

Final report

**ECONOMIC ANALYSIS OF RAISING  
*DE MINIMIS* AID FOR FISHERIES  
(MARE/2008/12)**

by

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in co-operation with

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## EXECUTIVE SUMMARY

At present the *de minimis* regulation (EC Reg. 875/2007) allows a maximum support of 30,000 Euro per firm for each three-year period during 2007-2013. The objective of the presented analysis is to assess the consequences of a proposed adaptation of the *de minimis* regulation to account for the size of the firms in terms of the number of vessels they operate. The proposed regime would provide assistance of 30,000 per vessel, with a maximum of 100,000 Euro per firm.

The present *de minimis* regulation specifies total national ceilings for the budgets which can be made available for this purpose.

The report analyses the potential impact of the present *de minimis* regime and the changes which would occur under the proposed regime, assuming that the resources will be used to their maximum. A brief review of the Member States shows that many MS have used *de minimis*, but mostly to a limited extent, an exception being Spain. Specific information about France and Italy is not available.

### *Present de minimis regime*

Although the primary objective of the present report is to analyse the consequences of the change of the present regime to the proposed one, the present regime contains a number of characteristics which must be highlighted in order to appreciate the overall consequences of the proposed regime.

The total budget amounts to 718 million Euro for one three-year period, or the double for the entire duration of validity of the regulation. This amount has been determined approximately as 2.5% of the total value of production of the entire fishery sector, i.e. catching, aquaculture and processing.

Under the present regulation the available budgets would allow to support a total of 24,000 firms, i.e. about 25% of the total number of firms in the catching, fish processing and aquaculture sector. The effective number of owners of fishing vessels which could receive support under this regime amounts to about 22,600, i.e. 29% of the total. The coverage rates are, however, highly different between the different Member States, ranging from 1-5% for some of the new MS to 210% for the Netherlands and 414% for Belgium. Countries with a large fish processing industry in comparison with the fleet, benefit from a 'leverage effect'. As the present regime, and even more the proposed one, focuses mainly on the fishing fleet, the Member States with large output from fish processing and aquaculture dispose of a high national budget ceilings, which in turn allows them to provide assistance to a larger number of vessel owners. On the other hand, countries with numerous fleets and small aquaculture and processing industry are in a relative disadvantage. The different coverage rates represent one of the sources of potential competitive distortions, under the present as well as under the proposed regime.

The maximum amount per firm allowed under the present regime leads to highly different impacts on fishing firms, depending on the size of the vessels they operate. On one hand, for small vessels below 12m, 30,000 Euro would often represent a very significant contribution to their annual production value and income. On the other hand, for vessels over 24m, and even more strongly for those over 40m, the maximum *de minimis* represents less than 10% of their gross value added<sup>1</sup> over the total period of three years. Consequently, the present regime overcompensates the higher fuel costs, for the purpose of which it was set up, for small vessels, which are not very energy dependent. At the same time, the contribution to the alleviation of high fuel costs for the larger vessels remains uncertain because of the constrained ceilings.

The total fuel costs of the European fishing fleets have been estimated at about 1.8 billion Euro, at average 2008 price level. The fuel price increased between 2006 and 2008 by 29%. This implies that in 2008 fuel costs were about 400 million Euro higher than two years earlier. The *de minimis* budget could on average compensate 60% of this increase over the three year period for which it is set. However, it must be stressed that 58% of the total fuel costs are incurred by 6% of the fleet (in terms of numbers), being

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<sup>1</sup> Gross value added is the sum of income accrued to labour and capital, including costs of depreciation and interest.

vessels over 24m. This illustrates to which extent the increase of fuel costs of small vessels is overcompensated and of the larger vessels undercompensated, unless additional eligibility criteria in this respect would be introduced.

The present regime, if fully implemented, contains a danger of distortion of the level playing field (competition and intra community trade). Firstly, fleets of the countries implementing *de minimis* obtain a competitive advantage over those not implementing it. In some fisheries this advantage may be substantial. Similarly, firms which would get full support will benefit compared to those which would not get anything due to the constraints of the national ceilings.

Comparing the level of national ceilings to the national resources available for the implementation of EFF shows that, over the full period of six years, the resources required for *de minimis* would amount to 52% of the national contributions to the EFF. Even more strongly, *de minimis* would amount to 188% of the resources earmarked for the priority axis 1, to which *de minimis* is most directly related. Should national resources be transferred from EFF to *de minimis*, the implementation of EFF programmes would be seriously threatened.

Finally, it must be pointed out that the incentive of *de minimis* is to keep vessels in operation. This may be in direct competition with the objectives of the conservation and structural policy to reduce the size of the fleet and the fishing effort.

#### *Proposed de minimis regime*

The proposed regime aims to meet the needs of multi-vessel firms. It would provide assistance of 30,000 Euro per vessel with a maximum of 100,000 Euro per firm. This would reduce the number of beneficiaries (firms) by approximately 10% from 22,600 to 20,300. The principles of the proposed regime benefit explicitly owners of fishing vessels. The application of the new regime to the fish processing and aquaculture is in fact unclear, although the regulation bears also on these two sub-sectors.

About 90% of the fishing firms own only one vessel. The number of beneficiaries in this group would decrease proportionately by 10%, but the benefits would not change for the firms receiving assistance.

About 7,400 multi-vessel firms which operate 21,100 vessels (23% of the total EU fleet) are the primary beneficiaries of the proposed regime. Within this group 6,600 firms own 2-3-vessels and their benefits per vessel would become equal to the relative benefits of the single-vessel firms. The 770 firms operating four or more vessels (total of 6,800 vessels) would receive per vessel a proportionately lower support.

The multi-vessel firms operate on average larger vessels than the single-vessel firms. This means that the new regime also favours the larger vessels over the smaller ones. It strengthens further the incentive for multi-vessel firms to maintain their fishing capacity in operation.

In order to maintain the number of beneficiaries equal to the number under the current regime, the sum of national ceilings of the 22 coastal states would have to be increased from the present 715 million Euro to 800 million Euro, i.e. by 12%.

Temporary *de minimis* support to less than one third of the EU fleet under the present and the proposed regime is unlikely to have any noticeable impact on global trade patterns with non-EU countries. Both regimes will keep the vessels in operation, maintain the level of fishing effort at the historical level and consequently also the level of landings, TACs permitting.

Although significant impact on intra-EU trade is also unlikely, it cannot be excluded that distortion of competition and intra-EU trade flows may occur in specific market segments should individual Member States follow very different approaches to *de minimis*. This danger exists already under the present regime and may be slightly increased under the proposed regime, as the potential numbers of beneficiaries would be lower, leading to greater disparities.

### *Final remark*

On the basis of contacts with most Member States it can be concluded that in the 18 months since the introduction of the *de minimis* regulation in July 2007, at least eleven countries have made some use of it although mostly to a limited extent. Spain is an exception, having used about one third of its total national ceiling in 2008. It was not possible to obtain specific information about France and Italy, two other countries with high national ceilings.

By the end of 2008 the general economic situation has significantly changed. The fuel price has fallen to a record low, undermining the original reason for the introduction of the regulation. The global 'credit crisis' has put most sectors and firms under pressure. While the national governments are making billions of Euros available to address the macro-economic pressures, it seems unlikely that individual sectors will receive specific support, as this would mean further deterioration of the agreed budgetary discipline. Furthermore, if at all, support will probably be reserved for sectors like the automobile industry, which has very major forward and backward linkages throughout the economy. In case of the fisheries sector this is much less obvious.

