

Name	Company/Organisation	Q1. Have you experienced such issues?	Q2. Is this a real problem or do you think it's just a temporary market reaction?	Q3. What is driving this trend?	Q4. What will be the consequences if the trend continues?	Q5. What (if anything) should be done i.e. should some form of protection be afforded to the inshore industry? If so, what?	Other comments or observations
		<p>Not directly. We've been lucky enough to have been sitting on a number of entitlements, and any recent builds have had tonnage and kilowatts in place. In June of this year prices were as follows: £375 per tonne and £100 per kilowatt. However they are now standing at £1,600 per tonne and >£160 per kilowatt. Those who have been sitting on licence entitlements for 10 years or so are <u>now cashing in</u>.</p> <p>However with the number of new build projects on the cards there is increased demand for licences and this is driving up prices. At present there seems to be an appetite for vessel improvements which is adding to the inflation.</p>	<p>This has certainly all happened very quickly, but it will persist if pelagic boats continue to increase in size. Pressure has also arisen from whitefish vessels adding more tonnage, albeit more modest amounts than the pelagic boats.</p>	<p>See response to question 2.</p>	<p>If the trend continues it will stop modernisation projects and be a barrier to new entrants. Furthermore if a vessel owner is unable to sell an older vessel without its licence, they may be forced to scrap it.</p>	<p>I'm not sure. The introduction of new licences would be welcome but I am mindful of the capacity ceiling. There would also be problems in distributing new licences (e.g. by prioritising new entrants etc.) but the SG would need to be very careful that this was not challenged or circumvented.</p>	<p>Happy to be contacted further.</p>
		<p>Yes, I've been trying to license a vessel for a young colleague. A £1m project is now looking like being a £1.4m project because of licence inflation. There are plenty of kilowatts in the system but there's a lack of available tonnage. Price per tonne 6 months ago was about £450 but now it's upwards of £1,600. There has been a lower increase with kilowatts, was about £165 now about £195.</p>	<p>Hard to say, there have been a lot of new builds lately as well as vessel modernisations where tonnage has been added. Prices may fall once pelagic builds are complete.</p>	<p>For now it's caused by large pelagic builds (Shetland) and other vessels modernising. A consortium in Shetland is currently sourcing 3,000 tonnes and is able to out-bid everyone else.</p>	<p>I'm concerned that the increased costs will prevent those at the bottom end from getting into the industry, particularly if additional licences are not made available. If we want more fish to be caught in UK waters we need more vessels in the fleet. We also need more boats in order to keep the associated onshore businesses going. There could be negative consequences for these businesses if <u>landings are hit</u>.</p> <p>It's very difficult for anyone to modernise their vessel and keep the price reasonable: this will have a knock-on effect on fleet development and be a block to young entrants to the industry. You can obtain a licence and quote but tonnage is a problem.</p>	<p>We need to look at the reasons for the spike in licences. Do we need to maintain licensing restrictions – are these necessary? Could the government consider dishing out licences to certain vessels or certain types of vessels?</p>	<p>I don't want there to be an increase in capacity. If anything is introduced it should prioritise new entrants and modernisations. Perhaps some form of self-funded decommissioning scheme might be an option.</p>
		<p>Over the last few months we have experienced this on several occasions when attempting to purchase additional over 10m licence capacity for our clients. I believe that this is an industry-wide problem rather than a situation that is unique to the small scale fisherman.</p>	<p>It may be a temporary market reaction but this depends on your definition of the word "temporary". I believe the situation will probably last for a few years given the number of new build orders that have been placed over the last few months. I understand that there are orders for approximately 25 new build vessels which could utilise over 2,000 GT. This looks to be part of the industry cycle which has been seen before and as the cycle progresses I believe we could enter an industry-funded scrappage scheme.</p>	<p>The new designs of vessels require additional GT compared to previous designs: with the new build orders being concentrated it results in a larger number of fishermen coming to the market over a shorter-than-normal period of time. The licence market is no different to any other market and prices fluctuate as a result of supply and demand.</p>	<p>I believe that if the pelagic industry is allowed to continue using whitefish/prawn capacity to increase the size of its vessels there will always be increasing pressure placed on the licence market. Other sectors of the industry are unable to compete with the purchasing power of the pelagic industry and as long as there is competition for licence capacity the prices will continue to rise.</p>	<p>Given that all sectors of the industry are seeing investment on a scale not seen since the late 1990s, while latent licence capacity has been reduced as a result of two rounds of decommissioning and other grant incentivised schemes, there may be a case for excluding the pelagic industry from using regular Cat A licence capacity from other sectors of the industry to increase the size of its vessels or the government may wish to reintroduce additional licence capacity which has been taken from the industry over the years.</p>	<p>I am happy to be contacted again to discuss options coming out of Marine Scotland's research.</p>

