the bid price to the value of the strike price. As a result, the Department paid the 22 vessel owners more than they had actually sought in their grant application. The 22 bids were uplifted by, on average, over £40,000 each, costing the Department an additional sum of around £900,000. We could see no justification for applying the strike price mechanism in this way and the value for money which might otherwise have been achieved has been substantially eroded.

26. The Department commented that, in its view, this is a simplistic representation. It said that some vessel owners had submitted bids which were artificially low, in the "*clear knowledge*" that the Department would interpret the conditions of the scheme consistent with the literal interpretation of the methodology as set out in the legislation. In our opinion, the Department's comments are speculative. Had the Department paid vessel owners their actual bid prices, where these were less than the strike price, the scope for manipulation of the scheme through the submission of deflated bids would have been removed.

27. The Department subsequently commented that, in its view, it is in the nature of a strike price mechanism that vessel owners will be induced to make low bids on a tactical basis, seeking to ensure that their vessels will fall within the accepted group. By doing so, they deflate the strike price, and this deflation, the offer of the strike price to vessel owners bidding above it and the competitive and anti-collusive nature of the exercise combine to deliver value for money.

28. We note the Department's comments but remain of the view that they are speculative. Indeed, the fact that six of the applicants, with bids above the strike price, accepted decommissioning grants that were, on average, some £26,600 lower than their bid prices, suggests to us that the strike price was set at a generous level.

29. We recommend that, in any future decommissioning scheme, the Department considers setting an upper ceiling on the level of grant to be paid, rather than applying a strike price as a fixed amount to be paid, irrespective of the amount of grant actually bid for (paragraphs 3.37-3.43).

On the Impact of Financial Assistance (Part 4)

Vessel Modernisation Schemes

30. Given that assistance under the 1994-99 scheme was largely aimed at improving crew safety and working conditions and maintaining the quality of fish prior to landing, it is disappointing that the Department's external consultants concluded that the grant was seen by many applicants as a means of updating ageing components on vessels. We note, however, that the specific targeting of the 2002 Modernisation Schemes on safety and product quality should prevent this from recurring in these schemes. **It is important that the Department takes steps to ensure that the uptake of grants in the current schemes is maximised.**

31. The Department's performance measurement system focused on 'activity' measures, rather than an assessment of the impact of the scheme in relation to its key objectives. In our view, in addition to targets for the number and value of grants awarded, the Department should have developed a series of outcome-based measures; for example measures to reflect improved safety features on board vessels. These targets, coupled with the EU prescribed targets, would have enabled a fuller evaluation of the success of the scheme in achieving key objectives. Collection and analysis of this type of data would also have highlighted to the Department, at a much earlier stage (while the

scheme was still running), the extent to which grant was not being used to achieve the primary objectives of the scheme.

32. We note, however, that, under the 2002 Modernisation Schemes, the Department has introduced targets in relation to the number of safety training certificates issued, a reduction in the level of safety-related incidents and the number of vessels awarded a recognised quality mark. This is encouraging. Given the limited support paid (£7,000) to date on these schemes, it is too early to assess their impact on the fleet (paragraphs 4.2-4.8).

Vessel Decommissioning Schemes

33. The measures used by the Department to assess the impact of decommissioning were weak in the 1993-98 scheme, but progressively improved with the 2001 and 2003 schemes. **In any future decommissioning scheme which the Department administers, we would recommend that it considers using 'reduction in fishing effort' (i.e. the level of fishing activity) as one of its performance measures.**

34. With the 1993-98 Decommissioning Scheme being administered by MAFF, the Department was not in a position to exercise complete control over the specific impact of the scheme on the Northern Ireland fishing fleet. Given the conclusions reached by the Department's consultants (paragraph 19 above), the decision to run the 2001 and 2003 schemes within Northern Ireland was appropriate in our view, as it offered the Department the opportunity to tailor them to the specific needs of the local fishing industry.

35. In each of the three decommissioning schemes, the Department generally failed - sometimes quite significantly - to achieve its performance targets, in terms of the level of decommissioning secured and the relative cost (paragraphs 4.9-4.18).

The overall impact of decommissioning assistance on the Northern Ireland fishing fleet

36. While noting the overall changes in size of the fleet over the period 1994-2004, we were unable to determine their impact on the future sustainability of the sea fishing industry in Northern Ireland. We asked the Department how the reductions in the size of the fleet compared with its views on optimum fleet size and were told that it had not determined an optimum fleet size for Northern Ireland, due to:

- the complexity of the fleet size considerations, taking account of a highly mobile, ever-changing European fleet sharing a diverse range of fisheries access
- the difficulties experienced by scientists in providing advice on sustainable fish harvesting opportunities
- market considerations
- social aspects.

37. Notwithstanding the difficulties involved, we recommend that the Department seeks to establish an optimum size and structure for the Northern Ireland sea fishing fleet, updating this as necessary.

38. Although there are European-wide concerns about the future of sea fishing, the Department's view is that a viable industry can be sustained in Northern Ireland. At present, sea fishing is still in a period of transition. In order to retain a sustainable industry, it is important that government intervention to the Northern Ireland fleet is properly targeted and based on an appropriate regional approach, designed to align fishing effort against available stocks. Development of this approach will require effective communication across all stakeholder groups, improved scientific information on available stocks and acceptance and endorsement within the industry of future policy (paragraphs 4.19-4.27).



Background and Introduction

Structure and activity of the Northern Ireland sea fishing industry

1.1 Although relatively small in employment and economic terms for Northern Ireland as a whole, sea fishing activity is significant to coastal communities, particularly within County Down, where the larger vessels of the fishing fleet are concentrated in three ports - Kilkeel, Portavogie and Ardglass.

1.2 In June 2006, the Northern Ireland fleet comprised just over 300 vessels (Appendix 1) of which some 40 per cent were vessels of 10 metres and over. The fleet is largely dependent on fishing opportunities in the Irish Sea and the North Channel (between Northern Ireland and South West Scotland), as shown in Figure 1.1.

1.3 Over the five-year period to 2005, the estimated value of fish landed into Northern Ireland was around

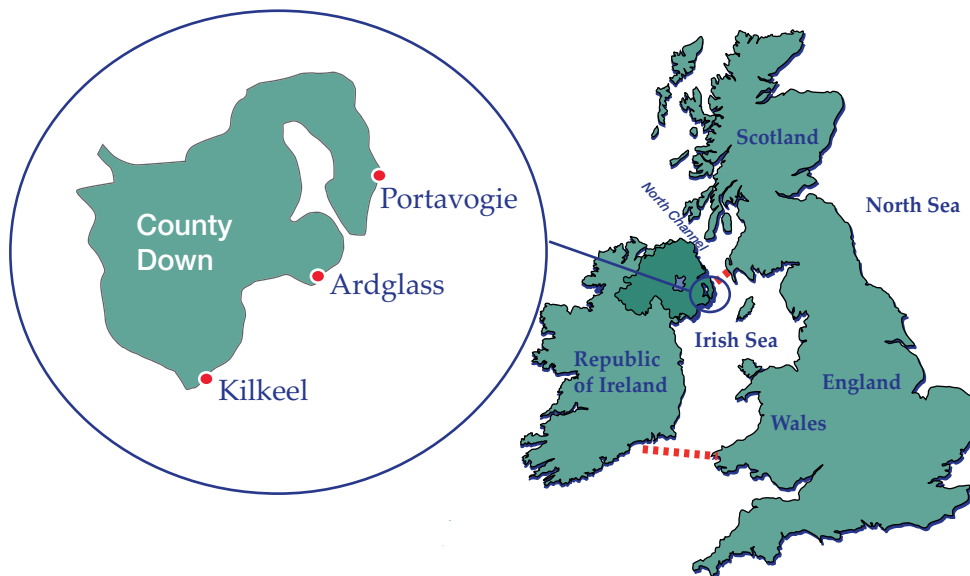
£82 million (Appendix 2), representing some 4 per cent of total United Kingdom fish landings. Overall, the Northern Ireland sea fishing industry provides direct employment for some 1,660 people. This includes jobs both within the fleet itself and in ancillary areas - fish processing and marketing, boat building and repairs, chandlery and harbour administration (Appendix 3).

The European Union's Common Fisheries Policy

1.4 In 1983, the European Union (EU) introduced the Common Fisheries Policy. Its primary aim is to maintain a sustainable fisheries industry i.e. ensure the long-term balance between fishing activity and the conservation of fish stocks. Two of the main strands of the Common Fisheries Policy relate to conservation and structural policy.

Figure 1.1

Main Areas of Activity of the Northern Ireland Sea Fishing Fleet



The waters around the EU are divided by the International Council for the Exploration of the Sea (ICES) into sea areas for the purposes of regulating and monitoring fish quotas. The Irish Sea is designated as Area VIIa.

Source: NIAO

Conservation measures

1.5 Since the 1980s, scientific advice has been that many EU fish stocks have been over-fished. This is largely due to technical advances in vessel and fishing gear, which have steadily increased the efficiency of fishing fleets. Conservation policy is aimed at regulating the quantities of fish caught, through controls on ‘fishing effort’ (the number of days at sea), fishing methods and gear and limits on ‘Total Allowable Catches’ (TAC) for certain species. The level of TAC allocated to each Member State, based on historic fishing patterns, is referred to as national ‘quota’. In recent years, UK quotas in the Irish Sea for white fish (cod, haddock, hake and whiting), on which the Northern Ireland fleet is particularly dependent, have fallen markedly. ‘Effort’ controls have progressively reduced fishing activity within the ‘Cod Recovery Zone’ - this includes the North Sea, the West of Scotland and the Irish Sea, which are primary fishing grounds for the Northern Ireland fleet.

Structural Policy

1.6 Initially, the main focus of structural policy was on the modernisation of the industry, supporting the up-dating of vessels, port facilities and fish processing plants. However, a review of the Common Fisheries Policy, in 1992, found that there were too many vessels (in effect, too much fishing power) for existing fish stocks and the focus of the policy broadened to address the capacity and activity of national fishing fleets. Reductions in fishing activity have been pursued either through the permanent decommissioning of vessels or by a system where vessels ‘tie-up’ in port for a given period of time.

The Role of the Department of Agriculture and Rural Development

1.7 Under the Fisheries (Northern Ireland) Act 1966, the Department of Agriculture and Rural Development (the Department) is responsible for the supervision, protection and development of sea fishing in Northern

Ireland. Since the early 1990s, the primary aim of the Department’s Fisheries Division has been to:

“pursue the best interests of the fisheries ... industry in Northern Ireland in the development and operation of local, UK and EU fisheries and environmental policies and to assist the provision of cost-effective fisheries infrastructure”.

