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

**on Member States' efforts during 2006 to achieve a sustainable balance between fishing
capacity and fishing opportunities**

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1. INTRODUCTION

Article 14 of Regulation 2371/2002¹ and Article 12 of Regulation 1438/2003² require Member States 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. Member States' reports are available on the Europa website³. On the basis of these reports and the data in the Community fishing fleet register (CFR)⁴ the Commission produced a summary for 2006, 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 and the opinions of the above-mentioned committees, to the Council and the European Parliament. The annex provides detailed comments on capacity management⁵ 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 on 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 12 Member States submitted their reports on time; seven reports were between two weeks and two months late; the United Kingdom sent its report on 31 October 2007, too late to include its content in this Commission report.. Despite these delays, the Commission presented the summary report to the above-mentioned committees by 31 July 2007. 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.

2.1. Description of the fleets in relation to fisheries

Member States provided a general description of their fleets based on different segmentations. Some maintained the old MAGP IV fleet segmentation; others used combinations of fishing gear, vessel characteristics, target species, fishing grounds or more general groupings of

¹ Council Regulation (EC) No 2371/2002 (OJ L 358 of 31 December 2002, pp. 59-80).

² Commission Regulation (EC) No 1438/2003 (OJ L 204 of 12 August 2003, pp. 21-28).

³ http://ec.europa.eu/fisheries/fleet/index.cfm?method=FM_Reporting.AnnualReport.

⁴ Commission Regulation (EC) No 26/2004 (OJ L 5 of 9 January 2004, pp. 25-35).

⁵ In accordance with the Common Fisheries Policy (CFP) adopted in December 2002, the fishing fleets are managed in line with the general rule that new capacity, expressed in terms of tonnage and power, added to the fleet cannot be higher than the capacity withdrawn from it.

fishing vessels by type or activity. Many Member States reported that their small-scale coastal fishing fleet (which makes up more than 80% of the EU fishing fleet) has a significant socio-economic bearing on coastal communities and therefore deserves special attention. The Estonian, Greek, Spanish, French, Italian, Cypriot, Lithuanian, Maltese and Slovenian reports included no reliable assessment of fleet capacity in relation to the available resources. The general impression drawn from the Member States' report is rather optimistic; according to these reports the Community fleet seems to be in balance for the resources except for some particular cases. The Commission does not share this view as will be explained later.

Belgium: A study indicated that a fleet reduction of 10 000 kW was desirable in 2006. Since fishing vessels with engine power over 221 kW are the main consumers of fishing quotas, one priority would be to withdraw capacity from that segment of the fleet. In the end, six vessels from the large-vessel fleet and three from the small-vessel fleet were scrapped in 2006, resulting in a 9% reduction in fleet capacity. A further reduction in fleet capacity by up to 10% is envisaged in the short term.

Denmark: An economic model was used to calculate the minimum number of vessels required to catch the allocated quotas in 14 fleet segments categorised in accordance with the Data Collection Regulation⁶. The number of days at sea for these vessels was taken as the maximum possible per year. This model found different degrees of overcapacity in every segment given the current state of stocks. However, in a long-term scenario some segments showed undercapacity. The result is heavily dependent on the current TAC/quota situation and the number of permitted days at sea per vessel.

Germany: A qualitative biological approach was used to examine the balance between fishing capacity and fishing opportunities by fleet segment. It 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. As in 2005, the slight decrease in Germany's fleet capacity during 2006 (5% in GT, 4% in kW) was achieved without public aid.

Estonia: In 2006 no new multiannual management and recovery plans were introduced in the Baltic Sea and in the NAFO regulatory area. Estonian fleets need to adapt to TAC reductions for cod in the Baltic Sea and to the NAFO rebuilding plan.

Greece: Public aid continued to finance capacity reduction during 2006. The overall capacity reduction (1 183 GT and 8 926 kW) was almost exclusively attributable to public aid. The vast majority of the Greek fishing fleet is made up of small-scale coastal fishing boats using a variety of fishing gear.

