

Review of Seafish

Report

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Note: This is a periodic review of the Sea Fish Industry Authority – referred to in the report by its brand name, Seafish – commissioned by the four UK fisheries administrations. A brief description of the methodology adopted for the review is at Annex I.

EXECUTIVE SUMMARY

E1. The Fisheries Act 1981 established Seafish, funded by a levy, to serve a UK fisheries industry in a world that has changed significantly over the past three decades. In particular:

- (a) Three-quarters of seafood consumed in the UK is now imported, while the size of the UK catching sector has shrunk, with consequent changes in the sources of levy income.
- (b) Most food and fisheries policy is now the responsibility of the devolved administrations across the UK, and new policies for food – rather than seafood – are being put in place.
- (c) Sustainable fishing and protection of the marine environment are now key public policy objectives for fisheries.
- (d) Concern within the industry about lack of value for the levy has increased to the point at which current practice is being challenged in the courts.

E2. Over the past 5 years, Seafish has taken steps to respond to this changed environment, including cutting costs, engaging industry more effectively in defining priorities for spending the levy, focussing more of its activity on the on-shore sector, working through country and regional partners, and promoting sustainable sourcing. There is no unanimity across the industry about the effectiveness of this response, with some recent converts to the value of Seafish offset by a constituency believing that Seafish's stewardship of the levy represents poor value for money.

E3. The review has identified three major issues:

- (a) Insufficient clarity exists about Seafish's purpose and role, with an absence of focus on outcomes (as opposed to process) and very limited information about how success is measured. Even if no other changes are made, this issue should be addressed.
- (b) Accountability arrangements are complex and perhaps inevitably so, given Seafish's status as an industry-funded public body. Seafish has raised its game in engaging and answering to the industry, but the relationships with government need refreshing if Seafish is to be able to command both industry and government support and respect.
- (c) Industry support for the continuation of Seafish is, as noted above, equivocal and directly linked to the existence of the levy. Although there has been some consolidation in the processing sector, the industry as a whole remains fragmented and continues to face significant change, and so the justification for addressing inherent market failures through a levy remains for the time being. However, by funding services free at the point of delivery to an industry which is obliged to pay for them, irrespective of the amount of use by individual businesses, the levy distorts the market place for those services. The fact that Seafish carries

extensive fixed costs – permanent staff, premises – reduces its flexibility to redeploy levy funding.

E4. The review concludes that while Seafish has been moving in the right direction, and that abolition of the levy would be premature, its response to date has been insufficient to meet the challenges presented by the changed environment. There are three broad options open to ministers:

- *Option 1:* Business as usual, leaving the present structure in place and focussing on performance improvements within that framework.
- *Option 2:* Significant reform, involving a menu of changes including:
 - 2A. a move to a more clearly structured decentralised operating model, focussed on outcome and with clear accountability arrangements;
 - 2B. out-sourcing of central functions, with Seafish itself becoming a commissioning body;
 - 2C. a progressive reduction in the levy rate, and a parallel reduction in “free” services, with Seafish providing other services on a fee-paying basis.
- *Option 3:* Abolition of Seafish.

E5. Of these:

- (a) Option 1 would not sufficiently address the issues identified in the review.
- (b) Option 2 is considered by the review to offer the most practical approach, combining the substantial reform needed to improve value for the levy while recognising the degree of industry support for retaining a reformed Seafish. Much could be achieved without legislative change, although for some elements of option 2A secondary legislation to provide certainty may be desirable.
- (c) Option 3 has significant attractions, including the opportunity for support to the seafood industry to develop in different ways in different countries and regions, unconstrained by the 1981 Act. It would be open to ministers to retain a levy, administered by alternative mechanisms. However there would be significant costs in abolishing Seafish, in the worst case amounting to about £27.5m, most or all of which would fall to government¹ to fund. Legislation would be required.

E6. In the longer term, adoption of a package of measures based on option 2 could prepare the ground for a less costly abolition at a later stage, by reducing Seafish’s fixed costs.

¹ In this report, the expression “government” is used as a shorthand to refer to the UK Government and the three devolved administrations

Part A: Findings

1. WHAT SEAFISH DOES

Remit

1.1 According to its establishing legislation, Seafish has a duty to exercise its powers “for the purpose of promoting the efficiency of the sea fish industry and so as to serve the interests of that industry as a whole”. It is also required to “have regard to the interests of consumers of sea fish and sea fish products”². The statutory purpose is broad, in the sense that the Act does not define what the “interests” of the industry or of consumers are.

1.2 Seafish has powers, exercisable in defined circumstances, to provide financial assistance for training, capital expenditure on fishing vessels or plant for processing seafood and for supporting co-operatives, and to carry out research and development, give advice, provide or supervise training, and promote marketing and consumption of seafood³. These powers are to be exercised in relation to the industry in the United Kingdom⁴. Although funded by a statutory levy on the sales of seafood – and so by the industry – the powers to provide grants and loans are only exercisable with the consent of ministers⁵.

1.3 The activities and structure of Seafish still in many respects mirror the powers in the legislation: there is a training team, a promotions team and a research team. Annex A outlines the way in which Seafish is currently organised to exercise the specific powers and to discharge its general duty. Some of the powers – such as making loans for capital expenditure on vessels – are no longer exercised. In other cases, Seafish has interpreted its remit broadly so that, for example, it provides a vessel surveying service and a sea-bed mapping service (both recovering their costs through charges to users) as well as running an awards scheme in the food service sector.

The industry

1.4 The industry Seafish exists to support is diverse. The supply chain is made up of sectors which, though inter-dependent, are not always at ease with one another: catching, processing, retailing and food service (restaurants and fish and chip shops). Businesses range from small family-owned firms to multi-nationals.

- (a) The UK processing sector is particularly diverse, with firms variously concentrating on processing domestic seafood (landed in the UK on UK-

² Fisheries Act 1981, sections 2(1) and 2(2). Sea fish and sea fish products are referred to in this report as seafood.

³ Section 3(1).

⁴ Seafish may provide services outside the UK on a full cost recovery basis: section 3(5).

⁵ In this report, the expression “ministers” means the ministers responsible for fisheries in the UK Government, the Northern Ireland Executive, the Scottish Government and the Welsh Assembly Government, acting jointly.

registered vessels), processing imported seafood, or distributing imported seafood, with some companies engaging in more than one of these activities. Fishmongers who process seafood solely for sale in their own retail outlet are excluded from the definition of processor.

- (b) Though the UK catching sector is more homogenous than processing, the interests of businesses in the catching sector differ according to the type of fish they land: white fish, pelagic and shellfish. Aquaculture – farmed fish – is a growing alternative to sea-caught fish.
- (c) The industry is unevenly distributed across the UK, with the catching sector pre-dominant in Scotland and the large processors concentrated in England, particularly around the Humber. The size of the industry in both Northern Ireland and Wales is small in relation to the rest of the UK.
- (d) Retailers range from the multiples to small fishmongers.
- (e) The food service sector is heavily fragmented: the UK has some 10,000 specialist fish and chip restaurants and take-aways, with the majority owned by individuals. However much of the support to this fragmented sector is provided by a few large specialist suppliers, who provide marketing support and product development.

1.5 Changes to the structure of the industry in recent years are outlined in section 2 of this report.

Activities

1.6 The activity summary at Annex A is a provider-focussed description, which is the way Seafish presents itself in its published plans, annual reports and much of its publicity material (although the consultation document on the 2010-13 plan is more obviously thematic). The continuing need for the activities is considered in part B of the report: this section assesses the current delivery arrangements.

1.7 Seafish is perceived, largely accurately, as a UK-centric organisation rather than one rooted in the countries and regions of the UK. This appears to be the result of several factors:

- Its legal constitution as a UK body, with a UK-wide remit.
- Its historic focus on the catching sector, as a UK-wide resource
- The transferability across intra-UK boundaries of science and technology related to the industry.
- The UK-wide nature of some, though not all, markets in the seafood industry.
- The drive for value for money through economies of scale, avoiding unnecessary duplication of activity.

- The availability of people with the relevant industry and sectoral knowledge to staff the organisation.

1.8 The structure of Seafish is essentially a “head office” one, split between two sites in Edinburgh and Grimsby. The standing field organisation is small – 8 members of the commercial team based around the UK and covering specific geographical areas. Staff based at head office also travel out to visit businesses.

1.9 On the basis of the information in Annex A, a user-focussed operational classification of Seafish activities would be along the following lines:

- (a) *Business development*, primarily the face-to-face activities and other information or advice channels direct to businesses. The work of the commercial team and the training and accreditation team makes up much of this category
- (b) *Promotion*, which is made up of the campaign, public information and media influencing activities, and which will also support the activities at (a).
- (c) *Policy influencing*, which is principally the work specifically aimed at bringing technical expertise to bear in influencing the development of policy and legislation.
- (d) *Expert support*, which includes technical research and industry-related intelligence, and which supports (a), (b) and (c), though in some cases is channelled direct to businesses and other end-users.
- (e) *Regulatory*, which includes approval and accreditation functions, and levy collection and compliance.
- (f) *Internal*, comprising the finance and levy work, governance and support to the board, and some of the senior management activity (although the executive have hands-on roles in parts of (a)-(e)).

1.10 To be useful, this description needs further analysis and disaggregation, an issue picked up at paragraph 9.3 below and in Annex G.

Presence

1.11 Although Seafish is commonly cited as the authoritative voice of the seafood industry, its contribution to wider food policy is muted. It does not have a presence in places where such a body would normally be found. As examples:

- (a) Seafish is not identified as a contributor to the achievement of Defra’s PSA, even though securing sustainable fisheries is a key element.
- (b) Seafish is not a member of the Defra-led Food Industry Better Regulation group.
- (c) Searches on the Business Link website for organisations useful to a fishing business and a seafood processor business generated a range of

organisations – some irrelevant, some relevant⁶ - but no reference to Seafish.

1.12 Defra's own website definition of the food industry does not include seafood, a point which may be revealing of the organisational mindset of Defra; but it is also illustrative of the relatively low profile of Seafish in government circles.

2. A CHANGED CONTEXT

2.1 The world in which Seafish now works is very different from that in which it was established by the Fisheries Act 1981. Significant changes to its operating environment have occurred even since the last periodic review in 2005.

The shape of the industry

2.2 There have been changes in the shape of the UK seafood industry, though some features have remained broadly constant.

2.3 In the catching sector⁷, over the past 10 years (unless otherwise shown):

- (a) *Fleet numbers:* A reduction of nearly a fifth in the number of UK registered fishing vessels down to just over 6,500, mostly occurring in the first half of the decade, with only three-quarters of the current fleet actively fishing. Over the past 5 years, the reduction in larger vessels has been marked in England and in Wales, with minimal change in Scotland, and a slight increase in Northern Ireland.
- (b) *Employment:* Reductions of over a fifth in full-time fishermen numbers, and of one-sixth in part-timers, down to 10,200 and 2,500 respectively, though with numbers remaining broadly stable since 2005. The drop in England numbers has been proportionately greater than that in Scotland.
- (c) *Business size:* The sector remains fragmented, with only 4% of active vessels owned by businesses owning 2 or more vessels.
- (d) *Landings:* Since 2004, the quantity of fish landed in the UK by UK vessels has fluctuated year-on-year, but there has been a steady rise in the value of the landings, though with a slight decrease between 2007 and 2008. The value of landings in Scotland has shown a steady increase, with Scottish vessels accounting in 2008 for 63% by weight and 61% by value of all UK landings; the figures for England are 28% and 30% respectively.
- (e) *Imports:* Over the decade, the value of UK landings by UK vessels rose by 12%, to £518m, and the value of imports, excluding fish products, rose by 70%, to £2,207m.

⁶ Including: Food and Drink Federation, Marine and Fisheries Agency, Marine Stewardship Council, National Federation of Fishermen's Organisations.

⁷ Data from Defra and Seafish.

2.4 In the processing sector:⁸

- (a) *Employment*: Despite a rise at the start of the decade, the overall trend has been downwards, with reductions in UK employee numbers of 25% since 1986 and of 20% since 2004.
- (b) *Business size*: Consolidation has occurred among larger processors, with a fall of 40% since 2004 in the number of companies employing 100 or more people, bringing the 2008 total to 22. This compares with a fall of 17% in the number of companies employing less than 50 people, numbering 379.

Devolution

2.5 The governance structure set out in the 1981 Act was designed for a United Kingdom that pursued common policies across its constituent parts, legislated by a single Parliament⁹. Today, separate legislatures and administrations are responsible for most aspects of fisheries and food policy in Northern Ireland, Scotland and Wales, and in England the regional development agencies have some powers to support the seafood industry.

