

<b>Title:</b> Implementation of the Common Organisation of the Market in Fishery and Aquaculture Products (CMO) Regulation in England and Wales <b>IA No:</b> Defra IA 1725 <b>Lead department or agency:</b> Department for Environment, Food and Rural Affairs <b>Other departments or agencies:</b> Marine Management Organisation Food Standards Agency	<b>Impact Assessment (IA)</b>			
	<b>Date:</b> 08/07/2014			
	<b>Stage:</b> Final			
	<b>Source of intervention:</b> EU			
	<b>Type of measure:</b> Secondary legislation			
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<b>Summary: Intervention and Options</b>			<b>RPC Opinion:</b> GREEN	

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Two-Out?	Measure qualifies as
£-1.78m	£-1.75m	£0.16m	No	NA

**What is the problem under consideration? Why is government intervention necessary?**

The European Common Organisation of the Markets in Fishery and Aquaculture Products (CMO) Regulation sets out the EU regime to manage the market and maximise value for EU seafood products. The objectives of the CMO include price stability, strengthened competitiveness, ensuring the supply of the EU processing industry while respecting the interests of EU producers and giving proper information to consumers. The CMO supports the seafood industry in facing challenges ranging from market failures, such as asymmetric information (e.g. consumer information on product sustainability), to supply shocks (e.g. natural variation). It has been updated at the European level to contribute more to the Common Fisheries Policy (CFP) objective of sustainable fisheries and aquaculture. Legislation in England and Wales (E & W) needs updated to implement the CMO.

**What are the policy objectives and the intended effects?**

Specifically the amendments that require legislative changes in E&W involve minor changes to labelling requirements to give consumers greater information on product sustainability and new enforcement measures in respect of the common marketing standards. The CMO uses the mechanisms of common marketing standards (on quality, freshness, size/ weight and presentation), Producer Organisations (to plan members' production and develop joint marketing strategies), price-support schemes, and rules on trade with non-EU countries. The revised CMO came into force 1<sup>st</sup> January 2014 and implementation in E & W aims to meet CMO objectives and give enforcement agencies the power to ensure industry compliance. The labelling requirements of the reformed CMO come into force 13<sup>th</sup> December 2014 and from this date member states have to carry out checks to ensure compliance of the marketing standards.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

**Option 0 (Baseline):** It is assumed that the CMO reforms come into force but no amendments are made to legislation. Some aspects of the CMO can be implemented without changes to legislation (e.g. Production and Marketing Plans and new reporting requirements came into force 1<sup>st</sup> January 2014). However, this is not a viable policy option for changes to the labelling requirements as domestic provision to enforce those and the common marketing standards in E & W are required. Industry would not realise benefits and the UK government would risk infraction from the European Commission.

**Option 1 (Preferred):** To update legislation in England and Wales to allow for enforcement of the new CMO regulation. This involves providing powers for enforcement agencies to ensure compliance with the CMO regulation including changes to seafood labelling requirements. This policy option implements the CMO at the least cost by only imposing the minimum mandatory requirements of the regulation and ensuring effective and proportionate enforcement.

**Will the policy be reviewed? It will be reviewed. If applicable, set review date:** 06/2019

Does implementation go beyond minimum EU requirements?			No		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	<b>Micro</b> Yes	<b>&lt; 20</b> Yes	<b>Small</b> Yes	<b>Medium</b> Yes	<b>Large</b> Yes
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b> N/A		<b>Non-traded:</b> N/A

*I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.*

Signed by the responsible SELECT SIGNATORY: ..... Date: .....

# Summary: Analysis & Evidence

# Policy Option 1

**Description:** To update legislation in England and Wales to allow for enforcement of the new CMO regulation. This involves providing powers for enforcement agencies to ensure compliance with the CMO regulation including changes to seafood labelling requirements.

## FULL ECONOMIC ASSESSMENT

Price Base Year 2013	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: -1.78

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	1.8	0.00	1.8

### Description and scale of key monetised costs by 'main affected groups'

Industry familiarisation costs – cost of responsible staff time (including non-wage overheads) to become familiar with regulation and disseminate to colleagues (all assumed to occur in 2014): £574.2k (producers (aquaculture and fishers and Producer Organisations (POs)) £43.0k; processors £2.7k; wholesalers £14.8k; retailers £513.7k).  
 Industry package redesign costs (assumed to mainly impact large retailers): £1.2m spread over 2014 and 2015.  
 Government costs - Marine Management Organisation (MMO) and Welsh Government (WG) advice and familiarisation costs (all assumed to occur in 2014) £3.5k; Local Authority (Trading Standards (TS)) familiarisation costs £24.9k.

### Other key non-monetised costs by 'main affected groups'

It is assumed that non-prepacked (loose sold) seafood businesses will use poster and billboards to display the additional mandatory information at minimal cost (costs of amending posters have not been monetised).  
 It assumed that MMO, WG and TS will be able to enforce the labelling changes and marketing standards under existing or similar regimes at no extra costs. Costs to consumers (e.g. product price increases) are expected to be negligible.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	-	-	-

### Description and scale of key monetised benefits by 'main affected groups'

None – see below.

### Other key non-monetised benefits by 'main affected groups'

The labelling changes will provide information to the consumer on gear type used to catch the relevant fishery and aquaculture products, which is a major factor in the sustainability of a product, and on minimum durability (where appropriate) of those products. This provides greater confidence in the quality of products and allows customers to express preferences for sustainable products. Benefits are not quantified as it has not been possible given the existing evidence base. The CMO is part of measures under the CFP and the European Maritime and Fisheries Fund expected to improve industry sustainability; making attribution of benefits difficult.

<b>Key assumptions/sensitivities/risks</b>	<b>Discount rate (%)</b>	3.5
The costs are based on the assumption that industry will face minimal material costs for the labelling changes resulting from implementation of the CMO in E & W, this is based on advice from the Food and Drink Federation (FDF), the Fishmongers Company (FC), and the Food Standards Agency (FSA) and consultation responses. The only other costs are those associated with the time to become familiar with the legislation. Based on advice from the FSA it is assumed that Trading Standards officers will enforce labelling requirements under existing regime at no extra cost apart from familiarisation. Advice from MMO, FSA and WG indicates that there are no additional ongoing enforcement costs.		

## BUSINESS ASSESSMENT (Option 1)

<b>Direct impact on business (Equivalent Annual) £m:</b>	<b>In scope of OITO?</b>	<b>Measure qualifies as</b>
Costs: 0.16      Benefits: 0      Net: -0.16	No	NA

# Evidence Base

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## 1. Problem Under Consideration and Rationale for Intervention

