European Commission

Study on the challenges of fleet renewal in the outermost regions of the EU

Specific Contract no. 3 under Framework Contract EASME/EMFF/2016/029

Executive summary

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Acronyms/Abbreviations

Acronyms/Abbreviations	Definition
AZO	Azores
CAN	Canary Islands
CFP	Common Fisheries Policy
EMFF	European Maritime and Fisheries Fund
ES	Spain
EU	European Union
FR	France
GLP	Guadeloupe
GT	Gross tonnage
GUF	French Guiana
kW	Kilowatt
LOA	Length overall
MAD	Madeira
MS	Member State
MTQ	Martinique
MYT	Mayotte
OR	Outermost Region
PT	Portugal
RUN	La Réunion
MAF	Saint-Martin
TFEU	Treaty on the Functioning of the European Union

1. INTRODUCTION

EU public support for fishing fleet renewal has been phased out in the EU's Outermost Regions (ORs) since 2006[1]. However, several studies and reports have highlighted the issue of an ageing fleet in the ORs and the difficulties for fleet renewal without public support. Specific characteristics and constraints are identified for ORs in Article 349 of the Treaty on the Functioning of the European Union (TFEU). These include remoteness, insularity, small size, difficult topography and climate. To tackle these issues, the President of the European Commission announced, during the Conference of Presidents of the Outermost Regions in Cayenne in October 2017, that the opportunity to support fleet renewal through State aid would be re-assessed[2] - also now in the context of the Commission communication for a stronger and renewed strategic partnership with the EU's outermost regions[3].

The study on the challenges of fleet renewal in the outermost regions of the EU provides an analysis of the need for public support for the purchase of new fishing vessels in the EU's outermost regions (ORs) of the EU and of the conditions under which such support could be provided. It feeds into the Commission's work on its state aid policy towards the concerned region. The study was conducted between December 2017 and April 2018. It covered the existing nine ORs in France (French Guiana, Guadeloupe, La Réunion, Martinique, Mayotte and Saint-Martin), Portugal (Azores and Madeira) and Spain (Canary Islands).

The present document presents the main findings and conclusions from the study: an overview of the current situation of the catching sector, an estimate of the maximum potential for fleet renewal and a discussion of the possible implementation modalities of State aid.

2. OVERVIEW OF THE CURRENT ECONOMIC AND SOCIAL SITUATION OF THE CATCHING SECTOR

2.1. Description of the fishing fleet

In 2017, the OR fleet counts 4.164 vessels for a capacity of 63.740 GT and 413.497 kW. This accounts for 18% of the total fishing fleet in France, Spain and Portugal in terms of number of vessels (11% of GT and 20% of kW). More than half of the OR fleet is in French ORs (53%), 29% in Portuguese ORs and 19% in Spanish OR. Most of the OR fleet consists of vessels under 12 m LOA (92% of the number of vessels), vessels with LOA between 12 and 24 m account for 6% of the fleet while vessels with LOA over 24 m make up 2% of this fleet.

Between 2006 and 2017, the fleet decreased in mainland in France, Spain and Portugal (in terms of number of vessels, GT and kW). Over the same period, the number of vessels decreased in almost each OR (between -8% and -37% in terms of number of vessels), except in Azores (+7%) and Mayotte (which became an OR in 2014). The engine power (kW) increased in four ORs as the average power by vessel grew (Azores, Martinique, Madeira and Guadeloupe) and the gross tonnage (GT) increased in La Réunion[4] and Madeira as the average GT/vessel increased.

The average age of the fleet in each OR ranges between 14 years and 47 years old. It is particularly high in Spanish and Portuguese ORs. In addition, the OR fleets in Spain and Portugal are older than in mainland (Spain: 40 years old in OR and 31 years old in mainland; Portugal: 34 years old in ORs

[1] As indicated in paragraph 4.8 of the Guidelines for the examination of State aid to fisheries and aquaculture (2008), Member States could grant aid for the renewal of fishing vessels until the 31 December 2008 for vessels built in accordance with the relevant conditions set out in Council Regulation (EC) No 639/2004 of 30 March 2004 and with the provisions of Council Regulation (EC) No 2792/1999 of 17 December 1999. EU support for fleet renewal was phased out in mainland EU from 2004.