The Department commented that, consistent with the recommendations of the ‘Net Benefits’ report published by the Prime Minister’s Strategy Unit in 2004 (see paragraph 4.23 below), government intervention in relation to the Northern Ireland fishing industry is increasingly focused on securing a sustainable fishing industry. It considers that the overarching aim of fisheries management should be to maximise the revenue to the United Kingdom of the sustainable use of fisheries resources and protection of the marine environment.

Financial assistance to the Northern Ireland fishing fleet

1.8 EU financial assistance to the Northern Ireland sea fishing fleet has been channelled principally through a series of ‘Vessel Modernisation’ and ‘Vessel Decommissioning’ schemes¹. During the period 1994-2005, the Department provided assistance of almost £18 million, as shown on [Figure 1.2](#).

Scope of the NIAO Review

1.9 Our examination focused on the following areas:

- **vessel modernisation grants**, reviewing the Department’s appraisal and monitoring procedures ([Part 2 of the report](#))
- **vessel decommissioning grants**, examining the structures of the schemes and the selection process ([Part 3](#))
- **the impact of grant assistance**, assessing the extent to which the Department’s strategic objectives have been met ([Part 4](#)).

¹ Funding for these schemes was provided under the EU-funded NI Single Programming Document 1994-99, the Peace II Programme 2000-2005 and the NI Programme for Building Sustainable Prosperity (BSP) 2001-2006.

Figure 1.2		Assistance to the NI Fishing Fleet 1994-2005	
Scheme	Funding Period	Total Grant Approved (£ million)	Total Paid* (£ million)
Modernisation	1994-99	4.1	3.1
	2003	<u>0.1</u>	<u>0.1</u>
	Totals	4.2	3.2
Decommissioning	1993-98	5.7	5.7
	2001	5.7	4.4
	2003	<u>4.9</u>	<u>4.5</u>
	Totals	16.3	14.6
	Overall Totals	20.5	17.8

Source: DARD
 Note* : Total paid as at 31 March 2005

1.10 In the course of our study, we carried out an in-depth review of a selection of individual projects that had been provided with modernisation grants and a separate selection of cases where decommissioning grants had been paid.

1.11 We also sought the views of the two Northern Ireland ‘Producer Organisations’ (the Anglo-North Irish Fish Producer Organisation based in Kilkeel and the Northern Ireland Fish Producer Organisation based at Portavogie). These bodies represent the interests of groups of fishing vessel owners and play an important role in the administration of the sea fishing industry.



Vessel Modernisation Schemes

Introduction

2.1 To date, the Department has administered three fishing vessel modernisation schemes. The first, which was introduced in 1994, closed for applications in March 1999. In 2002, the Department introduced two new vessel modernisation schemes, the 'Marketing and Quality on Board Fishing Vessels' scheme and the 'Safety Equipment Scheme'. These schemes closed for applications on 31 March 2005.

The 1994-99 Vessel Modernisation Scheme

2.2 In 1994, the Northern Ireland fishing fleet contained some 500 vessels. Almost half (227) of these were over 10 metres in length and so were eligible for grant under the terms of this scheme. Assistance was available to projects which would improve:

- crew safety and working conditions

- on-board conditions for handling and storing fish
- the radar equipment on vessels.

Although limited funding was also available for the construction of new vessels to fish for under-exploited species, no applications for new build were made in Northern Ireland.

The Department paid grant of over £3 million under the 1994-99 scheme

2.3 EU funding was channelled through the Department. Grants were available up to a maximum of 50 per cent of the cost of each project, with the Department contributing five per cent. The maximum support available for individual projects was limited to £350,000. During the period 1994 to 1999, the Department made 181 offers of assistance, through six annual 'rounds' of applications. The total value of offers amounted to £4.1 million. Details are set out in **Figure 2.1**.

Figure 2.1 Fishing Vessel Modernisation Grant Awards, 1994-99 Scheme				
	Number of Grant Offers	Number of Grants Paid	Total Value of Grant Offered £'000s	Total Value of Grant Paid £'000s
1994	53	51	1,072	959
1995	32	28	950	742
1996	44	36	977	649
1997	11	11	219	202
1998	18	15	468	335
1999	23	12	436	221
Totals	181	153¹	4,122	3,108

Source: DARD
 Note¹: In 28 cases, offers were not subsequently taken up by vessel owners

NIAO Findings on the 1994-99 Vessel Modernisation Scheme

2.4 To assess the Department's handling of the scheme, we undertook a range of basic checks for all grant awards made (this involved examining 171 cases offered assistance - at the time of our review, the remaining ten cases were being actioned by Fisheries Division). We also selected a random sample of 18 projects (10 per cent) for in-depth examination, together with a further selection of 15 cases (out of 43) where more than one grant had been paid to a vessel. Our review identified three main areas of concern:

- inadequate assessment/appraisal procedures (paragraphs 2.5-2.9)
- potentially high-levels of deadweight (paragraphs 2.10-2.18)
- insufficient monitoring and inspection (paragraphs 2.19-2.24).

Project Appraisal:

The Department's assessment procedures were not sufficient to demonstrate that grant awarded to individual projects was in line with scheme objectives and priorities

2.5 We found no evidence that, prior to the introduction of the scheme, the Department had established the specific modernisation needs of the Northern Ireland fishing fleet. No survey or inventory of the fleet was undertaken to establish and prioritise key areas where assistance should be targeted. The Department told us that it does not consider that it would have been practical to produce a survey or inventory of the fleet. It said that, in its view, the combination of registration records, which identified vessel age (but which had no details of deficiencies on aspects such as engines, winches, health and safety equipment and crew facilities) and the knowledge both of Fisheries Inspectorate staff and Producer Organisations, although not formally recorded, was sufficient for the Department to identify fleet priorities.

2.6 At project level, we looked at how each grant application was appraised. Following technical assessments by the Sea Fish Industry Authority² and Fisheries Inspectorate, the Department's administrative staff used a pro-forma assessment sheet (see [Appendix 4](#)) to record its assessment of each application. Points were awarded across 13 criteria, allowing for an overall maximum score of 155. However, we noted a number of shortcomings in the application of this approach:

- (i) It was not always clear to us how the overall scoring of an application impacted on the Department's decision to award grant. Generally, applicants received offers of grant, irrespective of the level of points scored. While, in 1996, only the 35 highest scoring applications out of a total of 56 were awarded grant, this was determined by the availability of funding rather than the qualitative merits of the projects involved. Departmental records showed that, had there been sufficient funds, Fisheries Division would have recommended payment of all 56 applications. Subsequently, when more funding became available, the other 21 applicants were each awarded grant. We noted that the Department did not set a project quality threshold - that is, a points-based threshold below which grant would not be awarded. The Department said that it did not consider introducing such a threshold because this was a UK-wide scheme and the Department would have been at odds with the other Fisheries Departments. In our view, a 'value for money' threshold of this type could have been used to ensure that funding was channelled into projects of greater worth. It could also have assisted in determining whether monies allocated to the modernisation scheme could, perhaps, have been applied more effectively in other areas of fisheries support.
- (ii) Question 1 on the pro-forma was to determine whether the applicant's proposal was a 'modernisation' project. A maximum score of 30 points was available. In our view, this was

² The Sea Fish Industry Authority is a non-departmental public body sponsored by the four UK government fisheries departments. It provides various services to the fishing industry including training, technical advice and marine survey work. It was used to provide technical advice and support on the 1994-1999 Modernisation Scheme.

not an issue which should have been scored - if the proposed project did not involve vessel modernisation, it should not have been under consideration at all.

(iii) The scoring on the first three questions on the pro-forma, which together accounted for 50 points (around one-third of the total available) was not gradational. For example:

- in all of the 31 projects which we reviewed in detail, the applicants had stated that the project related to vessel modernisation (see Question 1 of Appendix 4). In each case, the Department awarded the maximum available score of 30 points. However, scores were awarded with no analysis or weighting (e.g. based on priority areas) of the particular improvements proposed. The awarding of maximum scores to each project on this criterion meant, in effect, that the Department considered all projects to be of equal worth. This was unlikely to have been the case
- in the case of both Question 2 (whether the project would improve crew safety or working conditions) and Question 3 (whether the project would improve conditions for the handling and storage of fish on board), either a maximum of 10 points were awarded or no points at all. Again, there was no analysis or weighting

(iv) Not all of the objectives and priorities of the scheme, as set out in the guidance notes, were addressed in the pro-forma. For example:

- the guidance notes identified that, in establishing priorities for assistance, consideration would be given to the fish stocks to be fished and the area of fishing. The pro-forma did not record the species or areas fished and so the application's scoring did not include these as a consideration
- similarly, no points were available to projects designed to provide equipment for increased surveillance of fishing vessels, despite this being one of the areas targeted. The Department told us that it was too early a stage in the development

of projects to provide for increased surveillance of the fleet. It said that while there was some initial planning undertaken in the early 1990s to implement a UK-wide satellite monitoring system, this only came into effect in 2005, at which stage a system that was fully compliant with European specifications had been developed and introduced across the UK.

- (v) The relative value of scores which could be awarded under certain criteria on the pro forma was questionable in our view. For example, crew safety (Question 2 of Appendix 4) carried a maximum score of 10 points; this compared with a similar maximum score of 10 points on Question 6, which assessed the number of years experience of the skipper of the vessel.

2.7 In our view, the Department should have established, through a survey or inventory, the specific modernisation needs of the fleet and fully defined the priority areas for development, before introducing the scheme. Although the Department considers that this would not have been practical, in our view it would have helped to ensure that grant was targeted at priority areas.

2.8 We also consider that the Department could have used the pro-forma approach more effectively to establish the worth of individual projects against scheme guidelines and the relative merit between different projects. This would have helped ensure that assistance was directed towards projects offering better value for money. It could also have formed the basis for decisions on the levels and rates of assistance to be offered to individual projects - for example, with a weighting towards projects in priority areas, so that maximum impact could have been obtained from grant assistance.

2.9 In future schemes of this type, we would suggest that the Department considers introducing a minimum quality threshold for projects seeking assistance.

There is strong evidence of a substantial level of 'deadweight' in assistance paid

2.10 Department of Finance and Personnel (DFP) guidance requires Departments to consider 'additionality' when assessing applications for financial assistance. The additionality criterion aims to ensure that the *minimum* amount of assistance is provided to bring about the benefits of a project. DFP's guidance refers to any assistance over and above the minimum amount as 'deadweight'. Additionality does not consider whether a project could or should go ahead, but rather if it *would* proceed if no, or less, assistance was provided.