2.6 The 1981 Act gives the ministers responsible for fisheries in each of the four countries equal responsibility for the oversight of Seafish, and for appointing its board. The agreement of all four ministers is necessary to make board appointments, to define the formal governance and oversight arrangements, and to approve the Seafish three-yearly plans. To the extent that the objectives and policies of individual administrations diverge, securing consensus becomes more challenging. It has also given new focus to the underlying questions around the board's accountability to the industry, discussed in section 6.

Attitudes to the levy

2.7 Although discussed in more detail in section 8, the traditional acceptance – however grudging – of the levy has been broken by the current court action by a group of seafood importer companies against the legality of the levy as currently designed. An appeal against the initial judgement on the case is scheduled for mid-February 2010. The case has prompted widespread debate within the seafood sector about the role of the levy.

Fisheries policy

2.8 The key functions inherited by Seafish in 1981 from the predecessor bodies involved making grants and loans to build up the capacity of the UK fishing fleet, to support an industry goal of maximising the fishing catch. Today, policy is for sustainable fishing, with fish stocks managed through quotas and limits on access to fishing areas, with a resulting reduction in the quantity of fish caught and landed by UK vessels. This has contributed to significant changes in the economics of the seafood

⁸ Data from Seafish.

⁹ The Northern Ireland Assembly of 1982-86 did not acquire legislative functions.

industry, with a new emphasis on improving the value gained from those fish that are landed. At the same time, there has been increased demand for imported seafood, including farmed warm water species, so that about three-quarters of all seafood consumed in the UK is imported and exports are worth about £1bn annually. The concept of a self-contained UK fishing industry is now of doubtful validity.

2.9 For England, Defra has set out a long-term vision for sustainable fisheries to guide future policy and provide direction for all those involved with marine fisheries¹⁰. Though ambitious, it sets out some clear pointers that the seafood industry will need to recognise and act on if policy and regulatory changes are used as a means of delivering the vision. Among the vision statements, almost all are relevant to Seafish's remit. Those easily recognisable as being of direct significance to Seafish's current approach include:

- Businesses in the fisheries sector take long-term strategic decisions and manage risks effectively.
- The quality, and therefore price, of fish is maximised through the supply chain, and waste is minimised.
- The fisheries sector is internationally competitive.
- There are clearly defined criteria for the acceptable level of environmental impact caused by the fisheries supply chain, from sea to plate.
- Fish are an important and accessible part of people's diet.

2.10 However, there are other statements of equal importance where it is difficult to identify that Seafish currently sees itself as having a role or a contribution. For some, exemplified by the following three statements, Seafish could find itself in tension with industry interests if it embraced the Defra vision:

- Fisheries contribute to the local economies and culture of local communities.
- Fishing communities are resilient and diverse enough to withstand fluctuations in the availability of fishing opportunities.
- Processors, retailers and others invest only in those fisheries operations in the UK or overseas that are environmentally acceptable.

2.11 The document emphasises the importance of processors, retailers and food service businesses prioritising local sourcing where possible and of paying prices that reflect the long-term costs of fishing. It notes that not all fish will be harvested in the most economically efficient way, and that – because long-term environmental protection will be more important than short-term economic gain – there may be short-term economic losses throughout the supply chain. Supporting these objectives will be challenging for an industry-focussed body.

¹⁰ Fisheries 2027: a long term vision for sustainable fisheries, Defra 2007

Food policy

2.12 On food safety and health issues, the creation of the Food Standards Agency in 2000 has led to the development of a powerful UK regulator which takes an authoritative role on the promotion of safe and healthy eating. In doing so the FSA has occupied some of the ground which, for the seafood industry, was previously occupied by Seafish.

2.13 Food 2030¹¹, launched by the UK Government while this review was in progress, sets out a specific challenge for seafood to constitute an increased proportion of consumer diet. The seafood industry is expected to respond by ensuring sustainable and resilient supply chains, improving resource efficiency, by being skilled, innovative, attractive to new talent, capable of managing risk, and planning for climate change. The importance of the catching sector in providing livelihoods for local communities is highlighted.

2.14 Food policy in Scotland, as set out in the National Food and Drink Policy of 2009, has similar objectives to the UK Government's strategy, though in many cases with more detail about how they will be achieved. One relevant point of difference is the emphasis on enhancing the reputation of Scottish food and drink, with an explicit drive to an integrated approach across the food chain in Scotland.

2.15 These initiatives emphasise that seafood is one element among many of the overall food supply. Although the industry retains specific features which distinguish it from the land-based supply chain, in particular the distinctive features of managing the marine resource, the on-shore sectors face many of the same challenges and opportunities as other food products.

Public bodies

2.16 Although funded principally by a levy, Seafish is classed as a Non-Departmental Public Body (NDPB), and is subject to the disciplines common to all NDPBs. The Scottish Government announced in 2008 a target to reduce the number of public bodies by 25% by 2011. The UK Government announced in December 2009 plans to rationalise public bodies.

2.17 In addition, there has been for several years continued pressure for NDPBs to deliver improved value for money. To the extent that Seafish is funded by the levy, it is sheltered from government levers to drive value for money by reducing grant-in-aid funding to a NDPB.

¹¹ Separate food policies are in place for the devolved administrations: Scottish Government (2009) Recipe for Success - Scotland's National Food and Drink Policy; The Welsh Assembly Government is developing the 'Wales Food Strategy' and expect to publish in 2010; Northern Ireland Food Strategy Group (2004) Fit For Market (currently under review)

3. THE SEAFISH RESPONSE TO THE CHANGED CONTEXT

3.1 Seafish has recognised these changes and over the past 5 years has adjusted its plans, activities and ways of doing business. A summary of Seafish's current functions is at Annex A. There are differing views among stakeholders about the sufficiency of this response, but the key elements are set out below.

Setting priorities in consultation with the industry

3.2 Following the last periodic review, Seafish adopted a new approach to engaging industry in drawing up its plans for spending the levy. The 2007-10 three-year plan, the first such plan, was produced only after consultation with the industry on a draft plan. Industry input to the proposals for the 2010-13 plan has been further developed, including an industry business conference held in September 2009 and active solicitation of the views of the main levy payers to ensure accurate and targeted feedback.

3.3 A significant restructuring of the organisation in 2005/06, including the disposal of some physical assets, freed up approximately £1m annually for the new Industry Project Fund (IPF). Using the three-year plan as overall guidance, Seafish issues an annual call for proposals for projects that the industry itself considers worthwhile. Proposals pass through a sifting system, in which industry representatives and the advisory committees (see paragraph 3.4) participate, before the board takes final decisions on which to fund. This process has shifted the balance from focussing on projects that Seafish wanted to do to projects which the industry sectors want to do.

3.4 For the past decade, Seafish has operated a network of four advisory committees, one each for white fish, shellfish, pelagic and one for sustainable fishing. Apart from their role in the IPF sift, these provide a conduit for regular exchanges of views and information with industry sectors. The committees each average about 18 members drawn from industry representative bodies, and are chaired by a Seafish board member. From the start of 2010, the number of committees is being reduced to two, one covering domestic catching and processing and one covering importing and processing. Members are drawn from individual companies rather than representative bodies, with an increase in scientific expertise. The change recognises the quantity of imported seafood consumed in the UK.

3.5 Representation of processing sector expertise on the Seafish board has been increased.

Improving value for money

3.6 Key measures taken include:

- (a) Restructuring and disposing of assets, which has led to a reduction of staff from 130 fte in 2002 to a projected 65 fte by 2010¹². The levy income freed up is then available for spending on activities directly supporting the industry.

¹² Source: Seafish publication *2007-2010 Our achievements*, September 2009.

- (b) Seafish's Marine Services department – which provides seabed mapping services and vessel survey services – has ceased to be a cost to the levy by covering its costs in earned income.
- (c) Research and development has become more focussed on projects with practical application, including demonstration projects, knowledge transfer and advice on improved business and technical practices, and ceasing scientific research which could be better delivered by other organisations, such as Cefas or the research arm of Marine Scotland.
- (d) Establishing the Industry Project Fund (see paragraph 3.3 above), which Seafish estimates to have delivered £7m of value for £4m expenditure since 2007. Further work is in hand to target calls for proposals so that projects of higher potential value are submitted for consideration.

3.7 Seafish has developed a methodology to estimate the added value to the industry of levy funding spent on its activities. Individual value estimates are regularly validated with industry recipients of the service. Although such approaches have their limitations, the results can provide a broad indicator of the perceived relative impact of different services. In 2009, Seafish anticipates that every £1 of levy funding will have generated £4.96 of value, though the ratio of value to expenditure varies across projects and services:

Service department (description in Annex A)	Estimated value per £ of levy spent
Commercial	£3.57
Seafish Services (includes country/regional bodies)	£2.48
Communications	£3.31
Marketing	£1.26
Research	£4.33
Training & Accreditation	£7.65
Economics	£11.36
Legislation	£3.16
<i>TOTAL</i>	<i>£4.96</i>

Adapted from Seafish data

Supporting the needs of countries and regions

3.8 Seafish has recognised the challenges to a UK body presented by devolved government. Although many services, particularly those requiring specific technical expertise, continue to be provided on a UK basis, there have been efforts to develop a distinctive presence in Northern Ireland, Scotland, Wales and in south-west England.

3.9 In Northern Ireland, Seafish has replaced the former Northern Ireland Seafood organisation – which was seen as poor value for money – with an advisory committee chaired by a Seafish board member and supported by a project officer funded half by Seafish and half by the Department of Agriculture and Rural Development. The

Policy projects for CLG, DfT, DECC and Defra

advisory committee has no marketing function, but provides a voice for producer organisations, fishermen and processors to articulate Northern Ireland interests to the Seafish board; and it oversees the work of the project officer in securing funding from the European Fisheries Fund (EFF) and other sources.

3.10 In Scotland, Seafood Scotland was established by the industry in 1999 as a marketing and promotion trade organisation. It is set up as an Industrial and Provident Society, with an unpaid board consisting solely of industry representation, and is recognised by the European Commission as an Interbranch Organisation¹³, the UK's first. It seeks project funding from sources other than Seafish (see below). Under a memorandum of understanding aligned with the 2007-10 plan period, Seafish also provides core funding in the form of staff salaries and expenses, and office accommodation and services. In effect, Seafood Scotland is Seafish's delivery arm in Scotland, and its work is generally valued within Scotland. In the current year, 2010/11, Seafood Scotland's projected income is just over £1m, of which a third comes from Seafish in core funding, and the rest from projects funded by the Scottish Government, the Scottish enterprise agencies, one local authority, industry and the EFF. Seafish estimates the value generated for each £1 of funding is £4.49.

3.11 To secure coordination of activity, Seafish has regular meetings with the Scottish Government, the enterprise agencies, Seafood Scotland, Scottish Development International, Business Gateway and Scotland Food and Drink.

3.12 In Wales, Seafish is seeking to develop a similar project officer post to that in Northern Ireland with a remit to develop, manage and coordinate projects to contribute to the Wales Fisheries Strategy Implementation Plan. Meetings with the Welsh Assembly Government and the industry take place as required.

3.13 In England, the focus has been on regional or sub-regional activity. Seafood Cornwall developed from an earlier initiative using EU structural funds support. The organisation promotes Cornish produce and is liked locally. Seafish plans to develop in its place a broader regional seafood organisation for the south-west, and is currently funding 0.5 of a post to develop it. Funding constraints at the south-west regional development agency have slowed progress. Seafood is also working in partnership with some of the other regional development agencies: details at Annex B. Seafish meets roughly twice a year with the RDAs and the MFA in the interests of co-ordinating activity, although much of the focus of the group is on securing EFF support.

3.14 A key aim of this variable pattern of partnership working is to leverage in funds from non-levy sources for the benefit of the industry.

¹³ Interbranch Organisations are composed of representatives in activities linked to production, trade and processing in the fishery and aquaculture sectors. Like Producer Organisations, Interbranch Organisations are established under the initiative of all or some of the organisations associated with them. Recognition of Interbranch Organisations by the Commission (under Commission Regulation (EC) 1813/2001) requires them to implement various measures such as improving knowledge of and the transparency of the market.