[2] Speech from the President of the European Commission in Cayenne: http://europa.eu/rapid/press-release_SPEECH-17-4247_fr.htm

[3] COM(2017)623 available at http://ec.europa.eu/regional_policy/en/information/publications/communications/2017/un-partenariat-privilegie-renouvele-et-renforce-avec-les-regions-ultraperipheriques

[4] The increase of GT in La Réunion is linked to the entry of two large vessels in the fleet (89 m LOA).

and 31 years old in mainland). But in France, the OR fleet is younger than the mainland one (respectively 18 and 31 years old). The following table presents the main features of OR and mainland fleets (number of vessels, GT, kW, age and evolution between 2006 and 2017).

Table 1: Main features of the OR and mainland fleets

		State at 31.12.2017				Evol. 2017/2006			
MS	OR	No vessels	GT	kW	Old	No vessels	GT	kW	Average age (years)
FR	RUN	228	7.044	30.574	19	-37%	+21%	-6%	+7
	GUF	151	2.789	15.674	14	-14%	-59%	-36%	+4
	MTQ	935	2.004	93.422	21	-32%	-35%	+10%	+6
	GLP[5]	736	2.282	126.101	16	-25%	-25%	+4%	+5
	MYT	150	12.931	25.561	20	/			/
	OR	**2.200**	**27.050**	**291.332**	**18**	**-24%**	**44%**	**11%**	**+6**
	Mainland	**4.313**	**147.219**	**677.842**	**31**	**-18%**	**-24%**	**-18%**	**+6**
	Total	6.513	174.270	969.174	26	-20%	-18%	-11%	+7
ES	CAN	774	22.622	51.462	40	-33%	-36%	-29%	+3
	OR	**774**	**22.622**	**51.462**	**40**	**-33%**	**-36%**	**-29%**	**+3**
	Mainland	**8.416**	**313.276**	**737.534**	**31**	**-31%**	**-30%**	**-28%**	**+6**
	Total	9.190	335.898	788.996	32	-31%	-30%	-28%	+4
PT	MAD	431	3.983	16.539	47	-8%	+8%	+8%	+9
	AZO	759	10.084	54.164	27	+7%	-1%	+17%	+1
	OR	**1.190**	**14.068**	**70.703**	**34**	**+1%**	**+2%**	**+15%**	**+4**
	Mainland	**6.755**	**78.576**	**282.624**	**31**	**-10%**	**-15%**	**-12%**	**+6**
	Total	7.945	92.644	353.328	33	-9%	-13%	-8%	+8

Source: own elaboration based on EU fleet register

2.2. State of the fleet: hygiene, working conditions and security on vessels

There are important concerns on the state of the fleet in most ORs:

- **Age of vessels.** The maximum number of years of use in good conditions of a fishing vessel depends on the type of vessel and the fishing type (coastal or offshore fishery). In the ORs, it ranges between 10 years (some offshore vessels) and 30 years old (wooden coastal vessels with limited equipment). The share of old vessels[6] is particularly high in some ORs: 70% of the fishing vessels in Canary Islands, 51% in Martinique and between 44 and 46% in Madeira, Mayotte and Azores. The high age of vessels leads to security and working conditions issues, additional costs for maintenance and low fuel efficiency.
- **Inappropriateness of vessels.** Some vessels are not adapted to the type of fishery operated. For instance, in Martinique and Guadeloupe, vessels under 12 m are specifically built to operate in coastal areas but are in offshore areas. This leads to tiredness of fishermen, poor working conditions and low level of security. In Portuguese ORs, some of the vessels are considered too small to operate the fishery in good conditions (for instance 30% of the fleet with fishing

[5] Including Saint-Martin.
[6] In the present analysis, vessels are considered as old when they are over 20 years old.

licence in Azores). In French Guiana, a large share of the present fleet does not allow to operate in offshore areas where there is a potential of development.
- **Low initial level of investment.** Some vessels are in poor conditions due to a low level of initial investment. This is particularly the case in French Guiana where the conditions on vessels, even for recent vessels, are low. In other ORs, higher initial investments would have allowed to purchase vessels with higher standards in terms of security, hygiene and working conditions (decked vessels, shelter for sun and wind protection of fishermen, electric equipment such as winch, cold storage,…).
- **Security and working conditions.** The accident rate is lower in ORs compared to mainland. Accident in mainland are in particular related to trawling gears which are rarely used in ORs. However, based on field survey, the inappropriateness of the fleet (absence of electric equipment, small vessels not adapted to high sea conditions) and its age may lead to tiredness for fishermen, security issues and health problems in the long term.