Spain: Spain continued to use public funds to reduce fleet capacity; slightly over 11 000 GT was scrapped during 2006. The fleet is managed by means of separate segments, as it was under MAGP IV.

France: The capacity of the French continental fleet was further reduced by approximately 2% in terms of both tonnage and engine power, as in 2005. The report gives a summary of the management measures, such as TAC and quotas, taken during the year at different international or national levels.

⁶ Commission Regulation (EC) No 1639/2001 (OJ L 222 of 17 August 2001, pp. 53-115).

Ireland: The 2005 decommissioning programme for the whitefish fleet was continued in 2006 and resulted in a 10% reduction in this fleet segment. The scheme will continue in order to achieve a 45% capacity reduction. Industry-led restructuring of the pelagic fleet is also described in the report.

Italy: The capacity of the Italian fleet was further decreased by means of scrapping backed by public aid. During 2006, 137 vessels with a combined tonnage of 7 267 GT and total engine power of 27 016 kW were decommissioned. According to the Italian report, the average number of fishing days stabilised at 134, the same as in 2005, after a sharp reduction in previous years.

Cyprus: Under a 2004-2006 decommissioning scheme, five polyvalent vessels were scrapped with public aid in 2006. A significant reduction in fleet capacity was achieved in 2006 by exporting the largest Cypriot fishing trawler to the USA. This trawler accounted for about one third of the Cypriot fleet capacity and its export for 87% of the total capacity reduction in 2006, in terms of GT.

Latvia: For the high-seas fleet, the fishing opportunities are considered sufficient to guarantee full employment. In the Baltic Sea (including the Gulf of Riga) fleet, the largest catches of cod, sprat and herring were made by vessels over 24 metres long. More than half the cod catch is made by vessels from 24 to 40 metres long. Therefore these vessels have a heavy impact on the cod stocks in the Baltic Sea.

Lithuania: In 2006 five fishing vessels were removed from the register. In the same year, the capacity removed without EU assistance made way for the entry of six new vessels.

Malta: The fleet is made up of full-time and part-time vessels. The fleet operates predominantly on a small scale. In general, the seasonal and fishing patterns during 2006 remained the same as in previous years with no indication of any increase in fishing effort in any fishery. The catches of blue fin tuna remained well below the allocation set for Malta by the ICCAT.

The Netherlands: The capacity of the cutter fleet has not followed the downward trend of the plaice and sole stocks. For the remainder of the fleet, the current capacity is considered balanced with the situation of fish stocks. For the Dutch fleet 2006 was a relatively quiet year.

Poland: From an economic viewpoint, cod is of central importance to Polish fishermen, but no significant improvement in the biomass of this species is expected in the next five years. The total capacity of the Polish fleet has been reduced by permanent withdrawals with public aid: by 18 840 GT and 54 500 kW, i.e. 39.8% and 36% respectively, compared with the situation on 1 May 2004.

Portugal: During 2006 an appreciable reduction was recorded in both the number of vessels and fishing capacity compared with 2005. This reduction was greater in terms of number of vessels (4.4%) than in gross tonnage (0.72%) or engine power (0.2%).

Slovenia: In 2006 the fishing fleet was beset by persistent structural problems, notably the obsolete and inadequate fishing fleet, the seasonal nature of fishing and the high probability that fish stocks will further decline. In addition, fishing activities are affected by the small size of the sea-fishing area which extends over about 180 km².

Finland: The number of vessels and the capacity of the Finnish fleet decreased in all but one segment during 2006. Compared with the starting level on 1 January 2003 there has been a decrease of 17% in GT and 11% in kW.

Sweden: Some 40% of landings in Sweden were on the east coast, but in terms of value 60% was landed on the west coast, around 30% on the south coast and only 10% on the east coast. Large pelagic trawlers over 24 metres long, demersal trawlers over 12 metres long and fishing vessels under 12 metres long with passive fishing gear account for most of the value of landings.

