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**ANNUAL REPORT FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT AND THE COUNCIL**

**on Member States' efforts during 2007 to achieve a sustainable balance between fishing
capacity and fishing opportunities**

(presented by the Commission)

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1. INTRODUCTION

Member States are required¹ to submit to the Commission, before 1 May each year, a report on their efforts during the previous year to achieve a sustainable balance between fleet capacity and available fishing opportunities. The Member States' reports are available on the Europa website². On the basis of these reports and the data in the Community fishing fleet register, the Commission produced a summary for 2007, which it presented to the Scientific, Technical and Economic Committee for Fisheries (STECF) and to the Committee for Fisheries and Aquaculture. This report from the Commission now presents that summary of the Member States' reports, plus a technical annex (Annex I) and the opinions of the above-mentioned committees, to the Council and the European Parliament (Annex II). The annex provides detailed comments on capacity management³ together with tables and graphs showing the overall trends in the EU fishing fleet and Member States' compliance with the entry/exit scheme. In addition, the following information is available in English on the Europa website:

- detailed results as regards compliance by individual Member States;
- results in each of the outermost regions of the Community;
- Member States' reports.

2. SUMMARY OF MEMBER STATES' ANNUAL REPORTS

This year only 13 Member States submitted their reports on time; eight reports were between two weeks and two months late. At the time this report was drafted, the United Kingdom had not yet sent their reports to the Commission. Despite these delays, the Commission presented the summary report to the above-mentioned committees by 31 July 2008. It should be added that, although many Member States followed the outline laid down for the report in Article 13 of Regulation 1438/2003, the quality of the information provided was not always sufficient for the purposes of this report.

This report sums up Member States' descriptions of their fishing fleets, the impact of the existing schemes to reduce fishing effort, Member States' compliance with the entry/exit scheme and the weaknesses and strengths of their fleet management systems.

With a view to helping the Member States to carry out a harmonised and well-founded analysis of the balance between their fleet and the available fishing opportunities, the Commission asked the STECF to produce guidelines for an improved analysis of the balance between fishing capacity and opportunities. The Commission submitted them to the Member States, requesting that they assess capacity on the basis of the various indicators proposed by the STECF. Some Member States did not apply the guidelines, claiming they did not have

¹ In accordance with Article 14 of Regulation 2371/2002 and Article 12 of Regulation 1438/2003

² http://ec.europa.eu/fisheries/fleet/index.cfm?method=FM_Reporting.AnnualReport.

³ In accordance with the Common Fisheries Policy (CFP) adopted in December 2002, fishing fleets are managed in line with the general rule that new capacity, expressed in terms of tonnage and power, added to a fleet cannot be higher than the capacity withdrawn from it.

enough time or sufficient data to carry out this task. Despite the short notice, some Member States did however include the calculation of some or all of the proposed indicators.

2.1. Description of the fleets in relation to fisheries

Belgium: A slight tonnage reduction took place during 2007 without public aid, while the overall power increased very slightly. The Belgian report applied the guidelines to the beam trawler segment, which is the most important in the Belgian fleet. The low capacity utilisation and a negative return on investment (based on data for 2006) indicate a certain degree of overcapacity. Additional scrapping is foreseen for the 2007-2013 EFF programming period but the amount of capacity affected is not quantified.

Bulgaria: The Bulgarian fleet is composed mainly of small vessels; only 105 out of 2 536 have a length of more than 12 m. The first report for the Bulgarian fleet shows a slight increase (approx. 1%) in fishing capacity during 2007. The report includes the calculation of some capacity balance indicators, as proposed in the guidelines, but no conclusions are drawn in relation to the size of the fleet.

Denmark: As in previous reports since 2003, an economic model (EIAA) was used to calculate the minimum number of vessels required to catch the allocated quotas in 12 fleet segments categorised in accordance with the Data Collection Regulation⁴. The number of days at sea for these vessels was taken as the maximum possible per year. It was found that there are different degrees of overcapacity in every segment given the current state of stocks. According to this model, the current number of active vessels is considered to be in balance with the available fishing opportunities. The number of active vessels has been reduced by approximately 3% in relation to 2006. More than 800 vessels with a total tonnage of 7,143 GT and 33,456 kW were reported as being inactive in 2007. No capacity reductions took place with public aid during 2007. This gives an idea of the magnitude of overcapacity.