- 1.1 The Common Fisheries Policy (CFP) is the EU's instrument for the management of fisheries and aquaculture. The CFP is made up of three regulations, the CFP basic regulation, the Common Market Organisation in Fishery and Aquaculture Products (CMO) and the European Maritime and Fisheries Fund (EMFF). Reforms to the CFP basic regulation and the CMO came into force on the 1 January 2014, with support being made available under the EMFF from 2015. The reformed CFP basic regulation can be accessed here here ([Reformed CFP Regulation](#)) and the reformed CMO regulation can be accessed here ([Reformed CMO Regulation](#)).
- 1.2 The ultimate purpose for the package of reforms is to deliver sustainable fish stocks, a prosperous fishing industry and a healthy marine environment. These reforms will help to meet the Government's priorities of growing the rural economy and protecting the environment.
- 1.3 On 31 March 2014 we launched a package of consultations relating to three areas of the reformed CFP. The three consultations specifically covered:
- Proposals to implement the pelagic landing obligation in England;
  - The UK's proposed strategy to implement the EMFF; and
  - Proposed changes to the current fish labelling domestic legislation in England, and new domestic legislation on marketing standards in England and Wales for fishery and aquaculture products.
- 1.4 For each consultation we produced an associated Impact Assessment. As far as possible we have kept the assumptions and methods used across the three Impact Assessments consistent. This final impact assessment incorporates feedback from the consultation to the extent possible. Following a response from the British Retail Consortium (BRC), the mandatory labelling requirements with respect to catch area have been reassessed as additional and included in Option 1 to acknowledge that more detail is required under the new provisions (i.e. the body of water needs to be specified and the country of origin instead of just the country of origin). Paragraph 4.3 summarises the changes to the assessed impacts from the consultation IA as a result of this feedback.
- 1.5 The European Common Organisation of the Markets in Fishery and Aquaculture Products is the EU regime to manage the market and maximise value for EU seafood<sup>1</sup> products. The CMO was established in 1970 and it has been amended at the European level to contribute more to the Common Fisheries Policy objective of sustainable fisheries and aquaculture and to secure the future of the sector. The policy issue is the implementation in England and Wales (E & W) of the reformed CMO, which came into force 1<sup>st</sup> January 2014. National legislation needs to be updated to fully implement the EU regulation. Labelling changes will not come into force until 13<sup>th</sup> December 2014 and from this date member states are obliged to carry out checks to ensure compliance with the marketing standards (MS) requirements<sup>2</sup>. The Marine Management Organisation (MMO) is the enforcement authority in England and the Welsh Government is the enforcement authority in Wales. Enforcement officers, in the MMO and Trading Standards (TS) Officers in Local Authorities, need power to enforce the regulation. The other Devolved Administrations are not in the scope of this impact assessment.
- 1.6 The CMO was the first component of the CFP to be put in place and has been through periodic amendments. It has the following objectives, to:
- Contribute to the achievement of the of the CFP's objectives in particular to the sustainable exploitation of living marine biological resources
  - Enable the fishery and aquaculture industry to apply the CFP at the appropriate level

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<sup>1</sup> Seafood here includes unprocessed fish, molluscs, crustaceans and seaweed harvested from the wild and produced by aquaculture (including freshwater) – see Annex A for list of affected products.

<sup>2</sup> The marketing standards regulations are in force already and the duty to comply is already in force, however the Commission cannot check on compliance until 14 December 2014.

- Strengthen the competitiveness of the Union fishery and aquaculture industry, in particular producers
- Improve transparency and stability of the markets
- Contribute to ensuring a level-playing field for all marketed products in the Union
- Contribute to ensuring consumers have a diverse supply of products
- Provide consumers with verifiable and accurate information on product origin and production method.
- Market stabilisation measures
- Production and marketing plans of producer organisations
- Common marketing standards and consumer information.

1.7 The amendments required to national legislation in E & W to reflect the new requirements in the CMO involve changes to fishery and aquaculture product labelling (unprocessed fish, shellfish and seaweed only – see categories a, b, c & e of Annex A) to give consumers greater information on sustainability and durability. The rules establishing the common marketing standards continue to apply - businesses already have to meet these marketing standards and the policy issue is to update the domestic marketing standards regulation to allow for effective enforcement (i.e. product checks).

1.8 Other changes to the CMO, that do not require changes to national legislation, came into force on 1<sup>st</sup> January 2014. For example, the amended CMO replaces Operational Programmes (OPs) developed by Producer Organisations (POs) with Production and Marketing Plans (PMPs); which have more emphasis on maximising value for producers (e.g. marketing previously discarded fish when CFP landing obligations come into force). These changes were consulted on in August 2011<sup>3</sup> as part of consultations on the CFP reform; so the analysis here focuses only on the parts of the CMO that require amendments to national legislation to implement fully in E & W.

1.9 Overall, intervention is needed in the common market for fishery and aquaculture products as multiple market failures exist. They occur when the market has not and cannot in itself be expected to deliver an efficient outcome.<sup>4</sup> The fishing and aquaculture industry faces multiple challenges ranging from market failures, such as public goods and asymmetric information (e.g. consumer information on product sustainability), to supply shocks caused by natural variation. The latest reform of the CMO aims to contribute to addressing these problems (in conjunction with complimentary policies under the reformed CFP and EMFF Regulations). The following market failures are specific to the fishery and aquaculture sector:

- Public / Common Goods - A number of goods and services provided by the marine environment such as populations of wild fish are 'common goods' (no-one can be excluded from benefiting from them but consumption of the service does diminish the stock available to others) and others, such as biodiversity, are public goods (no-one can be excluded from benefiting from them and consumption does not diminish the amount available to others). The characteristics of public / common goods mean that individuals do not necessarily have an economic incentive to voluntarily contribute effort or money to ensure the continued existence of these goods leading to overconsumption. Furthermore, it is in the interest of each individual to catch as much stock as possible as quickly as possible so that competitors do not take all the benefits. This race to fish leads to an inefficient amount of effort and unsustainable exploitation.
- Negative externalities – These occur when damage to the marine environment is not fully accounted for by users. In many cases no monetary price is attached to marine goods and services therefore the cost of damage is not directly priced by the market. Even for those goods that are traded (such as wild fish), market prices often do not reflect the full economic cost (e.g.

<sup>3</sup> See the following link for details: <https://www.gov.uk/government/consultations/proposals-relating-to-the-common-fisheries-policy-and-the-common-organisation-of-the-markets-in-fishery-and-aquaculture-products>

<sup>4</sup> HMT Green Book (2003) [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220541/green\\_book\\_complete.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf)

lost recreational opportunities or damage to ecosystem services by certain gear types), which ends up being borne by other individuals and society.

- Asymmetric information – Participants in a market do not have access to information or it is costly to obtain. Fishermen cannot perfectly observe stock levels which makes planning of production and fishing at maximum sustainable yield (MSY) difficult to assess. Industry stakeholders may not be aware of investment opportunities that would improve their profitability or know how to access funding for the investments. They cannot anticipate and mitigate supply shocks caused by natural variability and pollution incidents. Furthermore, consumers lack knowledge on the origin and sustainability of products which means they cannot fully express their preferences and provide incentives to industry to adopt better practices.
- Transaction and search costs – Producers, particularly small-scale ones, face high transaction and search costs to find buyers for their products. They are not able to guarantee a stable supply of quality fish throughout the year and so being part of a Producer Organisation can help reduce these costs and give them greater negotiating powers with processors and retailers.

1.10 The CMO aims to contribute to addressing these market failures through its objectives and mechanisms. In particular, POs may be the most appropriate way to manage the shared resource of fish stocks as they encourage cooperation and self-regulation between producers. The reformed CMO places a greater responsibility on POs to ensure a sustainable and stable supply of products and effective enforcement of the marketing standards and labelling requirements will ensure that products are safe and sustainable.

## **2. Policy Objective**

- 2.1 The policy issue is to implement the EU regulation on the Common Organisation of the Markets in Fishery and Aquaculture Products in E & W to provide enforcement agencies (MMO and TS officers) with the necessary power to effectively enforce the regulation (the labelling and marketing standards specifically). This impact assessment covers England and Wales only and other parts of the UK will be covered in separate analyses by the Devolved Administrations. The previous regime needed revising through simplification to improve consistency with the new Common Fisheries Policy and other legislation (e.g. the Food Information Regulations).
- 2.2 The member state duty to carry out obligatory checks to ensure compliance of the marketing standards and the labelling changes (see below) resulting from the CMO come into effect on 13<sup>th</sup> December 2014. Therefore national legislation in England and Wales needs to be amended to meet these obligations.