Keeping up with policy change

3.15 Seafish has responded to the growth in concerns about sustainable fishing, though arguing that it has responded to consumer pressures on retailers rather than to government policy. In particular, it set “responsible sourcing” as one of its three strategic priorities in the 2007-10 plan, with a strong emphasis on supporting the catching sector to recognise the wider implications of fishing activities for fish stocks and the marine environment and to adopt fishing methods that are both profitable and environmentally sensitive. Seafish has produced a series of science-based factsheets – the Responsible Sourcing Guides – to inform fish buyers; and it developed the Responsible Fishing Scheme as an accreditation scheme with the long-term aim of making RFS accreditation a condition of supply.

3.16 In parallel, Seafish has raised its game on facilitating dialogue between different interests, including establishing in 2006 the Common Language Group which brings together representatives of industry sectors, NGOs and regulators. Other groups in operation during 2009 included the Skate & Ray Group and the Discards Action Group, both with similar breadths of membership and addressing specific sustainability issues. A key role for Seafish has been in using the evidence from these groups and other sources to try and secure balanced public perceptions of sustainable fishing by issuing statements to the media and through publications: for example, stressing that it is acceptable to eat cod as long as it comes from a sustainable fishery.

3.17 Through its legislation team Seafish has sustained a capability - which is well-regarded by the industry – to keep the industry abreast of EU and national legislative proposals and to feed in to government and regulators evidence-based concerns about the workability of proposals in practice. This function is seen by Seafish and stakeholders as distinct from lobbying, which is a function of the trade associations.

4. THE EFFECTIVENESS OF THE SEAFISH RESPONSE

4.1 The main elements of the Seafish response to the changed environment have been set out above. Other activities, and the fine detail of the principal responses, are documented in Seafish’s annual reports, financial management information and other material. Measuring the effectiveness of the response is less straightforward. The review has drawn on the following sources:

- (a) The annual customer satisfaction surveys commissioned from an independent agency by Seafish.
- (b) Responses to the consultation on the draft 2010-13 three-year plan.
- (c) Interviews and written submissions during this review.

Customer satisfaction

4.2 The key findings of the 2010 survey, based on just over 200 replies, are:

Policy projects for CLG, DfT, DECC and Defra

- (a) 90% of respondents said that if Seafish did not exist it would be a loss to the industry, with the strongest support from retailers and restaurants and the least enthusiasm in the processor/importer sector.
- (b) 32% thought Seafish had changed for the better over the past 2 years, with 6% believing it has changed for the worse (though almost none of the 6% were processors/importers): the remaining 62% saw no change.
- (c) Other than restaurants and retailers, where the figure was 40%, well over half of all other respondents had requested information or action from Seafish in the previous 12 months. In all sectors, more than half regarded speed of response as very good, with the smallest proportion of dissatisfied users being processors/importers.
- (d) 48% of respondents were aware the Industry Business Conference in September 2009 and 7% of respondents attended it, with over half of those rating it highly, and none rated it below 5 on a scale of 10.
- (e) There was significantly less support across all sectors for spending levy funding on “*supporting operational efficiency in the seafood sector*” than for spending on “*supporting a responsible supply chain and protecting the marine environment*”, with “*supporting fisheries through technical advice and training*” a close second priority.
- (f) Belief that Seafish is meeting its mission statement – “Supporting the seafood industry for a sustainable, profitable future” – is low in relation to what comparable organisations would expect and the rating fell in relation to the previous year’s survey, except for restaurants and retailers where there was a slight increase. Scores were higher among respondents whose relationship with Seafish had begun within the last 5 years. There is evidence to suggest that overall scores are dragged down by a number of respondents who give very low scores indeed.
- (g) On individual services, “*developing and improving standards, providing technical factsheets*” and “*developing appropriate training*” achieved the highest satisfaction ratings. Promotions and awareness raising scored least well.
- (h) Scores rating Seafish’s overall professionalism and trustworthiness and the clarity of its mission and objectives were in the acceptable range. Processors and importers reacted positively to the proposition that “*Seafish provides something that other organisations cannot provide*”, but all sectors gave scores at the low end of the spectrum to the proposition that “*Seafish plays an important role in helping my organisation*”.
- (i) Overall satisfaction slipped back after a rise in 2009, with restaurants and retailers expressing the most satisfaction. Again, the comment at (f) above applies, but a key conclusion is that Seafish needs to work to improve satisfaction in the catching/farming and processor/importer sectors.

Consultation on the draft 2010-13 plan

4.3 The consultation draft allocated levy income to be spent on the following 7 “themes”, in the proportions shown:

Theme	Outcome	% of levy
Health	Promote health messages about seafood to consumers	29
Consumers	The authoritative voice on seafood	21
Information	Support for your business decisions	16
Standards	Support quality and efficiency standards	16
Environment	Protect the environment at sea and on land	10
Safety	Create a safer working environment at sea	4
Regulation	Understand, interpret and respond to legislation	4

4.4 At the time of the review, the consultation process was not yet complete. However, Seafish was able to provide provisional information. Responses across the industry were diverse, often representing sectoral interests. Seafish focussed attention on the top 12 levy payers, and summarised the feedback as follows:

Outcome from consultation with the top 12 levy payers: Presentation to the Seafish board

- Regard levy as a tax
- Do not believe they get value for money (as with all taxes)
- Proportionality is not an issue, but share of voice is. Recognition that the tax is used across the whole chain, but larger levy payers would like more say.
- Generally agree that there is a role for some kind of industry organisation; Seafish has changed, but needs to change further.
- Largely agreement with 7 themes
- Enthusiasm mainly for Health and Consumers
- Different opinions on % resource, some push for decrease in Health budget, some for increase
- No suggestion of need to change themes
- No consensus on need to change priorities between themes
- Looking to see clearer targets and plans

Interviews and written submissions to the review¹⁴

4.5 Unlike the previous sections, the views here include not only stakeholders but also Seafish board members.

4.6 Views vary significantly. Those aspects of Seafish which attracted favourable comment were as follows:

- (a) The organisation's positioning as the authoritative body on information and expertise relating to seafood, to which industry itself, regulators and the media can refer. Seafood is seen as objective and impartial, in contrast to NGOs with specific agendas. If Seafish disappeared, those NGOs would occupy the vacated space. Some commentators acknowledged that Seafish could be perceived as influenced by levy payers, but considered that it placed respect for evidence above pushing a particular line, and that it was in Seafish's own interests to retain its unique positioning. It provided a centre of expertise for an industry not over-provided with people with relevant expert knowledge.
- (b) Allied to this, Seafish's media handling operations were valued by many, as an important element in managing and maintaining the industry's reputation (and therefore its sales), particularly around sustainability issues in the catching sector. Seafish is able to measure the number of media "hits" it achieves, using an accepted set of media industry metrics.
- (c) Generic promotional work, for example on the health benefits of seafood, was seen as important by some commentators, though there were those who thought Seafish's efforts to be ineffective. The activity was seen as having greater value for smaller businesses, since larger processors and retailers would do their own promotion under their own brands.
- (d) The advisory committees attracted support as a means of bringing together industry and regulators, and of developing industry positions across the supply chain, though there were suggestions that they would be better attended if hostility towards Seafish could be more generally overcome.
- (e) The legislation service was particularly appreciated in helping industry stay in touch with developments and in teasing out the practical consequences of proposals. Evidence based on practical knowledge and experience, which was accumulated by Seafish, placed it in a strong position to influence the detail of legislative proposals, though within government Seafish influence on policy seems minimal.
- (f) Technical research and development, for example on nets, gear and fuel consumption, was seen as a valuable support to the catching sector.

¹⁴ See Annex I for methodology and numbers.

- (g) Advisory and support services were welcomed as a means of enabling companies to avoid having to research issues for themselves. Unless there was a competition issue, shared information was valuable, particularly to smaller companies without the resources to do the work themselves.
- (h) In particular, the economics unit was seen as delivering high quality information based on detailed survey work and the willingness of fishermen to open their books to Seafish – it was suggested on several occasions that they would not make the same information available to a regulator or private sector enquirer.
- (i) Seafish was seen as having made serious efforts to reform and to respond to what industry was saying to it. Companies that would have ignored Seafish 3 or 4 years previously were now ready to engage with it. The draft of the 2010-13 plan was viewed as a positive development.

4.7 At the same time, there were reservations, some major. In particular:

- (a) Seafish was seen as poor value for money, with weak delivery and consuming a disproportionate amount of levy money to pay for long-serving staff rather than focus on the most cost effective way of supporting businesses.
- (b) The levy was seen as bearing down unfairly on levy payers, while sectors excluded from the levy – such as salmon – were able to benefit from the levy-funded promotional work.
- (c) Abolition of the levy and its replacement by a self-funded industry-run scheme, or schemes, was seen as offering much better value for money. If the levy was retained, it was argued that it should cease to apply to imports: it would be open to non-levy payers to contribute significantly smaller sums voluntarily if they wished to do so.
- (d) Although Seafood Scotland was viewed positively, Seafish itself had a more negative profile. Where support on the ground was limited, as for example in Northern Ireland, there was scepticism about the value of Seafish work and a belief that the organisation had become too focussed on the needs of English processors and importers.
- (e) The promotional work did not appear to offer direct benefits to the catching sector, which was a particular issue in Scotland.
- (f) The move away from funding basic training for fishermen was presented as likely to damage safety at sea and recruitment to the industry. The risk factor in the sea fishing industry, which is estimated as 117 times more dangerous than the next most hazardous industry (construction)¹⁵, is put

¹⁵ Figure provided by the Department for Transport

forward as a justification for continued special treatment, though this view was far from universal.

- (g) Seafish was criticised for being too inward-looking, and more interested in promoting Seafish itself than supporting the industry. Projects were perceived as being commissioned because of the potential enhancement to Seafish's reputation.
- (h) A particular criticism of the draft 2010-13 plan was the absence of quantified targets against which the effectiveness of the plan could be measured.
- (i) Part of the problem with Seafish lay in its structure, both governance and organisation. The process and cycle of board appointments was viewed as rigid, secretive and unresponsive to industry needs. There was limited confidence that the organisation was designed to deliver the 2010-13 plan effectively, let alone the wider strategic challenges.

Summary

4.8 Not surprisingly, the evidence on Seafish's performance and effectiveness is mixed. In particular, the large levy payers who contributed to the review are united in the belief that they do not get good value for their levy payments, but there is less unanimity that abolishing the levy and Seafish is the right way to proceed. Overall, the review's judgement is that the balance of opinion sees advantage to the seafood industry in having a body like Seafish, and retaining Seafish but with a major improvement in performance commands greater support than abolition options

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Part B: Key Issues

This section of the report identifies the issues arising out of the findings reported above. It groups them into three major issues.

5. IS THERE CLARITY ABOUT WHAT SEAFISH IS FOR?

5.1 Government and public bodies have, for some years now, tried to express the purposes of their activities in terms of the outcomes to be achieved: in other words, what, in the real world, will be different as a result of the activity? Seafish's mission statement is "Supporting the seafood industry for a sustainable, profitable future". It builds on and refines the general duty set out in section 2 of the 1981 Act by defining the nature of the industry's future.

5.2 As noted in section 2, government policies are now emphasising the importance of:

- (a) fisheries that manage stocks so that they are available to future generations, protect the marine environment, and through their profitability contribute to sustaining local communities; and
- (b) seafood as part of a healthy diet and the consequent need for sustainable, resilient and efficient supply chains delivering quality produce, and the associated skills.

Although Seafish maintains that it is there to support the industry rather than to deliver government policies, an issue discussed further in paragraph 6.6, the review has found no evidence that the industry does not itself support the principal goals of public food policy.

5.3 It is common ground that Seafish exists to "support the industry" to reach its destination. What is less clear is how Seafish sees that destination, other than it should be sustainable and profitable. This raises two key issues:

- (a) Whether Seafish has, or needs to have, a clear understanding of the medium and long-term changes required in the industry if government policies are to be delivered, and a strategic plan for supporting the industry to change accordingly.
- (b) At an operational level, even assuming no change in strategic direction, whether Seafish has a sufficiently robust planning capability to demonstrate clear linkages between what it seeks to achieve and the resources applied to those ends.

Strategy for supporting change

5.4 Seafish focuses on providing benefits to the seafood industry: the drive to demonstrate value for the levy is evidence of that. To the extent that the 1981 Act points Seafish to "promoting the efficiency" of the industry, this is understandable; but

the Act also states that the powers exist “to serve the interests of that industry as a whole”. In the world envisaged by government, those interests are neither solely financial nor even solely forms of self-interest. Part of the industry’s “licence to operate” is conditional on supporting – or at least complying with – environmental and social policies, some of which are an intensification of trends already in existence.

