

Summary

The overcapacity of the fishing fleet is an important reason why several fish stocks are overfished today. This means that fishing must be reduced to more sustainable levels to give fish stocks a chance to recover.

Sweden's fisheries policy is part of the EU Common Fisheries Policy (CFP). The objectives of fisheries policy and the legislation governing it have changed in recent decades. While the objectives in the past used to be geared mainly towards development of the industry, they are nowadays designed to ensure a long-term sustainable development: economically, socially and environmentally. The objectives of this legislation are to ensure the viability of the fisheries sector, so that fishermen can earn a living; to promote employment in small-scale coastal fisheries; and to stop overfishing that threatens fish stocks.

The overall orientation of the CFP also entails a requirement for the EU Member States to apply the precautionary approach in taking measures designed to protect and conserve living aquatic resources, to provide for their sustainable exploitation and to minimise the impact of fishing activities on marine eco-systems.

Riksrevisionen (the Swedish National Audit Office, SNAO) has examined whether the action taken by the Swedish central-government sector has been effective in promoting the intentions of the legislation governing fisheries policy and whether the Government and the various government agencies have fulfilled their obligations in the field of fisheries policy as laid down in that legislation.

The SNAO's general conclusion is that, overall, the action taken has been ineffective. In fact, Sweden is moving away from the objectives in several material respects even though the problems concerned have been known for a long time, many policy instruments are being used and public spending for this purpose is high. The Government and the government agencies have also failed to ensure full compliance with legislation.

Compliance with the economic objective of a viable fisheries sector is deteriorating. A large proportion of commercial fishermen are experiencing a reduction in profitability, and the level of net profit for the -fisheries sector as a whole has fallen strongly in recent years. Compliance with the social objective of promoting employment in small-scale coastal fisheries is also deteriorating. The number of days spent at sea in the coastal-fisheries sector has fallen from just under 78,000 in 2002 to just under 62,000 in 2007. And the objectives relating to an environmentally sustainable development are also not being met. According to reports on the environmental objectives set by the Government, the situation of several fish stocks is critical; in certain cases the situation has grown worse. What is more, the relative size of stocks of different species has changed considerably, which may have an impact on the maritime eco-system as a whole.

The SNAO's audit is part of a joint Baltic audit. The supreme audit institutions of Denmark, Germany, Poland, Lithuania, Latvia, Estonia,

Russia and Finland are conducting parallel audits of the state of marine life in the Baltic Sea. The Danish national audit office (*Rigsrevisionen*) will compile a joint Baltic report to be published in December 2008.

Interventions of fisheries policy

Swedish saltwater fisheries: The value added of the Swedish saltwater-fisheries sector in 2006 was SEK 340 million. In that year there were 1,267 active fishing vessels representing total on-board employment of 1,601 fishermen (fisheriesø in this report refers to saltwater fisheries unless otherwise indicated).

To exercise direction and influence over the fisheries sector so as to promote the objectives and as required by legislation, the Swedish central-government sector has a number of policy instruments at its disposal. These are mainly preservation, structural and control measures. The use of most of these instruments has been delegated by the Government to the Swedish Board of Fisheries, which is the administrative agency responsible for the preservation and exploitation of fisheries resources, but policy instruments at the disposal of other government agencies and ministries also have a decisive influence on the fisheries sector.

The SNAO's audit shows that the actions made have not been used effectively to achieve the objectives. Moreover, society's direct and indirect spending on the various policy instruments exceeds the value added of the fisheries sector. The main spending items are:

- Spending on preservation measures is virtually impossible to account for in a simple way, according to the Board of Fisheries;
- Spending on various types of direct and indirect support for commercial saltwater fisheries amounts to:
 - structural assistance: SEK 5.1 million (net payments made in 2007);
 - unemployment benefit for commercial fishermen when fishing activities are suspended: SEK 26.9 million (2007);
 - vessel grants for saltwater-fishing companies when fishing activities are suspended: SEK 13.5 million (2007);
 - exemption from fuel taxes: SEK 222.4 million (2006);
- Costs of fisheries control (total for both commercial and recreational fishing in both freshwater and saltwater):
 - SEK 44.7 million for the Board of Fisheries (2007);
 - SEK 101.5 million for the Swedish Coast Guard (2007).