2.2. Impact of effort reduction schemes on capacity

Member States reported various recovery measures and effort reduction schemes applicable in 2006. In particular, they concerned fisheries in the Kattegat, North Sea and Skagerrak, West of Scotland, Eastern Channel, Irish Sea, Bay of Biscay, Cantabrian Sea and Western Iberia and the Baltic Sea. Generally, Member States reports do not clearly show whether fishing effort schemes have been or will be an effective tool to achieve a sustainable balance between capacity and resources. The Commission believes the overall results in terms of fleet size are poor and more efforts need to be done.

Belgium: The fishing fleet was subject to the Annex II⁷ 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. Restricting 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 a substantial exchange of quotas with the Netherlands was required.

Denmark: In line with Annex II, as part of the cod recovery plan, the number of vessels fell by 149. This added up to 3 676 GT or 4% of total capacity. During 2006, 652 vessels were fishing using gear covered by the Days at Sea Regulation, as opposed to 697 in 2005, which is a reduction of 6%. In 2006, 61 062 days at sea were used as opposed to 71 701 in 2005, a reduction of 15%. The reduction in terms of total kW-days was 15%.

Germany: As in 2005, effort reduction schemes had a minor impact on the fleet, primarily in the Baltic Sea. This has not been quantified.

Estonia: During 2005 and 2006, fleet capacity decreased by 17%. In 2006 vessel modernisation activities increased, although pressure on fishery resources is not believed to have increased.

Greece: Fishing capacity has been stabilised by granting professional fishing licences solely in cases of fleet renewal. Various national measures have been introduced to manage fishing effort, such as limitations on the types and specifications of vessels and fishing gear, bans on certain periods and fishing gear and imposition of minimum distances and depths beyond which fishing is permitted.

Spain: The fleet has been affected by effort reduction measures for deep-sea species and for southern hake and nephrops (Annex IIB). Management plans have also been adopted at national level for the Mediterranean, Gulf of Cadiz and Canaries waters. However, the report

⁷ Council Regulation (EC) No 51/2006 (OJ L 1 of 20 January 2006, pp. 1-183).

does not explain how far the permanent capacity reduction, with public aid, of approximately 100 vessels and 12 000 GT is linked to such effort reduction measures.

France: The reduction in fleet capacity with public aid during 2006 totalled 85 vessels and 6 162 GT, mainly as a consequence of measures to reduce fishing effort for cod, hake and sole. The trawler fleet operating in Mediterranean waters has been reduced by 21 vessels or 1 800 GT, but it is not clear if this was the result of measures to reduce fishing effort.

Ireland: Fisheries falling within the scope of stock recovery plans (ICES areas VIa and VIIa) are of a highly mixed nature. It is therefore difficult to gauge the impact of effort reduction. Under the Western Waters regime, the decommissioning of scallop vessels in 2005 resulted in a better balance between capacity and the effort allocations available.

Italy: Although there are no mandatory fishing effort management schemes for the Italian fleet, Italy reported a gradual reduction in fishing effort, in terms of both capacity and activity, which has led to an increase in catch per unit of effort. The particularly positive trend in landings per vessel is combined with growth which has been more than proportionate to turnover per vessel, thanks to the increase in production prices.

Cyprus: No compulsory effort reduction schemes are applied to the Cypriot fisheries. The scrapping scheme mentioned earlier is therefore not the result of effort limitations introduced by fisheries managers.

Latvia: The only fishing effort reduction scheme applying in 2006 was a decommissioning programme financed by public aid provided by the FIFG. Since 1 May 2004, when the scrapping scheme has been being applied, 59 vessels mainly targeting cod in the Baltic Sea have been withdrawn from the fleet. Latvia is planning to reduce its fishing fleet capacity further by scrapping some 133 vessels in the next few years.