### *General conclusions*

In view of these arguments the need and relevance of the adaptation of the *de minimis* regime can be questioned.

## SUMMARY BY CHAPTER

### *Background*

The European fishing fleet has been facing increasing economic difficulties due to rising fuel price and in some cases deteriorating fish prices and/or catch rates. In order to alleviate the most serious threats the European Commission adopted the regulation EC Reg. 875/2007, increasing the *de minimis* aid to 30,000 Euro per firm. This aid can be made available to fishing firms as well as to companies in fish processing, trade and aquaculture, the eligibility rules being set by the individual Member States. The situation has deteriorated rapidly in the first half of 2008 and consequently the European Commission adopted an additional package of emergency measures (EC Reg. 744/2008) aimed at speeding up the restructuring of the European fishing fleet through the European Fisheries Fund.

In order to address certain disparities, it is being considered to increase the *de minimis* aid, from the present level of 30,000 Euro per firm to 30,000 Euro per vessel, with a ceiling of 100,000 Euro per firm. Consequently this measure would favour firms operating two or more vessels.

### *Objective*

The European Commission wishes to obtain a quantitative assessment of the consequences of the adaptation of the *de minimis* regulation, allowing higher aid per firm or per vessel. The assessment must consider impact on structure, performance and competitiveness of the fisheries sector, number of beneficiaries, level of national ceilings, impact on markets and resources and the relation of *de minimis* to other available aid packages, in particular EFF and the emergency package. The assessment should also consider consequences for aquaculture and fish processing and trade. Finally, a comparison to *de minimis* schemes in other sectors is required.

### *Approach*

Quantitative information has been drawn from STECF-SGECA, the EU Fleet Register, Eurostat and several complementary sources (EC and national). A model has been built to allow the analysis of all relevant fleet segments for which data is available in the SGECA 08-02 report. In this way an assessment by MS, gear, vessel size and region was possible. Analysis of Spanish fleet is based on a recent publication by MAPYA. The report is structured along the tasks specified in the Terms of Reference.

The present *de minimis* regulation will remain in force till 31.12.2013. This means that the maximum resources which could be spent on *de minimis* amount to two times the allowed national ceilings. This report, however, considers only impact in short (one year) and medium (three years) term. Furthermore, the report assumes that a maximum amount of 30,000 Euro per firm (or vessel) or 100,000 Euro per firm would be paid. Consequently in many countries significant numbers of fishing firms would not get any support, due to the constraints of national ceilings. Evidently, in practice the national governments may opt for an approach with lower maximum support and a larger number of beneficiaries.

### *Ownership structure*

As of November 2008 the EU fleet register contained 90,915 vessels owned by approximately 77,200 owners. Of this fleet 69,750 vessels were owned by single-vessel firms. This confirms the general impression that the EU fishing is largely composed of one-man-one-vessel companies. About 14,300 vessels were owned by 6,652 companies, operating 2-3-vessels. Finally, 772 firms having four or more vessels operated a total fleet of about 6,800 vessels.

The multi-vessel ownership occurs across all size and gear categories. However, the average size of the vessels operated by multi-vessel companies is about 1.5-2.3 times larger in terms of GT than the vessels of single-vessel owners. While multi-vessel firms operate 23% of the EU fleet in terms of number of vessels, this represents 28% of the total engine power (kW) and 35% of the total gross tonnage (GT).

### *Beneficiaries under present regime*

The national ceilings, combined with the maximum allowed aid of 30,000 Euro per firm, constrain the number of beneficiaries. The maximum number of beneficiaries amounts to some 24,000 firms, i.e. about 25% of all firms in the fishery sector. However, the ceiling in some countries would allow to support more than the number of firms in that country, while in other Member States as few as 1-5% of the firms could be supported. This is a consequence of the national ceilings (derived from the value of output of the total national fisheries sector) and the number of active firms.

The present *de minimis* regime gives rise to at least two types of distortions. First, countries with large processing and/or aquaculture sector have been allocated a relatively high national ceiling, which subsequently allows them to provide maximum assistance to a high percentage of the fleet owners. Second, the maximum assistance per firm (30,000 Euro) is relatively high in relation to the national ceilings, so that most countries cannot provide maximum assistance to all vessel owners. This amount is also relatively high in relation to gross value added of many small boats (<12m). Consequently, distortion of competition occurs between vessels which would receive maximum assistance and those which would not receive anything.

### *Beneficiaries under proposed regime*

Changing the *de minimis* regime to 30,000 Euro per vessels, with a maximum of 100,000 Euro per firm, would increase the average support per vessel for the multi-vessel firms and consequently decrease the potential number of beneficiaries (firms). The precise number of beneficiaries depends on the composition of the fleet by ownership. Therefore two scenarios have been elaborated. 'Minimum scenario' (aid going to multi-vessel firms first) would mean that at least 16,750 firms could be assisted. The 'Average scenario' assumes that the ownership distribution among the beneficiaries would be equal to that of the whole fleet, in which case 20,300 firms could be assisted. Compared to the present regime the number of benefitting firms would decrease by about 10%.

### *Relation to economic variables*

The report presents an analysis of the relation of the *de minimis* aid to gross value added (GVA). This can be considered as the most relevant indicator as it reflects the income of the owner and the crew and any assistance would directly increase this income by the same amount. Short (1 year) and medium (3 years) term impacts are analysed by Member State, vessel length and gear. Furthermore, relation of the 30,000 Euro *de minimis* aid to turn-over, fuel costs and GVA is presented for average vessels of all fleet segments for which sufficient data is available in the SGECA 08-02 report.

The analysis shows that the present *de minimis* regime would have significant positive short and medium term impacts, in particular for small vessels <12m. Their GVA would often increase by more than 25%, but much higher increases would be experienced by some of these segments. On the other hand impact on vessels >40m would mostly remain below 10% of the GVA. Even in medium term the impact for vessels <12m would often be more than 25% of their GVA.

The multi-vessel firms would significantly benefit from the proposed regime. A 5-vessels firm receives de facto under the present regime 6,000 Euro per vessel, while under the proposed regime it would receive 20,000 Euro per vessel. The impact on its GVA increases proportionately, i.e. by 233%.

### *Adaptation of national ceilings*

In order to maintain the number of potential beneficiaries under the new regime equal to the number under the present regime (24,000), it would be necessary to increase the sum of national ceilings from the present 719 million Euro to about 800 million Euro. However, there are major differences between the various Member States. Some MS already dispose of a ceiling which would cover more than 100% of the fishing firms (e.g. Belgium and the Netherlands) and in these MS the ceiling would not have to be

increased. On the other hand in other MS an increase of the ceiling by 40-50% would be necessary (Estonia, Latvia, Finland). In most other cases an increase of 5-10% would be sufficient.

#### *Impact of the new regime on vessels by size*

The shift to new regime would benefit the multi-vessel firms (operating larger vessels) at the expense of the single vessel firms. The number of benefitting single-vessel firms would decrease by approximately 10% to 18,000. Also the number of multi-vessel firms would decrease, but each beneficiary would be receiving substantially higher assistance. The competitive position of the larger firms against the smaller ones receiving *de minimis* aid would therefore improve. However, as already stated above the distortion would occur between firms receiving and those not receiving assistance.