2.3. Self-financing capacity and access to credit

Self-financing capacity. Self-financing capacity for the purchase of new vessels widely differs among fishermen. This capacity is higher for fishermen who sell a vessel to replace it by a new one. A field survey among new vessel owners highlighted several situations which emphasize fishermen difficulties to finance new vessels such as the support provided by fishermen's family and relatives, self-construction of vessel, arrangements agreed with shipyard, low level of equipment on the vessel.

Access to credit for fishermen depends on several factors:

- **Assessment of loan application: expertise on the fishery sector from banking companies.** For each loan application, the assessment from banks is notably based on the relevance of the project and the track records of the fisherman. Thus, a correct assessment requires banks to have local expertise in the fishing sector (expertise in technical, economic and regulatory issues). All banks do not have this expertise but at least one bank with high involvement and expertise in the fishery sector is present in most of the ORs, with the exception of French Guiana.
- **Risk assessment.** Specific risks are identified by banks in the fishery sector (impact of the meteorology, no fishing activity if the vessel stays in the port for maintenance, repairs…). However, banks with long track records in the fishing sector considers that the fishing sector does not present specific risks compared to other similar sector (for instance the farming sector).
- **Guarantees for loans.** Guarantees is a specific issue for fishermen when they apply for a loan to buy a new vessel. Banks may consider that mortgaging the vessel is not sufficient and may ask for additional guarantees (e.g. assets from the fishermen or his/her relatives). Guarantees may be an issue depending on the economic situation of the fishermen (importance of personal self-funding capacity and assets) and the price of the vessel purchased (which is related to its size, equipment and standards in terms of security and hygiene).
- **Interest rate.** The interest rate is higher in ORs compared to mainland (information available for France): it was 1,58% in mainland France in April 2017 compared to 2,14% to 2,50% in French ORs[7].
- **Accounting documents.** Many fishing companies in ORs are individual companies without accounting documents. For most of the banks, the absence of this type of documents is a strong barrier for granting credit.

[7] Source: IEDEOM http://www.iedom.fr/IMG/pdf/tableau_de_bord_des_indicateurs_monetaires_et_financiers_dans_les_dom_juin_2017.pdf

3. ESTIMATE OF THE MAXIMUM POTENTIAL FOR FLEET RENEWAL

The "maximum potential for fleet renewal" has been estimated by consultants between January and March 2018 in each OR. This is based on interviews with stakeholders, data from EU fleet register and development plans elaborated by professional organisations in French Guiana and La Réunion. These estimates shall be refined taking into account 1) the detailed rules defined for the implementation of State aid, 2) the evolution of the context for each fleet segment (economic situation, state of resources) and 3) the stakeholder's strategies.

Based on consultant assessment, there is a maximum potential for renewal in all ORs of 1.097 vessels for a total of 14.072 GT and 153.923 kW. This account for 26% of the number of fishing vessels in ORs in December 2017. This mainly consist of vessels under 12 m LOA (92%), followed by vessels with 12-24 m LOA (6%) and vessels over 24 m LOA (2%). A large share of the vessels would be renewed under a replacement objective (79% of the number of vessels), which means the replacement of an old vessel by a new vessel with similar capacity. The development of new sub-segments or the evolution of the present fleet with larger vessels would account for 21% of the number of vessels to be renewed (this development strategy has been identified in French ORs and Madeira).

The following table provides the maximum potential for fleet renewal in each OR.

Table 2: Maximum potential for fleet renewal by OR

	No	GT	kW	Budget (1.000 EUR)
GLP[8]	238	1.125	57.665	20.100
MTQ	170	740	32.000	25.000
GUF	34	3.275	8.278	73.500
MYT	108	500	7.590	10.120
RUN	75	1.050	12.100	31.450
AZO	176	2.840	16.150	51.000
MAD	24	892	5.190	13.050
CAN	272	3.650	14.950	82.300
Total	**1.097**	**14.072**	**153.923**	**306.520**

Source: based on data collected in ORs

The total investment is estimated at EUR 307M over a ten-year period for the nine ORs. If we consider the following hypothesis (medium hypothesis)[9]: 50% public aid intensity, 50% of the maximum potential for fleet renewal achieved and a 10 years period to achieve this renewal, the annual public spending for the nine ORs would be circa EUR 8M[10].