### **Policy and Impact Assessment Scope**

- 2.3 The scope of this impact assessment is to calculate the effect of the implementation of the CMO labelling and marketing standards requirements across England and Wales and the focus is on mandatory requirements that are not covered by existing legislation (i.e. those that are additional and require amendments to national legislation) for the preferred Option 1. The Government will make use of all possible derogations and not implement early or make any of the voluntary requirements of the regulation mandatory for English and Welsh businesses; as this would be gold-plating and would disadvantage them relative to competitors due to the extra costs they would incur.
- 2.4 The aspects of the CMO Regulation that are covered by existing domestic regulations and do not require changes to national legislation are considered to be part of the baseline (Option 0) and are not assessed here as the associated cost and benefits would occur regardless of the implementation of the new requirements. The CMO only applies to the fishery products listed in Annex 1 of the

legislation (and included as Annex A in this impact assessment). The main sectors affected by the CMO are fully described in Option 0 and they range from seafood producers (both fishers and aquaculture) to producer organisations, processors and preservers, wholesalers, retailers and consumers. The changes resulting from the CMO regulation and which policy option they are applicable to are discussed in the following sections and they are summarised in Table 2 (p. 9).

### Additional Labelling Requirements

2.5 Reform of the CMO compliments existing labelling regulations and this impact assessment monetises the impacts of those requirements that are additional only. Therefore it is necessary to determine which requirements are covered by baseline legislation (Option 0), which are new and require amendments to national legislation in E & W (Option 1) and which are voluntary. The labelling requirements of the CMO come into force 13<sup>th</sup> December 2014. The following table summarises them:

Table 1: Summary of labelling requirements under the reformed CMO and the corresponding domestic and/or EU provisions where applicable (Option 0), require amendments to national legislation in E & W (Option 1), or are voluntary.

CMO Articles 35-39: Applies to product categories 0301 – 0307 and 1212 20 00 (seaweeds and other algae) (see Annex A)	Existing legislation (both domestic and EU) or voluntary	Policy Option Applicable
Commercial designation	The Fish Labelling Regulations 2013 provide for the enforcement of the requirements under Council Regulation 104/2000 and Commission Regulation 2065/2001, the CFP Control Regulation (EC) 1224/2009 and its Implementing Regulation 404/2011	Option 0
Scientific name of the species Previously Frozen Declaration	The Fish Labelling Regulations 2013 provide for the enforcement of the requirements under the Commission Regulation 2065/2001, the CFP Control Regulation (EC) 1224/2009 and its Implementing Regulation 404/2011	Option 0
Production Method (caught at sea, in freshwater or farmed)	The Fish Labelling Regulations 2013 provide for the enforcement of the requirements under the Commission Regulation 2065/2001, the CFP Control Regulation (EC) 1224/2009 and CMO Regulation 104/2000 and its Implementing Regulation 404/2011	Option 0
Catch or Production area. For products caught at sea the name of sub-area or division listed in FAO fishing areas and the zone or map or pictogram showing the zone. Products caught in freshwater, a reference to the body of water	The Fish Labelling Regulations 2013 provide for the enforcement of the requirements under Council Regulation 104/2000 and Commission Regulation 2065/2001, the CFP Control Regulation (EC) 1224/2009 and its Implementing Regulation 404/2011 but more detail is required (i.e. the body of water instead of just the country of origin) so this requirement is classed as additional for the purposes of the IA.	Option 1
Fishing gear used <sup>5</sup>	New mandatory Requirement in CMO Regulation	Option 1
Date of minimum durability (where appropriate)	New mandatory requirement in the CMO Regulation. Related provisions in the Food Information Regulations 1169/2011	Option 1
The date of catch of fishery products or the date of harvest of aquaculture products The date of landing of fishery products or information on the port at which the products were landed More detailed information on the type of fishing gear, as listed in the second column of Annex III <sup>6</sup> In the case of fishery products caught at sea, details of the flag State of the vessel that caught those products; Environmental information, information of an ethical or social nature, information on production techniques and practices, information on the nutritional content of the product	Voluntary Information	N/A
A Quick Response (QR) <sup>7</sup> code may be used outlining part or all of the mandatory information	Voluntary Measure	N/A

<sup>5</sup> The mandatory information required on gear types used is given by the first column of Annex III of the legislation and is included as Annex B in this impact assessment.

<sup>6</sup> See the second column of Annex B.

<sup>7</sup> A QR code is a matrix that is readable by smart phone or other scanner in order to obtain detailed information on a product electronically that would not fit on the label otherwise.

## Marketing Standards

- 2.6 Marketing standards already cover quality, size or weight, packing, presentation and labelling. The new CMO allows for marketing standards to be laid down that relate to minimum marketing sizes corresponding, where relevant, to minimum conservation sizes in accordance with CFP and specifications of preserved products in accordance with conservation requirements and international obligations.
- 2.7 The agreement between the MMO and Defra under s14 of the Marine and Coastal Access Act (MCAA) 2009 dated July 2012<sup>8</sup> list as one of the authorised functions to be performed by the MMO as: “Inspections to ensure compliance with fisheries marketing standards.” This is considered as part of Option 1 as national legislation needs to be amended. Member states are obliged to ensure enforcement of the marketing standards requirements through obligatory checks from 13<sup>th</sup> December 2014.

## Producer Organisation Mandatory Objectives

2.8 Under the reformed CMO, the following are mandatory objectives for Fishery POs, to:

- promote viable and sustainable fishing activities
- avoid and reduce as far as possible unwanted catches of commercial stocks
- contribute to traceability of fishery products and access to clear and comprehensive consumer information
- contribute to the elimination of illegal, unreported and unregulated fishing

2.9 Aquaculture POs must pursue the following objectives, to:

- promote sustainable aquaculture activities of their members
- Ascertain that members activities are consistent with the national strategic plans
- Endeavour to ensure that aquaculture feed products of fishery origin come from sustainable fisheries

2.10 Producer Organisations must also pursue two or more of the following objectives:

- Improve conditions for the placing on the market of members products
- Improving economic returns
- Stabilise the markets
- Contribute to food supply and promoting high quality food and safety standards, while contributing to employment in coastal and rural areas
- Reduce the environmental impact of fishing, including through to improve the selectivity of fishing gears

2.11 In practice these objectives are likely to be achieved through production and marketing plans (“PMPs”) which are produced by POs and with which their members (and sometimes non-members in the same fishery in the circumstances set out in article 22 of the CMO) have to comply. Producer Organisations previously prepared and submitted to the MMO an operational programme (“OP”)

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<sup>8</sup> <http://www.marinemanagement.org.uk/about/documents/section14.pdf>

containing the measures necessary for them to fulfil their objectives. Under the reformed CMO the PMP requires more detail than OPs on marketing activities and they also have to provide relevant details of their sources of funding and membership to increase transparency.

2.12 The new mandatory requirements mean that POs are likely to incur additional costs in preparing their PMPs due to the greater scope and detail needed and the need to report on the activities under the plan relative to the previous CMO. However, as these requirements are directly applicable from 1<sup>st</sup> January 2014 they are considered as part of the baseline Option 0 and are not assessed in this impact assessment. POs may be able to recover costs for preparing PMP under the European Maritime and Fisheries Fund (EMFF), meaning the costs to industry would be minimal<sup>9</sup>. Furthermore, marketing measures with the aim of restructuring POs or associations of POs may also be funded by the EMFF.