Germany: The German report did not apply the guidelines. Instead, a qualitative biological approach was used to examine the balance between fishing capacity and fishing opportunities by fleet segment. The fleet segments were those defined under MAGP IV. The report assessed whether the capacity trend in each fleet segment was in line with the trend in the abundance and level of fishing of the main stocks concerned. Small capacity reductions took place during 2007 in passive gear segments, North Sea trawlers and beam trawlers without public aid. There was an increase in capacity for the long-distance fleet. The entry of a big trawler in this segment resulted in an overall capacity increase for the German fleet (11% in GT, 3% in kW).

Estonia: The Estonian report did not apply the guidelines and did not include an assessment of the balance between fleet capacity and fishing opportunities. The fleet is organised in three segments defined on the basis of length, gear and fishing area. The Estonian fleet is subject to TAC reductions for cod in the Baltic Sea and to the NAFO rebuilding plan. In 2007, no new multiannual management and recovery plans were introduced in the Baltic Sea or in the NAFO regulatory area.

Greece: The Greek report did not apply the guidelines and did not include an assessment of the balance between fleet capacity and fishing opportunities. Public aid continued to finance capacity reduction during 2007, resulting in the decommissioning of 1 528 GT and 8 264 kW.

⁴ Commission Regulation (EC) No 1639/2001 (OJ L 222 of 17 August 2001, pp. 53-115)

Most of the Greek fishing fleet is made up of small-scale coastal fishing boats using a variety of passive fishing gear.

Spain: The Spanish report did not apply the guidelines and did not include an assessment of the balance between fleet capacity and fishing opportunities. Spain continued to use public funds to reduce fleet capacity; over 9 000 GT and 21 000 kW were scrapped during 2007, but no details are given in the report as to the fisheries and fleet segments subject to this decommissioning. The fleet is managed by means of separate segments, as it was under MAGP IV.

France: The French report was submitted too late and could not be included.

Ireland: The Irish report did not apply the guidelines and did not include an assessment of the balance between fleet capacity and fishing opportunities. However, it is reported that many of the targeted stocks are outside safe biological limits. Quotas and landings are decreasing at a much faster rate than fishing capacity. No decommissioning took place in 2007, but a substantial amount of decommissioning in the whitefish fleet is foreseen for 2008.

Italy: The capacity of the Italian fleet was further reduced by means of scrapping backed by public aid. During 2007, 177 vessels with a combined tonnage of 9 422 GT and total engine power of 38 372 kW were decommissioned. The Italian report included the calculation of some of the balance indicators suggested in the guidelines. The average activity of Italian fishing vessels is steadily diminishing, with a value for 2007 of 131 days per vessel. The catch per unit of effort measured in GTxdays decreased slightly as well.

Cyprus: The Cypriot report did not apply the guidelines and did not assess the balance between capacity and fishing opportunities. The capacity of the Cypriot fleet was reduced by 3% in tonnage and 9% in power during 2007 without public aid. The Cypriot report points out that the capacity of the fleet will increase in 2008 following the small fishing vessels' change of status from recreational to professional.

Latvia: The Latvian report did not apply the guidelines to assess the balance between capacity and fishing opportunities. However, for the high-seas segment (8 vessels), the capacity of the fleet is said to be in balance with the available quotas. Decommissioning of 70 vessels in the Baltic segment and 110 vessels in the small-scale segment is foreseen for the period 2007-2013 in order to adjust capacity to the available quotas. During 2007, 17 vessels with a total capacity of 950 GT and 2 228 kW were decommissioned with public aid.

Lithuania: The Lithuanian report included the calculation of some of the indicators proposed in the guidelines, but no conclusions have been drawn in relation to the size of the fleet. Nevertheless, the values of the proposed indicators suggest an excess of capacity in the Baltic fleet. In 2007, eleven vessels with a total capacity of 1 173 GT and 1 893 kW were decommissioned with public aid.

Malta: The Maltese report includes the calculation of the balance indicators proposed in the guidelines. The capacity of the fleet is judged to be commensurate with the available resources and no reduction is foreseen. The fleet is made up of full-time and part-time vessels. Recreational vessels are reported as well, although they are not commercial fishing vessels and are not subject to the CFP. The fleet is composed mainly of small-scale vessels under 12 m in length which represent 99% of the fleet. During 2007, the capacity of the Maltese fleet

remained unchanged from the previous year, with no indication of any increase in fishing effort in any fishery.