Unclear prioritisation of objectives and instruments

The Government has failed to establish a clear prioritisation of various contradictory objectives. This has contributed to the lack of effectiveness of the action taken by the central-government sector. Despite this unclear

prioritisation of the objectives, however, the Government has vested the Board of Fisheries with far-reaching authority, including an extensive right to issue agency regulations and access to a wide variety of policy instruments. What is more, new policy instruments have been added as the objectives have been modified. The Board, in its turn, has failed to decide a clear prioritisation as regards the results to be achieved by each of the policy instruments at its disposal.

No overall analysis of Sweden's national discretion

The extent of Sweden's national discretion within the legal framework of the CFP has not been analysed and clarified. The Government and the Board of Fisheries have failed to subject the objectives and intentions of the legislation to an overall legal analysis in order to establish Sweden's obligations and opportunities to use various policy instruments.

Because of the absence of such a legal analysis, there is no overview as regards what aspects can be decided by the Government or the Board of Fisheries at the national level and what aspects can be influenced only through negotiations at the EU level. In addition, this absence also leads to a lack of transparency for fishermen, who have no way of knowing which of the rules are a direct result of EU regulation and which ones have been decided by the Riksdag (parliament), the Government or the Board of Fisheries.

The use of certain policy instruments is governed by EC law and by international conventions. One example is the size of Sweden's catch quotas. Other instruments may be decided wholly or in part by Sweden. Examples include structural assistance as well as the issuance of various permits and licences. Yet other policy instruments are outside the field of fisheries policy as such but still exert a decisive influence over conditions for commercial fisheries and affect the extent to which the direct instruments can be used in a cost-effective way. Above all, this includes the exemption from taxes on energy, carbon dioxide and sulphur which has been granted to the fisheries sector.

In public debate, various interventions of fisheries policy are often presented as already decided by the EU. However, the legal analysis performed by the SNAO shows that there is considerable national discretion within the legal framework of the CFP. As regards structural assistance, the level of national discretion has in fact increased progressively.

More effective use can be made of national discretion

There is considerable national discretion in within the legal framework of the CFP, which the Government and the Board of Fisheries have failed to use effectively in order to attain the objectives.

Sweden may introduce its own ó stricter ó rules for Swedish commercial fishermen, but this opportunity has rarely been used. One example of a policy instrument that could have been used more effectively to achieve the objective of an environmentally sustainable development relates to minimum fish and mesh sizes. Most of Sweden's rules in this area correspond exactly to those of the EU.

Further, the Board of Fisheries could make more active and more extensive use of its power to issue regulations and permits. For example, vessel permits could be used more actively to change the structure of the fishing fleet and reduce its overcapacity. The Board could also allocate Sweden's quotas at the level of individual vessels to a larger extent, so as to promote employment in coastal fisheries and thus help achieve that social objective. In addition, a larger share of structural assistance could be used to scrap fishing vessels in order to reduce the overcapacity of the fishing fleet, which would help achieve the economic objective of viability. A reduction of the capacity of the fishing fleet would also help reduce overfishing and thus contribute to the achievement of the objective of an environmentally sustainable fisheries sector, since threatened fish stocks would then have greater opportunities to recover.

Some rules are entirely national in nature. One example is Sweden's rules on individual licences for fishermen. This means that Sweden could take the size of quotas into account when renewing licenses rather than doing so only for new licenses, as it does at present. When these rules were introduced in 1993, the Government explicitly abstained from proposing a possibility to take fish stocks into account in the renewal of individual licences for fishermen.