5.5 To the extent that some in the industry are reluctant to engage positively with the government agendas, Seafish might consider that the interests of the industry as a whole will be best be served by developing a set of high-level outcome-based goals which command broad support within the industry and which align with the medium- and long-term goals of government. So, for example:

- (a) Seafish would speak the language of skills, rather than training, with the broader aim of an industry with the intellectual and analytical skills required to meet future challenges rather than the current emphasis on process (safety at sea, health and safety etc).
- (b) Seafish’s health work would be seen not simply in terms of promoting the health benefits but rather as contributing to a healthier population. This is not semantics: if levy funding is being demonstrably spent on a social goal to which few would object and which also serves the interests of the industry (people eat more seafood, live longer, and so eat even more seafood), it may reduce the differences in perspective between industry sectors. A number of contributors to the review commented that Seafish was the natural body to exercise a leadership role on behalf of the industry.

5.6 This approach can go further. By defining a set of outcome-based goals, questions will arise about whether the existing pattern of services and spending is optimal. At present, Seafish does not claim to provide support to fishing communities, which are often described as fragile, but its support for the fragmented catching sector can be held to do so. In this instance, the interests of the communities and the interests of the industry are inextricably linked. Government policies aim to sustain diverse communities, and though these may not be specifically related to the seafood industry they have found their way into long-term objectives for the industry. Supporting small fishing businesses to stay profitable and so sustaining not only the seafood supply chain but the communities in which they are based – which may be the source of the next generation of fishermen – seems a legitimate objective for Seafish. It may not align with Seafish’s current view that fewer fishermen are needed.

5.7 If this approach were successfully challenged, on the grounds that the 1981 Act constrains Seafish from having these wider objectives, there may be an option – at least in England – of using secondary legislation to confer additional functions on Seafish. Part 8, Chapter 1 of the Natural Environment and Rural Communities 2006 enables the Secretary of State to make orders which enables any Defra function to be carried out in certain circumstances by a designated body, of which Seafish is one¹⁶. Although there would need to be legal advice on whether the Defra policies in relation

¹⁶ NERC Act 2006, sections 78, 80 and Schedule 7

to food policy, sustainable development and communities could be defined as “functions”, this could be a route worth exploring as a means of increasing legal certainty.

5.8 Defining the intended outcomes is a matter for Seafish, the industry and government. As noted above, part of the challenge is for Seafish to link itself more visibly to the outcomes sought by government than it has felt comfortable doing so in the past. So it could develop a set of outcomes and measures which link industry and government, by building on the strategies for fisheries and food across the UK.

5.9 It would be open to Seafish to agree with each of its four sponsor governments country-specific outcomes and measures which would guide Seafish’s relations with delivery organisations in those countries (discussed in section 6).

Planning capability

5.10 If Seafish as an organisation is in fact clear about the industry’s destination, its plans do not say so. It would be good practice in any organisation, and particularly a public sector one, to demonstrate clear linkages between intended outcomes and the activities designed to achieve them. Seafish documentation does not do this: for example, the “outcomes” listed in the 2010-13 draft plan (see paragraph 4.3) are processes rather than outcomes. The draft plan itself is closer to an operational plan than a strategic one. The problematic relationship between Seafish and its sponsors in government, discussed in section 6, is almost certainly a contributing factor to this situation.

5.11 A plan which started by defining a set of clear intended outcomes, then set out the strategies to be adopted to achieve them, and ended with clear allocations of resources to each of the activities intended to deliver the strategies, with performance targets and measures, would transform the way in which Seafish communicates its work to its stakeholders. It would sit alongside the potentially valuable work already done in assessing the added value of the activities by demonstrating more clearly than is the case now their non-monetary value. Annex C provides some illustrative outcomes and measures.

5.12 There would be no expectation that Seafish could deliver all these outcomes on its own. A planning framework of this sort would guide its relationships with other organisations.

6. ARE THE ACCOUNTABILITY ARRANGEMENTS CLEAR AND PUT INTO PRACTICE?

6.1 The operating environment occupied by Seafish is acted on by a series of divergent, sometimes conflicting, pressures. The ways in which Seafish manages these pressures are in large measure defined by the organisation’s perception of its own lines of accountability. This perception is that Seafish is primarily accountable to the seafood industry, specifically the levy payers, and the key decisions for the board centre on the allocation of levy income to projects and services.

6.2 In practice, the accountability lines are complex. There are broadly two types of accountability:

- (a) the formal accountability required of a NDPB, and
- (b) the stakeholder accountability which secures support for the organisation and its work.

There is no necessary tension *between* these two: dual accountability by NDPBs to government and to their customers is a common feature. However, there is the potential – sometimes realised - for tensions *within* each type.

Formal Accountability	Stakeholder Accountability
<ul style="list-style-type: none"> Ministerial approvals, decisions and guidance require the agreement of all four UK fisheries administrations, even though each is free (subject to EU obligations) to pursue different objectives and policies. Two-thirds of the board members are appointed by ministers to represent the industry or sectors of the industry, and so have a representative as well as a corporate role. Ministers may wish to ensure that Seafish, as a public body, is acting in support of government policies, but they have no formal means of doing so other than through board appointments and approvals of plans in line with the 1996 MoU. Delivery partners – such as Seafood Scotland – receive levy funding from Seafish, but have no direct accountability to ministers. 	<ul style="list-style-type: none"> Sectors: catching, processor/ importer, retail and food service sectors have different interests and priorities. Business size: small businesses are more numerous but pay a small proportion of the levy, whereas the large businesses who provide the majority of the levy income are smaller in number. Location: the catching sector is tied to suitable harbours and influences the nature and viability of those local communities; other sectors are not limited in this way Sourcing: Levy-funded support for the catching sector is only available to UK vessels, not to produce imported on non-UK vessels. Levy: not all businesses in the seafood industry pay or collect levy, but they cumulatively comprise the industry. Reputation: Seafish actively promotes and publicises good practices in the industry but is less ready to highlight and condemn bad practice.
<ul style="list-style-type: none"> Seafish has no explicit duty to advise ministers, though there is some support in the industry for it to adopt a more pro-active advisory role. 	

6.3 Most of these tensions have to date been resolved, though not always – and perhaps inevitably – to the complete satisfaction of all parties. For example, the board is seen as effective and capable of taking balanced decisions (on training, see paragraph 6.13) despite what some consider to be overrepresentation of the catching sector. Yet there are warning signs that point to significant problems in future if certain issues are not addressed.

Board representation

6.4 The 1981 Act requires that up to 8 (out of a maximum of 12) members of the board are appointed by ministers to represent the interests of the industry "or of any part of that industry", following consultation with representative industry organisations. The 4 other members, two of whom are the chairman and deputy chairman, are required to be independent of the industry. This pattern of appointments is overlaid by a non-statutory convention to provide representation of the different parts of the UK. In practice, this has led to 4 places going to Scotland, one each to Northern Ireland and Wales and 4 as UK/England appointments, excluding the chairman and deputy chairman.

6.5 Although the review has not found evidence that this arrangement has had adverse effects on the board's competence, it contains the inherent risk that the "selection on merit" criterion for public appointments may be diluted by the geographical spread convention being applied to what, statutorily, remains a UK-wide body. It has also led to a perception that the processing sector is under-represented on the board in comparison by the catching sector, which raises doubts among some levy-payers about the extent to which the board is genuinely representative of the modern industry.

Public policy

6.6 Seafish states that it acts in the interests of the industry and that government policies are not significant drivers of its strategies. For example, the emphasis on sustainable fishing is seen as a response to consumer pressure on retailers rather than a response to public policy on sustainable development. Its accountability to ministers is seen as an accountability for the proper discharge of its statutory functions. It does not see itself as a delivery agent for government policies analogous to NDPBs funded by grant in aid to carry out functions on behalf of government. This is a defensible and respectable position.

6.7 It remains to be seen whether this position is sustainable. Seafish is a public sector body, albeit a hybrid because of the nature of its funding, and so cannot be isolated from public policies which touch on its remit. There is no suggestion here that Seafish would be unwilling to engage with government or that government sees Seafish as failing to act in support of government policies. What does appear to be lacking is a regular and structured dialogue on the ways in Seafish can support government policy and vice versa.

6.8 The relationship between the fisheries administrations and Seafish is regulated by the Act and the 1996 MoU. The latter is largely procedural. There is no management statement of the sort commonly agreed with NDPBs – including Defra's other levy body, the Agriculture and Horticulture Development Board (AHDB) - which sets out government objectives for the body. The monitoring committee which oversees the MoU has not met since September 2007. Seafish is identified as a partner in delivering Defra's Marine Programme 2009-10, though it is not mentioned as a contributor to achieving Defra's PSA. In Scotland, the government's prime

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interest is in working with Seafood Scotland. There is a sense that Seafish has fallen off the governmental radar.

6.9 It is difficult to conceive that there can be effective accountability without a proper dialogue. As the four UK administrations pursue different policies – not just for fisheries but also wider food, economic development and communities policies – Seafish and the administrations will need to develop effective bilateral relationships if they are properly to understand their respective contributions.

Decentralisation and localism

6.10 If there is to be increased delivery through a decentralised model, as the analysis in Part A implies, accountability lines will need to be robust and transparent. The current arrangements (for example used for Seafood Scotland), although pragmatic, would not provide the level of assurance needed in any model involving greater decentralisation. Should the status quo remain, the Seafish board needs an improved line of sight over the way in which resources allocated by Seafish to Seafood Scotland - budgeted at £252,000 in the current year - are assessed, used and accounted for. The current MoU between the two bodies (set out in Annex D), needs to be operated robustly.

Sectoral interests in the industry

6.11 Unless the courts were to establish a new and rigidly formulaic approach to commensurate benefits it seems inevitable that judgements will continue to be made about the optimum distribution of levy funding, and that Seafish provides the mechanism for doing so. The evidence collected for the review demonstrates that Seafish has been progressively adjusting its spending priorities to secure a better balance in providing benefits to the full range of its levy payers.

6.12 There is a general recognition that Seafish is not, and should not seek to be, a trade association. Different industry sectors are already represented by sector-focussed trade associations, with some of the larger businesses in membership of trade associations with a scope wider than the seafood industry, such as the Food and Drink Federation and the British Retail Consortium. Trade associations exist solely because their members want them: organisations which fail to provide value for the voluntary membership fee will simply cease to function. The positioning of Seafish as a body covering the whole seafood supply chain is both a strength, because no other industry-focussed body is doing it, and a challenge because of the difficulties in demonstrating accountability to the different industry sectors.

6.13 The challenges facing Seafish in rebalancing its spending are well-illustrated by the decision to reduce funding for fishermen's training and particularly the cessation of funding for mandatory basic safety training. This is perceived as, variously, penalising small businesses, disadvantaging Scotland, discouraging new entrants to the catching sector, and compromising safety at sea, as well as a more general assault on Seafish's traditional core constituency. There have been complaints by training providers about lack of communication of future plans by Seafish. Critics generally overlook the fact that in other industries funding by the industry of basic training is now

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the norm – even in other seafood sectors - and that before the advent of EU funding the fishing industry did pay for the training. It can be argued that Seafish could have persuaded the on-shore industry sectors that their reputational interests in a safe catching sector were such that it was worth continuing the funding; or that Seafish could have made a more effective case for ceasing the funding. What this example illustrates is the importance of continuing dialogue with those affected to try and build support, of effective communications and of factoring local needs and sensitivities into decision-making.

7. DOES THE INDUSTRY STILL WANT SEAFISH?

7.1 The evidence summarised in section 4 above suggests that there is considerable, though uneven, support across the industry for what Seafish does. However, without a formal survey of industry views the evidence is to some extent subjective. A frequent comment, a hypothesis based on experience, was that the industry would only miss Seafish once it ceased to exist.

Continuation of the levy

7.2 Views about Seafish are inevitably tied up with views about the levy. Some representative bodies in the catching sector tend to the view that fishermen dislike the levy and would opt out of paying it if given a choice; but the representative bodies themselves see the value of the services Seafish provides in countering short-termism in business and in economies of scale. With the exception of the importer companies that have embarked on legal action, the review has not detected widespread opposition to the levy, provided that levy payers receive benefits representing value for their payments. Valuing those benefits is not an exact science, although Seafish has attempted to do so (see paragraph 3.7).

7.3 There is concern within the industry that state aid rules prevent Seafish from using the levy to what levy payers see as optimum effect. Given that the source of the levy is the industry itself rather than the general taxpayer, the perception of illogicality – which is not Seafish's fault – is understandable.