[8] This includes 15 vessels in Saint-Martin.
[9] A total of 8 hypothesis are detailed in the final report.
[10] EUR 7,7M = EUR 307 M (total investment) x 50% (aid intensity) x 50% (potential achieved) / 10 (10 years period)

4. IMPLEMENTATION OF STATE AID FOR FLEET RENEWAL

4.1. Analysis of distortive effects on competition and trade

For the latest years available (2014 to 2017), in almost all ORs the volume landed in each OR is under 6.500 t (the volume of landing was 18.944 t in 2010 in Azores but decreased significantly in recent years); the exception is Canary Islands with 17.437 t landed in 2016[11]. For French ORs, the markets are almost exclusively in ORs (including exports to other French ORs for French Guiana). There is a higher level of sales out of the OR for La Réunion even if this remains limited (about 1.500 t). In all French ORs, local production is not sufficient to cover the entire seafood consumption which depends to a large extent on imports. Markets of Spanish and Portuguese ORs are more connected to the EU mainland through the tuna canning industry (products processed in ORs or in mainland).

Landings from French ORs account for 3,4% of total French landings (national level) and landings from Spanish ORs amount to 2,2% of total landings in Spain. But the share is higher in Portugal with 9,4% of national landings. The nine ORs reach a volume of production of 43.303 t, which accounts for 1,0 % of EU landings and 0,3% of EU seafood consumption[12]. OR fishery is mainly small-scale fishery, 92% of OR vessels are under 12 m LOA.

Based on the specific features of OR fleets and their markets, supporting OR fleet would have no distortive effect on the EU market for French ORs (small-scale fishery and products mainly sold in ORs). For Portuguese and Spanish ORs, where the markets are more linked to mainland EU, the distortive effects would be limited at EU level if we consider the share of ORs in the EU consumption of seafood products.

4.2. Form of aid for fleet renewal

At the micro-level, the key issues identified for the implementation of the support are 1) administrative burden, 2) delay of payment for the aid and 3) the form of aid. Based on stakeholder's interviews, the most effective type of aid is pecuniary aid. Guarantee funds may also provide a relevant support for fishermen. A level of 50-75% of support would allow to achieve the maximum potential for fleet renewal identified in the context of this study.

4.3. Assessment of conditions for the implementation of State aid

DG MARE defined a set of twelve conditions for the implementation of a potential State aid for fleet renewal, consultants identified a thirteenth potential condition. Among these thirteen conditions, conditions 1 to 5 relate to the CFP and are compulsory; conditions 6 to 13 are potential conditions, they are related to specific objectives of the aid or aim to prevent potential negative effects of the support. The following tables detail each condition and provide an assessment on their potential implementation.

[11] This does not include landings of OR fleets in third countries, for instance from industrial purse-seiners registered in Mayotte and La Réunion. Nor does it include landings from third country fleets in ORs (for instance Venezuelan fleet in French Guiana under EU licences).

[12] EU seafood consumption: 12,8 million of tons in 2015, source: EUMOFA.

Table 3: conditions 1 to 5 and assessment of the potential impacts of their implementation.

<table>
<tr><th>Full label</th><th>Assessment of the potential implementation</th></tr>
<tr><td>1. Before granting the aid, Member States must have in place in the relevant outermost region effective systems of scientific assessment for the stocks and fisheries relevant for the new vessel</td><td rowspan="2">The analysis highlights gaps and grey areas in the scientific assessment of stocks and fisheries (cond. 1) and measures for their sustainable management (cond. 2). The main issues identified are related to coastal fisheries. When gaps or concerns are identified, specific studies may come before the implementation of a possible State aid for fleet renewal or State aid shall be implemented with specific management measures.</td></tr>
<tr><td>2. Before granting the aid, Member States must have in place in the relevant outermost region measures for the sustainable management of the resources and fleets</td></tr>
<tr><td>3. The capacity ceiling set out in Annex II to Regulation (EU) No 1380/2013 must be respected (both in GT and kW)</td><td>This condition will have an impact on fleet renewal in the OR where the capacity ceiling is reached or almost reached (in particular in Spanish and Portuguese ORs). However, as this condition is already considered by stakeholders in their strategy, its implementation may not have any impact on the potential of fleet renewal identified in the context of this study.</td></tr>
<tr><td>4. There must be balance between resources and fishing capacity in the concerned fleet segment in the relevant outermost region, as shown in the three most recent annual reports of the relevant Member State under Article 22 of Regulation (EU) No 1380/2013</td><td rowspan="2">Only a few OR's fleet sub-segments are identified as imbalanced (parts of segments in Madeira and Canary Islands). The other segments are not considered as imbalanced or data are missing to assess the situation.</td></tr>
<tr><td>5. The addition of new vessels must not lead to a situation of imbalance in the relevant fleet segment, as determined according to the methodology used for the annual fleet report under Article 22 of Regulation (EU) No 1380/2013</td></tr>
</table>