There are also national policy instruments outside fisheries policy that have a large impact on the fisheries sector. Swedish fishing companies are exempt from taxes on energy, carbon dioxide and sulphur. This tax exemption counteracts the objectives of an economically, socially and environmentally sustainable development. The amount involved is just over SEK 200 million per year. Since 2004, the decision whether to grant such a tax exemption to the fisheries sector has been left to national discretion. The Government, however, has failed to inform the Riksdag of this.

Material shortcomings in analysis and reporting

There are important deficiencies as regards analysis and reporting to produce the information required to monitor compliance with the objectives. This makes it more difficult to determine priorities to ensure that policy instruments are used cost-effectively and lead to the desired impact in relation to the objectives. Several of the major shortcomings in the annual report of the Board of Fisheries relate to areas where the Government failed to lay down explicit reporting requirements in its annual appropriation directions for the Board. The Government has consequently also failed to report relevant information to the Riksdag.

Even though the Board of Fisheries is the administrative agency responsible for fisheries policy, its reporting does not provide an overall view of the action taken by the central-government sector in the fisheries field. For example, there is no complete presentation of the direct and indirect financial support given to the fisheries sector.

There are shortcomings in the evaluation and reporting by the Board of Fisheries of the costs and effects of various interventions. For instance, the Board finds it difficult to specify the costs of conservation measures. What is more, the Board does not measure the direct effects of all policy instruments.

A number of factors make comparison and overall analysis of the development of the fisheries sector more difficult. For example, some reports include fishing vessels having made no catches, and the Board of Fisheries presents data on the fishing fleet using two ó mutually non-comparable ó classifications into vessel segments.

Reducing overcapacity to achieve a balance between the capacity of the fishing fleet and its fishing effort in relation to the available quota is an important objective of the CFP. However, it is not clear from the annual report of the Board of Fisheries how this capacity has developed over time in relation to the available quota.

In its annual report, the Board of Fisheries states that the capacity of the fishing fleet has decreased in recent years. It is not clear from its annual report, however, that the number of active fishing vessels actually increased slightly between 2002 and 2006.

Financial support counteracts achievement of objectives

Several policy instruments counteract each other. The Board of Fisheries has failed to perform an overall analysis of the ways in which the various policy instruments affect each other in relation to the achievement of the objectives.

Use of the scrapping grant as a cost-effective instrument to achieve balance between the capacity of the fishing fleet and the quota is made more difficult by various types of direct and indirect financial support for the fisheries sector. The higher these various types of direct and indirect financial support for fisheries are, the higher the scrapping grant will have to be in order to constitute a financially beneficial option.

The exemption from taxes on energy, carbon dioxide and sulphur also makes it significantly less expensive for the fisheries sector to increase its fishing effort than it would otherwise be. In fact, a reduction of the fishing effort would instead be desirable in several fleet segments so as to achieve the fisheries-policy objective of environmentally sustainable fisheries.

The objective of supporting small-scale coastal fisheries is also counteracted by the tax exemption. Large-scale trawling benefits the most from this exemption since it uses the most fuel. For the largest fishing vessels, the average annual value of the exemption is more than SEK 1 million per vessel.

Other policy instruments may also counteract each other. The failure to effectively address the overcapacity of the fishing fleet results in higher pressure on other instruments. Poor profitability as a result of overcapacity may increase incentives for commercial fishermen to try to circumvent various rules, which may in turn increase the need for controls. When the Board of Fisheries renews licences for commercial fishermen without taking the status of fish stocks or the development of the quotas into account, this leads to increased demand for compensation when fishing activities are suspended.

Shortcomings in the implementation of fisheries control

The Swedish control system has a number of gaps and shortcomings that make it possible to evade controls. For example, fishermen may postpone drawing up their documentation until they know that a boarding or landing inspection will be carried out. The facts that most species of fish may be landed in any Swedish harbour, that there is a fairly small number of landing inspectors and that few inspections are carried out at weekends also create opportunities to escape controls. Some types of inspections, such as trade and transport inspections, are rarely made by the Board of Fisheries.