### Storage Aid

2.13 There are provisions under the reformed CMO for the continuation of Storage Aid where producers are given financial assistance to store products for human consumption in freezers if the price of their product drops below a minimum threshold. The original aim of this mechanism was to stabilise prices and supply but it has not been used in England and Wales since 2002 and it is due to be phased out by the end of 2018 under the reformed CMO. This does not require an amendment to national legislation and no costs are expected as a result of Storage Aid to either government or industry between now and the end of 2018<sup>10</sup>. Therefore it is part of the baseline Option 0.

### Summary of CMO Measures

2.14 The following table summarises the measures under the reformed CMO and which policy option they are applicable to in this impact assessment.

Table 2: Summary of the measures under the reformed CMO and which policy option they are applicable to.

<b>CMO Measure</b>	<b>Policy Option Applicable</b>
Labelling: commercial designation, scientific name of the species, previously frozen declaration, production method	Option 0
Producer Organisation objectives and Production and Marketing Plan containing annual production and marketing strategies to ensure maximum value and a stable supply of products throughout the year	Option 0
Storage Aid: funding to store products intended for human consumption when price drops below a minimum threshold (to be phased out by end 2018)	Option 0
Marketing Standards: relating to the weight, size, quality, presentation and freshness of certain fishery products (sea fish resources set out in the marketing standards regs)	Option 1
Labelling: catch area, fishing gear used, date of minimum durability	Option 1
Labelling: date of catch/ harvest, date of landing, port landed, detailed fishing gear, vessel flag, other environmental / ethical info	N/A (voluntary)
Quick Response code to provide information	N/A (voluntary)
PO additional measures (e.g. vocational training for members) to achieve objectives	N/A (voluntary)

<sup>9</sup> The EMFF is still under negotiation and so these costs may not be recoverable under the EMFF and in individual cases the application for funding may not be successful anyway.

<sup>10</sup> There are provisions to fund Storage Aid under the EMFF but it is not expected to be needed over the period to end 2018. If the mechanism were to be used it would represent a cost to the UK government and a benefit to industry. It is not possible to quantify it and it is expected to be zero over this period.

### 3. Description of Options Considered

#### Option 0 (Baseline) and Main Affected Groups

3.1 It is assumed that the CMO reforms come into force but no amendments are made to legislation. Some aspects of the CMO can be implemented without changes to legislation (e.g. Production and Marketing Plans and new reporting requirements came into force 1<sup>st</sup> January 2014). However, this is not a viable policy option for changes to the labelling requirements as domestic provision to enforce those and the common marketing standards in E & W are required. Industry would not realise benefits and the UK government would risk infraction from the European Commission.

#### Main Affected Groups

3.2 In the following paragraphs the main groups affected by implementation of the CMO in E & W and their scale are described. It is assumed that the number of businesses and employees in each group remain the same in the baseline as for Option 1; as the additional impacts of CMO implementation are minor meaning organisations are not expected to leave or enter the market. The latest data from official and reliable sources are used but this has meant that not all data relates to the same year; with some available from 2012 and other statistics from earlier years. However, this is unavoidable and the following builds up the most accurate picture possible of the sectors affected.

#### Producers (Fishers, Aquaculture Businesses & Producer Organisations)

3.3 In 2012 there were 3,592 vessels in all sectors of the fleet with 3,002 10m and under in length and the remaining 590 over 10m (MMO, 2013)<sup>11</sup>. In 2012, there were 6,944 fishermen in England and Wales the total value of landings (into the UK and abroad) of English and Welsh administered vessels was £241.3m in 2012 (MMO, 2013). All of these producers will be affected by implementation of the CMO due to marketing requirements and labelling changes.

3.4 There are 11 Fish Producer Organisations (FPOs) in the England and Wales which represented 346 over 10m in length vessels in 2012 or approximately 59% of the English and Welsh over 10m fleet<sup>12</sup> (MMO, 2013). The value of landings of vessels in English and Welsh FPOs totalled £213.4m meaning those vessels who are members produce the majority of the catch by value (88%). Membership of a PO is not mandatory and of the Over 10s, there are those that belong to a PO (the Sector) and those that do not (the Non-Sector). The under 10s can also join a PO to enjoy the benefits of marketing and access to quota that comes with the PO membership. However, the UK Sea Fisheries Statistics 2012 does not have figures on under 10m membership of POs (MMO, 2013) but analysis from the MMO suggests that 16 under 10m vessels are members of POs in England and Wales (MMO *pers. comm.*). This minimal small vessel membership is due to the cost of joining, because the vessel doesn't have fixed tradable quotas or because they fish for non-quota species such as shellfish when their monthly quota runs out meaning the requirement for a PO is less.

3.5 There are 292 aquaculture sites in England and Wales employing 1,006 full-time equivalent ("FTE") people and in 2011 the total value of UK shellfish<sup>13</sup> produced was valued at £19.1m and in 2010 (2011 data not given) the value of aquaculture finfish<sup>14</sup> production was £484m (Seafish, 2013)<sup>15</sup>. English and Welsh aquaculture businesses produced 45% of UK Shellfish and 5% of the farmed finfish by weight (Seafish, 2013) which, assuming the same value per tonne across the UK, is worth

<sup>11</sup> MMO 2013: "UK Sea Fisheries Statistics 2012". <http://www.marinemanagement.org.uk/fisheries/statistics/documents/ukseafish/2012/final.pdf>

<sup>12</sup> This is based on 346 vessels in English and Welsh POs out of 590 English and Welsh administered vessels in 2012 (MMO, 2013). However, in reality Scottish, Northern Irish and other nationality vessels may be members of English and Welsh POs and vice versa; meaning this is just an estimate based on the assumption that only English and Welsh Vessels are members of English and Welsh POs.

<sup>13</sup> Shellfish can include freshwater, saltwater, and diadromous (lives in both types of water) shellfish such as mussels, scallops and oysters.

<sup>14</sup> Finfish can include freshwater, saltwater, and diadromous (lives in both types of water) fish such as Atlantic salmon, trout and carp.

<sup>15</sup> Seafish 2013: "The Seafish Guide to Aquaculture". [http://www.seafish.org/media/publications/SeafishGuidetoAquaculture\\_201309.pdf](http://www.seafish.org/media/publications/SeafishGuidetoAquaculture_201309.pdf)

£8.6m and £24.2m per annum respectively. There is 1 Aquaculture Producer Organisation (APO) in England and Wales (Seafish 2011)<sup>16</sup>.

Table 3: Producers (Fishers, Aquaculture Businesses & Producer Organisations) in England and Wales (MMO 2013 & Seafish 2013).

Region	Producer Organisations (APOs & FPOs)	Vessels (by country registration)	Aquaculture sites
England	12	3,113	292
Wales		479	
<b>Total</b>	<b>12</b>	<b>3,592</b>	<b>292</b>

### Fish Processors and Inter-branch Organisations

3.6 Seafood Scotland is the UK's only formally recognised Inter-branch Organisation for fishery and aquaculture products<sup>17</sup>, therefore IBOs are outside the scope of this Impact Assessment. Fish processors and preservers will also be affected by reform of the CMO due to the new labelling requirements and the need to obtain this information from further along the supply chain. A report on the Seafood Processing industries estimates that processors employ 6,579 FTE people in England and Wales (Seafish, 2012)<sup>18</sup>. The following table quantifies the number of seafood processors in the England and Wales.