Table 4: conditions 6 to 13 and assessment of the potential impacts of their implementation

Full label	Assessment of the potential implementation
6. If a new vessel bought with public support enters the fleet, there must be a corresponding reduction in capacity through the permanent cessation of activities of an active vessel in the same fleet segment or in fleet segments fishing the same stocks	The implementation of such condition may slow down the dynamic of fleet renewal. The impact of this condition on the management of the resource would be limited if conditions 1 to 5 are implemented in an effective way. In addition, this condition would lead to increase the value of vessels with low activity (the price of the vessel with low activity would include the value of its capacity). However, this limit may already be observed with the entry/exit scheme already in force in mainland and ORs.
7. The active vessels that must be withdrawn due to the entering into the fleet of a new vessel bought with public support shall be beyond a certain age (for example, they shall have had a valid fishing licence for fishing in the relevant outermost region for at least 20 continuous years at the time of the permanent cessation) and have insufficient standards in terms of hygiene, health, safety and working conditions of fishermen	Condition 7 is linked to condition 6. If condition 6 is implemented, the removal of capacity would concern outdated vessels in lower conditions only. We consider that, if condition 6 is implemented, condition 7 would not provide a clear added value (with the objective of removing outdated vessels) and it may add complexity and administrative burden to the scheme.
8. Limit the aid to specific situations, like the inter-generational transmission of enterprises	Inter-generational transmission is assessed to be limited. The focus of fleet renewal for inter-generational transmission does not appear relevant and would highly limit fleet renewal.
9. The aid must be limited to renewing only certain types of fishing vessels, in terms of their characteristics and fishing gears, e.g., small scale vessels; vessels fishing only coastal resources; vessels landing their catches in ports of the outermost regions only; fleet segments using fishing techniques with the least impact on the marine ecosystems, etc.	These conditions appear relevant in order to implement a focused strategy of replacement / development of the fleet in ORs. Such conditions imply the definition of a strategy for fleet renewal at national or OR level (see condition 13).
10. Limit the maximum intensity of public aid and require a certain level of private investment in the concerned project	
11. Limit the aid to beneficiaries that have been registered in the relevant outermost regions for a minimum period of three (five or more) years at the time of granting the aid and must during this period have been active in the fishery sector	This condition would avoid the settlement in OR of fishermen from other areas looking to benefit from the State aid for fleet renewal. The relevance of this condition depends on the situation in each OR, the settlement of new fishermen may be relevant in ORs where the number of fishermen is low compared to the potential development of the sector.
12. The vessel purchased with public funds must remain registered in the relevant outermost region for a certain period (e.g., ten, 15 or more years) after the time of granting the aid. The aid must be must reimbursed if that condition is not complied with	This condition appears to be relevant in order to limit the transfer of new vessel supported by State aid to other areas. At present, this type of transfer is very limited for new vessels and may only occur for old vessels.
13. The support would be provided for vessels complying with criteria defined in a "multi-annual plan of the OR fleet". This plan, defined in each OR, would define the fleet segments (or sub-segments) to be supported based on the state of the resource, the balance between resource and capacity, environmental impacts, market potential and the state of the present fleet.	This condition aims to mainstream fleet renewal in a general strategy by OR. This would allow to consider the local context in each OR.

This assessment shows that the implementation of conditions 1 to 5 (compulsory conditions) may have an impact on the maximal potential for fleet renewal identified in the context of this study, in particular conditions 1 and 2. The relevance of the implementation of conditions 6 to 13 may differ in each OR in function of the state of the fleet, the economic and social situation of the fishing sector and the strategy defined for fleet renewal. Condition 13 ("multi-annual plan of the OR fleet") would increase the coherence of the implementation of these different conditions.

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