7.4 The justification for imposing a levy to address market failure was examined in the 2005 periodic review which in turn drew on the detailed Radcliffe review of the agricultural and horticultural levy boards¹⁷. The Radcliffe review cited market failure as a traditional justification for government intervention and applied two tests for the existence of a levy as means of addressing market failure: a “fragmentation test”, and a “scale of change test”, described in Annex E. The review concluded that the agriculture and horticulture industries were still fragmented and facing significant change, although with variations in degree between sectors, and so the case for maintaining a levy for the time being was made.

¹⁷ Review of the Agricultural and Horticultural Levy Bodies: Final Report by Rosemary Radcliffe CBE, October 2005

7.5 The current structure of the seafood industry, highlighted in sections 1 and 2 above, suggests that the case for a levy to address the weaknesses of a fragmented industry, exacerbated by transition, remains broadly valid today (given the timescale for this review, it has not been practicable to commission a full study of the continuing justification). In practice, fragmentation is found across the entire food chain, land-based as well as seafood. This raises the question as to whether maintaining separate levy-funded organisations for agriculture/horticulture and for seafood is the optimum use of levies. The review has not found any evidence of industry support for merging – which is not to say that such support does not exist – and the separate statutory frameworks do not encourage integration¹⁸. Although Seafish and the AHDB have considered the scope for merging operational functions, such as levy collection, they consider that the differences in the levy-payer base would rule out significant efficiencies.

7.6 The socio-economic objectives of the levy, such as supporting communities dependent on the fishing industry, could be achieved by other forms of financial support channelled through public agencies, but these would become additional government expenditure and so largely unwelcome at present.

7.7 These considerations, together with the equivocal stance of the industry as a whole towards the levy, indicate that it would be premature to suggest total abolition of the levy.

Application of the levy

7.8 The outcome of the legal action referred to in section 2 may impact on decisions by Seafish about how the levy should be applied to its various activities. Accordingly, this review offers no analysis of the so-called “commensurate benefits” issue. There are, however, some observations that can be made about the use of levy funding which do not directly depend on the outcome of the legal action.

Competition

7.9 The compulsory nature of the levy means that the market place in which Seafish operates is not a free market. With the exception of the self-financing Marine Services division and the consultancy work, users of Seafish services do not pay for them at the point of delivery. As a consequence, Seafish does not have competitors: its proxy for maintaining a competitive position is demonstrating the assessed added value of its services as a means of validating its continued existence. This interference in a market for services where the larger and more self-sufficient companies would be comfortable in making their own choices is clearly a key source of the opposition to Seafish and the levy. There is a case for taking steps to reduce this market distortion while retaining a levy, discussed further in section 9.

¹⁸ But see paragraph 9.8

Flexibility of response

7.10 There have been comments from industry that Seafish tries to do too much, that its staff adhere to their long- established roles, that it pursues one-size-fits-all models, and that it has lost its traditional role but not found a new one.

7.11 The case of the Food Chain Centre, established in England as part of the response to call for a new sustainable food and farming policy in the early 2000s, is a useful illustration of how a “task and finish” approach to supporting performance improvements in the food supply chain can be applied. The FCC was set up in 2002 and dissolved in 2007, having discharged its remit. The summary of its activities at Annex F shows that it addressed issues which are also relevant to the seafood industry, even though some of the operational content will be different. The FCC’s work was applied across the land-based food chain which is itself diverse.

7.12 The issue, then, is whether Seafish as presently funded and organised commands industry support. The review’s conclusion is that many in the industry still sees a role for Seafish, but that it needs to make further significant changes in the way it operates to increase and sustain that support. The options for doing so are outlined in Part C.

Part C: Options and conclusions

8. OPTION 1: BUSINESS AS USUAL

8.1 Seafish has not stood still. It has:

- (a) disposed of unnecessary assets and cut costs;
- (b) focussed on defining the value businesses obtain from the levy;
- (c) transformed the ways in which it engages with industry to define priorities;
- (d) embraced and promoted the sustainable sourcing agenda;
- (e) shifted spending from the catching sector to supporting the on-shore sectors;
- (f) persuaded more of its stakeholders that it has a role in sustaining the seafood industry.

8.2 The Seafish board has advertised for a new chief executive, to succeed the present incumbent who is retiring. New chief executives bring fresh perspectives and the change provides an opportunity to build with renewed vigour on the substantial progress made under the present senior team.

8.3 Against this background there is a case for endorsing the current strategies and structure rather than proposing major change. Some of the issues picked up in the review – for example, planning – should be acted on as part of general performance improvement. Because of the costs of change, it is a case that deserves consideration. However, the conclusion of this review is that this option would not be a sufficient response to the key issues identified in sections 5 to 7 above.

9. OPTION 2: SIGNIFICANT REFORM

9.1 If Seafish is to retain industry support, or at least acquiescence, in the levy, it needs as a minimum to be able to respond to the concerns identified in this review about:

- (a) Responsiveness to the differing priorities of both industry and government in the constituent parts of the UK.
- (b) The importance to industry, particularly importers, of securing a visible return on their levy payments.

9.2 This change option is based on three elements, not mutually exclusive:

- (a) The development of a more geographically decentralised operating model, which gives greater flexibility to the design and delivery of support to the seafood industry to fit local circumstances. (Option 2A)

- (b) The development of a model under which functions are out-sourced, which in its extreme form would leave Seafish as little more than a commissioning body. (Options 2B)
- (c) A progressive reduction in the rate of levy, with replacement funding secured through charging for items of service. (Option 2C)

Option 2A: Geographically decentralised operating model

9.3 Seafish provides certain services to the seafood industry which have no need to recognise intra-UK national boundaries. For example, all parts of the UK catching sector employ large and small fishing vessels, so similar types of fishing business have common interests, irrespective of location, in technical issues such as fuel economy, net design, safety measures, and so on. Nor does the science on health benefits respect national boundaries: if the 2-a-week message is evidence-based it applies equally to consumers in Belfast and in London. There is a core of Seafish's work which is sensibly carried out centrally, because to replicate it around the UK would not be cost-effective and would risk dispersing expertise – and the links between experts – for no evident benefit.

9.4 At the same time, as Seafood Scotland and Seafood Cornwall have shown, there is value in providing some support services through other agencies more attuned to local industry conditions and devolved government requirements. Given that Northern Ireland Seafood was judged a failure, it is clear that the design, functions and accountability of a decentralised entity should be carefully thought through in each case. A common set of arrangements for decentralising in different areas of the UK may well not work, not least because the size and affordability of decentralised entities will vary.

9.5 If a decentralised operating model is to address concerns identified, it should be based on the following characteristics.

- (a) Seafish would continue to collect the levy, take decisions about its distribution and account to ministers and legislatures. Decisions on distribution would need to balance Seafish's duties as a UK body with the reality of a growing interest in locally-sourced food and role of decentralised entities in promoting it.
- (b) Seafish would devolve certain funding to decentralised entities, accompanied by written agreements on the purposes for which the funding would be used; and the decentralised entity would report progress against agreed uses for the funding. There would be a presumption that the decentralised entity would have the major say on the uses to which the funding was to be put, subject to Seafish being satisfied about regularity, propriety and value for money.
- (c) A clear definition would be needed of what functions are best carried out or managed by Seafish centrally, using value for money and transferability of knowledge as key criteria. An illustration of which functions would be suitable for decentralising and which would sensibly remain at the Seafish

core is at Annex G. Development of this model would require further analysis in conjunction with Seafish. Funding to decentralised entities in relation to the centrally-run activities would be limited to providing an access gateway for businesses.

- (d) Decentralised entities would be free to secure funding for activities from other sources, and their activities need not be limited to working with the seafood industry as defined by Seafish.
- (e) There would be no presumption that Seafish would set up, or in any way “own”, a decentralised entity, though it should be able to do so if this was the optimum solution in any particular case.
- (f) There would be no presumption that all areas of the UK would be covered by a decentralised entity. In areas where no decentralised entity operated, Seafish would either arrange for local services to be provided by an adjacent decentralised entity or would provide the services directly: funding allocations would reflect whatever arrangements were agreed.

9.6 If these characteristics are accepted as the basis of accountability in a decentralised model, there remain three other key issues:

- (a) The extent to which current legislation requires Seafish to define the purposes to which levy funding is put, even where it being distributed by a decentralised entity.
- (b) Whether a decentralised entity could be part of an organisation not solely concerned with seafood, for example a body working across the food chain as a whole.
- (c) The basis of allocating levy funding to a decentralised entity.

Legislative constraints

9.7 The extent to which new legislative cover may be needed is not straightforward, and is discussed in section 11.

A cross-food chain body

9.8 As noted in paragraph 7.5, the circumstances which justify continuation of the levy are not limited to the seafood supply chain. Fragmented industry sectors are not peculiar to the seafood industry: latest available information shows that agriculture remains fragmented, and the Radcliffe review identified a plethora of bodies whose purposes included providing support to small farming businesses. At the retailer level, small shops often struggle, particularly in rural areas, even though there are market opportunities in some places associated with consumer interest in locally-sourced and locally-sold food.

9.9 If the food industry in any particular part of the UK saw advantage in providing levy-funded business support and related services across the food chain rather than through specialised bodies, it would be necessary to establish transparent

accountability mechanisms for using levy funding from different sources in what would be a pooled operation (assuming legislative cover existed, or had been obtained). These mechanisms would need to take account of:

- (a) the extent to which each industry sector was willing to see its “own” funding used to support the wider food industry;
- (b) the ability of the organisation to demonstrate added value for all funders;
- (c) governance and consultation arrangements, which ensured fair representation of all industry sectors;
- (d) the needs of the statutory bodies empowered to collect and distribute levy to be able to account formally for the use of levy funds.

9.10 This is a potentially complex set of arrangements, which suggests that the business case for proceeding in this way would need to be strong.

Allocating funding

9.11 The basis of allocating funding to a decentralised entity would be central to the acceptability of such a model. The delegation of power to spend levy money from the former Meat and Livestock Commission to Quality Meat Scotland is a partial precedent. On this occasion, the allocation was determined with reference to the number of livestock slaughtered in Scotland, though this has proved to have drawbacks because livestock can be reared in one country and slaughtered in another¹⁹. The most obvious options for determining the amount allocated to a seafood decentralised entity would be:

- (a) pro-rata according to first sales of fish in each UK country or region; or
- (b) pro-rata according to landings from UK vessels in each UK country or region, with levy income from imports not landed from UK vessels distributed in the same proportions as those for UK vessel landings.

Of these, (a) would be problematic for countries other than England because of the high proportion of total levy income coming from imports through England, while (b) would be seen as disproportionately favouring Scotland. Other options may need to be identified.

Option 2B: Functional out-sourcing

9.12 In parallel with, or as an alternative to, option 2A there is scope for addressing industry concerns about the costs of staffing Seafish by contracting-out functions. The table at Annex G identifies which functions would in principle be suitable though, as with option 2A, this illustration would require further work.

¹⁹ The original arrangement pre-dated the Radcliffe review. Following government decisions on Radcliffe, levy funding was transferred direct to Quality Meat Scotland, established as a statutory NDPB and the AHDB accounting officer has no further responsibility for the transferred funds. However, the basis of calculating the transferred amount remains problematic.

9.13 This approach could be applied across a spectrum of activities. In its most extreme form, Seafish would become a commissioning body, collecting the levy, deciding what to spend it on, and then contracting the work out. Seafish would retain full accountability for the expenditure, and would require a small but effective contract management capability. Depending on the extent to which existing staff could transfer to other bodies, there could be significant restructuring costs (see option 3) which would make this model less attractive,

Option 2C: Changes to the basis of funding

9.14 Although there is sufficient support for the levy to continue as the basis of funding Seafish activities at present, there is a question mark over its viability as a long-term solution. In particular:

- (a) The legal challenge is an indication of the depth of resentment of the levy as currently structured felt in some parts of the industry. The present challenge need not be the last.
- (b) The basis of the levy looks increasingly outdated, both because it fails to recognise in an even-handed way the increasingly global nature of the seafood industry and because, even within the UK, certain species such as salmon are exempt from the levy.
- (c) As noted in paragraph 7.9 above, it creates a distortion in the market for business support services.

9.15 It would be possible to restructure the levy so that it began to address these issues. The last periodic review recommended various changes to the levy, including bringing salmon and migratory trout and possibly farmed fish within its scope, though an amendment to primary legislation would be needed to do this. Such a change would open up a wider debate about the levy and the role of Seafish, and would be better considered as part of the more radical option 3.