#### *Impact on trade patterns*

Impact on global trade patterns of the *de minimis* package must be considered as negligible. The share of individual fleet segments in total flows of fish and fish products in the EU is mostly below 1%. Furthermore, on average less than one third of the vessels in a segment may receive assistance. The level of fishing effort is unlikely to change as a result of *de minimis* and consequently landings would also remain at the recent level. Trade flows and price levels depend on imports from non-EU countries, the value of which is about three times higher than the value of EU landings. However, in specific fisheries and consequently market segments, there is an added risk that distorted competition due to *de minimis* would adversely affect intra-EU trade if the firms from one Member State would receive support, while firms from other Member States would not. This danger exists already under the present regime and may be slightly increased under the proposed regime, as the potential numbers of beneficiaries would be lower.

#### *Distortion of economic performance between comparable segments*

This section compares short and medium term impacts of the present and proposed *de minimis* regime of 1-vessel and 5-vessels firms within six fisheries: North Sea beam trawlers 24-40m, Baltic pelagic trawlers-seiners 24-40m, Atlantic demersal trawlers 12-24m, Atlantic passive gears <12m, Mediterranean trawlers and Mediterranean passive gear vessels <12m. These cases lead to the following general conclusions:

- Firms operating small vessels will profit more from the *de minimis* regime than those operating larger vessels. This applies in principle to the present as well as the proposed regime.
- The proposed regime increases substantially the benefits for multi-vessel firms. For 2-3-vessels firms the benefits will be at the same level as for 1-vessel firms as the ceiling is not yet applicable. The benefits to 4+-vessels firms are somewhat lower.
- The present *de minimis* regime has major positive short term impacts on gross value added of smaller vessels (<24m). This may give rise to competitive distortions between firms which would receive assistance and those which would not.
- The proposed *de minimis* regime will increase this discrepancy between the multi-vessel firms.

#### *Impact on processing and aquaculture*

There is a major difference between the average size of the firms in aquaculture on one hand and in fish processing on the other. The average GVA of the aquaculture firms is estimated at 116,000 Euro, while for the fish processors the GVA amounts to almost 1 million Euro. These figures show that the provision of *de minimis* aid to aquaculture would have a significant short term impact on incomes in that sector. Consequently, distortion of intra-EU trade may occur should one Member State decide to support its aquaculture industry, while other MS would abstain from such support. For fish processing, receiving *de minimis* would not make a significant difference.

Consequences of the shift to the proposed regime depend on the new maximum per firm which would be applicable. While little or no consequences are likely for the fish processing sector, increasing the maximum support per firm may lead to further distortion of competitive positions within the EU aquaculture sector.



### *Impact on effort and resource exploitation*

The assessment of the impact of *de minimis* on fishing effort faces some statistical problem, which are specified in the text. Despite these problems, an estimate was made of the shares of fishing effort which would experience a high respectively low impact on their GVA. The analysis has been carried for four fisheries: North Sea and Baltic cod, North Sea plaice and sole, Atlantic nephrops and anchovy in the Mediterranean.

The level of impact of *de minimis* in these fisheries depends on the size of the vessels, potential coverage rates of the relevant Member States and the share of the segments in the fishing effort on the target species. Despite the differences of the cases, the following general conclusions can be drawn:

Current regime:

- In general, the present *de minimis* regime has a positive impact on the economic performance of the vessels receiving assistance and will therefore maintain present levels of fishing effort in the short run. In this sense it works contrary to the objectives of the conservation policy to reduce effort. The present level of effort will not be increased as a result of *de minimis*, as it is already constrained by other management measures.
- Different fisheries and fleet segments are affected differently by the present regime. Impact of *de minimis* in cod and flatfish fisheries would be relatively high. Nephrops and anchovy fisheries would experience low impact. Firms operating small vessels (<12m) and to lesser extent medium sized vessels (12-24m) would benefit significantly more from the regime than the firms operating larger vessels.

Proposed regime:

- The national ceilings in most Member States do not allow to provide maximum *de minimis* aid to all fishing firms. This constraint implies that the amount of total support given to each fleet segment remains approximately constant. A slight change would occur in the distribution of the assistance between 1-vessel and multi-vessel firms, in favour of the latter.
- Only three Member States (Belgium, Germany and the Netherlands) have a national *de minimis* ceiling which would allow them to increase their total support of the sector under the proposed regime.

### *De minimis in other sectors*

A comparison of the regime for fisheries with the *de minimis* for primary agriculture shows that the regime for fisheries (catching) sector is significantly more generous. Comparison to other sectors is not possible due to a different nature of the *de minimis* support there.

### *Relation to other support measures*

The relation of *de minimis* to EFF and its five priority axes has been evaluated. While the total EU ceiling of *de minimis* amounts to 719 million Euro, the total national contribution to EFF, as presented in the national Operational Programmes, amounts to 2.8 billion Euro. Resources allocated to the priority axis 1, which is most closely related to *de minimis*, amount to 760 million Euro. These figures demonstrate that should *de minimis* be implemented at the expense of EFF (as all governments must adhere to their budgetary discipline), the achievement of EFF objectives could be seriously threatened. Furthermore, the two funds give opposite incentives. Priority axis 1 aims at reduction of fishing capacity, while the *de minimis* assistance helps to maintain this capacity in operation.

### *Final remark*

During the study all ministries responsible for the implementation of *de minimis* in the various MS have been contacted to determine to which extent this scheme has been put in practice. Although it was difficult to obtain precise information about the scale of *de minimis* given to the national fleets (partly because the responsibility has been delegated to the regional level). At least eleven MS have made some use of *de minimis*. Spain has used one third of its total national ceiling in 2008. There is no information about France, Italy and several other smaller MS.

## 1. NUMBER AND STRUCTURE OF MULTI VESSEL-OWNER ENTERPRISES

### *Methodology*

The following analysis is based on the ‘MFL-segment’, i.e. vessels involved in marine fishing in the EU waters, but not the fleets in the outer areas (approx. 5,000 vessels), nor vessels used for aquaculture.

The EU fleet register (situation of November 2008) was used in two different ways. First, a list of owners and the total number of vessels which they own was generated. This list provides a ‘clean’ picture of the number of owners. A second list classified the owners by fleet segment (length and gear). However, classification of ownership into fleet segments leads to unavoidable double counting, as one owner may have vessels in different fleet segments. The number of owners in each segment is correct. The total number of owners exceeds the ‘clean total’. A certain number of multi-vessel owners ‘ends-up’ in single-vessel owners segment. Therefore data presenting number of owners by length and gear has been extrapolated to the ‘clean totals’.

For the purpose of this study ‘owner’ is defined as ‘legal person’. It must be pointed out that individual vessels may be owned by individual ‘owners / legal persons’ (e.g. limited companies), which in their turn are fully owned by one single ‘parent firm’. Such arrangements are used for fiscal as well as operational reasons. Consequently, it is certain that the data regarding ownership, as available at present, underestimate the role of multi-vessel firms and overestimate the role of single-vessel firms. This problem could not be resolved under the present project and is therefore disregarded throughout the report.