2.11 Consultants undertaking a post-completion evaluation of the 1994-99 Fisheries Programme raised concerns about the Department's consideration of additionality. They stated that:

"... there was a low level of additionality ... there is no evidence to suggest the type of vessel modernisation funded would not occur without the scheme. Without funding it is anticipated that re-investment in the fleet would still occur, but at a slower and even pace.

.... The continuation of a scheme should focus on areas where there was high additionality, namely in supporting investments that were less likely to occur without capital subsidisation."

2.12 During our own review, we noted that all applicants had been asked to confirm whether projects would proceed with no, or with less, grant funding. We reviewed their responses and found that:

- in 53 cases (31 per cent) applicants would have progressed at their own expense
- in 86 cases (50 per cent) applicants would have progressed with a cheaper option
- in 32 cases (19 per cent) projects would have been cancelled.

2.13 Although the Department recorded each applicant's response on a project assessment pro forma, we found no evidence of further probing of additionality. None of the cases examined indicated

that the information provided had been used to determine the minimum funding required to ensure that the projects proceeded. In all of the cases which we reviewed, the rate of funding offered was the maximum (50%) available under the terms of the scheme. For example:

CASE STUDY A:

In this case, the applicant applied for grant assistance for the installation of a new winch on his vessel. The total cost of the project was estimated at just over £27,000. Grant assistance of 50% was offered, and subsequently paid to the applicant. We noted, however, that on the application form, the vessel owner had stated that, if the application was not successful, the project would be undertaken at his own expense.

2.14 With almost one-third (53) of applicants indicating that their project would have proceeded without grant assistance, a substantial level of deadweight is apparent. Funding of £758,000 was awarded to these 53 projects, of which £662,000 was later paid.

2.15 The Department told us that it is difficult to assess the reliability of applicants' statements as to whether projects could have proceeded with no or less grant funding. It said that the dialogue between staff and individual skippers revealed a desire on the part of applicants to give the answer deemed most likely to secure grant. In its view, had projects proceeded without grant funding, there would have been considerably less certainty about the quality of work, the effectiveness of safety measures and the limits on capacity increases.

2.16 Although the completed application forms provided the information necessary for the Department to consider the additionality of each project, this information was not used to determine the level of funding, if any, to be offered.

2.17 Despite one-third of applicants declaring that they were prepared to proceed without any grant and a further 50 per cent of applicants stating they would undertake some modernisation work even if their application was unsuccessful, the Department still offered the maximum (50%) rate of assistance in all cases. With some £662,000 being paid to those 53 applicants who said that they would proceed in the absence of funding, there is strong evidence of deadweight. While the Department considered that the information provided by applicants was not universally reliable, we saw no evidence of such concerns being expressed at the time. Further, we do not consider this sufficient reason, in any case, for not even attempting to test an applicant's need for maximum assistance.

2.18 The Department's failure to effectively apply the additionality criterion during project appraisal led to significant levels of unnecessary expenditure. In order to achieve value for money in the future, it is important that the Department adheres to the DFP guidelines and ensures that only the minimum level of public funding necessary is provided.

Project Monitoring and Inspection:

The Department's monitoring and inspection did not confirm that grant-aided equipment had been retained for the prescribed period

2.19 Effective monitoring is an essential element of all grant schemes. It provides assurance that the conditions attached to offers have been adhered to and indicates how effectively the grants have been applied. Failure to comply with the conditions of a financial assistance offer should result either in non-payment of grant or, if payment has been made, in the initiation of recovery proceedings.

2.20 The scheme's guidance notes set out the conditions attached to grant assistance. Two of the conditions stipulated that:

- grant-aided equipment must not be removed from the vessel within a period of three years after project completion, without the consent

of the Department

- if, within a period of five years, the owner disposed of the grant-aided vessel or equipment, all grant would have to be repaid.

2.21 We found, however, that these conditions had been not included in the Department's Letters of Offer to successful grant applicants. We also found that, although the Department did have controls in place to check that funded equipment was purchased and installed, it did not carry out any visits to ensure that grant-aided equipment was retained on the vessel for the prescribed period.

2.22 In April 2002, following our preliminary review of the scheme, we raised this issue with the Department. Fisheries Division subsequently wrote to all 1994-99 modernisation grant recipients asking them to confirm that grant-aided equipment had been retained for the prescribed period. All grant recipients replied confirming that they had retained equipment as required. We noted, however, that the Department still did not undertake any verification visits.

2.23 In our view, the Department should have carried out physical inspections to confirm retention, particularly in view of our having raised the issue. Even in those cases where the five-year retention period had expired, inspection visits could have been carried out. In any cases where grant-aided equipment was no longer held, or where vessels had since been sold, appropriate follow-up checks could still have been undertaken to gain the necessary assurance.

2.24 For the 1994-99 vessel modernisation scheme, the Department monitored the purchase and installation of grant-aided equipment, using the Sea Fish Industry Authority. However, it could have further improved its monitoring and inspection regime by:

- ensuring that the scheme requirements for the retention of grant-assisted equipment were included as conditions in Letters of Offer - both to ensure that claimants were aware of their obligations and, where necessary, to provide a basis for any recovery proceedings against defaulters

- undertaking vessel inspections to confirm that grant-aided equipment had been retained as required. Even in those cases where the five-year retention period had expired, a follow-up visit could have been undertaken to establish the current position.

The 2002 Vessel Modernisation Schemes

The Department introduced two new modernisation schemes in 2002

2.25 In 2002, the Department introduced two new vessel modernisation schemes as follows:

- the ‘Marketing and Quality on board Fishing Vessels Scheme’ - to improve the hygiene and refrigeration facilities on board fishing vessels
- the ‘Safety Equipment Scheme’ - to encourage the fleet to improve safety standards by assisting with training and the purchase of equipment.

In terms of scale, these schemes, with a combined budget of £500,000, are much smaller than the 1994-99 modernisation scheme.

We noted a number of improvements in the new schemes but consider there is scope to further improve

2.26 At the time we completed our review, in March 2005, there had been limited activity within the two schemes. Grant totalling £106,000 had been offered to 26 applicants, with just over £7,000 having been paid. A further 32 applications were being processed. Our examination, therefore, was limited to a brief overview, during which we noted the following points:

- the targeting of the two schemes on specific aspects of modernisation - safety and product quality - is a useful means of helping to ensure that these important aspects are addressed within the fleet. However, we noted that the Department has not carried out a survey of the fishing fleet to determine the current position of safety and other equipment. In our view, such an inventory would be a useful basis for

helping to pinpoint areas of greatest need for modernisation

- the Department has introduced a requirement whereby an economic appraisal must be completed on each application for grant. While this is a more structured appraisal process than was applied in the 1994-99 modernisation scheme, it is normally only used with projects of substantial size. The average grant offered to date under the Marketing and Quality Scheme is only £8,600 and the average for the Safety Equipment and Training Scheme just £1,240. The likelihood, therefore, is that a disproportionate amount of effort is being applied to the appraisal of these relatively small projects
- the Department has also introduced a procedure for the documentation of its consideration of the additionality criterion (paragraph 2.10). Under both of the new schemes, grant of *up to* 40 per cent of total project costs is available. We noted, however, that in each of the 26 cases for which an offer has already been made, the maximum level of assistance has been given. In our view, this suggests that the application of the additionality criterion continues to lack rigour
- revised controls have been introduced to ensure that monitoring procedures, including on-site inspection visits, are carried out to ensure that grants have been used in accordance with letters of offer.

2.27 The Department has improved its administration of vessel modernisation grants, compared with the earlier 1994-99 scheme - in particular, through the specific targeting of assistance on safety and product quality, the tightening-up of the appraisal process and improving its monitoring procedures to ensure that on-site inspection visits are carried out. This is encouraging.

2.28 In our view, there is scope to further improve and we would recommend the following:

- the Department should consider carrying out a survey of the fleet to determine the current position of safety and other equipment, with a view to being able to pinpoint aspects in greatest need for modernisation
- given the modest levels of assistance being offered under the 2002 modernisation schemes, the Department should review its appraisal process to ensure that the effort expended on appraisal is proportionate to the amounts of public funds being offered
- at the time of our review, all 26 projects offered assistance under the 2002 schemes had been offered the maximum 40 per cent level of support available. The Department needs to look again at its application of the additionality criterion, to ensure that only the minimum amount of public funding necessary is provided to bring about the benefits of individual projects.



Vessel Decommissioning Schemes

Background

3.1 The European Union is faced with the problem of ensuring that fishing is contained within the level of available fish stocks, while sustaining a viable fisheries industry. However, fishing levels have been too high to ensure the long-term conservation of fish stocks. EU efforts to contain fishing levels have included the introduction of:

- quotas for Member States, limiting levels of the main fish stocks caught in Community waters. Each Member State is free to decide how to allocate and regulate its own quotas
- a series of programmes where financial assistance is made available to fishermen to disable their vessels from any sea-going purpose - decommissioning.

3.2 Within the UK, efforts to match fishing to available stocks have included:

- the Restrictive Licensing Scheme, whereby owners of registered vessels are prohibited from fishing without a UK fishing licence. No new licences are available and, accordingly, fishermen wishing to acquire a licence must do so from a previously-owned vessel. Since each licence has a size limitation attached to it, this effectively caps the overall capacity of the fleet
- the use of quota, primarily managed by Producer Organisations and distributed across individual vessels. Once quota has been achieved, vessels are prohibited from making further landings of the stock in question
- management of a series of decommissioning schemes to remove vessels from the fleet
- ‘fishing effort’ controls, whereby registered vessels are allocated set limits on the number of days at sea that they may spend fishing with particular gear in recovery areas.

Some £15 million assistance has been offered to Northern Ireland vessel-owners through a series of three decommissioning schemes

3.3 In 1993, the then Ministry of Agriculture, Fisheries and Food (MAFF) in Great Britain introduced a UK-wide decommissioning scheme. The scheme operated each year, from 1993 to 1998, encouraging owners of qualifying vessels (determined on vessel size and engine capacity) to decommission in return for grant. Decommissioning, for the purposes of the scheme, was defined as “*disabling a vessel from any sea-going purpose*”. It included de-registration from the UK Licensing Scheme and surrender of fishing licences.

3.4 Following devolution, Northern Ireland introduced two further decommissioning schemes, in 2001 and 2003. These were regional schemes, administered wholly within Northern Ireland. Since 1993, almost £15 million has been paid to decommission 100 Northern Ireland vessels - see [Figure 3.1](#).