There are also weak links in the chain intended to ensure that infringements of the rules for commercial fishing lead to the imposition of sanctions. For example, the Board of Fisheries lacks the authority to seize fish, equipment and fishing vessels. The Coast Guard has no officials qualified to lead investigations into suspected crimes against fisheries legislation (even though it does for environmental crimes). And matters of suspected fisheries crime handed over to the Police for investigation are often given such low priority that they fall under statute of limitation before reaching a court of law. When prosecutions are made and convictions handed down, the punishment is often very mild compared with the value of the illegal catches.

The risk analysis on which controls are to be based has so far been poorly developed. There are also shortcomings in the coordination of the control activities of the Coast Guard and the Board of Fisheries. Given the incomplete monitoring of the impacts and costs of various types of controls, there has been no basis for decisions about the allocation of resources among different types of controls.

Recurrent shortcomings in compliance with legislation

On several counts, Sweden has been criticised by the European Commission for failing to meet the requirements of the CFP. The main reason for this criticism is that the Swedish control system does not comply with EU rules in several important respects. The matter is still pending before the Commission.. The Commission has also criticised Sweden for failing to comply with CFP rules on fishing permits.

There are also serious deficiencies in the management of structural assistance by the Board of Fisheries. The share of incorrect payments is significantly above the threshold of 2 per cent accepted by the Commission. The internal-audit function of the EU Structural Funds has severely criticised, on several occasions, the way in which the Board of Fisheries handles structural assistance.

Recommendations for the Government

- Exercise direction over the administration of fisheries by laying down clear priorities as regards performance in relation to the economic, social and environmental objectives of fisheries policy. Ensure that overall compliance with the objectives is not reduced as a result of various policy instruments counteracting each other;
- Consider whether the exemption from tax on energy, carbon dioxide and sulphur granted to the fisheries sector can be reduced or abolished. Propose necessary legislative amendments to the Riksdag;
- Use the policy instruments in a coordinated and cost-effective way to bring about reductions in vessel segments with overcapacity. Consider whether the special compensation and grants paid when fishing activities are suspended can be reduced or abolished, and whether the scrapping grant should be increased. Use individual fishing licences to adapt the number of fishermen to the quotas available. Propose necessary legislative amendments to the Riksdag. Ensure that overcapacity is reduced at the lowest possible cost;
- Ensure that Sweden's national discretion is effectively exploited to achieve the objectives. Investigate the legal situation to establish what Sweden's opportunities and obligations in fisheries policy are. The Government and the government agencies need such information as a basis for strategic direction, negotiations, legislation and regulation;
- Insist that the Board of Fisheries should perform regular analysis and regularly report basic information necessary to assess whether various policy instruments increase compliance with objectives in a cost-effective way;
- Ensure that the Board of Fisheries and the Coast Guard coordinate their procedures and IT systems so that controls become effective. Investigate whether there are any legal obstacles to cooperation between these two agencies;
- Address any weak links in the chain of controls, police investigations and sanctions to ensure that most infringements of the rules will be detected and investigated and that legal action will be taken. Follow up and ensure that administrative and penal sanctions create desirable financial incentives and sufficient deterrent effects. Propose necessary legislative amendments to the Riksdag.

Once the legal situation has been clarified and basic information has been compiled about the impact of the action taken by the central-government sector and about trends relative to the objectives, it will also be possible to provide the Riksdag with the information which it has requested on a number of occasions.

Recommendations for the Board of Fisheries

- Make more effective use of Sweden's national discretion to enhance compliance with the objectives. Make active use of the policy instruments to achieve, in a cost-effective way, the present overall objectives laid down in legislation;
- Consider, in particular, whether the scrapping grants can be increased or differentiated to reduce the vessel segments in which there is overcapacity;
- Analyse the costs and impacts of different types of policy instruments, especially various types of controls;
- Continue developing and implementing the projects addressing shortcomings in the control system, to ensure that it will effectively deter and detect infringements;
- Improve annual reporting as regards general overview, basic information and the presentation of the costs of various policy instruments and their impact on compliance with the objectives;
- Remedy the shortcomings identified in the administration and eligibility control of expenditures of structural assistance.