### *Fleet register data*

In November 2008, the EU-27 fishing fleet was composed of almost 90,900 vessels (2 mln GT, 7.3 mln kW). The fleet was owned by almost 77,200 vessel owners. This implies an average ownership of 1.2 vessels per owner.

Table 1.1 EU-27 fleet and number of owners, 2008

MS	Number of owners	Number of vessels	Total GT	Total kW
BEL	95	102	19,303	60,620
BGR	2,601	2,829	9,642	72,261
CYP	964	1,001	5,177	43,144
DEU	1,356	1,975	72,310	174,686
DNK	2,013	3,052	92,859	316,054
ESP	12,105	12,927	482,945	1,155,718
EST	842	1,349	36,778	86,437
FIN	2,182	3,414	17,121	179,637
FRA	4,771	5,224	195,403	837,227
GBR	6,241	6,672	207,074	840,450
GRC	15,854	17,470	90,154	516,109
IRL	1,868	2,036	82,548	225,821
ITA	13,900	18,731	240,087	1,487,865
LTU	255	275	66,064	74,148
LVA	587	878	38,566	62,604
MLT	1,123	1,158	10,848	86,163
NLD	569	726	137,012	298,453
POL	872	956	52,800	122,465
PRT	6,969	7,488	97,407	329,778
ROM	360	455	1,822	7,011
SVN	121	198	1,086	12,290
SWE	1526	1,999	70,959	323,516
<b>Total</b>	<b>77,174</b>	<b>90,915</b>	<b>2,027,964</b>	<b>7,312,456</b>

Source: EU fleet register

For the purpose of this study, the structure of the fleet is analysed in three ownership groups: owners with one vessel, owners with 2 or 3 vessels and owners with four or more vessels. The justification for this subdivision lies in the proposed adjustment of the *de minimis* regulation. Firms with 2-3-vessels would be able to benefit from the full premium of 30,000 Euro per vessel, while larger firms would be faced with the ceiling of 100,000 Euro.

By far most vessels (77%) are owned by single-vessel owners. About 7,400 multi-vessel firms operate in total some 21,100 vessels. It is interesting to notice that across the EU there is no clear picture whether multi vessel firms own on average larger or smaller vessels. The last column of table 2 presents an index comparing the average size in GT of the vessels owned by multi- and single-vessel owners. The index 'multi/single' shows that in Spain, France, Lithuania and Portugal the multi-vessel firms own indeed significantly larger vessels than the single-vessel firms. In countries like Germany and the Netherlands the situation appears to be the opposite. The multi-vessel firms own relatively smaller vessels there.

Table 1.2 Composition by size of firms, 2008

MS	1-vessel firms		2-3-vessels firms		4+-vessels firms		Index multi / single <sup>a)</sup>
	Number of owners	Number of vessels	Number of owners	Number of vessels	Number of owners	Number of vessels	
BEL	89	89	6	13			72
BGR	2,407	2,407	189	399	5	23	226
CYP	929	929	35	72			143
DEU	991	991	314	703	51	281	34
DNK	1,421	1,421	492	1,115	100	516	72
ESP	11,424	11,424	652	1,358	29	145	535
EST	535	535	260	581	47	233	236
FIN	1,351	1,351	745	1,681	86	382	67
FRA	4,424	4,424	327	688	20	112	316
GBR	5,899	5,899	325	688	17	85	158
GRC	14,761	14,761	1,078	2,247	15	462	178
IRL	1,727	1,727	137	289	4	20	172
ITA	12,673	12,673	924	1,973	303	4,085	88
LTU	241	241	13	30	1	4	784
LVA	428	428	127	286	32	164	346
MLT	1,095	1,095	27	59	1	4	63
NLD	468	468	92	203	9	55	46
POL	809	809	59	126	4	21	78
PRT	6,528	6,528	427	891	14	69	416
ROM	322	322	29	65	9	68	221
SVN	77	77	36	82	8	39	214
SWE	1,151	1,151	358	769	17	79	121
<b>Total</b>	<b>69,750</b>	<b>69,750</b>	<b>6,652</b>	<b>14,318</b>	<b>772</b>	<b>6,847</b>	<b>171</b>

Source: EU fleet register

<sup>a)</sup>Index = (average GT/vessel of multi-vessel firms) / (average GT/vessel single vessel firms).

For the total EU-27 vessels operated by multi-vessel firms are on average 71% larger in terms of GT than those operated by the single-vessel owners. The vessels owned by 2-3-vessels firms are about 50% larger than those of the single-vessel owners. The vessels owned by 4+-vessels firms are 130% larger. The difference in engine power is less pronounced – the vessels of 4+ firms have about 50% more kW than those of a single-vessel firm (table 1.3).

Table 1.3 Size of vessels by ownership group (EU-average), 2008

	GT/ vessel	kW/vessel
1-vessel firms	19	75
2-3-vessels firms	28	94
4+ vessels firms	44	111

Source: EU fleet register

Table 1.4 shows that the largest vessels are more often in hands of multi-vessel firms. For the three segments <40m, some 90% are single-vessel owners, operating about 75% of the total EU fleet in those segments. This relation is different for the vessels >40m. There 5% of the 4+-vessels owners operate 20% of the vessels in that segment. These differences would be even more pronounced if the gross tonnage or the engine power would be taken into consideration.

Table 1.4 Number of vessels in single and multi-vessel ownership by length (estimated), 2008

Length	1-vessel firms		2-3-vessels firms		4+-vessels firms		Total	
	Number of owners	Number of vessels	Number of owners	Number of vessels	Number of owners	Number of vessels	Number of owners	Number of vessels
<12m	56,441	56,441	5,451	11,747	614	5,560	62,507	73,749
12-24m	10,671	10,671	790	1,683	107	972	11,568	13,325
24-40m	2,290	2,290	338	732	30	188	2,658	3,210
>40m	348	348	72	156	21	127	441	631
<b>Total</b>	<b>69,750</b>	<b>69,750</b>	<b>6,652</b>	<b>14,318</b>	<b>772</b>	<b>6,847</b>	<b>77,174</b>	<b>90,915</b>

Source: Estimation based on EU fleet register

From the perspective of the main fishing gears (table 1.5) it is noticeable that particularly pelagic trawlers /seiners and the vessels using gears with hooks are in the hands of 4+-vessels firms.

Table 1.5 Number of vessels in single and multi-vessel ownership by gear (estimation), 2008 <sup>a)</sup>

Gear	1-vessel firms		2-3-vessels firms		4+-vessels firms		Total	
	Number of owners	Number of vessels	Number of owners	Number of vessels	Number of owners	Number of vessels	Number of owners	Number of vessels
TBB	809	809	69	158	7	78	886	1,044
DTS	8,483	8,483	742	1,585	121	988	9,346	11,056
PTS	4,350	4,350	484	1,068	126	1,191	4,960	6,610
DRB	1,895	1,895	107	227	7	45	2,009	2,167
PGP	33,643	33,643	3,899	8,391	286	1,927	37,829	43,962
HOK	14,003	14,003	706	1,504	208	2,526	14,916	18,033
DFN	801	801	35	74	2	15	838	889
FPO	5,766	5,766	610	1,312	15	76	6,391	7,154
<b>Total</b>	<b>69,750</b>	<b>69,750</b>	<b>6,652</b>	<b>14,318</b>	<b>772</b>	<b>6,847</b>	<b>77,174</b>	<b>90,915</b>

Source: Estimation based on EU fleet register

<sup>a)</sup>The gear classification of the fleet register has been transposed in the DCR classification, to make it comparable to the data in the SGECA 08-02 report. See details in annex 1.