Figure 3.1		Vessel decommissioning assistance in Northern Ireland, 1993-2004	
Scheme/Year	Number of Vessels	Grant Paid (£ million)	
1993-1998:			
1993	-	-	
1994	15	1.04	
1995	13	1.47	
1996	16	2.09	
1997	5	1.14	
1998	-	-	
Totals	49	5.74	
2001:			
2001	29	4.39	
2003:			
2003	22	4.50	
Totals	100	14.63	
Source: DARD			

NIAO Examination and Findings

3.5 We examined a sample of grant claims under each of the three schemes, to assess the adequacy of the Department's procedures:

1993-98 Scheme

- a sample of 10 cases. This represented 20 per cent of the number of awards to Northern Ireland vessels and comprised grants totalling £1.3 million. Cases were selected from each year involved.

2001 Scheme

- a sample of 10 cases (8 awards and 2 unsuccessful bids). This represented 15 per cent of the total number of bids and comprised grants totalling £1.69 million.

2003 Scheme

- a sample of 5 awards, representing 23 per cent of the 22 successful decommissioning grant applications and comprising grants of £1.53 million.

3.6 We noted a number of concerns regarding the Department's handling of the decommissioning schemes:

- the adequacy of selection procedures in the 1993-98 Scheme (3.7-3.13)
- the adequacy of selection procedures in the 2001 Scheme (3.14-3.18)
- the use of a strike price mechanism in the 2001 Scheme (3.19-3.43)
- the introduction of the 2003 Scheme without a post-completion evaluation of the 2001 Scheme (3.44-3.51).

The 1993-98 UK-wide Decommissioning Scheme

3.7 The scheme was aimed at vessels which were over 10 metres in length, over 10 years old and which had been at sea for a minimum of 100 days during each of the calendar years 1992 and 1993. Vessel

owners were invited to submit written bids, specifying the amount of grant which would persuade them to decommission their vessels. The Department provided a local point of contact for Northern Ireland owners and conducted initial vetting procedures. Eligible applications were forwarded to MAFF, where bids were included within an overall UK-wide ranking, based on the lowest 'Cost per Vessel Capacity Unit' (Cost per VCU). This was calculated as follows:

$$\text{Cost per VCU} = \frac{\text{Decommissioning Bid}}{\text{Vessel Capacity}}$$

(the sum, in £s, that would persuade the vessel owner to decommission)

(measured in VCUs, being the vessel length x breadth (in metres) x 0.45 of the vessel's engine power (in kilowatts))

The Department reimbursed MAFF for grants paid in respect of Northern Ireland vessels.

The 1993-98 Scheme did not specifically target those areas where decommissioning would have most impact

3.8 The objectives of the Scheme included targeting of vessels exhibiting the highest degree of 'fishing effort'. This is defined as vessel capacity (the length times the breadth of the vessel in metres, multiplied by the number of days authorised fishing each year). However, the successful decommissioning bids were those with the lowest 'Cost per VCU', which meant that selection was tied to the capacity of vessels rather than to the level of actual fishing activity. Similarly, selection was not linked to other factors such as the species of fish on a vessel's licence and quota, the age of the vessel or the port at which it was based.

Evidence suggests there may have been collusion among fishermen in the bidding process of the 1993-98 scheme

3.9 An evaluation of the Scheme for the Department in 1997, by consultants, identified an inherent risk that:

“... as the scheme progresses, there will be an increase in collusion when applicants seek to determine their bid. Knowledge of previous decommissioning bids, expected size of competing bids and expectations of an increase in the average acceptable bid have rapidly evolved into the most influential factors in determining the bid price.”

3.10 This concern was also expressed by consultants employed by MAFF in 2001 to review the impact of the 1993-98 Scheme. They concluded that:

“... the average successful bid in the UK scheme progressively increased from £349/VCU in 1992-93 to £758/VCU in 1997-98. The level of UK bids in 1997-98 was significantly in excess of the average EU bid of £650/VCU. The bids were increasingly subject to collusion and the scheme appeared to manage to take out the least productive of applicants as opposed to those fishermen exhibiting the highest degree of effort.”

3.11 The Department told us that, in the case of Northern Ireland - at that time characterised by many smaller, less safe and less profitable vessels - the removal of ‘the least productive of applicants’ played an important role in retaining the competitive advantage for the remaining fleet. In our view, the point remains, however, that removal of the least productive vessels was at odds with the objectives of the scheme, which was to target vessels exhibiting the highest degree of ‘fishing effort’.

3.12 As regards collusion, the Department commented that the use of a ‘sealed-bid’ process ensured total privacy for all applicants. It is not clear to us, however, how the use of sealed bids would remove all risk of collusion. In our opinion, the consultants’ concerns remain valid, as evidenced by the progressive increase in the value of bids over time.

3.13 We note the consultants’ conclusions that the use of lowest ‘cost per VCU’, as the main selection method, increased the risk of collusion of applicants and that, contrary to its aims, the Scheme appeared to decommission the least productive of applicants.

The 2001 Decommissioning Scheme

Although the Department took steps to improve selection in its 2001 scheme, decisions were based on information which was of doubtful accuracy

3.14 While the Department took steps in the 2001 Scheme to target funding at vessels catching Irish Sea whitefish, concerns were expressed over the accuracy of some of the data on which it based its decisions. Fishing vessels were split into two classes:

- vessels recording catches of Irish Sea whitefish in excess of a 30,000 kilogram threshold
- the rest of the fleet, predominately those vessels targeting nephrops (prawns etc) with a by-catch of whitefish.

3.15 Allocation to a class was based on the vessel’s record of catching whitefish over the three-year period from 1994 to 1996 - that is, between five and eight years before commencement of the 2001 scheme. Given the lapse of time, it is likely that fishing patterns changed, such that the data used by the Department to administer the Scheme may not have reflected vessel catches at that time. Indeed, this was acknowledged in the Department’s proposal for the scheme. It was also noted by one of the Producer Organisations, which wrote to the Department complaining:

“We agreed ... segmentation [on the basis of whitefish catches] would have to be done in such a way as to get as up-to-date a picture as possible on the activity of the fleet, so as the available funds could be targeted at those vessels ‘doing the damage’. By choosing to use criteria that, at best, is five years old, we fail to achieve this up-to-date picture.”

3.16 In order to qualify for the scheme, a vessel also had to have been at sea for a minimum of 75 days in each of the two preceding years. The Department told us, however, that because there was no EU requirement at that time to monitor the number of days at sea, it had had to rely on information provided by the applicants themselves. As a result, it was unable to independently verify applicants’ declarations.

3.17 In our view, the Department should have taken the opportunity which existed, to gather more up-to-date information on catches when targeting the 2001 Scheme. Failure to use accurate and timely data undermines the quality of decision-making.

3.18 The fact that the Department was unable to independently verify applicants' declarations in respect of the '75 days-at-sea' requirement was a weakness of the scheme. It will be important, in any future scheme, to ensure that the Department can validate information provided by applicants, where this has a bearing on their eligibility for support.

In response to concerns of collusion within the 1993-98 scheme, the Department operated a 'strike-price' mechanism in its 2001 scheme

3.19 In an attempt to reduce the possibility of collusion, the Department engaged an expert fisheries economist to identify the best way to operate the scheme. He recommended a two-tier approach, with the greater proportion of available funding going to the whitefish fleet (where pressure to reduce fishing was most acute) and the balance to the remainder of the fleet - i.e. the two classes at paragraph 3.14 above. The economist proposed the use of a strike price mechanism as a way of establishing a reasonable unit price for the decommissioning of vessels. This would involve the setting of a strike price within each of the two classes - in effect, a price per unit of capacity to be decommissioned, expressed as '£ per Vessel Capacity Unit' (£ per VCU). The amount of grant aid payable to any vessel would be the strike price of the class to which the vessel belonged, multiplied by the number of the VCUs for that vessel.

3.20 The final form of the scheme did not reflect exactly what the economist had proposed, although it drew on a number of the ideas in his recommendations. As it transpired, the scheme, as applied, revealed some confusion on the part of the Department as to certain of the economist's ideas. The terms of the scheme were set out in a statutory instrument (the legislation) and also in a set of Guidance Notes produced by the Department to assist those applying. Applications to the scheme had to include two key elements:

- a bid (in £s) stating the amount for which the applicant would be prepared to decommission their vessel
- the Vessel Capacity Units for the vessel (calculated as the vessel length x breadth (in metres) x 0.45 of the vessel's engine power (in kilowatts)).

3.21 Under the legislation, the Department's methodology in assessing and awarding grant was set out as follows:

- 1) establish a bid price per VCU, by dividing the bid by the respective VCU;
- 2) divide the vessels in respect of which the application has been made into two classes, namely whitefish and nephrops;
- 3) set a strike price for each class of vessel;
- 4) announce a strike price for each class of vessel after all bids have been received;
- 5) in relation to each such class, approve each application for grant aid ... by starting with the lowest bid price and proceeding in ascending order to highest or until the amount of money allocated to the Scheme has been exhausted.

Problems arose with the method by which the Department selected vessels for decommissioning

3.22 A total of 66 vessel owners applied for decommissioning grant, of which 36 received offers. Of these, 29 applicants accepted the Department's offer to decommission and grants totalling almost £4.4 million were issued. However, problems arose with the method by which the Department selected vessels for decommissioning.

3.23 Having received the applications, the Department, in line with the legislation, established the bid price per VCU for each vessel and divided the vessels into the two classes. Strike prices, of £779.18 and £546.69, were set for the two classes (whitefish and nephrops respectively) and publicly announced. Bids were then ranked in ascending order, starting with the lowest. The order used by the Department was based on the *total bid price* submitted by applicants - i.e. the total sum, in £s, stated by each applicant as the amount

for which they would be prepared to decommission their vessel. Ranking was not, therefore, based on the ‘bid price per VCU’.

3.24 What this meant in practice was that a small boat owner with a higher ‘price per VCU’ would be bought out ahead of a larger boat owner with a smaller price per VCU, simply because the size of the larger boat owner’s vessel would result in a higher total bid price. It also meant that a large vessel, with a ‘price per VCU’ lower than the strike price, may not be bought out, whereas a small vessel, with a ‘price per VCU’ above the strike price could be bought out - again because the size of the larger vessel would result in a higher total bid price. In effect, the Department’s approach resulted in smaller boat owners being given preferential treatment.

Five unsuccessful applicants to the 2001 scheme appealed against the methodology used by the Department to select vessels to be decommissioned

3.25 Five unsuccessful applicants to the 2001 scheme appealed the Department’s decision not to offer them decommissioning grant. In each case, the applicants had submitted a ‘price per VCU’ lower than the strike price of the relevant class. The appellants contended that the aim of the 2001 Scheme was to acquire VCUs (that is, irrespective of the size of vessel) and that the ranking of applications for grant should have been on the basis of an ascending order, starting with the lowest ‘price per VCU’.