The Netherlands: The Dutch report applied the guidelines proposed by the Commission. However, the report noted that it is difficult to judge the balance between fishing capacity and fishing opportunities, due to the complexity of producing the detailed data for the fleet segments concerned that are necessary for a correct analysis. The Dutch report considers that the indicators proposed in the guidelines are not suitable for the pelagic segment, in view of its orientation towards international waters. These indicators show an overcapacity in the beam trawl fleet. A 15% capacity reduction took place by means of a decommissioning scheme implemented by the end of the year but which will only be reflected in the figures for early 2008. The capacity of the pelagic trawlers segment increased in 2007 by 7% in tonnage and 12% in power following the replacement of the capacity withdrawn during 2006.

Poland: The Polish report did not apply the guidelines and does not include an assessment of fleet capacity in relation to fishing opportunities. Following a very big reduction in the Baltic fleet during 2005 and 2006, a further but much smaller reduction took place in 2007; 24 vessels amounting to 700 GT and 2 600 kW were permanently withdrawn from this fleet with public aid.

Portugal: The Portuguese report did not apply the guidelines and does not include an assessment of fleet capacity in relation to fishing opportunities. The total capacity of the Portuguese mainland fleet was reduced by only 0.4% during 2007, most of this reduction being the result of public aid.

Slovenia: The Slovenian report did not apply the guidelines and does not include an assessment of fleet capacity in relation to fishing opportunities. The capacity of the Slovenian fleet decreased slightly during 2007 without public aid. The fleet suffers from structural problems, notably old vessels and obsolete gear. The management plan drawn up according to the provisions of the Mediterranean regulation will focus on capacity adjustment and reduction of bottom trawling.

Finland: The Finnish report did not apply the guidelines and does not include an assessment of fleet capacity in relation to fishing opportunities. The number of vessels and the capacity of the Finnish fleet decreased slightly during 2007 but no decommissioning with public aid took place. Compared with the starting level on 1 January 2003 there has been a decrease of 19% in GT and 12% in kW.

Sweden: The Swedish report included the evaluation of the balance indicators according to the guidelines. The results show that some stocks are overfished, the activity of most of the fleet is very low and its economic performance is not satisfactory. These are clear indications of overcapacity and this is recognised in the report; capacity reductions of up to 50% for the demersal segment and 30% for the pelagic segment are foreseen over the period 2007-2013.

United Kingdom: No report had been received from the UK at the time this report was drafted.

2.2. Impact of effort reduction schemes on capacity

Member States reported various recovery measures and effort reduction schemes applicable in 2007. Generally, Member States' reports do not clearly show whether fishing effort schemes

have been or will be an effective means to achieve a sustainable balance between capacity and resources. The Commission believes that the overall results of fishing effort adjustment schemes in terms of fleet size are poor and more needs to be done.

Belgium: The fishing fleet was subject to the Annex II⁵ scheme and the Western Waters regime. The total number of days at sea for the entire fleet was not exceeded because certain vessels underused their allocation. Nevertheless the restriction in days at sea did not result in the available quotas being underused. The available fishing opportunities for scallops were almost fully used. However, in ICES area VIII, the fishing effort allocation was insufficient and an exchange of quotas and effort with the Netherlands was required.

Denmark: The Danish fleet is subject to Annex II measures, as part of the cod recovery plan. The most important consequence of the application of Annex II has been an average reduction in fishing effort of 47% compared to the 2003 levels. The total number of fishing days was reduced by 49%. The transfer of fishing days together with the implementation in 2007 of individual transferable quotas has resulted in the remaining effort being concentrated in a much smaller number of vessels, while part of the fleet saw very little activity or none at all during 2007.

Germany: As in 2006, fishing effort reduction schemes had a minor impact on the fleet, primarily in the Baltic Sea. This has not been quantified.

Estonia: No fishing effort reduction scheme applied to the Estonian fleet in the Baltic, but this fleet was subject to the recovery measures adopted for Baltic cod. However, no assessment of the effect of these measures is provided in the report.

Greece: No fishing effort adjustment schemes applied to the Greek fleet.

Spain: The fleet has been affected by effort reduction measures for southern hake and nephrops (Annex IIB), deep sea species and resources within the NAFO area. National management plans continued to apply for the Mediterranean, Gulf of Cadiz and Canary waters. A 12% effective effort reduction was reported for deep sea species, corresponding to a nominal maximum effort reduction of 10%. By contrast, the effective effort increased under the hake and nephrops plan, where additional days were granted to the fleet segment concerned in 2007, in view of vessel scrapping. The report does not explain to what extent the permanent capacity reduction, with public aid, of approximately 100 vessels and 9 000 GT is linked to such effort reduction measures.