### Conclusion

By the end of 2008, the EU fleet was composed of some 90,900 vessels, owned by almost 77,200 owners. About 77% of the fleet is in the hands of single-vessel firms. The multi vessel firms own on average larger vessels. They operate 23% of the EU fleet in number of vessels, which account for 28% of the total engine power (kW) and 35% of the gross tonnage (GT).

## 2. POTENTIAL NUMBER OF BENEFICIARIES UNDER CURRENT REGIME

The *de minimis* ceiling is determined approximately at 2.5% of the value of production of the entire fisheries sector, i.e. sum of catching, processing and aquaculture. However, the application of the regulation is implicitly aimed at the catching sector only. This leads to significant differences among the Member States regarding the extent to which they are able to provide assistance to the national fleet. Countries with relatively large fish processing and / or aquaculture sector are able to offer help to a larger number of vessel owners than the countries where these two sectors are relatively small. This 'leverage effect' is illustrated in the table 2.1.

In theory, given the total available envelope of 719 million Euro, there could be almost 24,000 beneficiaries, receiving the maximum allowed amount of 30,000 Euro per firm within one three year period. This includes several small land-locked countries and allows the number of beneficiaries in excess of the number of firms. Several MS would be able to provide assistance to (almost) all vessel owners (or even more than 100%). These are Belgium Netherlands and Germany and to slightly lesser extent Denmark and France. On the other hand countries like Italy, Ireland and Portugal could provide assistance to only 8-23% of their vessel owners.

In the theoretical case that all MS would make full use of the *de minimis* regime, four types of distortions of competitive position of the national fleets would occur:

- Effect of production value of processing and aquaculture – increases the total national ceiling.
- De facto, it allows support of the catching sector beyond the 2.5% of its own value of production.
- It increases the number of potential beneficiaries among the vessel owners.
- Effect of average revenues of the fishing firms.
- Countries with large numbers of small scale vessels and vessel owners can provide maximum assistance to only small percentage of these owners, e.g. Greece and Italy.
- Maximum assistance to small producers is, however, very significant in relation to the turn-over of the firm and its gross value added, leading to distorted competitive relations between those who have received such assistance and those who have not (see chapter 4).

The EC regulation 875/2007 came to force on 24 July 2007 and it expires on 31 December 2013. This implies that it contains two 3-year periods. The national ceilings are applicable for one 3-year period. Consequently, over the total duration of the regulation the number of beneficiaries could be double of the numbers indicated in table 2.1, i.e. almost 48,000.

In section 10 it is demonstrated that national *de minimis* ceilings (of one 3-year period) amount to 26% of the total national contributions to the EFF and to 94% of the allocations to priority axis 1, to which the *de minimis* measure is most closely related. These percentages would double over the entire duration of the EFF and *de minimis* regulations. Consequently, it seems unlikely that many MS will have the resources available for the full *de minimis* support. This may give rise to further distortions of competitive positions, depending on the extent to which various MS decide to implement the regulation.

### *Conclusion*

Assuming that the national ceilings would be fully utilized and the beneficiaries would receive the maximum amount of 30,000 Euro per firm, a total of 24,000 firms could be assisted during one 3-year period. This represents about 25% of the total number of the firms in the fishery sector and 31% of the number of vessel owners.

The present *de minimis* regulation gives rise to two types of distortion of competitive positions. First, between Member States due to differences in coverage rates. Second, between firms receiving assistance and those not receiving anything.

Table 2.1 Number firms in the fisheries sector and potential number of beneficiaries per Member State (2006-2008) <sup>a)</sup>

MS	Number of firms / owners			<i>De minimis</i> ceiling (mln Euro)	“ Potential” number of beneficiaries	Beneficiaries / fleet owners
	Fleet	Aquaculture	Processing			
AUS		400	5	0.6	21	
BEL	95	na	62	11.8	393	414%
BGR	2,601	na	35	0.4	14	1%
CYP	964	na	na	1.6	52	5%
CZE		690	19	1.0	34	
DEU	1,356	1,058	190	49.0	1,632	120%
DNK	2,013	205	125	57.7	1,922	95%
ESP	12,105	2,306	745	127.9	4,263	35%
EST	842	96	65	3.7	124	15%
FIN	2,182	187	160	7.1	236	11%
FRA	4,771	3,720	492	138.6	4,618	97%
GBR	6,241	589	388	102.7	3,424	55%
GRC	15,854	937	65	18.0	601	4%
HUN		349	11	0.7	25	
IRL	1,868	253	70	8.5	284	15%
ITA	13,900	725	na	94.3	3,144	23%
LTU	255	18	83	5.2	174	68%
LUX		na	0		0	
LVA	587	na	116	3.9	131	22%
MLT	1,123	na	na	0.3	9	1%
NLD	569	155	120	35.9	1,196	210%
POL	872	900	419	21.1	704	81%
PRT	6,969	1,471	150	15.7	523	8%
ROM	360	na	41	0.5	18	5%
SLK		na	8	1.1	38	
SVN	121	na	5	0.3	11	9%
SWE	1,526	325	211	11.2	372	24%
<b>Total</b>	<b>77,174</b>	<b>14,384</b>	<b>3,585</b>	<b>718.8</b>	<b>23,960</b>	<b>31%</b>

Sources: Fleet: EU Fleet register, Fish processing: Eurostat, Aquaculture: Interim report ‘Definition of data collection needs for aquaculture’ (FISH 1006/15, Lot 6)

<sup>a)</sup> The calculation of the number of potential beneficiaries is based the assumptions that the national ceilings will be fully utilized and that the beneficiaries will receive the maximum allowed aid of 30,000 Euro per firm.

### 3. NUMBER OF BENEFICIARIES UNDER THE PROPOSED REGIME

The proposed regime would provide assistance of 30,000 Euro per vessel, with a ceiling of 100,000 Euro per firm. Such ceiling would be then applicable to firms operating 4 or more vessels. Compared to the present regime, some firms would receive more than 30,000 Euro and the total number of assisted firms would proportionately decrease, depending on the distribution among the various ownership groups.

Two options are presented below: minimum and average number of assisted firms. A third option (Maximum) is not presented. This 'Maximum-option' would occur if 1-vessel owners would be served first and the number of beneficiaries would then be equal to the number under the present regime.

*Option 1 - Minimum:* In the very theoretical case that the 4+-vessels firms would be 'served first' and the smaller ones only after all larger firms would have received support, it is possible to calculate the minimum number of firms which could benefit from the new regime. The relevance of this option is, in principle, only to determine the minimum number of assisted firms. Consequently it only quantifies the difference between the minimum number of beneficiaries, the average number (option 2) and the number under the present regime.

*Option 2 - Average:* Average number of assisted firms can be calculated assuming that the distribution of the assisted firms (in terms of number of vessels owned) will be equal to the overall distribution of all fishing firms in a specific Member State.

In both cases, the number of the assisted firms cannot exceed the total number of fishing firms in a country. As the new regime is directly linked to the number of vessels, only Member States with marine fisheries have been considered.