Table 4: Seafood processors and preservers in England and Wales (Interdepartmental Business Register (IDBR) 2011/12 supplemented by data from Defra 2013)<sup>19</sup>.

Region/size (employees)	Micro (0-9)	Small (10 - 49)	Medium (50 - 249)	Large (250+)	Total
England	105	45	20	5	175
Wales	3	1	1	0	5
<b>Total</b>	<b>108</b>	<b>46</b>	<b>21</b>	<b>5</b>	<b>180</b>

### Fish Wholesalers and Retailers

3.7 Fish wholesalers and retailers will also be impacted upon due to the new mandatory labelling and marketing standards requirements. In 2012, the UK seafood sector was worth around £5.6 billion (Seafish, 2013a)<sup>20</sup>. The following tables summarise the two groups in England and Wales.

Table 5: Seafood wholesalers in England and Wales (IDBR 2011/2012 and Defra 2013).

Country	Micro	Small	Medium	Large	Total
England	1,005	220	30	5	1,260
Wales	40	9	2	0	51
<b>Total</b>	<b>1,045</b>	<b>229</b>	<b>32</b>	<b>5</b>	<b>1,311</b>

Table 6: Seafood Retailers in in England and Wales (IDBR 2011/2012 and Defra 2013).

Country	Micro	Small	Medium	Large	Total
England	38,290	1,920	145	45	40,400
Wales	2,294	184	13	4	2,495
<b>Total</b>	<b>40,584</b>	<b>2,104</b>	<b>158</b>	<b>49</b>	<b>42,895</b>

3.8 Seafood retailers here include any retailer that could potential sell seafood products encompassing general food retailers, retailers not in stores, stalls and markets and those within. In addition, some of

<sup>16</sup> Seafish 2011: "Who's who in UK Aquaculture".

[http://www.seafish.org/media/Publications/SeafishSummary\\_WhosWhoInUKaquaculture\\_201111.pdf](http://www.seafish.org/media/Publications/SeafishSummary_WhosWhoInUKaquaculture_201111.pdf)

<sup>17</sup> This is because an IBO's aim is to improve the coordination of, and the conditions for, making fishery and aquaculture products available along the supply chain and on the market and can operate over a large area. There are 5 IBOs across the whole EU.

<sup>18</sup> Seafish 2012: "2012 Survey of the UK Seafood Processing Industry".

[http://www.seafish.org/media/Publications/2012\\_Survey\\_of\\_the\\_UK\\_Seafood\\_Processing\\_Industry.pdf](http://www.seafish.org/media/Publications/2012_Survey_of_the_UK_Seafood_Processing_Industry.pdf)

<sup>19</sup> Up-to-date IDBR date not available for Wales by business size so Welsh data (2010) taken from Defra 2013: "Amending the Fish Labelling (England) Regulations 2010". [http://www.legislation.gov.uk/ukia/2013/83/pdfs/ukia\\_20130083\\_en.pdf](http://www.legislation.gov.uk/ukia/2013/83/pdfs/ukia_20130083_en.pdf)

<sup>20</sup> Seafish, 2013a: "Seafood is a multi-billion pound industry in the UK". <http://www.seafish.org/research--economics/market-insight/market-summary>

the businesses included above could be part of the same organisation meaning they would share management. Therefore the affected population and subsequent costs based on it are likely to be overestimates.

### Consumers

3.9 Successful implementation of the marketing standards and labelling requirements of the CMO in E & W will provide consumers with more information about the sustainability of fish products; as gear type used is a substantial factor in determining environmental impact of a product. This additional information should help consumers choose products that are sourced sustainably and labelling and marketing standards will give them confidence in the quality and safety of products. The changes to national legislation are not expected to place costs directly on consumers but increased costs along the supply chain could be passed onto them in the form of higher prices.

### Government

3.10 The primary responsibility for enforcing the CMO in England lies with the Marine Management Organisation and in Wales with the Welsh Government. The Marine Management Organisation (MMO) and Welsh Government previously checked operational programmes from POs of their activities and approved them and ensured that they met their objectives. Advice from the MMO and WG states that this currently takes 2-3 weeks of one person's time a year. They currently receive and check PO Production and Marketing Plans and approve those plans for implementation. In addition Trading Standards Officers in Local Authorities enforce labelling and marketing standards requirements at the point of final sale. It is assumed that 1 Trading Standards officer is needed to enforce seafood labelling per local authority (LA) and there are 455 LAs in England and Wales (Defra, 2013).

### **Option 1 (Preferred)**

3.11 To update legislation in England and Wales to allow for enforcement of the new CMO regulation. This involves providing powers for enforcement agencies to ensure compliance with the CMO regulation including changes to seafood labelling requirements. This policy option implements the CMO at the least cost by only imposing the minimum mandatory requirements of the regulation and ensuring effective and proportionate enforcement.

### Enforcement Powers proposed under Option 1

3.12 The new CMO is delivered through Regulation 1379/2013 which came into force on 1 January 2014. The requirements in respect of marketing and fish labelling need to be implemented into English and Welsh legislation to give enforcement officers of the Marine Management Organisation and Trading Standards Officers the power, including entering premises to carry out compliance checks, to enforce the new Regulation. An absence of adequate regulation on marketing standards could lead to fish and aquaculture products not being checked for size, weight, freshness, quality, packing, presentation and labelling of the relevant fishery and aquaculture products. This could lead to unsafe and / or illegal products entering the human food chain and with no recourse to fines.

3.13 The aim is to ensure that fish and aquaculture products are safe to the consumer and the environment. The new domestic legislation will allow inspectors to search premises (other than premises used as a dwelling) and gather evidence of criminal activities and serve improvement or compliance notices in the first instance where enforcement bodies have found evidence of non-compliance of EU or national legislation. Failure to provide the MMO, WG and TSOs with the power to check compliance with the regulation and will be detrimental to consumer protection, with an increased likelihood of unfit, unsafe, undersized fish entering the food chain as these are checks carried out on point of first sale and then further down the line, which relate to traceability of products.

In view of the possibility of serious risk to human health and to the environment that would result if the regulations were not enforced or in place, it is considered justifiable and proportionate to include the powers of entry proposed. As the powers relate to business premises, there is no anticipated impact on civil liberties.

#### **4. Costs of Policy Options**

- 4.1 Analysis is carried out over a 10 year period as per Green Book guidance; so the analysis period is 2014-2023. The revised CMO will be reviewed in 2019 by Defra and by the commission in 2022. Overall, implementation in E & W is expected to affect approximately 48,000 businesses but these effects will be individually minor. Costs are discounted at the treasury discount rate of 3.5%.
- 4.2 The costs of the preferred option have been informed by preliminary industry consultations including multiple requests for evidence and a face-to-face meeting with POs in October 2013. In addition expert advice was provided by the MMO, the Food and Drink Federation (FDF), the Fishmongers' Company (FMC), the Food Standards Agency (FSA) and Welsh Government. Costs have been further refined following responses to the formal consultation in April 2014 (see below).