3.26 In May 2002, the Department upheld its original decision on appeal. However, its procedures allowed for three further stages of appeal:

- an investigation into the original decision by a senior Departmental officer outside the Fisheries Department
- referral to a fully independent panel comprising an industry representative, a senior civil servant and an independent member
- if an applicant remained dissatisfied, he was at liberty to seek a judicial review or appeal to the ombudsman.

3.27 One vessel owner further appealed. The particulars of his case were:

CASE STUDY B:

Total Bid Price: £100,000 (that is, the level of grant for which the owner offered to decommission his vessel)

Vessel VCUs : 247.70

‘Price per VCU’: £403.71 (£100,000 ÷ 247.70)

The vessel’s ‘price per VCU’ of £403.71 was below the ‘strike price’ of £546.69 for that class.

3.28 The appeal reviews by a senior Departmental officer (in May 2002) and the independent panel (in July 2003) each upheld the Department’s original decision. The vessel owner then applied for a Judicial Review.

The Judicial Review found in favour of the applicant; the Department has been ordered to pay decommissioning grant, plus interest and legal costs. In addition, two other applicants who were refused grant were actually eligible

3.29 The Judicial Review, in May 2005, found in favour of the applicant. It was the view of the court that the Department had misinterpreted the legislation and that the ranking of bids should have been on the basis of ‘bid price per VCU’, rather than ‘total bid price’. In summing up the case, the judge commented that there was no evidence to justify differential treatment between the VCUs of bigger boats and those of smaller boats and pointed out that, to be compatible with EU law, the selection process required “*a fair, objective and non-discriminatory basis*”.

3.30 In the course of our own review, we noted that, in correspondence with the Department in December 2001 - i.e. before the series of appeals were heard - the expert fisheries economist who had proposed the use of the strike price mechanism commented that:

“... [the appellant who later went to Judicial Review] *has been telling me that his submission fell below*

the Strike Price rate/VCU and yet he was not successful. This cannot be so. If his rate is below the Strike Price rate, he must be successful. So, I am worried about how you have applied the Strike Price.”

3.31 The Department was ordered to pay the applicant the decommissioning grant, plus interest from the date that grant awards for the scheme were made (December 2001). Legal costs were also awarded. Subsequently, another of the vessel owners originally refused grant (paragraph 3.25), appealed his case. The Department agreed that, on the basis of the outcome of the Judicial Review, grant should have been offered. In subsequently reviewing the whole Scheme in the wake of the Judicial Review, the Department also noted one other vessel which had been refused decommissioning grant, that would have been eligible on the basis of the ruling.

3.32 Overall, the decommissioning grant that would have been payable to these three applicants totalled £396,000. However, only £153,000 was actually paid - £135,000 to the Judicial Review applicant and a sum of £17,800 to one of the other two applicants who had, by then, sold his boat. The £17,800 represented the difference between the amount of decommissioning grant this vessel owner would have received, had his original claim been successful, and the subsequent sale price of the vessel. In the case of the third applicant wrongly refused grant, no payment was necessary - by the time of the Judicial Review ruling, the boat had already been decommissioned under the (subsequent) 2003 scheme. However, the decommissioning grant paid in this case was some £18,000 higher than the amount that would have been payable under the 2001 scheme valuation. The Department has also had to pay for interest charges for the three-and-a-half year period and legal costs, together amounting to a further £88,000.

On the basis of the Judicial Review, six applicants who were awarded assistance would not have been entitled to grant

3.33 Under the ruling, six applicants whose bids were successful, as a result of the Department’s original interpretation of the Scheme, would not have been entitled to grant. One of the vessel owners involved did

not take up the offer; another, tragically, was lost at sea before decommissioning was due to take place. Grant paid to the remaining four vessels totalled £281,000. Because decommissioning cannot be reversed and the payments were received by the applicants in good faith, no further action will be taken by the Department.

3.34 The Department misinterpreted the advice given to it by the fisheries economist, on how the strike price mechanism should be operated. Its interpretation of the Scheme and the subsequent decision at Judicial Review that the interpretation was incorrect, has proved costly to the taxpayer. The Department has had to pay compensation of some £153,000 to two of the three applicants unlawfully refused grant. In addition, it has had to pay for interest charges on this sum over a three-and-a-half year period and legal costs, together amounting to a further £88,000. The Department has also paid some £281,000 to four applicants who, under the revised scheme interpretation, would not have been successful.

3.35 It is clear that, in any decommissioning schemes which the Department may introduce in the future, care must be taken to ensure that the procedures applied are non-discriminatory against any section of the fishing fleet. We would also suggest that the Department liaises more closely with the sea fishing industry, especially through the Producer Organisations, to help ensure that any future scheme is soundly structured.

3.36 The Department has conceded that there was “a degree of ambiguity and lack of clarity in the legislation”, but told us that, in its view, there was adequate consultation with the industry. Given, however, that the appeal against the Department was lodged by a representative of one of the Producer Organisations, it is clear that there was a lack of understanding at the highest level within the industry on how the Department intended to operate the scheme. In our view, a more effective discussion with the industry, prior to the launch of the scheme, may have avoided the subsequent confusion.

We are concerned that the use of a strike price mechanism did not represent value for money

3.37 Of the 29 applicants accepting grant award, 6 had submitted bids with a ‘price per VCU’ above the strike price, 22 submitted bid prices below the strike price and one was in line with the strike price. In keeping with the agreed approach (paragraph 3.21), in the 7 cases where the bid ‘price per VCU’ was equal to or above strike price, the amount offered by the Department was the strike price per VCU. In each case, the offer was accepted, even though it was lower than the applicant’s bid price.

3.38 In the 22 cases where the applicants submitted bids below the strike price, the Department increased the bid ‘price per VCU’ to the value of the strike price. As a result, the Department paid the 22 vessel owners more than they had actually sought in their grant application. The 22 bids were uplifted by, on average, over £40,000 each, costing the Department an additional sum of around £900,000. Details are set out in **Figure 3.2**.

3.39 The Department commented that, in its view, this is a simplistic representation. It said that some vessel owners had submitted bids which were artificially low, in the “*clear knowledge*” that the Department would interpret the conditions of the scheme consistent with the literal interpretation of the methodology as set out at paragraph 3.21 above. In our opinion, the Department’s comments are speculative. Had the

Department paid vessel owners their actual bid prices, where these were less than the strike price, the scope for manipulation of the scheme through the submission of deflated bids would have been removed.

3.40 The Department subsequently commented that, in its view, it is in the nature of a strike price mechanism that vessel owners will be induced to make low bids on a tactical basis, seeking to ensure that their vessels will fall within the accepted group. By doing so, they deflate the strike price, and this deflation, the offer of the strike price to vessel owners bidding above it and the competitive and anti-collusive nature of the exercise combine to deliver value for money.

3.41 We note the Department’s comments but remain of the view that they are speculative. Indeed, the fact that six of the applicants, with bids above the strike price, accepted decommissioning grants that were, on average, some £26,600 lower than their bid prices, suggests to us that the strike price was set at a generous level.

3.42 By increasing the 22 bids to equal the strike price, the Department incurred an additional £900,000 over and above that which had actually been sought by applicants to decommission. We could see no justification for applying the strike price mechanism in this way. As a result, the value for money which might otherwise have been achieved has been substantially eroded.

Figure 3.2		2001 Vessel Decommissioning Scheme: The cost of revaluing bids to strike price		
Position of bid to Strike Price	Number of bids	Total bids (£ million)	Total paid (£ million)	(Excess)/Saving compared with bid (£ million)
Below Strike Price	22	2.22	3.12	(0.90)
At Strike Price	1	0.20	0.20	-
Above Strike Price	6	1.22	1.06	0.16

Source: DARD

3.43 We recommend that, in any future decommissioning scheme, the Department considers setting an upper ceiling on the level of grant to be paid, rather than applying a strike price as a fixed amount to be paid, irrespective of the amount of grant actually bid for.

finance staff had commented in February 2004 that:

“... in June 2003 DFP first requested a post-completion evaluation for this Scheme but, despite numerous requests in the interim period, the completed evaluation has not been completed.”

The 2003 Decommissioning Scheme

3.44 In the 2003 Scheme, the Department did not adopt the strike price mechanism, “*due to perceived inequities, unpopularity and difficulty*”. Instead, the selection criteria reverted to that which had been used in the 1993-98 UK-wide scheme - assessment using ‘price per VCU’.

Contrary to best practice, the Department introduced the 2003 Scheme before completing a post-project evaluation of the 2001 Scheme

3.45 The Department of Finance and Personnel has issued guidance on post-project evaluation. It stresses the importance of carrying out thorough evaluations in order to measure the success of a scheme or project against its objectives and to identify and record all relevant lessons to improve performance on subsequent schemes. In order to ensure objectivity of a post-project evaluation, it should be undertaken independently of those directly involved in the planning and implementation of the scheme. The guidance advises that evaluations should be carried out once a project has been completed or, in the case of longer-term projects, once it has advanced to a pre-determined stage.

3.46 The proposal for the 2001 scheme stated that a post-project evaluation would be conducted six months after operation of the scheme. With offers of grant being made in December 2001, the planned evaluation was due around mid-2002. However, it was not completed until May 2004. We noted that Departmental

3.47 As a result of the delay, the 2003 Decommissioning Scheme was approved and commenced before the evaluation of the 2001 Scheme was completed. The Department acknowledged that the post-project evaluation of the 2001 Scheme was not finalised until May 2004 but said that a draft evaluation was undertaken in advance of the completion of the 2003 Scheme and that the lessons of the 2001 Scheme were taken into account in its planning.

3.48 As regards the 2003 Scheme itself, we noted that, as at mid-2005, the Department had not yet completed a post-project evaluation.

3.49 In keeping with best practice, the Department should have completed its evaluation of the 2001 Scheme before introducing the successor scheme, especially in view of the repeated requests from DFP to do so.

3.50 This is not the first occasion, however, on which NIAO has had to raise this issue. In reports dated 2000 and 2002³, we highlighted the need to carry out post-project evaluations, following the Department’s failure to do so on two major capital projects which we had examined. It is particularly disappointing to note, therefore, that in the wake of these reports, the Department had still not undertaken an evaluation of the 2003 Scheme more than two years after its completion.

3.51 The Department must take the necessary steps to ensure that the post-project evaluation process is firmly embedded across all of its divisions.

³ ‘Loughry Food Business Incubation Centre’ (NIA 24/00); ‘Re-roofing of the Agriculture and Science Centre at Newforge’ (NIA 24/02).