Table 3.1 shows that at least 16,700 firm could be assisted under the 'minimum-option'. About 20,300 firms would be assisted under the 'average-option'. These numbers can be compared to about 22,600 firms which could be assisted under the present regime (or if 1-vessel owners would be served first under the new regime), assuming that the land-locked MS would not make any use of the regulation and that the number of beneficiaries cannot exceed the number of firms in the catching sector in any given country.

As stated in section 2, the *de minimis* regulation covers a period of 6 years, which implies the total number of beneficiaries over that period could be double of the numbers indicated in table 3.1.

Considering the fact that the national ceilings are binding for the time being, the 'macro-impact' of the present or any other regime on the total national fishing fleet will be always the same. The sector receives theoretically in three years the national ceiling. The differences occur in the number and composition of beneficiaries. How the various types of vessels are affected is described in section 4, in particular in tables 4.7-4.9 and the related text.

Table 3.1 Number of beneficiaries under the proposed regime in one 3-year period (number of firms in the fishing fleet)

MS	Minimum assisted <sup>a)</sup>	Average assisted	Present regime
AUS			
BEL	95	95	95
BGR	4	13	14
CYP	25	50	52
CZE			
DEU	1,124	1,187	1,356
DNK	1,065	1,348	1,922
ESP	3,489	4,007	4,263
EST	37	82	124
FIN	71	155	236
FRA	4,211	4,255	4,618
GBR	3,022	3,217	3,424
GRC	279	558	601
HUN			
IRL	132	261	284
ITA	1,388	2,792	3,144
LTU	155	162	174
LUX			
LVA	43	94	131
MLT	3	8	9
NLD	569	569	569
POL	627	647	704
PRT	242	488	523
ROM	5	15	17
SLK			
SVN	3	7	11
SWE	164	287	372
<b>Total</b>	<b>16,754</b>	<b>20,297</b>	<b>22,642</b>

<sup>a)</sup>The underlying calculation assumes that first all 4+-vessels firms are 'served' and then the smaller ones. Consequently maximum of 99,999 Euro of the national ceiling may be left unused in one country. This means that one more smaller firm could have been helped, or a total of 22 firms in addition to the calculated 16,754.

### *Conclusion*

The proposed regime would offer maximum assistance to some 20,300 fishing firms during one 3-year period, i.e. about 10% less than the present regime.



## 4. RELATION OF *DE MINIMIS* TO AVERAGE ECONOMIC VARIABLES

### 4.1. Methodology

#### *Important note*

The present *de minimis* assistance is related to firms. Also the proposed *de minimis* regime is related to firms, although the determination of the level of aid is based on the number of vessels and ceiling. However, available economic variables are only related to vessels and not to firms. The analysis and tables 4.1-4.9, presented in this section, are therefore based on the present *de minimis* regime of 30,000 Euro for a beneficiary, which is a single-vessel firm. Impact of the proposed regime on multi-vessel firms is illustrated with several example-segments in the last part of this chapter.

#### *Single vessel firms under present regime*

Impact of *de minimis* aid on economic variables has been evaluated as follows. The basic information was drawn from SGECA 08-02 report, using the 2006 data and from a publication by MAPYA for Spain. For some important fleet segments, only 2005 data was available and therefore this was used. In order to provide an economic assessment which would be closer to the reality of 2008, the fuel costs of each segment were extrapolated from 2006 (or 2005) to 2008 using the index of the Brent oil price per barrel in US\$ and development of the exchange rate between US\$ and Euro. This means that the 2006 fuel costs were raised by 29% and 2005 fuel costs were raised by 54%. Details of the calculation of these percentages are presented in annex 2 (average Brent price, €/US\$ - exchange rates and the following Brent price in Euro).

SGECA 08-02 presents data covering about 53,000 vessels (excl. Spain). MAPYA presents data for some 12,000 vessels in Spain. Therefore the analysis covers almost 65,000 vessels, which is considered to represent well the overall situation of the EU fleet, although some countries remain underrepresented - in particular several new MS.

The potential impact of the *de minimis* payment was related to the gross value added<sup>2</sup> and it was classified in five impact categories of increase of GVA:

1. Very high           25%
2. High                15-25%
3. Medium            10-15%
4. Low                 5-10%
5. Very low           <5%.

The gross value added is a good proxy for the income generated for the (skipper-)owner and the crew, and therefore can be considered particularly relevant in times of crisis.

Short and medium term impact was distinguished. The short term impact reflects the payment of 30,000 Euro in the year of the payment (tables 4.1-4.3). The medium term impact reflects the fact that maximum *de minimis* can be given only once in three years (tables 4.4-4.6). Consequently the average effect over the three year period is taken into account, i.e. 10,000 Euro per year.

Tables 4.1-4.6 show the percentage of vessels per impact category, but do not make a distinction between single and multi-vessel firms. It is assumed that the composition of beneficiaries reflects the composition of the population (firms and vessels)<sup>3</sup> and that only single-vessel firms exist. The relevance of these tables

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<sup>2</sup> Gross value added = income minus all operational costs except labour = labour costs + profit + depreciation + net interest cost.

<sup>3</sup> This is a practical 'working hypothesis'. However, in practice it could be expected that only firms 'in need' receive assistance. These are firms in impact categories 'Very high' and 'High'. Consequently, percentages in the columns 'Very high' and 'High' are underestimated, while those in the columns 'Low' and 'Very low' may be overestimated.

is to show in which fleet segments the impact of the *de minimis* aid will be high or low and which share of the fleet this approximately affects.

Finally, *de minimis* aid of 30,000 Euro per vessel is presented as a percentage of income, fuel costs and gross value added by Member State, length and gear (tables 4.7-4.9). These tables cover all segments for which economic data is available in the SGECA 08-02 report.

#### *Impact on multi-vessel firms under proposed regime*

As stated earlier, neither the data from the fleet register, nor the data from SGECA 08-02 make a reliable distinction between single-vessel firms and multi-vessel firms at fleet segment level (i.e. making distinction by length and gear). Furthermore, Spanish data in SGECA 08-02 is rather incomplete and the MAPYA does not allow to distinguish segments comparable to SGECA 08-02. Therefore examples are presented to illustrate the impact of the proposed regime on the multi-vessel firms

#### *Justification of the used fuel price*

The present results refer to a historical situation of 2008 of possibly high fuel price (Brent at average 98 US\$/barrel). Clearly, the 'highs and lows' of the second half of 2008 were not expected, and experts dispute what the future will bring. However, the low fuel price at the end of 2008 is in general ascribed to the global economic slowdown. At the same time it is expected that main global economies will pick up again in 2010 and that will lead to upward pressure on energy prices. It can be also expected that the main oil exporters will attempt to increase the low price level by further restricting their output. Clearly, forecasting fuel price is beyond the possibilities of the present project.

At the time of introduction of the new *de minimis* scheme in 2007, the Brent price ranged between 55-94 US\$/barrel. The average 2008 price used in the analysis was 98 US\$/barrel Brent. Using a lower fuel base price would have the following consequences on the calculations presented in this section:

- Tables 4.1-4.6: Lower fuel price implies higher GVA. Consequently the impact of *de minimis* on GVA will be lower. The number of vessels classified as 'Very high' or 'High' will be lower and the number classified as 'Low' or 'Very low' would increase.
- Table 5.7 would not change, as fuel price does not enter the calculation.
- Values presented in Table 5.8 will proportionately increase with the decrease of the fuel price.
- Values presented in Table 5.9 would decrease as lower fuel price implies higher GVA.