Lithuania: In order to balance fishing effort and adjust the fishing capacity to the fish stocks available, the authorities continued with permanent withdrawal of certain fishing vessels from active operations.

Malta: During 2006 three vessels stopped fishing operations and their fishing effort was not replaced. However, the impact on overall fishing capacity was minimal.

The Netherlands: The fleet is subject to the “days at sea” limitation in the North Sea (Annex II regime). The number of fishing days was reduced by 8% in relation to 2005. 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 2006 the number of days spent fishing by the Baltic fleet fell by as much as 36% compared with 2004 and by almost 70% in the case of 24-25 metre cutters. In the period from 2004 to 2006 the number of days that vessels fishing for cod spent at sea fell by about 30%.

Portugal: The recovery plan for hake and nephrops (Annex IIB to the TAC Regulation) produced no further capacity reductions in the fleet targeting these species. As a result of the Greenland halibut recovery plan (NAFO), the number of licences was reduced but, since the vessels were transferred to other fisheries, there was no need for capacity reductions.

Restrictions on sardine fishing remained in force in application of the national recovery plan for these stocks.

Slovenia: The fishing fleet is not fully in equilibrium with the fishing resources available in territorial waters, where the majority of the fleet fishes.

Finland: The size of the fishing fleet has gradually decreased over recent years. Because of overcapacity in the herring and sprat fisheries and following the driftnet ban in the Baltic Sea and the Salmon Decree regulating the salmon fishery, a special decommissioning scheme was implemented during 2004-2006. Capacity totalling 1 378 GT and 6 025 kW has been withdrawn with public aid. Overall, the total effort by the fleet shows an upward trend, even if fleet capacity has decreased in recent years.

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. National rules restricting coastal fishing and the introduction of compulsory size-selective trawls have further reduced fishing effort. The number of permitted days at sea fishing for cod in the Baltic Sea fell, leading to a reduction in fishing effort. The number of driftnet fishermen fell from 53 to 35 in 2006 and driftnet fishermen were, temporarily, offered increased aid for scrapping. However, only two vessels were scrapped in 2006.

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

According to the CFR data available on 23 October 2006, almost every Member State was within its maximum fleet capacity ceiling at the end of 2006. Although some Member States slightly exceeded their entry/exit ceilings in 2006, as in previous years (see section 3.1), 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.

2.4. Strengths and weaknesses of fleet management systems

The main strength underlined by many Member States is that the entry/exit scheme and maximum fleet capacity ceilings were closely adhered to by the national fisheries managements. Furthermore, a number of Member States stated that the present fishing effort reduction scheme has helped to achieve a better balance between fishing effort and the resources available. Naturally, the reduction in fishing capacity has led to a reduction in fishing pressure. Most Member States also underlined the importance of the various management and recovery plans implemented, including better management of fishing licences and careful follow-up of quota allocations.

By the end of 2006 the majority of Member States had comprehensive integrated IT systems for fisheries management, comprising various software sub-applications, such as a fleet register, capacity management, licences, log-books, landings, sales notes, VMS, quotas, catch reporting, etc. In most cases these IT systems link several administrative bodies, and also central administrative bodies with local ones, and have thus resulted in considerably stronger national fishing fleet administrations.

Nevertheless, some Member States stressed that difficulties remain with the human capacity and resources available for administration of the fishing fleet. Furthermore, some Member States recognised that management and assistance to small-scale fisheries should be improved.

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 four-year period 2003–2006, the overall capacity of the Community fleet was reduced by 217 000 GT and 773 000 kW, giving a net reduction of approximately 10%. The contribution by the “EU-15 fleet” to this reduction was 167 000 GT and 645 000 kW, compared with 51 000 GT and 128 000 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 2003-2006 (23% compared with 9%, in both tonnage and engine power).

Over the four-year period 2003-2006 approximately 173 000 GT and 560 000 kW were withdrawn from the EU fleet (except for the outermost regions) with public aid, of which 40 000 GT and 127 000 kW were withdrawn in 2006.