#### **Summary of why costs of changed in response to the consultation**

- 4.3 The consultation in April 2014 received five responses, two of which referred directly to the IA and one provided evidence that could be used to refine costs. Following a response from the British Retail Consortium, the mandatory labelling requirements with respect to catch area have been reassessed as additional to existing mandatory requirements and where not covered in the original IA sufficiently. They are now included in Option 1 to acknowledge that more detail is required under the new provisions (i.e. the body of water needs to be specified instead of just the country of origin). In addition, the BRC provided information on the costs of labelling legislation changes to business and an estimate of the number of products that would be affected by the new mandatory labelling requirements of the reformed CMO. Analysis of the impacts of these changes has been included in paragraphs 4.6 & 4.7 and the assumptions are included there.

#### **Option 0 (baseline)**

- 4.4 The amended CMO came into force 1<sup>st</sup> January 2014. Some parts of the reformed CMO (the PMP changes and PO reporting requirements that require no amendments to legislation) are already applicable in E & W. The elements of the amended CMO that are the focus of this analysis are those aspects which require changes in legislation, in particular updating the marketing standards regulations and reflecting the necessary labelling changes which come into force 13<sup>th</sup> December 2014. Therefore the relevant baseline costs are the costs of complying with and enforcing the labelling requirements and marketing standards under the previous CMO, the enforcement costs are not anticipated to be any greater under option 1 than option 0 based on advice from the MMO, WG, and FSA. Baseline costs have not been quantified as they will occur regardless of implementation of the CMO under Option 1.

#### **Option 1 (preferred)**

##### Industry Costs

- 4.5 Industry will be affected due to the minor labelling changes resulting from the implementation of the reformed CMO in E & W. This analysis follows the methodology from the impact assessments on Provision of Food Information to Consumers Regulation (FIC)<sup>21</sup> and Amending the Fish Labelling

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<sup>21</sup> Defra, 2012: "Impact Assessment on a Statutory Instrument implementing Regulation (EU) 1169/2011 on the provision of food information to consumers" (Defra IA 1443). [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/82667/consult-fic-ia-20121107.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/82667/consult-fic-ia-20121107.pdf)

Regulations (England) 2010<sup>9</sup> and the Campden 2010<sup>22</sup> Defra commissioned report on the costs of labelling changes in the UK. Labelling changes can be classed as major or minor. Following advice from the FDF, the FMC and FSA, the labelling changes resulting from the CMO can be classed as minor, meaning only the text will change on a single face of the label and no packaging size modification is required to accommodate this (Campden 2010).

- 4.6 However, in a response to the formal consultation the BRC stated that ‘even the smallest of additions could require a packaging re-design (or re-plating) which costs an average of £1,500’ (BRC, 2014). It is acknowledged that this is potentially the case for some products and as such an estimate of the impact to business has been included in the final IA. The BRC estimated that 400-1,200 products would be affected by the new mandatory provisions. It is not possible to verify this figure but an average of 800 products affected is used for the purposes of the IA. This is likely to be an overestimate as businesses can include the additional mandatory information on Quick Response codes, which are usable by smart phones, and where products already have QR codes no packaging redesign would be required. In addition, some products may already be complying with the new mandatory requirements of the CMO regulation by currently voluntarily supplying the information to consumers because there is a commercial advantage in doing so. It is assumed that businesses would always choose the least cost option in order to comply with legislation and avoid package re-design if possible. It would be difficult to attribute a particular re-design to the mandatory provisions of the CMO as there are several market and legislative factors which influence the choice of design when packaging is changed. Finally, the range of products affected is limited to Annex 1 of the European legislation (and included as Annex A here) which is a fraction of all fisheries and aquaculture products. Therefore, costs calculated here are likely to be an upper-end estimate.
- 4.7 The number of businesses affected by the need to redesign packaging is uncertain and the number of products affected provided by BRC is assumed to be spread across several businesses. It is likely that the businesses most affected are the larger retailers as they have a greater product range and have a more complex labelling design process. As the labelling cycle for products is 18 months to several years (BRC, 2014), it is assumed that these one-off costs for labelling changes are occurred over 2 years (in 2014 and 2015) as fishery and aquaculture products and their packages which were labelled or marked prior to 13 December 2014 and which do not comply with this Article may be marketed until such stocks have been used up. In the absence of other information it is assumed that the costs are split evenly between the two years. The following table summarises the assumptions used to calculate labelling costs:

Table 7: Assumptions for assessment of labelling costs to business based on BRC consultation response

Assumption	Value
Assumed cost per product for package redesign above baseline costs	£1,500
Assumed number of products which require package redesign due to new mandatory labelling requirements	800
Time period over which costs occur	2 years (2014 & 2015)
Assumed distribution of costs	50% in each year (£750 per product per annum)
Assumed size and type of businesses affected	Large Retailers <sup>23</sup>

- 4.8 It is assumed that information on generic gear types is already held by businesses (or can be easily obtained from the supply chain) and dates of minimum durability can be estimated by producers, processors and retailers at no extra cost since, for packaged products, they have to display a date of minimum durability anyway. Freshness of fish is determined by many factors such as handling, processing, whether previously frozen or not and time since caught or produced. For fish mongers,

<sup>22</sup> Campden 2010: “Developing a framework for assessing the costs of labelling changes in the UK” (FFG 0901).

<http://archive.defra.gov.uk/evidence/economics/foodfarm/reports/documents/labelling-changes.pdf>

<sup>23</sup> It is acknowledged that some other types of businesses such as wholesalers and processors could be affected and also some smaller businesses. However, cost calculations are based on number of products affected and it is not possible to quantify the number of businesses that will be impact or their size based on the information given.

there are potentially additional complications resulting from the possible mixing of batches of slightly different freshness and new products being added to the counter throughout the day. However, the FDF advised that businesses could take a pragmatic and precautionary approach and advise that customers consume all products on the day or within a few days of purchase at no additional cost to them. Therefore these labelling costs are expected to be negligible and are not quantified. MS costs are also expected to be negligible as the requirements broadly align with pre-existing legislation (i.e. products already have to meet these standards).

4.9 The enforcement powers proposed are also not expected to place costs on businesses above baseline costs. While inspections may cause inconvenience, enforcement officers already carry out visits to markets, processors and producer organisations to check that business complies with the legislation. These enforcement officers may take enforcement action during a routine inspection. The MMO and Trading Standard Officers also investigate allegations of illegal activities. The proposed enforcement framework will provide in England the Marine Management Organisation, as the principal enforcement body, and Trading Standards Officers, the power to ensure compliance with the marketing standards outlined in the CMO Regulation and its accompanying implementing legislation. The Marine Management Organisation will be the principal enforcement body for the marketing standards. Trading Standards Officers will have powers to enforce should they wish to do so e.g. for traceability. Enforcement in Wales will be the responsibility of the Welsh Government. The provisions in the CMO in respect of labelling will result in minor amendments to existing fish labelling legislation to ensure the mandatory information is included.

4.10 The enforcement strategy is proportionate and iterative. No prosecutions have taken place in the last 14 years under the previous CMO EU Regulation, which came into force in January 2000, as compliance has been good and therefore no additional costs to industry are envisaged. The new requirements are intended to stay within the scope of existing penalties – i.e. not having more severe penalties than exist for other aspects of the marketing regime. Therefore, there are no anticipated impacts on the justice system but this is based on the assumption that compliance remains high as before.

4.11 Therefore, all costs resulting from the additional mandatory labelling and Marketing Standards requirements are one-off familiarisation costs and additional package redesign costs. The time to familiarise is based on advice from MMO, which was informed by preliminary industry consultations, and Defra IA 1443. Familiarisation is the time taken for responsible employees to read and familiarise themselves with the new legislation and disseminate the information to colleagues multiplied by their wage rate (+30% to account for non-wage overheads) (Table 6); multiplied by the number of businesses (tables 3–6); in line with standard cost methodology. Time to familiarise varies by business size as it is assumed that dissemination takes longer with more employees.