The fuel price used for 2008 is a 'hard figure', which seems analytically preferable to speculations about near or distant future.

## **4.2. Impact on single vessel firms – present regime**

### *Short term*

In the short term, i.e. the year when *de minimis* is paid, providing *de minimis* support has a very significant positive impact on the gross value added of the firm. The GVA of 86% of the beneficiaries (single-vessel owners) would rise by more than 25%. On the other hand the GVA of less than 2% of the beneficiaries would increase by less than 10%. Such results would occur in all MS.

The results by Member State are evidently significantly influenced by the large numbers of the small (<12m) vessels, which make up about 80% of the EU fleet in terms of number of vessels<sup>4</sup>. Tables 4.2 and 4.3 show that high positive impact on GVA occurs mainly among the small vessels using passive gears. Also for the 12-24m segments about 67% of the beneficiaries would experience a positive affect of more than 25%. The positive impact on GVA of vessels 24-40m<sup>5</sup> is clearly less pronounced. Still for about 30%

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<sup>4</sup> The fleet register indicates that almost 74,000 vessels out of a total of 91,000 are <12m.

<sup>5</sup> SGECA 08-02 accounts for 3,200 vessels >24m. According to the fleet register there are approx. 3,700 vessels >24m.

of these beneficiaries the impact would be over 25%. For about 75% of the beneficiaries operating >40m vessels the impact of *de minimis* on GVA would be less than 10%

The evaluation by gear (table 4.3) shows that *de minimis* assistance would have high to very high positive impact on GVA in most cases, and in particular for the passive gears.

Tables 4.7-4.9 show that in some fleet segments support of 30,000 Euro represents sometimes a ten-fold (or even higher) value of their income, fuel costs or gross value added, in particular for the <12m segments. MAPYA data could not be processed in these tables, as it does not allow classification by length.

In conclusion, *de minimis* support of 30,000 Euro per firm will have major positive short term impact on the GVA of the beneficiaries. In section 2 it was shown that only approximately one third of the firms could receive maximum assistance due to the existing national ceilings. The competitive position of these firms will consequently significantly improve, in comparison to the firms which would not receive any assistance.

#### *Medium term*

The medium term effect assesses the impact on GVA over a period of three years, i.e. average *de minimis* support of 10,000 Euro per vessel per year. Even this support remains substantial for the small vessels (<12m) using passive gears (PGP-segment).

Similarly to the short term assessment it must be concluded that the firms which would receive full *de minimis* support over the medium term of three years will improve significantly their competitive position in comparison to the firms which would not receive such support due to constraints of the national ceilings.

#### *Conclusion*

The present regime has in short and medium term significant impact on single-vessel owners, operating vessels <12m and 12-24m and in particular those using passive gears.

Table 4.1 Short term impact on GVA of 1-vessel firms by MS (% of beneficiaries)

MS	1. Very high	2. High	3. Medium	4. Low	5. Very low	NA <sup>b)</sup>	Total
BEL	50%	50%					100%
CYP	98%	2%					100%
DEU	22%	1%	1%	0%	3%	73%	100%
DNK	64%	24%	6%	4%	2%		100%
ESP <sup>a)</sup>	89%	5%	5%	0%			100%
EST	94%				1%	6%	100%
FIN	92%			8%			100%
FRA	74%	0%	23%	1%	1%		100%
GBR	91%	4%		3%	1%	0%	100%
GRC	96%	2%		1%	1%		100%
IRL	91%	2%		5%	2%		100%
ITA	92%	5%	2%	1%			100%
LTU	100%						100%
LVA	19%					81%	100%
MLT	42%					58%	100%
NLD	72%		21%	2%	2%	3%	100%
POL	95%					5%	100%
PRT	95%	3%	1%	0%	1%		100%
SWE	96%		3%	1%			100%
<b>Total</b>	<b>86%</b>	<b>4%</b>	<b>4%</b>	<b>1%</b>	<b>1%</b>	<b>4%</b>	<b>100%</b>

Source: SGECA 08-02, <sup>a)</sup> Source MAPYA (EU and other waters), <sup>b)</sup> With GVA<0 it is not possible to assess impact.

Table 4.2 Short term impact on 1-vessel firms by vessel size (% of beneficiaries)

Length	1. Very high	2. High	3. Medium	4. Low	5. Very low	NA	Total
<12m	94%	0%				6%	100%
12-24m	67%	18%	13%	2%			100%
24-40m	29%	17%	26%	16%	9%	4%	100%
>40m			18%	6%	71%	6%	100%
<b>Total</b>	<b>85%</b>	<b>4%</b>	<b>4%</b>	<b>1%</b>	<b>1%</b>	<b>5%</b>	<b>100%</b>

Source: SGECA 08-02, contains only approx. 1,000 Spanish vessels. MAPYA does not allow distinction by length.

Table 4.3 Short term impact on 1-vessel firms by gear (% of beneficiaries)

Gear	1. Very high	2. High	3. Medium	4. Low	5. Very low	NA	Total
TBB	49%	19%	18%	1%	12%	1%	100%
DTS	75%	5%	16%	3%	1%	1%	100%
PTS	17%	37%	20%	15%	8%	2%	100%
DRB	84%	6%	9%	2%			100%
MGP	87%	2%	11%				100%
PGP	95%	0%		0%		4%	100%
HOK	62%	14%	3%	0%	0%	21%	100%
DFN	92%		7%		1%		100%
FPO	96%	4%	1%				100%
PMP	97%	3%					100%
<b>Total</b>	<b>86%</b>	<b>4%</b>	<b>4%</b>	<b>1%</b>	<b>1%</b>	<b>4%</b>	<b>100%</b>

Source: SGECA 08-02 and for Spain MAPYA (EU and other waters)

Table 4.4 Medium term impact on GVA of 1-vessel firms by Member State (% of beneficiaries)

MS	1. Very high	2. High	3. Medium	4. Low	5. Very low	NA <sup>b)</sup>	Total
BEL	49%		2%	50%			100%
CYP	98%			2%			100%
DEU	17%			6%	4%	73%	100%
DNK	63%			25%	12%		100%
ESP <sup>a)</sup>	71%	4%	8%	10%	6%		100%
EST	94%				1%	6%	100%
FIN	92%				8%		100%
FRA	11%	7%	55%	1%	25%		100%
GBR	75%			20%	5%	0%	100%
GRC	89%	2%	5%	2%	2%		100%
IRL		77%	12%	3%	8%		100%
ITA	68%	5%	4%	21%	3%		100%
LTU	86%	14%					100%
LVA	10%	9%				81%	100%
MLT	41%		1%			58%	100%
NLD	37%		3%	31%	26%	3%	100%
POL	91%		4%			5%	100%
PRT	28%	65%	1%	4%	2%		100%
SWE	94%	2%			4%		100%
<b>Total</b>	<b>63%</b>	<b>9%</b>	<b>8%</b>	<b>10%</b>	<b>6%</b>	<b>4%</b>	<b>100%</b>

Source: SGECA 08-02, <sup>a)</sup> Source MAPYA (EU and other waters), <sup>b)</sup> GVA<0. It is not possible to assess impact.