Generally speaking, the net reductions in the EC 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 2006. A majority of Member States have complied with these rules. However, according to the CFR data, Spain exceeded its entry/exit tonnage ceiling by 1.66%, although the figures given in the Spanish annual report claim that the Spanish fleet did comply with the tonnage ceiling. The French fleet exceeded its tonnage ceiling by 0.21%.

More detailed data (tables and graphs) on trends in the capacity of Member States’ fleets are available on Europa⁸. These allow verification of Member States’ compliance with the capacity limits at any time from 1 January 2003 to 31 December 2006. They indicate that France and Italy exceeded the GT ceiling over the above-mentioned reference period. A slight overshoot of the engine power ceiling is also shown for Denmark and Greece.

In July 2007 the Council adopted an amendment to the fleet management provisions which allows Member States, with effect from 1 January 2007, to re-allocate 4% of the capacity scrapped with public aid in order to improve safety on board, working conditions, hygiene and product quality. The amendment also includes the possibility to re-allocate for the purpose of the aforementioned safety improvements 4% of the average annual tonnage withdrawn with public aid between 1 January 2003 and 31 December 2006 for Member States that were part of the Community on 1 January 2003, and between 1 May 2004 and 31 December 2006 for the Member States that acceded to the Community on 1 May 2004. Rules for implementing these provisions, in the form of an amendment to Commission Regulation 1438/2003, were being prepared by the Commission at the time of drafting this report.

⁸ http://ec.europa.eu/fisheries/fleet/index.cfm?method=FM_Reporting.AnnualReport.

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 2006 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.

At the end of 2006, as in previous years, three out of the 17 segments for the outermost regions were exceeding their reference level. Segment 4FJ (vessels under 12 metres long) for the French department of Martinique exceeded its power reference level by 5 622 kW. The situation was the same in segment 4K9 in the Azores Islands where the reference level was exceeded by 138 kW. Segment CA3 (vessels more than 12 metres long, registered in the Canary Islands and fishing in international and third-country waters) exceeded its tonnage reference level by 795 GT.

4. CONCLUSIONS FROM THE COMMISSION

The quality of the Member States' reports has steadily improved since the first report, covering the year 2003, was presented. However, as in previous years, the majority of the Member States' reports did not describe their 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.

All parties involved (the Commission, Member States, STECF and the European Parliament Fisheries Committee) agree that the quality of Member States' annual reports should be improved, which implies that more detailed guidelines should be defined for them. To this end, the Commission has convened an *ad hoc* working group within STECF to draw up a harmonised method to assess the balance between fishing capacity and available fishing opportunities. This group met at the end of October 2007 and a follow-up meeting is scheduled early in 2008. This issue will also remain on the agenda of the Committee for Fisheries and Aquaculture.

During 2006 the fishing capacity of the EU fleet continued its slow but steady reduction at an annual rate of between 2% and 3%. Figures 3 to 5 in the annex show that generally this has been the trend for the last 15 years. This reduction appears too modest when compared with the big reductions in effort required for some major fish stocks, the steady technological creep and the poor economic performance of large parts of the fleet.

The impact of fishing effort measures on capacity reduction has been low, generally speaking. This means that the approach adopted during the CFP reform, i.e. to use effort management as the main driving force for fleet adjustment, has not yet yielded the expected results. This is due, in part, to the absence of effort management systems for several fisheries or to the ineffectiveness of the existing ones (Annex II, Western Waters, deep-water fisheries, some national schemes, etc.). Here, the CFP has ample room for improvement and future proposals to that end are already being considered. But another important point to underline is that

Member States should provide better incentives for capacity adjustment. The operational programmes for the period 2007-2013 in the context of the European Fisheries Fund offer an opportunity that cannot be missed to ease the transition towards a more efficient Community fleet in economic, environmental and social terms.