9.16 An alternative way of addressing these issues is to change the way in which Seafish funds its services, without amending the primary legislation. Under this option, the rates of levy charged would be progressively reduced. In parallel the quantity of services provided “free” to the industry would also reduce. The Seafish board would seek industry views through the new advisory committees, the proposed decentralised entities and representative bodies on which services industry was prepared to pay for in exchange for a reduced levy. This would not be a simple matter of following a majority vote (whether measured in numbers of businesses or in levy payers), since in reaching decisions the board would be bound to continue to take account of its basic statutory duty. To the extent that industry was unwilling to pay for services judged not to be essential to fulfil the statutory duty, Seafish would cease to provide the services on the grounds that there was no market for them. This amounts to the commercial equivalent of a “sunset clause”.

9.17 It would be for consideration by government as to whether the levy rate should be allowed to reduce to zero, or whether new rate differentials – for example on a geographic basis or distinguishing imports from UK produce – should be introduced,

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subject to competition law requirements. This approach would also allow government to reverse the policy of reducing the levy if experience demonstrated that the effects were unacceptable. Seafish already has powers to charge for services, and currently exercises them.

9.18 The alternative option of capping levy payments so that no one company pays more than a specific amount appears to be impermissible without changes to 1981 Act.²⁰

10. OPTION 3: ABOLITION

10.1 Although the weight of the evidence collected for the review does not suggest it as the preferred way forward at this stage, ministers have the option of bringing forward legislation to replace Seafish with a completely new model for supporting the seafood industry, to the extent that such support is needed.

Advantages

10.2 Abolition opens up new opportunities:

- (a) There is a blank canvass. Support can be targeted at the industry unconstrained by the present legislation.
- (b) The UK government and the devolved administrations can develop arrangements to suit their own circumstances. For example, there would be the option for separate NDPBs to be established in each country to collect and spend the levy, as has been done in Scotland for the livestock sector.
- (c) It would be open to ministers to replace a NDPB with a private or third sector body, operating under licence, as with Sector Skills Councils, if it (or they) received public funding or the levy continued.
- (d) Alternatively, replacement arrangements could be free-standing, with no legislative base. For example, the IGD (see Annex F) performs functions for food and grocery businesses which in many respects are identical to some of those carried out by Seafish, though it has no access to levy funding.
- (e) To the extent that it was judged necessary to retain Seafish functions, they could be dispersed to other bodies, though if the levy also disappeared there could in some cases be a net cost to public expenditure. Examples are given in Annex H. However, transfer of functions cannot be assumed (see paragraph 10.10).

²⁰ Section 4(5) provides that (a) levy rates may vary according to the type of fish or fish product but there is no power to vary it according to the category of payer, and (b) although SFIA can refund levy it cannot discriminate between different persons "in the same circumstances". Legal advice is that differences in turnover would be unlikely to equate to differences in circumstances.

- (f) If ministers so wished, government could simply disengage from any formal involvement in support for the seafood industry, selling off potentially profitable parts of Seafish (such as the Marine Services division) or directly funding, or bringing in-house, services with a public benefit (such as the work of the Economics unit).

10.3 The nature of any replacement for Seafish would centre on whether the levy was to be retained. Retention implies the continued need for a mechanism to set the rates, collect it and distribute it.

- (a) The rate setting function could pass to ministers, though if they acted separately to set different rates for each part of the UK there could be competition and state aid issues.
- (b) Collection of the levy could be outsourced to a collection agency (as, for example, the BBC licence fee is collected by Capita plc).
- (c) The mechanism for distribution would depend on whether the levy was being collected and administered at a UK or country level. If a UK levy remained, there would be a need for a mechanism for allocating shares to each country. In both cases, a mechanism for taking decisions on how to spend the levy income would be required. This could in theory be ministers, advised (sic) by a non-statutory industry board, but it would bring government into direct involvement in decisions seen as the preserve of industry and ensure the levy was regarded even more than as now as a tax.

10.4 Abolition of the levy would attract considerable support from much of the industry. Ministers might wish to weigh the attractions of this against the potential for demands to replace some or all of the lost levy funding with government grants, and the consequent net increase in public expenditure.

Costs

10.5 Despite the potential advantages in abolition, there are expenditure consequences that would need to be assessed. Further study would be needed to arrive at specific figures, but the following points are offered as a guideline.

10.6 The winding-down costs will vary according to the model adopted. If Seafish is abolished and functions are not transferred to other bodies, then there would be the costs of:

- (a) redundancy and any other contractual payments to staff, estimated by Seafish as £6m;
- (b) covering outstanding pension liabilities, including arrangements for their future administration, estimated by Seafish as £24m;
- (c) the costs to government of preparing the legislative and administrative measures involved, which are not quantified here because of the variables.

10.7 There would be some offsetting of the costs by:

- (a) proceeds from the sale of Seafish's Edinburgh offices, valued in the 2008/09 accounts at £2.2m
- (b) cessation of the fees and expenses paid by Defra to board members, amounting to about £250k annually, plus the administrative costs of Seafish sponsorship in the 4 departments, say £100k maximum.

If the Seafish estimates are accepted, these offsets leave a potential one-off cost of around £27.4m.

10.8 The 1981 Act makes no provision for abolishing Seafish. Decisions would need to be taken on the extent to which any unspent levy income could be used to defray winding-up costs.

10.9 The costs of abolition could be reduced if Seafish functions were transferred to other bodies, in which case TUPE terms would apply where appropriate in place of redundancy. The transfer of accrued pensions rights may prove problematic because of the additional – currently unpaid - pension contributions due from Seafish to the pension scheme.

10.10 In this context, it is also worth noting the following illustration. In February 2008 Defra decided to reduce, and eventually terminate, grant aid to Food From Britain, a Defra-sponsored executive NDPB whose remit included taking action to mitigate the effects of market failure. The FFB board concluded that the organisation could not continue beyond March 2009, but attempted to find one or more organisations to take over its key functions. No organisation was willing to do so, largely because of the requirement to apply TUPE terms²¹.

10.11 Unless the total disengagement option was preferred, there would be further costs in setting up replacement arrangements, including (and depending on the model chosen):

- (a) costs of transferring staff and other resources to receiving bodies;
- (b) establishing and resourcing new bodies;
- (c) potential disruption in providing support to the industry.

10.12 Abolition remains an option, certainly for the longer term. But there would be significant costs in doing so now. The review's conclusion is that it would be premature to do so before having tested the more flexible and less costly and disruptive approaches outlined in option 2. These approaches could also – particularly by addressing Seafish's fixed costs – pave the way for a less costly abolition at a later stage.

²¹ See Food From Britain's Annual Report and Accounts 2008/09, page 4.

11. LEGISLATION ISSUES

11.1 This section summarises the review's understanding of the legislative constraints and opportunities surrounding each of the options. This should not be regarded as definitive.

Option 1: Business as usual

11.2 Seafish would carry on under existing legislation, and no new measures would be needed.

Option 2: Significant reform

11.3 The extent to which option 2 could be delivered without legislative change depends on the specific change options, or mix of options, that are chosen. It appears to be possible to make significant changes without new legislation, though at the risk of introducing some doubt about the exercise of certain powers.

Option 2A: Decentralisation

11.4 Section 4(1) of the 1981 Act empowers Seafish to impose a levy for the purpose of "financing its activities". Defra legal advice is that the Act does not empower Seafish to transfer or delegate functions to outside bodies, nor does it empower ministers to do so. The inference here is that a decentralised entity receiving levy funding from Seafish for distribution could only do so on terms authorised by Seafish, acting within its statutory powers. So the option of using seafood industry levy funding to support activities targeted more widely across the food chain appears to be without clear legislative cover. Other option 2A measures which do not involve formal transfer or delegation of authority should, however, be capable of implementation without legislative change.

11.5 Legal advice is that the provisions of the Legislative and Regulatory Reform Act 2006 could be used to amend the 1981 Act in relation to England, Northern Ireland and Wales, provided that the intended outcome of the change was to reduce burdens on business. This is not the primary purpose of the options identified in this review.

11.6 In Scotland, advice is that it may be possible to amend the 1981 Act in relation to Scotland only by an order under the Public Services Reform (Scotland) Bill, currently before the Scottish Parliament²². The amendment might then be applied to rest of the UK using powers under the Scotland Act 1998, subject to the test of it being "necessary or expedient in consequence of" either the Scotland Act or the Scottish public services reform legislation.

Option 2B: Outsourcing

11.7 Seafish already outsources work, for example research projects. In Scotland, Seafish makes block grants to training associations to deliver training, and a similar practice was in force for the rest of the UK in the past. Contracts are in place for the

²² This assumes (a) that Seafish is added to the list of bodies in Schedule 3 of the Bill, and (b) the Bill is enacted.

provision of certain services, including the supply of market-related data, customer satisfaction surveys, and media monitoring. There would appear to be no obstacle to extending this further, provided that Seafish retained a clearly defined commissioning role and ultimate accountability for the expenditure.

Option 2C: Reducing the levy rates

11.8 The rate of levy can be varied by regulations under section 4(2) of the 1981 Act. The regulations are made by Seafish, and confirmed by ministers. There is no need for legislative changes.

Option 3: Abolition

11.9 Section 1(1) of the 1981 Act states “There shall be a body known as the Sea Fish Industry Authority”. As long as Part I of the Act remains in force, so must Seafish. It is an accepted practice to wind down a statutory body to a point at which it ceases to function pending repeal of the legislation²³.

²³ Para 1.1 of Chapter 10 of Cabinet Office guidance “Public Bodies: a Guide for Departments”

Annexes

ANNEX A: SEAFISH CURRENT ACTIVITIES

A1. Seafish is organised into a series of teams providing services and managing projects:

Commercial: works with different sectors of industry to provide regional support and a channel for advice and dialogue between Seafish and industry on economic and market-related issues. Specifically, the team:

- promotes, and serves as the key access route into, Seafish specialist services
- provides the Process Excellence Service to businesses
- manages events such as Fish and Chip Shop of the Year.
- supports import and export activities
- assists with applications to the Seafish Industry Project Fund

Two members of the team are seconded to Seafood Scotland to provide these services with a Scottish focus.

Economics: describes itself as the centre of expertise in fisheries economics and seafood industry analysis, providing expert research and analysis in sector performance, fisheries management, industry advice and consulting. Specifically, the team:

- collects data annually on the financial performance of fishing vessel and processing businesses, as a basis for their advisory and analytical work;
- carries out economic impact assessments, eg of new fisheries management plans
- provides advice to industry on efficiency, strategy and how to increase sales (in workshops and publications);
- informs policy development, particularly on the sustainability issues;
- provides fisheries economics advice industry bodies, government departments and the EU;
- provides a bespoke consulting service.

Legislation: maintains an overview of current and emerging legislation issues relating to food and the marine environment. Anticipates, challenges and responds to legislative proposals in the UK and the EU, and communicates the views of the seafood industry to legislators and policy makers. In particular, the team:

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-
- coordinates two specialist groups, the Food Legislation Expert Group and the Marine Environment Legislation Expert Group;
 - produces, with the FLEG, guidelines aimed at helping industry interpret aspects of legislation
 - maintains guidance material on the Seafish website;
 - keeps in contact with government and regulators on emerging proposals and supports the industry to put forward views before legislation is finalised.

Marine Services: the self-financing services. Specifically the unit:

- provides survey, inspection, certification and consultancy services for the catching sector;
- develops construction standards for fishing vessels (based on internationally recognised construction standards);
- carries out marine survey and offshore surface and sub-sea hazard mapping and information services to facilitate safe navigation.

Market Planning & Strategy:

- monitors retail sales, including the changing mix between species and product types;
- researches consumer demand and behaviour;
- examines trading and import and export patterns, and collates market data;
- advises industry on ways to sell seafood better;
- maintains standard reports on the Seafish website;
- offers face to face sessions;
- provides data on markets, landings, etc

Marketing Communications: the promotional service. Specifically the team:

- promotes the health benefits of seafood;
- promotes Seafish services to industry;
- facilitates dialogue between industry and NGOs;
- encourages balanced media coverage for the industry;
- runs media campaigns.

Research & Development: works to ensure the industry benefits from good information and technology. Specifically, the team:

Policy projects for CLG, DfT, DECC and Defra

-
- manages new technical research carried out in-house or under external contract;
 - manages the Industry Project Fund, for prioritising and resourcing work;
 - provides technology transfer to the catching and processing sectors;
 - gives technical advice to individual businesses and industry sectors as a whole;
 - manages the web-based Seafood Information Network.