Table 8: Proxy hourly gross mean wages rates including overtime (Annual Survey of Hours and Earnings (ASHE) 2012) and time to familiarise (MMO, WG & Defra, 2013).

Type of business	Hourly wage rate	Hourly wage rate plus 30% to include non-wage overheads	Time to Familiarise (Hours)
Managers and proprietors in forestry, fishing and related services (proxy for aquaculture managers and fishers)	£15.73	£20.45	fishers: 0.5 aquaculture: 1
Managers and directors in retail and wholesale (proxy for micro and small processors and wholesalers)	£13.79	£17.93	micro: 0.5 small: 1
Shopkeepers and proprietors – wholesale and retail (proxy for micro and small retailers)	£17.33	£22.53	micro: 0.5 small: 1
Shopkeepers and proprietors – wholesale and retail (proxy for medium and large processors and wholesalers)	£17.33	£22.53	medium: 1.5 large: 2
Quality assurance and regulatory professionals (proxy for PO managers and medium and large retailers)	£21.01	£27.31	POs: 1 medium retailers: 1.5 large retailers: 2
Quality assurance and regulatory professionals (proxy for TS officers and MMO/Welsh Government officers)	£21.01	£27.31	TS officers: 2 MMO/WG Officers: 4

4.12 Using the assumptions in Table 8 above and the number of businesses affected, the following industry familiarisation costs are obtained:

Table 9: Familiarisation costs to Seafood processors and preservers in England and Wales

Region/ size	Micro (0-9)	Small (10 - 49)	Medium (50 - 249)	Large (250+)	Total	Annual Equivalent (10 years)
England	£941	£807	£676	£225	£2,649	£265
Wales	£27	£18	£34	£0	£79	£8
<b>Total</b>	<b>£968</b>	<b>£825</b>	<b>£710</b>	<b>£225</b>	<b>£2,728</b>	<b>£273</b>

Table 10: Familiarisation costs to Seafood wholesalers in England and Wales

Region/ size	Micro (0-9)	Small (10 - 49)	Medium (50 - 249)	Large (250+)	Total	Annual Equivalent (10 years)
England	£9,008	£3,944	£1,014	£225	£14,191	£1,419
Wales	£359	£161	£68	£0	£587	£59
<b>Total</b>	<b>£9,367</b>	<b>£4,105</b>	<b>£1,081</b>	<b>£225</b>	<b>£14,779</b>	<b>£1,478</b>

Table 11: Familiarisation costs to Retailers in England and Wales

Region/ size	Micro (0-9)	Small (10 - 49)	Medium (50 - 249)	Large (250+)	Total	Annual Equivalent (10 years)
England	£431,318	£43,256	£5,941	£2,458	£482,972	£48,297
Wales	£25,841	£4,145	£533	£219	£30,737	£3,074
<b>Total</b>	<b>£457,158</b>	<b>£47,401</b>	<b>£6,473</b>	<b>£2,677</b>	<b>£513,709</b>	<b>£51,371</b>

4.13 In addition, familiarisation costs are accrued by Producer Organisations (12 in total with both FPOs and APOs), the fishing fleet (all 3,592 vessels) and aquaculture businesses (292). Based on wage rates and assumed familiarisation times in Table 7, the following costs are obtained.

Table 12: Fishers and Aquaculture business costs from CMO familiarisation.

Type	Total	Annual Equivalent (10 years)
Fishers	£36,726	£3,673
Aquaculture	£5,971	£597
Producer Organisations	£328	£33
<b>Total</b>	<b>£43,025</b>	<b>£4,303</b>

4.14 Using the assumptions in Table 7, the following industry labelling costs are obtained:

Table 13: Costs to industry for package redesigns (assumed to mainly impact larger retailers)

Year	Assumed cost per product for package redesign above baseline costs	Assumed number of products which require package redesign due to new mandatory labelling requirements	Total	Annual Equivalent (10 years)
2014	£750	800	£600,000	£60,000
2015	£750		£600,000	£60,000
<b>Total</b>	<b>£1,500</b>	<b>800</b>	<b>£1,200,000</b>	<b>N/A</b>

## Government Costs

4.15 Four hours of familiarisation time for 7 officers in 2014 are assumed (i.e. 28 hours) based on advice from MMO and WG. This is the time required for them to become familiar with the amendments that come into force 13<sup>th</sup> December 2014. In addition, the equivalent of 100 extra hours in 2014 is estimated to be required for advice, education and focus groups with stakeholders to help them with compliance prior to 13<sup>th</sup> December 2014. This equates to £3,496 in 2014. There are no anticipated ongoing costs above baseline costs to the MMO or WG.

4.16 The FSA, who work with the enforcement officers in the local Trading Standards agencies, have indicated that the additional mandatory labelling and marketing standards requirements can be enforced under the existing system at no extra costs. This is because the labelling and MS changes are minor and broadly align with existing legislation. Therefore, the only costs to Trading Standards are familiarisation costs, which are assumed to be 2 hours and of TS officer's time. It is assumed that local authorities in E & W have 1 responsible officer and there are 455 LAs.

Table 14: Familiarisation costs to Trading Standards Officers in England and Wales

Region	Total Familiarisation Costs	Annual Equivalent (10 years)
England	£23,653	£2,365
Wales	£1,202	£120
<b>Total</b>	<b>£24,855</b>	<b>£2,485</b>

## Summary of Costs

4.17As discussed, the net impacts of implementation of the reformed CMO in E & W are expected to be minimal as changes from the baseline are not significant and costs here are likely to be an overestimation due to conservative assumptions on the number of businesses impacted, their wage rates and the time take to become familiar with legislation. **Option 1 results in a net present cost to business of £1.75m (undiscounted 10 year annual average £177.42k) and an EANCB of £0.16m.** Table 15 summarises the costs of Option 1.

Table 15: Total costs and their net present values of policy Option 1.

Type	Familiarisation / Advice Costs (2014)	Package Redesign Costs (Total over 2014 & 2015)	Total	Annual Equivalent (10 years)	Net Present Value of Costs
Producers (Fishers, Aquaculture and POs)	£43,025	0	£43,025	£4,303	£43,025
Processors and Preservers	£2,728	0	£2,728	£273	£2,728
Wholesalers	£14,779	0	£14,779	£1,478	£14,779
Retailers	£513,709	£1,200,000	£1,713,709	£171,371	£1,693,419
<b>Total Private</b>	<b>£574,241</b>	<b>£1,200,000</b>	<b>£1,774,241</b>	<b>£177,424</b>	<b>£1,753,951</b>
Local Authorities	£24,855	0	£24,855	£2,485	£24,855
Marine Management Organisation and Welsh Government	£3,496	0	£3,496	£350	£3,496
<b>Total Public</b>	<b>£28,351</b>	<b>0</b>	<b>£28,351</b>	<b>£2,835</b>	<b>£28,351</b>
<b>Total</b>	<b>£602,592</b>	<b>£1,200,000</b>	<b>£1,802,592</b>	<b>£180,259</b>	<b>£1,782,302</b>

## 5. Benefits

5.1 Consumers will benefit from additional information and choice and industry may be able to command greater sustainability premiums as products are distinguished in more detail by gear types. Ensuring enforcement of the marketing standards and labelling requirements will protect customers, who can be sure of what they are buying and its quality.