The Impact of Grant Assistance

4.1 This part of our report examines the impact of the assistance provided by the Department to the Northern Ireland fishing fleet. It considers the Department's use of targets to measure the impact of Modernisation and Decommissioning Schemes, the extent to which targets were achieved within individual schemes and the overall impact of grant assistance over the period from 1994-2004. Details are set out as follows:

- 1994-99 Vessel Modernisation Scheme (paragraphs 4.2-4.8)
- 1993-98, 2001 and 2003 Vessel Decommissioning Schemes (4.9-4.18)
- overall impact of grant assistance (4.19-4.27).

1994-99 Vessel Modernisation Scheme

The Department adopted the EU targets for the 1994-99 Modernisation Scheme but these did not allow for full evaluation of the impact of the scheme

4.2 The EU set targets for the 1994-99 Vessel Modernisation Scheme. Each Member State was required to submit a yearly return of performance against targets. Northern Ireland-specific targets and subsequent achievement, are shown in **Figure 4.1**.

Figure 4.1			
Targets and Achievement for the 1994-99 Vessel Modernisation Scheme			
	Target	Actual	% exceeding / (shortfall)
Number of Awards	90	153	70%
Value of Awards	£5 million	£3.1 million	38%

Source: DARD

4.3 Figure 4.1 shows that, while the Department substantially exceeded the target number of grants issued, the total value of support provided, at £3.1 million, was only some 60 per cent of that budgeted. This would suggest that, while the level of uptake was greater than anticipated, the size of projects and overall extent of modernisation hoped for did not materialise.

4.4 We also noted that the targets used related only to 'activity' - the number of grants awarded and their value - rather than the impact of assistance in relation to key objectives of the scheme. The priority areas for modernisation included:

- safety and working conditions on-board vessels
- conditions for handling and storing fish on-board vessels
- radar equipment on-board vessels.

4.5 In June 1999, external consultants produced a report entitled "The Review of the Northern Ireland Catching Sector" which raised similar concerns. The report questioned whether applicants viewed the 1994-99 Modernisation Scheme as a means of updating ageing machinery, rather than an opportunity to improve crew safety, stating:

"... while the current ... modernisation scheme is seen as effective by the industry, the majority of applications were for machinery which, it could be argued, would have been replaced with or without a subsidy at a later date.

... ageing components on ageing vessels ... will take priority over other modernisation such as refrigeration equipment, hygienic sheeting for fish rooms or weighing and grading equipment".

4.6 Given that assistance was largely aimed at improving crew safety and working conditions and maintaining the quality of fish prior to landing, it is disappointing that the Department's external consultants concluded that the grant was seen by

many applicants as a means of updating ageing components on vessels. We note, however, that the specific targeting of the 2002 Modernisation Schemes (paragraph 2.26) on safety and product quality should prevent this from recurring in these schemes. It is important that the Department takes steps to ensure that the uptake of grants in the current schemes is maximised.

4.7 The Department’s performance measurement system focused on ‘activity’ measures, rather than an assessment of the impact of the scheme in relation to its key objectives. In our view, in addition to targets for the number and value of grants awarded, the Department should have developed a series of outcome-based measures; for example measures to reflect improved safety features on-board vessels. These targets, coupled with the EU prescribed targets, would have enabled a fuller evaluation of the success of the scheme in achieving key objectives. Collection and analysis of this type of data would also have highlighted to the Department, at a much earlier stage (i.e. while the scheme was still running), the extent to which grant was not being used to achieve the primary objectives of the scheme.

4.8 We note, however, that, under the 2002 Modernisation Schemes, the Department has introduced targets in relation to the number of safety training certificates issued, a reduction in the level of safety-related incidents and the number of vessels awarded a recognised quality mark. This is encouraging. Given the limited support paid (£7,000) to date on these schemes, it is too early to assess their impact on the fleet.

1993-98 Vessel Decommissioning Scheme

The Department did not have control over the impact of the scheme on Northern Ireland

4.9 As stated at paragraph 3.3, the 1993-98 Decommissioning Scheme was a UK-wide scheme administered centrally by the then Ministry of Agriculture, Fisheries and Food (MAFF) in Great Britain.

The Department told us that it had not been entirely without influence in the design and operation of the scheme and, because the scheme was delivered on a UK-wide basis, it had secured equality of approach. Nevertheless, we noted that there had been a number of drawbacks for the Department. Consultants engaged by the Department to evaluate the scheme reported in 1997 that:

- vessels from across the UK compete without due regard being given to the effect on individual fishing ports and regions
- there is no limit placed on the desirable number of vessels to be decommissioned from Northern Ireland.

The consultants considered that a “*blank cheque*” was, in effect, being provided as the Department was obliged to reimburse MAFF, irrespective of the number of local vessels decommissioned.

Targets relating to the 1993-98 Decommissioning Scheme were not achieved

4.10 Specific targets were set for Northern Ireland for vessels. These targets and subsequent achievement are shown in **Figure 4.2**.

Figure 4.2		1993-98 Decommission Scheme - Targets and Achievement for Vessels of 10 metres and over	
	Target	Achievement	% exceeding / (shortfall)
Vessels to be Decommissioned	55	49	(11%)
Value of Awards	£3.9 million	£5.8 million	49%
Gross Fleet Capacity Reductions	2,500 tonnes	436 tonnes	(83%)
Source: DARD			

4.11 Although the Department came close to achieving its target number of vessels to be decommissioned, the cost of doing so was almost 50 per

cent higher than anticipated. In addition, there was a major shortfall in achievement against the planned reduction of the gross fleet capacity. While the aim had been to reduce overall tonnage by 2,500 (almost a fifth) from a 1993 baseline of 13,250 tonnes, the actual reduction of 436 tonnes represented an 83 per cent shortfall against target. The Department indicated that the required reduction had been achieved by 1996, but that the fleet capacity had subsequently increased to over 12,800 tonnes due to the movement of a very large vessel, of some 2,200 tonnes, into the fleet.

2001 and 2003 Vessel Decommissioning Schemes

4.12 In both 2001 and 2003, the Department chose to operate a Northern Ireland decommissioning scheme, separate from the rest of the United Kingdom.

Target-setting improved with the 2001 and 2003 Decommissioning Schemes

4.13 The range of performance targets, compared with the 1993-98 scheme, was extended in 2001 to include 'Vessel Capacity Units' - that is, a measure of the fishing capacity of decommissioned vessels. Separate targets were also introduced to distinguish between vessels fishing for whitefish and nephrops. The range of measures was further extended in 2003 to

include targets for a reduction in fish landings.

4.14 While these measures represented a considerable improvement over the 1993-98 scheme, we note that there was no target which specifically addressed the level of actual fishing activity. In our view, such a target, aimed at assessing the reduction in 'fishing effort' (being the number of VCUs multiplied by the number of days at sea) would have been more effective in assessing the actual impact of decommissioning on the industry and on fish stocks.

Performance targets in both 2001 and 2003 were generally not achieved

4.15 Figures 4.3 and 4.4 detail actual achievements against targets in the 2001 and 2003 schemes respectively.

2001:

With the number of vessels decommissioned reaching the higher end of the target range and expenditure at some 88 per cent of budget, the 2001 scheme showed a considerable improvement over the 1993-98 scheme. However, these figures do not take account of our findings on the use of the strike price and the outcome of the Judicial Review (see paragraphs 3.22 to 3.43), both of which would have an adverse impact on the performance achieved. Also, tonnage reductions again fell short of target.

Figure 4.3		2001 Decommissioning Scheme - Targets and Achievement for vessels of 10 metres and over		
	Target	Achievement	% exceeding /(shortfall)	
Vessel reduction	20-30	29	-	
Value of Awards	£5 million	£4.4 million	(12%)	
VCU reductions:				
- whitefish vessels	4,000	4,355	9%	
- nephrops vessels	2,300	2,073	(10%)	
Tonnage reductions:				
- whitefish vessels	1,700 tonnes	1,421 tonnes	(16%)	
- nephrops vessels	690 tonnes	503 tonnes	(27%)	

Source: DARD

Note : Figures in the table have not been adjusted to take account of the outcome of the Judicial Review (paragraphs 3.29 to 3.36)

Figure 4.4			
2003 Decommissioning Scheme - Targets and Achievement of 10 metres and over			
	Target	Achievement	% exceeding/(shortfall)
Vessel reduction	33	22	(33%)
Value of Awards	£5 million	£4.93 million	(1%)
VCU reduction:			
- whitefish vessels	5,109	2,291	(55%)
- nephrops vessels	4,540	3,471	(24%)
Tonnage reductions:			
- whitefish vessels	2,015 tonnes	900 tonnes	(55%)
- nephrops vessels	1,740 tonnes	1,234 tonnes	(29%)
Reduction in landings:			
- whitefish vessels	468 tonnes	258 tonnes	(45%)
- nephrops vessels	340 tonnes	166 tonnes	(51%)

Source: DARD

2003:

Performance in 2003 fell short of targets and also showed a downturn in relation to the 2001 achievements. While only two-thirds of the targeted number of vessels were decommissioned, almost the entire budget was spent. Also, there were substantial shortfalls against targets, ranging between 24% and 55% below target, for reductions in Vessel Capacity Units, tonnage and fish landings. What this means, by way of an example, is that, against a planned average cost per tonne reduction of £1,331, the actual average cost was £2,310.

by the Department’s consultants (paragraph 4.9), the decision to run the 2001 and 2003 schemes within Northern Ireland was appropriate in our view, as it offered the Department the opportunity to tailor them to the specific needs of the local fishing industry.

4.18 In each of the three decommissioning schemes, the Department generally failed - sometimes quite significantly - to achieve its performance targets, in terms of the level of decommissioning secured and the relative cost.

4.16 The measures used by the Department to assess the impact of decommissioning were weak in the 1993-98 scheme, but progressively improved with the 2001 and 2003 schemes. In any future decommissioning scheme which the Department administer, we would recommend that it considers using ‘reduction in fishing effort’ as one of its performance measures.

4.17 With the 1993-98 Decommissioning Scheme being administered by MAFF, the Department was not in a position to exercise complete control over the specific impact of the scheme on the Northern Ireland fishing fleet. Given the conclusions reached

Overall impact of decommissioning assistance on the Northern Ireland fishing fleet

While noting the overall changes in size of the fleet over the period 1994-2004, we were unable to determine their impact on the future sustainability of the sea fishing industry in Northern Ireland

4.19 Over the 10-year period from 1994 to 2004, the Department provided over £15 million to the Northern Ireland sea fishing industry under three decommissioning schemes. This funding secured the scrapping of 100 vessels of over-10 metres in length - some 44% of the

1994 level - and reduced employment within the fleet by over 50%. However, the reductions in fleet capacity and fish landings were considerably less at 29% and 37% respectively - see [Figure 4.5](#).