Training & Accreditation: works to ensure delivery of training and standards-based accreditation schemes. Specifically, the team:

- approves a network of training providers (currently 23, covering offshore and onshore)
- co-ordinates delivery of fishermen's safety training by approving a network of training providers (currently 15) and course design;
- supports businesses seeking compliance with accreditation schemes;
- manages the Seafish partner role in the Seafood Training Academy, for on-shore training;
- maintains the register of approved training completed by fishermen.

Finance and Levy:

- administers and collects levy payments
- audits businesses to ensure compliance with levy rules
- corporate finance services.

Executive:

- Line management of teams
- Central planning and business development
- Relationships with major levy payers
- Governance and Board support
- Non-financial central services
- Oversight of advisory committees, partnerships and decentralised bodies (Seafood Scotland, etc)

A2. The following tables illustrate patterns of reactive activity:

Over a 12-month period ending 31 October 2009, some 3,000 meetings involving Seafish staff took place, and just under 2,700 enquiries to Seafish staff were dealt with. The breakdown is as follows²⁴:

Team	Meetings held		Enquiries completed		Ratio M:E
	Number	% of total	Number	% of total	
<i>TOTAL</i>	<i>3,003</i>	<i>100</i>	<i>2,684</i>	<i>100</i>	<i>1.1</i>
Commercial	1,826	61	97	4	18.8
Executive	459	15	17	<1	27.0
Finance/Levy	384	13	7	<1	54.9
Training	128	4	513	19	0.2
SFd Scotland	79	3	14	<1	5.6
R&D	69	2	1,072	40	0.1
Market Plng	43	1	396	15	0.1
Economics	9	<1	112	4	0.1
Legislation	6	<1	159	6	0.0
Mktg Comms	0	0	297	11	0.0

(P.E.S = Process Excellence Service)

The right-hand column shows, for each team, the ratio of meetings to telephone enquiries. These figures should be interpreted with caution but, when read alongside the activity volumes, they indicate that the commercial team, executive team levy team and Seafood Scotland are geared to meetings with businesses, with the rest more focussed on responding from a head office base.

Analysis of 270 enquiries to Seafish over a 2-month period in the second half of 2009 showed that most came from the catching sector, followed by processors, then enquiries from the media.

Source	No.	%		Provided with:	No.	%
Catching	61	23		Guidance	61	23
Processor	47	17		Publicity material	56	21
Media	29	11		Technical advice	42	16
Other	25	9		Referral onward	38	14
Food service	21	8		Business/market advice	22	8
NGOs, consultants	21	8		Data	21	8
Retailer	16	6		Seafish position	20	7

²⁴ Adapted from Seafish Recorded Activity figures

Source	No.	%		Provided with:	No.	%
Aquaculture	15	6		Other	10	4
Importer	13	5				
Other public bodies	13	5				
Government	9	3				
<i>Total</i>	<i>270</i>	<i>100</i>				
<i>Levy payers</i>	<i>173</i>	<i>64</i>				

Adapted from Seafish enquiry log data

Enquiries from the catching sector were primarily either seeking guidance on training or technical advice (eg on gear), and those from retailers primarily sought publicity or promotional material.

ANNEX B: JOINT WORKING WITH REGIONAL DEVELOPMENT AGENCIES IN ENGLAND

1. South West. A joint three year project with SWERDA to fund Seafood South West (made up of Seafood Cornwall and Devon and Dorset Seafood). The funding package is shared equally between SWERDA and Seafish to draw down EFF grant money. The project commenced in April 09, with total funding package made up of £100k from Seafish, £100k from SWERDA, and £300k from the EFF.
2. South East. A partnership with SEEDA for a three year project ending March 2011, for a total funding package of £489k, with £90k from Seafish. Seafish had to intervene last year and appoint industry chair because project was faltering.
3. Northern regions.
 - a. Seafish has had engagements with the Northeast and Northwest RDAs but was unable to bring a major fisheries project to delivery because fishing was not in the agencies' strategic plans and funding was tight.
 - b. In Yorkshire, Seafish has held a post on the board of the Yorkshire Forward funded Yorks and Humber Seafood Group. Performance of this group has been questionable and is now being disbanded.
4. Seafish has employed and seconded to the RDAs 6 regional grant support officers during the lifetime of the former FIGG. These secondments ended in 2007 and 3 of these officers are now seconded directly to the MFA. They retain a link and contact with each RDA and report monthly on the main RDA activities and initiatives (of which there are currently few).

(Information from Seafish)

ANNEX C: ILLUSTRATIVE OUTCOMES AND TARGET MEASURES

Outcome	Seafish objective	Measure
A population consuming a healthier diet.	Seafood is a normal part of the weekly diet	X % of all households consume seafood twice a week by 20yy
	The industry discourages less healthy foods	X% of fish and chip portions sold are without batter by 20yy
	Good quality fish is available at a range of prices, so that some fish is affordable to all.	X% of the lowest income quartile of households purchase fish every week by 20yy
The UK's supply of seafood is secure	A steady supply of seafood in line with market demands.	X% of consumers are able to purchase the seafood they want at the time they want.
	Seafood is sourced from a range of domestic and foreign fisheries/farms	No single country other than the UK is the source of more than X% of seafood consumed in any given year.
Fishing communities remain vibrant and viable	Fishing businesses have the skills and incentives to fish sustainably	No fishing business based in a community of less than x000 people ceases operation.
	Markets for "local" produce remain buoyant	X% of consumers in a defined geographical area make locally sourced seafood at least Y% of their monthly seafood purchases.
The marine environment is protected for future generations	Necessary regulation is based on good evidence and is proportionate for industry needs	X % of total consumption is sourced from MSC-accredited fisheries by 20zz No more than X% of businesses breach regulations in any given year.
	Environmental impacts of catching are mitigated.	X% of UK fishing vessels are accredited to the Responsible Fishing Scheme or a higher standard.
The seafood industry attracts and retains the skills it needs	Career pathways are developed for each industry sector.	Businesses do not experience difficulties in recruiting staff of the right calibre at the right time.
	Recruitment to the catching sector is buoyant	The number of injuries/fatalities on fishing vessels falls by x% each year

ANNEX D: EXTRACT FROM THE MEMORANDUM OF UNDERSTANDING (2008-2010) BETWEEN SEAFISH AND SEAFOOD SCOTLAND

1. OBLIGATIONS

- 1.1. Seafood Scotland must present a board approved business and outcome plan to Seafish for each year of this agreement giving specific details of general industry supporting activities to be undertaken in time for this plan to be approved by the Seafish Board as part of their annual budget process every March.
- 1.2. Seafood Scotland will provide Seafish with a written quarterly progress report that has been reviewed by Seafood Scotland Board meetings
- 1.3. Annual performance of against Seafood Scotland Board approved objectives and outcomes will be reviewed by both parties and a written review presented to the Seafood Scotland and then Seafish Board by 31 May each year.

ANNEX E: EXTRACTS FROM THE REVIEW OF THE AGRICULTURAL AND HORTICULTURAL LEVY BODIES

Fragmentation test

Traditionally, the case [for intervention] has reposed on certain key features of the production and marketing of agricultural and horticultural products: the sectors have historically been made up of a very large number of often very small businesses, producing largely homogenous commodity-type products and supplying them to a processing sector that was also made up of a large number of, often small, different businesses. In these circumstances, the argument went, producers, and in some cases processors, were too small to be able to resource some important business functions themselves. Examples of this might be investment in projects aimed at improving productivity and reducing costs and the provision of the information needed to support sound business decisions. The market would not be able to undertake such projects on its own and in order to achieve better outcomes – to address ‘market failure’ in the jargon – arrangements needed to be made to undertake them collectively.

Scale of change test

Free markets do not necessarily produce, quickly or at all, efficient outcomes where temporary or permanent significant changes in market conditions are taking place. Unpredictable temporary changes in supply tend, of course, to feature in many agricultural and horticultural product areas where weather or disease, for example, can affect yields substantially. But change can also be driven by other factors in the external environment. [...] The industries the levy bodies exist to serve are currently exposed to a very substantial, and for many producers bewildering, array of drivers that are generating massive changes that need to be managed. These range from reform of the CAP – with producers in some areas no longer operating within a framework of product-related subsidies – through a changing regulatory environment, to the impact of disease, to major technological change, to changing consumer tastes and preferences. In such circumstances ‘market failure’ can also be present and it is reasonable to enquire whether it is present to such a degree as to support the case for a statutory levy.

ANNEX F: THE FOOD CHAIN CENTRE

Relevance

1. The key points from the work of Food Chain Centre (FCC) were summarised in its closing report as follows:

- Techniques that originate from other industries can work equally well for food. Those of us in the food sector will benefit from an open-minded outlook.
- Big opportunities remain to find savings in even the best run food chains although it often takes novel approaches to find and capitalise on them.
- Collaboration pays off and not just for the biggest players in the chain. The benefits from our programme were shared throughout including multi-million pound rewards for farmers.
- Product flow through the chain can be complicated but information flow even more so. Some of the best opportunities for improvement lie in streamlining and sharing information.
- Information on consumers is very valuable for entrepreneurial farmers, helping them pick the best opportunities. But there remains a big challenge to get the right information at the right time to those who need it most.
- It is rare to find an understanding of consumer needs shared through a product chain but when achieved, it helps greatly to promote trust and innovation.
- Farm benchmarking delivers big commercial benefits but does require attention to detail. Huge advances have been made in recent years but we must keep up the momentum.
- Based on what we found, the quickest and biggest step that any farming or food business could take to accelerate improvement is to review the performance measures they use. Sharing measures throughout a chain is a way to break through and promote substantial improvement in the long term.
- No other country is more advanced than us in the areas pioneered by the Food Chain Centre. We have an opportunity to lead the world but we need to capitalise on our advantage.

Background

2. The FCC was established in 2002 with three objectives:

- To develop food chain analyses from farm to point of sale to identify how efficiency savings can be made to the benefit of all players
- To act as a champion for farm benchmarking
- To review consumer research and consider the implications for farming

FCC was tasked with piloting these approaches and producing recommendations. It had a fixed-term mission and was not set up to be a permanent body. It closed in 2007.

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2. FCC was funded mainly by grants from Defra and staffed by a small team seconded by Defra and the IGD²⁵, which hosted the organisation. The total budget over five years was £5.3m, consisting of £3.8m in grants and about £1.5m in resources provided by IGD and Defra.
 3. FCC developed a programme involving 2000 farm businesses and over 120 other companies (large and small retailers, caterers, wholesalers, manufacturers, upstream processors, traders, distributors and agri-supply companies). They also worked with partners including trade bodies, levy boards, banks, universities, consultancies, regional development agencies and other government agencies.
 4. FCC piloted the concept of 'lean thinking' in food chains, ie getting more from less. It examined 33 chains from farm to fork, finding that on average, 20% of costs in the food chain added no value. It set up a network of benchmarking clubs in fresh produce and promoted the benefits of benchmarking across all farm sectors. The programme also explored ways to provide information on consumer trends to help farm businesses. The businesses involved reported savings £14.4m, equivalent to a 270% return on investment.
 5. The learning from the programme is being retained through the continuation of some advisory and networking services established by FCC, web-based resources developed in the programme, and commercial consultancies.

²⁵ IGD is an industry-led membership organisation with charitable status which supports development of the food and grocery industry, through sharing research and best practice, providing objective information on key issues and organising training.

ANNEX G: ALTERNATIVE OPERATING MODELS

This annex seeks to illustrate what the two alternative operating models might look like in practice.

The analysis has not been validated with Seafish, and would benefit from further testing.

The variants are presented in tabular form in Appendix 1. The starting point is each of the current Seafish functions identified in Annex A. Each is assigned to one of the following categories:

- (a) *Business development*, primarily the face-to-face activities and other information or advice channels direct to businesses. The work of the commercial team and the training and accreditation team makes up much of this category
- (b) *Promotion*, which is made up of the campaign, public information and media influencing activities, and which will also support the activities at (a).
- (c) *Policy influencing*, which is principally the work specifically aimed at bringing technical expertise to bear in influencing the development of policy and legislation.
- (d) *Expert support*, which includes technical research and industry-related intelligence, and which supports (a), (b) and (c), though in some cases is channelled direct to businesses and other end-users.
- (e) *Regulatory*, which includes approval and accreditation functions, and levy collection and compliance.
- (f) *Internal*, comprising the finance and levy work, governance and support to the board, and some of the senior management activity (although the executive have hands-on roles in parts of (a)-(e)).