France: The French report was submitted too late and could not be included.

Ireland: The Irish fleet is subject both to fishing effort reduction schemes adopted under Annex II to the TAC and quota Regulation and to the Western Waters regime, although these had no consequences in terms of fishing fleet capacity during 2007. Fisheries falling within the scope of stock recovery plans (ICES areas VIa and VIIa) are of a highly mixed nature. The Irish administration has therefore found it difficult to gauge the impact of effort reduction schemes.

Italy: No fishing effort adjustment schemes applied to the Italian fleet.

⁵ Council Regulation (EC) No 51/2006 (OJ L 1 of 20 January 2006, pp. 1-183)

Cyprus: No compulsory effort reduction schemes are applied to the Cypriot fisheries.

Latvia: The Latvian fleet was subject to the recovery measures adopted for Baltic cod but no reference is made to the effects of those measures on fishing effort. The poor state of the cod stocks, ageing vessels and increasing fuel costs have pushed vessel owners to apply for decommissioning premiums.

Lithuania: The Lithuanian fleet was subject to the recovery measures adopted for Baltic cod but no reference is made to the effects of those measures on fishing effort. The reduction of this fleet with public aid continued in 2007, scrapping the oldest and least efficient vessels. The reductions in fleet capacity in 2005-2006 had a positive effect on economic performance (2006 data) since the catch per vessel was increased.

Malta: No fishing effort adjustment scheme applied to the Maltese fleet.

The Netherlands: The fleet is subject to the 'days at sea' limitation in the North Sea (Annex II regime). These measures did not result in a significant reduction in the total capacity of the beam trawler fleet; the total power was reduced by 2.9% while the tonnage decreased by 0.5%. The fishing effort exerted during 2007 on plaice and sole in the recovery areas increased by 6% in relation to 2006, although it remained under the 2005 levels. One of the reasons for this was a change in fishing gear combined with a higher number of days. When implementing Annex IIA, the Netherlands opted to apply as much flexibility as possible within the limits of the rules: transfers of days between vessels and transfers between management periods were permitted.

Poland: As a result of the fishing effort reduction programme, in 2007 the number of days spent fishing by the Baltic fleet fell by as much as 44% compared with 2004 and by almost 70% in the case of 24-40 metre cutters. In the period from 2004 to 2007 the number of days that vessels fishing for cod spent at sea fell by about 56%.

Portugal: The recovery plan for hake and nephrops (Annex IIB to the TAC Regulation) continued to apply in 2007 but no capacity reductions were reported as a result. However, the report notes that the vessels involved had made significant efforts, including halting of operations, in order to comply with the days at sea available. Nevertheless, the overall effective effort increased in comparison with 2006. The number of days spent in the NAFO area continued to decrease in 2007. National measures limiting fishing effort apply to deep sea species.

Slovenia: No fishing effort reduction scheme applies to the Slovenian fleet.

Finland: No fishing effort reduction schemes applied to the Finnish fleet during 2007. Despite a significant capacity reduction over the period 2003 - 2006, the total fishing effort of the Finnish fleet has showed an upward trend since 2005 and in 2007 it was 10% higher than in 2003. This increase in fishing effort has taken place in pelagic fisheries. The segment of static gears targeting cod reduced its effort gradually and in 2007 there was no fishing activity in this segment due to the driftnet ban.

Sweden: The fleet is covered by Annex IIA and fishing effort has been gradually reduced as a result of smaller TACs and fewer days at sea. 2007 was the last year in which driftnets were allowed. Due to the coming driftnet ban, ten gill-netters were scrapped with public aid. Individual quotas for pelagic species were introduced in 2007.

United Kingdom: No report had been received from the UK at the time this report was drafted.

2.3. Compliance with the entry/exit scheme and with reference levels

According to the CFR data available on 22 July 2008, every Member State was within its maximum fleet capacity ceiling at the end of 2007. The overall trend in EU fleet capacity shows a steady decrease. All the Member States concerned complied with the reference levels for the mainland fleet.