5.2 The benefits of the preferred option 1 are not quantified or monetised as it has not been possible given the existing evidence base. In addition, implementation of the CMO reform in E & W will be complimented by policies under the CFP and EMFF that aim to improve industry profitability and sustainability; making attribution of benefits to the CMO alone difficult. The consultation will seek to quantify and monetise benefits under CMO implementation in E & W.

## 6. Conclusion

6.1 The Common Organisation of the Markets in Fishery and Aquaculture Products was outdated and needed revising through simplification and added transparency to meet the objectives of the new CFP and to achieve consistency with other legislation (e.g. the Food Information Regulations). Reform of the CMO aims to bring it into line with current modern market practices and to provide a strong, efficient and transparent internal market for fisheries and aquaculture products and to ensure there is maximum added value.

6.2 The implementation of the CMO in England and Wales aims to meet these objectives but also minimise burdens on businesses and government. The Government's approach is necessary and proportionate and it provides industry with certainty by stating exactly what enforcement agencies will do. The proposed changes to national legislation in England and Wales are necessary to fully implement the CMO and the enforcement powers proposed are a proportionate response to the

requirements of the EU regulation. Overall, if the reformed CMO meets its objectives, supply of fishery and aquaculture products will be more stable and so will their prices. The market will be more efficient, transparent, sustainable and profitable.

**Small firm impact:** No firms are exempt from this policy as the CMO applies to the entire fisheries and aquaculture industry in England and Wales. It is not appropriate to exclude small businesses from the proposed legislation changes as the majority of the industry is composed of smaller business and excluding them would mean CMO objectives could not be met. However, as it is implemented in the most cost effective and efficient way, there is no disproportionate impact on small businesses.

**One in Two Out status:** The Common Organisation of the Markets in Fishery and Aquaculture products EU obligation as defined in the reformed CFP basic regulation and is legally binding (carries an infraction risk if not implemented correctly). The preferred policy option implements the CMO in the most efficient and cost effective way, ensuring minimum cost to industry, and is therefore not gold plating. As such, this measure does not fall under one-in two-out rules.

### **Direct costs and benefits to business calculations (following OITO methodology)**

This is an EU measure and it does not fall under the scope of OITO and therefore the direct costs and benefits are not described here (although they are discussed in the costs and benefits sections).

### **Competition Assessment**

This CMO is applicable to all businesses involved in the production of the seafood products listed in Annex 1 of the European legislation (and included as Annex A here) in England and Wales. However, as the changes proposed here are minor relative to the baseline, changes to the competition as a result of implementation are not expected.

### **Monitoring and Evaluation**

The revised CMO will be reviewed in 2019 by Defra and by the commission in 2022. Further reforms of the CMO could be negotiated from this date if necessary.

### **Enforcement and Sanctions:**

Each Devolved Administration is responsible for enforcing the requirements of the reformed CMO. The powers proposed for the MMO, WG and Trading Standards officers are a proportionate response to the issues. Enforcement officers already carry out routine visits to markets, processors and producer organisations to check that business complies with the legislation. These enforcement officers may take enforcement action during a routine inspection. However, no prosecutions have taken place in the last 14 years under the previous CMO EU Regulation which came into force in January 2000. The new requirements are intended to stay within the scope of existing penalties – i.e. not having more severe penalties than exist for other aspects of the marketing regime. Therefore, there are no anticipated impacts on the justice system but this is based on the assumption that compliance remains high as before.

### **Implementation Plan**

The implementation of the reformed CMO is one of a suite of measures under the CFP. The additional labelling requirements of the CMO will come into force 13<sup>th</sup> December 2014. The proposed changes to national legislation to implement the CMO in E & W will be consulted on during April 2014 alongside proposals to implement the EMFF in the UK and the Pelagic Landing Obligation under the CFP in England.

## 7. Annexes

### Annex A: Fishery and Aquaculture Products Covered by the CMO

CN code	Description of the goods
(a) 0301	Live fish
0302	Fish, fresh or chilled, excluding fish fillets and other fish meat of heading 0304
0303	Fish, frozen, excluding fish fillets and other fish meat of heading 0304
0304	Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen
(b) 0305	Fish, dried, salted or in brine; smoked fish, whether or not cooked before or during the smoking process; flours, meals and pellets of fish, fit for human consumption
(c) 0306	Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; crustaceans, in shell, cooked by steaming or by boiling in water, whether or not chilled, frozen, dried, salted or in brine; flours, meals and pellets of crustaceans, fit for human consumption
0307	Molluscs, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; aquatic invertebrates other than crustaceans and molluscs, live, fresh, chilled, frozen, dried, salted or in brine; flours, meals and pellets of aquatic invertebrates other than crustaceans, fit for human consumption
(d)	Animal products not elsewhere specified or included; dead animals of Chapter 1 or 3, unfit for human consumption
	- Other:
	- - Products of fish or crustaceans, molluscs or other aquatic invertebrates; dead animals of Chapter 3:
0511 91 10	- - - Fish waste
0511 91 90	- - - Other
(e) 1212 20 00	- Seaweeds and other algae
(f)	Fats and oils and their fractions, of fish, whether or not refined, but not chemically modified:
1504 10	- Fish-liver oils and their fractions
1504 20	- Fats and oils and their fractions, of fish, other than liver oils
(g) 1603 00	Extracts and juices of meat, fish or crustaceans, molluscs or other aquatic invertebrates
(h) 1604	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs
(i) 1605	Crustaceans, molluscs and other aquatic invertebrates, prepared or preserved
(j)	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous, whether or not prepared
1902 20	- Stuffed pasta, whether or not cooked or otherwise prepared:
1902 20 10	- - Containing more than 20 % by weight of fish, crustaceans, molluscs or other aquatic invertebrates
(k)	Flours, meals and pellets, of meat or meat offal, of fish or of crustaceans, molluscs or other aquatic invertebrates, unfit for human consumption; greaves:
2301 20 00	- Flours, meals and pellets, of fish or of crustaceans, molluscs or other aquatic invertebrates
(l)	Preparations of a kind used in animal feeding
2309 90	- Other:
ex 2309 90	- - Fish solubles
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## Annex B: Information on Fishing Gear which can be supplied under the CMO

<b>Mandatory information on the category of fishing gear</b>	<b>More detailed information on corresponding gears and codes, in accordance with Commission Regulation (EC) No 26/2004 and Commission Implementing Regulation (EU) No 404/2011</b>	
Seines	Beach seines	SB
Danish seines	SDN	
Scottish seines	SSC	
Pair seines	SPR	
Trawls	Beam trawls	TBB
Bottom otter trawls	OTB	
Bottom pair trawls	PTB	
Midwater otter trawls	OTM	
Pelagic pair trawls	PTM	
Otter twin trawls	OTT	
Gillnets and similar nets	Set (anchored) gillnets	GNS
Driftnets	GND	
Encircling gillnets	GNC	
Trammel nets	GTR	
Combined trammel and gillnets	GTN	
Surrounding nets and lift nets	Purse seines	PS
Lampara nets	LA	
Boat operated lift nets	LNB	
Shore-operated stationary lift nets	LNS	
Hooks and lines	Hand lines and pole lines (hand operated)	LHP
Hand lines and pole lines (mechanised)	LHM	
Set longlines	LLS	
Longlines (drifting)	LLD	
Troll lines	LTL	
Dredges	Boat dredges	DRB
Hand dredges used on board a vessel	DRH	
Mechanised dredges including suction dredges	HMD	
Pots and traps	Pots (traps)	FPO