Each category is then assessed against two tests:

1. Whether the functions need to be retained as a core Seafish function or are suitable for being passed to a decentralised entity (see 9.5 of main report). This is the assessment for Option 2A, and it takes account of the following factors:

- *Economies of scale*. There is no local dimension to the knowledge or expertise underpinning the function, ie the knowledge or expertise is transferable across intra-UK boundaries, and additional costs would accrue by replicating them.
- *Operational effectiveness*. For the function to be effective, it depends on the bringing together within a single unit people with specified expertise whose active collaboration is necessary.

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- *Territorial extent.* There is a definable and necessary UK-wide role for the function.
 - *Organisational integrity.* Removal of the function from the central core would severely put risk the effectiveness of the organisation as a whole.
 - *Location-sensitive*, where there is value from providing the service as close as possible to the end-user because it is important for the service provider to:
 - have a good understanding and knowledge of local conditions affecting the industry sector, including the supply chain in the area;
 - to be able to arrange events and target information, eg by bringing buyers and sellers together, organising best practice sessions;
 - develop relationships with businesses, and build trust so that the services available in return for the levy are well known and the advice given is trusted.
 - *Central coordination*, where it may be convenient to operate the function centrally, but there is no compelling value for money or operational case for doing so.

2. Where responsibility for the function remains with Seafish, whether it is necessary for the functions to be delivered by Seafish or whether it could be contracted out. This is the option 2B assessment, discussed in paragraphs 9.12-9.13 of the main report.

ALTERNATIVE OPERATING MODELS (SEE ANNEX G)

Team	Function	Category	Centralised or decentralised	In-house or outsourced
Commercial	Advice to businesses, and channel to specialist SF services	Business development	<p>Business development functions are the primary direct interface between Seafish and individual businesses. There is a broadly even split between face to face and telephone contact, with the former predominating in the commercial team and the latter with the specialist head office-based teams.</p> <p>Viewed from the standpoint of a seafood business, this is a location-sensitive group of functions, because individual businesses – particularly the smaller ones – want advice and support tailored to their own needs. So Seafish advisers will need understanding of local conditions and the local supply chain, as well as of opportunities further afield.</p> <p>Again from the seafood business standpoint, some of the business development activities carried out by head office-based teams – primarily advice – could more conveniently be delivered through the adviser who knows the business best. Seafish advisers are already billed as the means of access to Seafish services: strengthened adviser capability could reduce the need for businesses to be referred to other central services. Decisions on funding training places could also pass to business advisers, who would have</p>	<p>Whatever decisions may be taken about the head office expert functions, there is no compelling case to retain the business development function in-house. It can be outsourced on a contractual basis, for example to a decentralised entity (eg Seafood Scotland), a regional development agency, an organisation providing business advisory services, or to the seafood industry itself. A single UK-wide model would not be necessary.</p>
Commercial	Helps businesses apply for project funding	Business development		
Commercial	Process Excellence Service	Business development		
Commercial	Support for international trade	Business development		
Economics	Advice to industry	Business development		
Legislation	Guidance on interpreting legislation	Business development		
Marine services	Marine survey and hazard mapping	Business development		
Market P&S	Advice to businesses	Business development		

Team	Function	Category	Centralised or decentralised	In-house or outsourced
Research & Development	Technology transfer (catching and processing)	Business development	<p>a clearer view of the development needs of an individual business, operating within guidelines set down centrally (whether by Seafish or a decentralised entity).</p> <p>The front-line business development service is a clear candidate for decentralisation, and in many respects already operates in this way. It would provide the seafood core of a decentralised entity, strengthened as suggested above. There is no compelling case for a uniform UK-wide approach.</p> <p>Adoption of this approach would imply some degree of decentralisation across the whole of the UK, though the capacity of the decentralised entity in each place might vary. But to be cost-effective, there would need to be a scaling down of the head office capacity to deal with individual enquiries in proportion to the scaling up of decentralised capacity.</p>	
Research & Development	Technical advice to businesses/ industry	Business development		
Training & Accreditation	Assists with compliance for accreditation	Business development		
Training & Accreditation	Provides funding for trainees or training courses	Business development		
Economics	Annual data collection	Expert support	<p>Much of the industry support for Seafish hinges on its position as a centre of expertise which cannot be found anywhere else in the UK. It is clear that the various types of support Seafish provides to the seafood industry are underpinned by the expertise found within the organisation, and that this expertise would need to continue to be available to the delivery front-line, even in decentralised arrangements. There are likely to be cost-disbenefits in trying to replicate the expert support functions across the UK even</p>	<p>Although the high-level management of the expert support functions is best retained by Seafish centrally, delivery need not necessarily remain performed by Seafish employees. The test would be whether relevant expertise from elsewhere could be obtained either more cost-</p>
Economics	Economic impact analysis	Expert support		
Economics	Consultancy, projects	Expert support		
Legislation	Expert groups	Expert support		
Market P&S	Research consumer behaviour	Expert support		

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Team	Function	Category	Centralised or decentralised	In-house or outsourced
Market P&S	Provision of data and reports	Expert support	assuming sufficient suitably qualified personnel could be recruited to do it. Dissipation would also risk losing synergies found in teams.	effectively or in ways which significantly added value to the existing offer.
Market Planning & Strategy	Monitor retail sales, trading and import/ export patterns	Expert support	Much of the expert support, particularly on technical aspects of catching and processing, is transferable across intra-UK boundaries. And given the presence in the UK of markets that cover the whole of the UK (eg the retail multiples) it remains important to run a UK-wide analytical function alongside country- and region-specific ones. This points to retaining the expert support functions as a central, rather than decentralised, resource. It would remain open to the decentralised entities and their partners, as well as the devolved administrations, to continue to commission expert studies on a fee-paying basis, as happens now.	For example, the annual data collection for the economics team is carried out by temporary contract staff, badged as Seafish staff to reassure those being asked to provide the information. Many technical research projects are already contracted out, but there is no compelling reason why the day-to-day management of the industry project fund and other commissioning work could not also be out-sourced, operating within guidelines set by Seafish management.
Research & Development	Management of new technical research	Expert support		
Research & Development	Industry Project Fund,	Expert support		
Research & Development	Seafood Information Network	Expert support		
Training & Accreditation	Responsible Fishing Scheme	Expert support		
Training & Accreditation	Seafood Training Academy partner	Expert support		
Executive	Line management of teams	Internal	To remain as core functions of Seafish, to enable it to discharge its statutory duties.	To remain as an in-house function to conduct out-sourcing exercises and
Executive	Central planning and business development	Internal		

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Team	Function	Category	Centralised or decentralised	In-house or outsourced
Executive	Relationships with major levy payers	Internal		allocate funding and performance manage contracts.
Executive	Governance and Board support	Internal		
Executive	Non-financial central services	Internal		
Executive	Oversight of advisory committees, partnerships and decentralised bodies (Seafood Scotland, etc)	Internal		
Finance & Levy	Corporate services	Internal		
Economics	Advice to government, EU	Policy influencing	This set of functions operates at several levels: EU, UK and devolved. In the interests of retaining a focal point which is able to seek the linkages across different legislative proposals and become expert in them, the case for retaining these functions centrally is persuasive. But influencing would need to be	The processes within the functions could in theory be handled by contractors. But credibility is unlikely to be improved if the influencing (of EU bodies, government
Economics	Influence policy development	Policy influencing		
Legislation	Monitor/influence legislative proposals	Policy influencing		

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Team	Function	Category	Centralised or decentralised	In-house or outsourced
Marketing comms	Industry/NGO dialogue	Policy influencing	based not only on the material from the Seafish expert support functions but also on the experience of businesses in different parts of the UK, fed in through the business development functions.	departments, NGOs, etc) is handled by consultants rather than by Seafish staff speaking on behalf of the industry and with the backing of the organisation's expertise. It should stay in-house.
Commercial	Awards/events management	Promotion	<p>There is a need to distinguish between <i>what</i> is being promoted and <i>how</i> it is being promoted. The "what" is frequently transferable across the UK, eg health benefits of eating seafood, the sustainability of certain species. Messages are based on information provided as part of the expert support functions. The "how" is about skills in promotional/media activity and in making judgements about whether an issue is of UK-wide or country/region/locality interest.</p> <p>A decentralised entity with adequate resources could manage its own promotional work. This would connect it directly with local markets and issues. But more limited decentralised entities would struggle.</p> <p>Central promotional activity might therefore be limited to UK-wide media intervention/campaigns, with some specialist support for those countries/regions where the decentralised presence is too small to deliver all of its own promotional work.</p>	<p>Promotions and campaigns are generic skills, not limited to seafood. There is a case for testing the market to see whether these services could be obtained more cost-effectively by outsourcing.</p> <p>The value of the promotional activity, particularly the awards, could usefully be reviewed. There would no damage to Seafish's effectiveness if they ceased to be Seafish functions.</p> <p>An internal press officer/spokesman post is likely to continue to be needed, in the interests of providing an authoritative rapid response.</p>
Marketing comms	Promotion: health benefits of seafood	Promotion		
Marketing comms	Interventions in media coverage	Promotion		
Marketing comms	Media campaigns	Promotion		
Finance & Levy	Administer levy payments	Regulatory	Functions related to levy collection will need to remain as part of the central core, since the levy is operated	With the exception of securing compliance with the levy

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Team	Function	Category	Centralised or decentralised	In-house or outsourced
Finance & Levy	Audit for compliance	Regulatory	across the UK according to standard rules and the Seafish chief executive (as accounting officer) is responsible for securing compliance by levy payers.	<p>rules, Seafish is not set up to be a regulator.</p> <p>The Marine Services functions, which are already self-financing, could be formally out-sourced or even transferred out of Seafish's remit altogether.</p>
Marine services	Construction standards for fishing vessels	Regulatory	On the training functions, there is appears to be little value in decentralising (particularly if decisions on funding trainees are decentralised) since retention at the centre will help ensure consistency of standards. Similar standards arguments apply to the Marine Services standards work (though not the surveying and consultancy).	
Marine services	Survey, inspection, certification and consultancy services (catching sector)	Regulatory		
Training & Accreditation	Coordinates & approves training courses and providers	Regulatory	The central register of training only has value if it is a central register.	
Training & Accreditation	Register of fishermen's training	Regulatory	Accordingly, the scope for decentralising this group of functions is minimal.	

ANNEX H: THEORETICAL OPTIONS FOR TRANSFERRING SEAFISH FUNCTIONS

See Annex A for description of functions. No assessment is made here of the issues involved in making a transfer: few would be without difficulty

Commercial: Business Link in England and equivalent services in the rest of the UK.

Economics: Bring into government, or transfer to a suitable private sector consultancy

Legislation: Trade associations to take more direct responsibility on behalf of their members (as the larger ones already do).

Marine Services: Sell off the mapping service to oil or offshore wind companies, let the private sector marine surveyor businesses pick up the vessel survey work.

Market Planning & Strategy. If industry wanted to pay for the services, there would be private sector consultancies that could provide them.

Marketing Communications: Trade associations to take more direct responsibility on behalf of their members (as the larger ones already do); larger individual companies would probably do their own.

Research & Development: No obvious single body to act as commissioner for projects, though trade associations, Marine and Fisheries Agency and Maritime and Coastguard Agency would have interests in some of the studies, but not necessarily the funds to pay for them.

Training and Accreditation: Transfer to a Sector Skills Council – Improve or Lantra, with slightly extended remits. Catching sector training to the RNLI, under an agreement with the MCA. Fisheries accreditation role to the Marine Stewardship Council.

ANNEX I: REVIEW METHODOLOGY

Governance

The review was supervised by a steering group made up of officials from the four UK fisheries administrations, chaired by the Director of the Marine Programme at Defra. The group met to discuss progress on the review and drafts of the report on 6 January, 20 January, 4 February and 11 March.

Timing

The reviewer was appointed on 4 December 2009, and full fieldwork began in mid-December and was completed during January 2010. The final report was submitted in March 2010.

Fieldwork and evidence

The tight timetable for the review necessitated targeted rather than widespread consultation with industry and other stakeholders. To identify the key issues, invitations to have a telephone discussion with the reviewer were issued during December. This was followed up by invitations to submit written comments to a wider cross-section of seafood businesses. In all, 112 invitations were issued, leading to 38 discussions and 20 written submissions.

The review also drew on published material and a selection of internal Seafish papers, and the co-operation of Seafish board members and staff in providing views and information is gratefully acknowledged.

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