3. COMPLIANCE WITH FISHING CAPACITY MANAGEMENT RULES. OVERALL RESULTS

3.1. Results for the mainland fleet (except vessels registered in the outermost regions)

According to the CFR, during the five-year period 2003–2007, and despite two successive enlargements, the overall capacity of the EU fleet was reduced by approximately 197 000 GT and 720 000 kW, giving a net reduction of approximately 11% in terms of tonnage. The “EU-15 fleet” was reduced by 207 000 GT and 788 000 kW, compared with 71 000 GT and 152 000 kW withdrawn by the “EU-10 fleet”. In relative terms, the reduction of the “EU-10 fleet” since the date of accession has been stronger than the reduction of the “EU-15 fleet” over the period 2003–2007 (26% compared with 11%, in terms of engine power). Over the five-year period 2003–2007, approximately 198 000 GT and 638 000 kW were withdrawn from the EU fleet (except for the outermost regions) with public aid, of which 25 000 GT and 81 000 kW were withdrawn in 2007.

Generally speaking, the net reductions in the EU fleet still appear insufficient, considering the constant technological improvements that neutralise the effects of capacity reduction and the poor state of most Community fisheries, particularly for demersal species, which require very drastic reductions in fishing effort.

Tables 1 and 2 in the annex to this report summarise compliance by Member States with the entry/exit scheme and the reference levels on 31 December 2007. All Member States have complied with these rules.

More detailed data (tables and graphs) on trends in the capacity of Member States’ fleets are available on Europa⁶.

3.2. Results for the fleets registered in the outermost regions

The capacity of the fleets registered in the outermost regions and its variation between 1 January 2003 and 31 December 2007 are shown in Table 4 of the annex to this report. The results show that the fleet registered in the outermost regions of Spain and Portugal has been significantly reduced, in terms of both tonnage and power. In the French overseas departments there has been a slight decrease in the total number of vessels, a decrease in tonnage and an increase in engine power.

⁶ http://ec.europa.eu/fisheries/fleet/index.cfm?method=FM_Reporting.AnnualReport.

At the end of 2007, the reference level was exceeded slightly in the case of only one out of the 17 segments for the outermost regions. The segment in question is CA2 (vessels more than 12 metres long, registered in the Canary Islands and fishing in Community waters).

4. THE COMMISSION'S CONCLUSIONS

The quality of the Member States' reports has steadily improved since the first one covering the year 2003, but still more needs to be done. As in previous years, the majority of the reports did not describe the Member States' fleets in relation to fisheries, as required by Article 13(1)(a) of Regulation (EC) No 1438/2003, in a manner allowing the Commission to analyse the efforts made to achieve a balance between the capacity of the fishing fleet and the available fishing opportunities, as stipulated by Article 14 of Regulation (EC) No 2371/2002. Instead, Member States emphasised the national fleet management systems implemented and the trends in fleet capacity in relation to the entry/exit scheme.

The application of the guidelines for assessment of the balance between fishing capacity and opportunities is a step in the right direction, but not all Member States have made use of this tool. The Commission recognises that both the short deadline for applying these guidelines and their rather technical nature posed difficulties for some Member States. Additional efforts should be made during the current year to implement the guidelines fully for the 2008 report.

Most of the reports are compiled in such a way that a clear link between effort management measures and fleet capacity adjustment cannot be established, nor do they critically analyse the trends in real effort deployed. Generally speaking, the impact of fishing effort adjustment measures on fleet capacity seems to be limited. In some cases, the main driver of fleet capacity reduction appears to be a combination of poor economic performance of the fleet and the availability of Community or national funds. This may be due, in part, to the absence of effort management systems for several fisheries but also to the limited effect of the existing ones (Annex II, Western Waters, deep-water fisheries, some national schemes, etc.).

During 2007 the fishing capacity of the EU fleet continued its slow but steady decline at an annual rate of between 2% and 3%. Figures 3 to 5 in the annex show that this has been the overall trend for the last 16 years, although, the trend is not so uniform when looking at individual Member States. This fact puts a question mark over the effectiveness of the capacity adjustment measures applied under the CFP.

The scientific assessment tells us that 30% of the stocks for which data exist are fished outside safe biological limits and 80% are fished at levels above Maximum Sustainable Yield. At the same time, for large parts of the fleet, the capacity is under-utilised, i.e. the number of fishing days is less than the maximum possible, and poor economic performance is recorded, which has been further aggravated during 2008. In the light of these considerations the capacity reductions achieved appear to be insufficient to result in a sustainable balance between capacity and fishing opportunities in the short term. Moreover, technological progress, which according to some estimates is of the same order of magnitude as the observed capacity reductions, risks neutralising their effect.

The Council adopted, on 22 July 2008, temporary and specific measures for the restructuring of the EU fishing fleet, thus providing an opportunity to achieve the necessary restructuring of the fleet which should not be missed.