4.20 We asked the Department how the reductions in the size of the fleet compared with its views on the optimum fleet size. The Department said that it had not determined an optimum fleet size for Northern Ireland, prior to running its decommissioning schemes. The reasons it gave included:

- the complexity of the fleet size considerations, taking account of a highly mobile, ever-changing European fleet sharing a diverse range of fisheries access
- the difficulties experienced by scientists in providing advice on sustainable fish harvesting opportunities
- market considerations
- social aspects.

4.21 Notwithstanding the difficulties involved, we recommend that the Department seeks to establish an optimum size and structure for the Northern Ireland sea fishing fleet, updating this as necessary.

There are European-wide concerns about the future of sea fishing. The Department’s view is that a viable sea-fishing industry can be sustained in Northern Ireland

4.22 Concern over the future of the fisheries industry is not confined to Northern Ireland. Uncertainty prompted an EU review of the Common Fisheries Policy. In December 2002, the first tranche of on-going reforms to the policy were agreed. A key change included the decision to make Member States responsible for matching capacity to fishing opportunities, with fishermen, scientists and other stakeholders working together to identify how to attain and maintain sustainability in defined fisheries areas.

4.23 In the United Kingdom, a Cabinet Office report (‘Net Benefits’), issued in March 2004, confirmed that the UK industry could have a sustainable and profitable future, but identified major challenges in achieving this, including:

- when fishermen cannot make sufficient profit they are more likely to over-fish
- over-fishing damages fish stocks and prospects to make profits in the long-run
- the boom and bust cycles in the industry have blighted attempts to create a modern and appropriately-sized fleet.

Figure 4.5		Changes in characteristics of the Northern Ireland fishing fleet, over the period 1994-2004, for vessels of over-10 metres in length		
Characteristics	1994	2004	% Change	
Number of Vessels	227	128*	(44%)	
Tonnage	11,732 tonnes	12,103 tonnes	+ 3%	
Enginer Power (kilowatts)	55,784	41,438	(26%)	
VcUs	59,308	42,005	(29%)	
Employment	1,166	535	(54%)	
Fish Landings (in Northern Ireland)	20,880 tonnes	13,152 tonnes	(37%)	
Source: DARD				
Note* : A total of 100 vessels were decommissioned and one vessel was added during the period				

The report anticipated that the UK should be urging the EU to go further down the path of managing fish stocks on a regional rather than EU-wide level. It anticipated that this approach would allow fishermen and other stakeholders more influence over the type of management regimes that apply to the waters of concern to them.

4.24 The Fisheries Administrations within the UK presented a joint response to the Cabinet Office report, which recommended building upon the strengths of the Common Fisheries Policy, but also addressing its weaknesses. The main actions they will be taking include:

- collaborative work on an economic model considering fleet size and capacity, balanced against long-term fishing opportunities
- consideration of the need for further selective decommissioning schemes.

4.25 In Northern Ireland, a ‘South Down Fishing Villages Taskforce’ was set-up to examine the socio-economic implications on the local fishing communities of successive EU decisions. The Taskforce report, in January 2003, identified that:

- over the ten-year period to 2002, there had been a significant decline in employment in the catching sector in Northern Ireland
- the number of over-10 metre boats also declined. The remaining boats were older than the average across the UK fleet as a whole, although, between 1998 and 2003, the number of under-10 metre vessels had remained stable
- between 1998 and 2002, UK fish quotas had significantly reduced for a number of stocks of interest to the Northern Ireland fleet, with the greatest cuts occurring to main whitefish species quotas. As a result, the registered landings by Northern Ireland vessels had also fallen.

The Taskforce report included an action plan summarising themes, objectives and supporting actions to sustain a long-term future for the industry.

4.26 Sea fishing is still in a period of transition. In order to retain a sustainable industry, it is important that government intervention to the Northern Ireland fleet is properly targeted and based on an appropriate regional approach, designed to align fishing effort against available stocks.

4.27 Development of this approach will require effective communication across all stakeholder groups, improved scientific information on available stocks and acceptance and endorsement within the industry of future policy.

Appendices

Appendix 1

(Paragraph 1.2)

Northern Ireland Registered Fishing Fleet at 1 June 2006			
	Overall Vessel Length		
Port	10 metres and under	Over 10 metres	All Vessels
Kilkeel:			
Number of Vessels	51	62	113
Gross Tonnage	260	8,222	8,482
Power (kw)	3,173	25,307	28,480
Portavogie:			
Number of Vessels	17	37	54
Gross Tonnage	81	2,982	3,063
Power (kw)	1,004	10,008	11,012
Ardglass:			
Number of Vessels	18	20	38
Gross Tonnage	80	873	953
Power (kw)	1,160	3,705	4,865
Other Ports:			
Number of Vessels	98	11	109
Gross Tonnage	334	576	910
Power (kw)	4,620	2,619	7,239
Total Vessels	184	130	314
Total Gross Tonnage	755	12,653	13,408
Total Power (kw)	9,957	41,639	51,596
Source: DARD			

Figure 1: Total Vessels

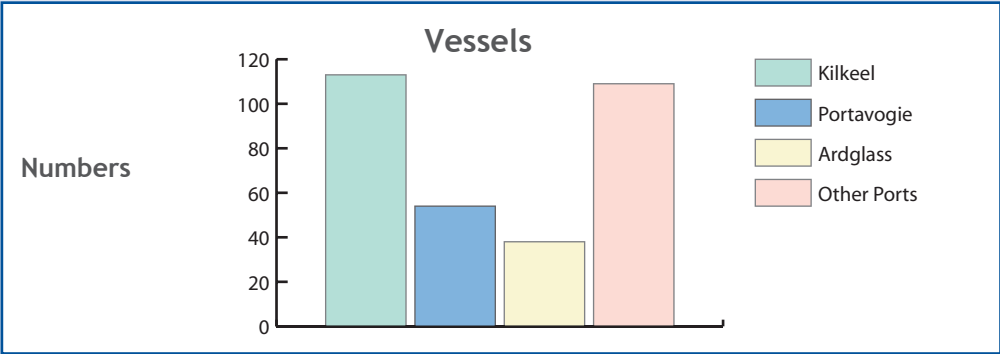


Figure 2: Total Gross Tonnage

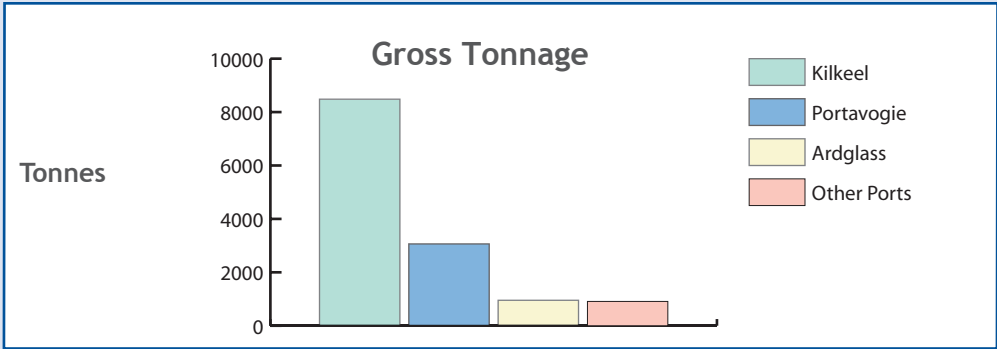
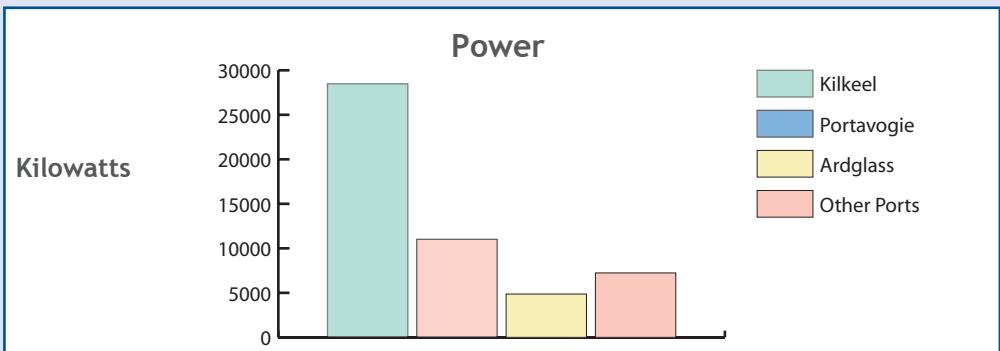


Figure 3: Total Power



Value of fish landings into Northern Ireland 2001-2005					
Species	Value (£ million)				
	2001	2002	2003	2004	2005
Shellfish ¹	10.2	9.5	8.4	8.9	9.1
Demersal ²	6.7	7.2	6.1	4.7	3.5
Pelagic ³	2.0	1.1	1.2	0.6	2.0
Totals	18.9	17.8	15.7	14.2	14.6

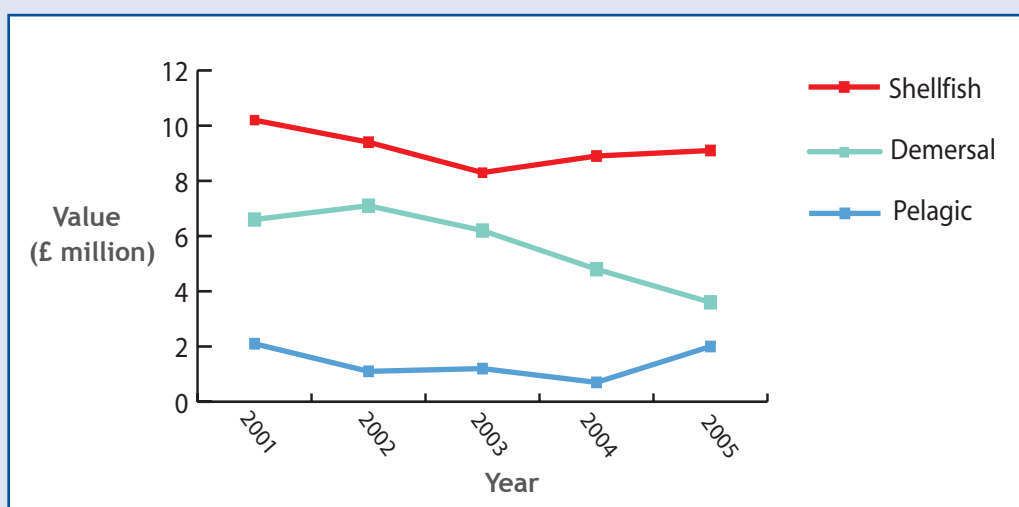
Source: Department for Environment, Food and Rural Affairs

1. **Shellfish:** An aquatic animal whose external covering consists of a shell, as in oysters, clams and other mollusks, or a crustacean, as in lobsters and crabs.