	<p>Yes. We are currently selling two pelagic vessels, their owners wishing to upgrade to larger vessels so they require more tonnage. However as they are pelagic operators they have deeper pockets than others and are able to meet increasing costs. There are also four new build projects that will be completed over the next 18 months, plus one fisherman looking to buy a new vessel within the same time frame. Demand for new licences, particularly tonnage components, is outstripping supply and driving up prices. Previously you could expect to pay £500-600 per tonne, but now prices are more like £1,600 per tonne.</p>	<p>Opinion is divided: one of my colleagues thinks this is temporary but I think it will persist for as long as new builds are under construction. The problem is that the vessels being replaced are remaining in the fleet. Why are new vessels being built when there are problems with insufficient quota and the Landing Obligation is in place? All of this is leading to illegal discarding.</p>	<p>I believe that the cause of the increased prices is the level of new builds, not speculation. The problem is that many new builds, particularly pelagic vessels, are much bigger than the vessels they're replacing. A new pelagic vessel might require an additional 800 tonnes which would be enough to fit four new whitefish vessels.</p>	<p>I'm concerned that vessel owners approaching retirement age might be asked (especially by pelagic operators) to sell their boats, complete with licence and quota, something they might not have considered doing previously. This could result in family businesses being taken out. The fact that there is no consistency between UKFAs doesn't help matters, although this has been the case for years e.g. the different types of licences in Scotland & England meaning that a Scottish licence can't be placed on an English vessel and vice versa (?).</p>	<p>Seven or eight years ago we, as a company, discussed whether it would be possible for the Fleet Resilience licences to be made available for purchasing; making these available would free-up tonnage to vessel owners. Again, why is the fleet getting bigger when quota is limited and the Landing Obligation has been implemented? This is a problem that the government has to get a grip of.</p>	<p>Happy to be involved in future discussions.</p>
	<p>Yes, there are a considerable number of people looking for tonnage as indicated by increased advertising. I have purchased two vessels in order to strip them of their licences. There is pressure across all sectors at the moment and prices are still rising.</p>	<p>There are never very many licences available on the market but pressure from both pelagic builds and whitefish vessel refits are currently a factor. There is also pressure arising from restrictions on the trade/movement of shellfish & scallop licences. Vessels changing their use is also a factor e.g. new twin riggers etc. It is likely that the market will correct itself in the long term as the numbers of new builds and refits ease.</p>	<p>See response to question 2. Confidence has returned to the fleet with good fish prices and lower fuel costs also playing their part.</p>	<p>If the trend continues it will be to the detriment of new builds and new entrants.</p>	<p>This is difficult. Perhaps new licences could be issued but that would cause problems with regard to equitable distribution. This is not just a Scottish problem, but one for all UKFAs to consider due to the fact that licences are traded across the UK. Perhaps some pressure could be relieved if more flexibility was afforded to the trade of kilowatts and tonnage on shellfish & scallop licences.</p>	<p>Happy to be contacted again.</p>
	<p>Yes. When I purchased a licence in April 2017 the price was £900 per tonne. Today, for a project on the east coast, I have been quoted £1,600 per tonne coast.</p>	<p>I think it's hard to say. In my opinion if you're already set up in the industry and hold a licence in the most profitable sector, then you're probably happy. However, new entrants are facing an almost-impossible situation.</p>	<p>The trend has been caused by pelagic new-builds looking for significant top-ups of tonnage. Another factor is the new owners of old pelagic boats who are looking for additional tonnage to license their new purchases: the previous owners have moved tonnage to their new builds.</p>	<p>It is hard to say how new entrants could enter the industry as boat owners.</p>	<p>I'm not sure what the answer is as intervention by the Scottish Government would be controversial and open to challenge. I accept that this is a complex issue with UKFA relationships and Brexit complicating matters further.</p>	<p>My main concerns are for new entrants to the industry. I would like to be involved in any future discussions.</p>
	<p>There are increasing reports that the pelagic sector in particular is hoovering up licences at the expense of smaller operators.</p>	<p>Market forces are definitely at play and those with the deepest pockets can out-bid the smaller operators. New large builds and modernisation of the existing over 10m fleet have caused licence inflation – the demand for kilowatts and tonnage is out of kilter. More builds and projects are on the horizon so there is potential for the problem to continue and pressure to increase.</p>	<p>New pelagic builds and projects leading to larger vessels and demand for licence tonnage are driving the trend.</p>	<p>There will be a real slow-down in business development and new entrants if additional tonnage is not available. However, some in industry are doing really well on the back of price inflation.</p>	<p>The key problem for now is the lack of available tonnage. Strategic thinking is needed for longer-term growth. Perhaps the new licence resource could be released if possible, but I recognise the issues and challenges associated with equitable distribution/release – the government could perhaps charge a price based on the average over the last 3 years. I don't want to or see a case for increasing the capacity ceiling at present.</p>	<p>I am happy to discuss further as the government analyses data and considers potential actions over the coming weeks.</p>
	<p>We currently have one or two new-build projects in the pipeline and are experiencing problems sourcing licence components. So far we have made two unsuccessful bids for licences – this is unusual as there was always something available before but not any more. I believe that the spike in prices began around Easter of this year.</p>	<p>I think that this is a real problem and not just a temporary one. The vessel owners who are experiencing problems now will eventually be able to source licence components, but the problem will still exist for others. Six months ago average prices stood at £600 per tonne, but now the average is £1,600 per tonne.</p>	<p>There are a number of new boats being built and these are larger than those they're replacing, hence the need for greater quantities of tonnage and kilowatts. There are plenty of kilowatts available at the moment, but not tonnage.</p>	<p>If the problem persists then no new vessels will be able to be built and it will also mean that new entrants are unable to enter the industry.</p>	<p>An increase in the availability of tonnage would alleviate the problem, but I am concerned that any new licences would end up in the hands of traders, not vessel owners. Some form of scheme would be needed to ensure that this wouldn't happen.</p>	<p>Happy to be included in future discussions with the SG.</p>

There is recent anecdotal evidence to suggest that owners of smaller vessels are finding it increasingly difficult to compete with larger, more profitable vessel owners in purchasing licences (or components of licences) to cover new builds or vessel-lengthening projects, thereby hindering smaller operators in the over 10 metre fleet. This current position also appears to be inhibiting new owners' entry into the industry.