2. **Demersal:** Living at or near the sea floor but having the capacity for active swimming. This includes Cod, Haddock, Hake, Plaice and Whiting.

3. **Pelagic:** Of, or pertaining to, the ocean; especially those fish living away from the coast. This includes Herring, Mackerel, Pilchards and Tuna.

Figure 1: Value of fish landings into Northern Ireland 2001-2005



Appendix 3

(Paragraph 1.3)

Employment in the Northern Ireland Fishing Industry 2000-2004										
	2000		2001		2002		2003		2004	
Port	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time
Kilkeel										
Fishing Fleet	30	280	0	200	0	260	0	190	50	250
Processing/ Marketing	81	546	61	483	48	339	51	387	45	384
*Others	13	74	6	68	5	66	3	61	4	55
Totals	124	900	67	751	53	665	54	638	99	689
Portavogie										
Fishing Fleet	19	215	19	213	24	204	24	156	24	176
Processing/ Marketing	120	95	120	110	125	115	96	127	68	174
*Others	16	36	16	40	19	43	21	39	18	28
Totals	155	346	155	363	168	362	141	322	110	378
Ardglass										
Fishing Fleet	10	96	10	81	8	84	10	91	5	89
Processing/ Marketing	13	160	23	155	21	152	5	129	0	134
* Others	6	37	4	37	4	35	2	16	0	23
Totals	29	293	37	273	33	271	17	236	5	246
Other Ports										
Fishing Fleet	15	21	17	19	11	20	6	21	5	20
Processing/ Marketing	21	89	21	89	17	95	7	77	7	70
*Others	7	25	8	25	12	56	3	31	1	30
Totals	43	135	46	133	40	171	16	129	13	120
All Ports										
Fishing Fleet	74	612	46	513	43	568	40	458	84	535
Processing/ Marketing	235	890	225	837	211	701	159	720	120	762
*Others	42	172	34	170	40	200	29	147	23	136
Totals	351	1,674	305	1,520	294	1,469	228	1,325	227	1,433

Source: DARD

Note* : 'Others' includes harbour jobs, boat building and chandlery supplies

Figure 1

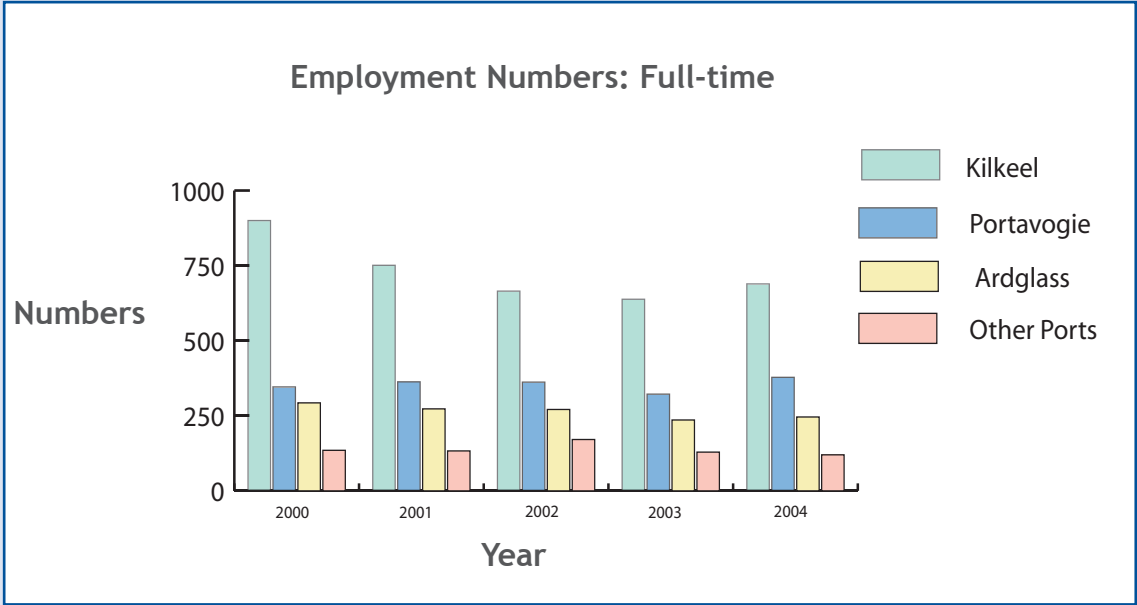
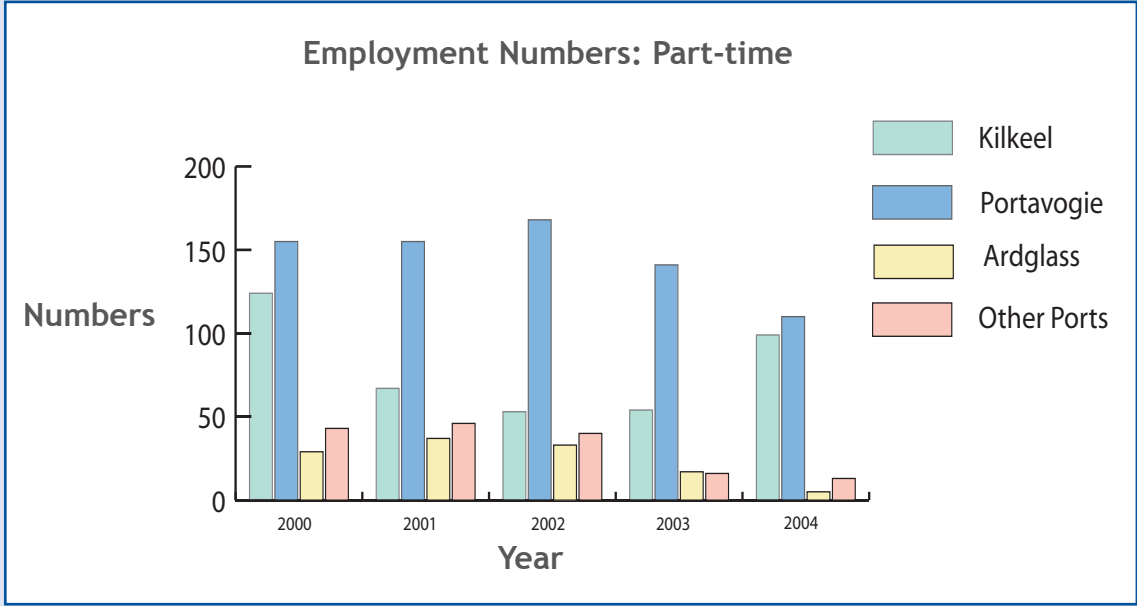


Figure 2



Appendix 4

(Paragraph 2.6)

Fishing Vessel Modernisation Grant: Assessment Pro-forma 1994-99

Points scoring summary for Fishing Vessel construction and modernisation projects

Project Details	Maximum Score	Yes/No	Actual Score
1. Modernisation project	30		
2. Will the project improve crew safety or working conditions?	10		
3. Will the project improve the conditions for the handling and storage of fish on-board?	10		
4. Main gear to be used on the completion of project			
(i) Towed gear	0		
(ii) Fixed gear	5		
(iii) Pots	10		
5. Will the project lead to a decrease in VCUs tonnage or engine power?			
(i) if project involves no licence transfers or aggregations	0		
(ii) if project involves licence transfer and/or aggregation complying with minimum capacity penalties	5		
(iii) project involves licence transfer and/or aggregation which results in surrender of at least twice the capacity units	10		
6. Fishing experience of skipper (sliding scale subject to maximum 10 years experience)	0-10		
7. Length of time vessel has been in NI fleet (sliding scale subject to maximum 5 years)	0-15		
8. Has the vessel received EU grant aid			
(i) in last 5 years?	0		
(ii) in last 10 years?	5		
(iii) more than 10 years ago or never?	10		

Project Details	Maximum Score	Yes/ No	Actual Score
9. If the application is unsuccessful			
(i) project will not proceed	10		
(ii) a cheaper project will be undertaken	5		
(iii) project will proceed	0		
10. Is the project to obtain a MSA safety certificate			
(i) Yes	10		
(ii) Part	5		
(iii) No	0		
11. Will the project lead to a reduction in fishing effort (VCU/days)			
(i) less than 5% increase	10		
(ii) 5-20% increase	5		
(iii) more than 20% increase	0		
12. Type of project			
(i) re-engining	0		
(ii) includes re-engining	5		
(iii) other	10		
13. Has the project obtained SFIA assistance?			
(i) 100%	0		
(ii) Part	5		
(iii) None	10		
Total Score	155		
Prepared by:			
Checked by:			

NIAO Reports 2005-06

Title	NIA/HC No.	Date Published
2005		
Modernising Construction Procurement in Northern Ireland	NIA 161/03	3 March 2005
Education and Health and Social Services Transport	NIA 178/03	9 June 2005
Decision Making and Disability Living Allowance	NIA 185/03	16 June 2005
Northern Ireland's Waste Management Strategy	HC 88	23 June 2005
Financial Auditing and Reporting: 2003-2004 General Report by the Comptroller and Auditor General for Northern Ireland	HC 96	7 July 2005
Departmental Responses to Recommendations in NIAO Reports	HC 206	19 July 2005
The Private Finance Initiative: Electronic Libraries for Northern Ireland (ELFNI)	HC 523	10 November 2005
2006		
Insolvency and the Conduct of Directors	HC 816	2 February 2006
Governance Issues in the Department of Enterprise, Trade and Investment's Former Local Enterprise Development Unit	HC 817	9 February 2006
Into the West (Tyrone & Fermanagh) Ltd: Use of Agents	HC 877	2 March 2006
Department for Social Development: Social Security Agency - Third Party Deductions from Benefit and The Funding of Fernhill House Museum	HC 901	9 March 2006
The PFI Contract for Northern Ireland's New Vehicle Testing Facilities	HC 952	21 March 2006
Improving Literacy and Numeracy in Schools	HC 953	29 March 2006
Private Practice in the Health Service	HC 1088	18 May 2006
Collections Management in the National Museums and Galleries of Northern Ireland	HC 1130	8 June 2006
Departmental Responses to Recommendations in NIAO Reports	HC 1149	15 June 2006
Financial Auditing and Reporting: 2004-2005	HC 1199	21 June 2006
Collections Management in the Arts Council of Northern Ireland	HC 1541	31 August 2006

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