Table 4.5 Medium term impact on GVA of 1-vessel firms by length (% of beneficiaries)

Length	1. Very high	2. High	3. Medium	4. Low	5. Very low	NA	Total
<12m	76%	10%	8%	0%		6%	100%
12-24m	12%	10%	8%	55%	15%		100%
24-40m	3%	5%	21%	17%	50%	4%	100%
>40m					94%	6%	100%
<b>Total</b>	<b>60%</b>	<b>10%</b>	<b>9%</b>	<b>10%</b>	<b>6%</b>	<b>5%</b>	<b>100%</b>

Source: SGECA 08-02, contains only approx. 1,000 Spanish. MAPYA does not allow distinction by length.

Table 4.6 Medium term impact on GVA of 1-vessel firms by gear (% of beneficiaries)

Gear	1. Very high	2. High	3. Medium	4. Low	5. Very low	NA	Total
TBB	26%	0%	5%	37%	30%	1%	100%
DTS	15%	1%	18%	46%	20%	1%	100%
PTS	4%	11%	2%	38%	43%	2%	100%
DRB	14%	50%	14%	12%	11%		100%
MGP	1%	86%		2%	11%		100%
PGP	87%	7%	1%	0%	0%	4%	100%
HOK	14%	9%	26%	27%	3%	21%	100%
DFN	45%	0%	44%	3%	8%		100%
FPO	78%	2%	16%	4%	1%		100%
PMP	39%	44%	14%	3%			100%
<b>Total</b>	<b>63%</b>	<b>9%</b>	<b>8%</b>	<b>10%</b>	<b>6%</b>	<b>4%</b>	<b>100%</b>

Source: SGECA 08-02 and for Spain MAPYA (EU and other waters)

The following tables 4.7-4.9 do not account for the MAPYA data as the segments cannot be classified by length.

Table 4.7 *De minimis* of 30,000 Euro as percentage of income (turn-over) per vessel, 2006

Length / gear	BEL	CYP	DEU	DNK	EST	FIN	FRA	GBR	GRC	IRL	ITA	LTU	LVA	MLT	NLD	POL	PRT	SWE
<b>&lt;12m</b>																		
DTS			34%	15%			18%	42%			33%				500%			66%
PTS							18%		750%								21%	
DRB				13%			21%	51%									500%	
MGP							34%											
PGP		193%	316%	103%	811%	87%	55%		68%		74%		2533%		113%	172%	50%	214%
HOK							27%	261%	24%		25%			3665%				152%
DFN							26%					1587%		5967%				71%
FPO							25%	69%						3655%				52%
PMP			42%	527%			26%	113%	51%	50%	43%							106%
<b>12-24m</b>																		
TBB	8%		17%	8%					8%	9%	13%				10%			
DTS		11%	12%	13%			5%	8%		10%	14%			21%	13%	44%	4%	17%
PTS		12%		7%	225%	35%	6%	3%	6%		9%		56%	78%			5%	24%
DRB				16%			7%	10%		25%	34%							
MGP	9%		7%				8%											
PGP		49%		12%					47%		27%				58%			36%
HOK							10%		11%		14%			914%		98%	11%	34%
DFN			13%			51%	7%			11%						52%	15%	65%
FPO							6%	8%		12%								27%
PMP				11%			10%		33%		26%							14%
<b>24-40m</b>																		
TBB	2%			2%				4%	3%		9%				3%			
DTS	4%		1%				4%	3%		3%	6%	21%		33%	4%	24%	7%	8%
PTS				3%	20%	4%	4%		4%	1%	4%		15%			9%	2%	5%
DRB								4%		4%								
MGP							4%											
PGP			5%															
HOK							3%	1%						133%				5%
DFN							3%					38%	36%					
<b>&gt;40m</b>																		
TBB								2%							2%			
DTS					1%		1%	1%										
PTS			1%	1%			1%	1%		1%			1%		0%			2%

Source: SGECA 08-02

Table 4.8 *De minimis* of 30,000 Euro as percentage of fuel costs per vessel (adapted to 2008 price level)

Length / gear	BEL	CYP	DEU	DNK	EST	FIN	FRA	GBR	GRC	IRL	ITA	LTU	LVA	MLT	NLD	POL	PRT	SWE
<b>&lt;12m</b>																		
DTS			161%	93%			103%	262%			86%				731%			285%
PTS							159%										61%	
DRB				250%			165%	110%									5426%	
MGP							325%											
PGP		2952%	2225%	1343%	2839%	680%	790%		596%		576%		1809%		1240%	1303%	784%	1270%
HOK							334%	4302%	390%		233%			6187%				1070%
DFN							326%					7791%		13948%				1587%
FPO							305%	883%						8701%				688%
PMP			181%	4593%			259%	1184%	791%	503%	137%							1243%
<b>12-24m</b>																		
TBB	16%		73%	61%					28%	26%	35%				33%			
DTS		50%	83%	91%			19%	40%		33%	40%			54%	42%	102%	12%	43%
PTS		22%		33%	498%	130%	34%	8%	73%		47%		95%		909%		19%	69%
DRB				257%			42%	57%		108%	178%							
MGP	17%		30%				43%											
PGP		218%		157%					228%		180%				129%			147%
HOK							122%		158%		101%			4156%		267%	47%	82%
DFN			402%			432%	73%			49%						250%	67%	129%
FPO							71%	52%		81%								75%
PMP				59%			91%		381%		126%							62%
<b>24-40m</b>																		
TBB	4%			6%				8%	22%		37%				5%			
DTS	7%		52%				13%	10%		10%	15%	58%		65%	20%	34%	19%	20%
PTS				13%	48%	27%	18%		42%	13%	28%		33%			20%	21%	16%
DRB								13%		103%								
MGP							13%											
PGP			310%															
HOK							22%	5%						260%				9%
DFN							24%					173%	83%					
<b>&gt;40m</b>																		
TBB								3%							3%			
DTS					3%		3%	4%										
PTS			41%	6%			2%	3%		9%			4%		1%			6%

Source: SGECA 08-02

Table 4.9 *De minimis* of 30,000 Euro as percentage of GVA per vessel (adapted to 2008 price of fuel)

Length / gear	BEL	CYP	DEU	DNK	EST	FIN	FRA	GBR	GRC	IRL	ITA	LTU	LVA	MLT	NLD	POL	PRT	SWE
<b>&lt;12m</b>																		
DTS			221%	29%			34%	107%			80%				-1424%			386%
PTS							27%		750%								54%	
DRB				16%			36%	240%									1043%	
MGP							55%											
PGP		285%	-5995%	180%	1678%	201%	79%		96%		104%		-1935%		187%	255%	62%	955%
HOK							43%	619%	30%		34%			-36646%			199%	
DFN							43%					4229%		24977%			85%	
FPO							37%	131%						11893%			63%	
PMP			390%	917%			42%	160%	70%	64%	82%						138%	
<b>12-24m</b>																		
TBB	167%		87%	12%					17%	51%	32%				25%			
DTS			29%	23%			14%	26%		43%	28%			41%	35%	173%	9%	103%
PTS		263%		13%	754%	76%	12%	8%	8%		15%		718%		217%		14%	231%
DRB				23%			14%	28%		60%	50%							
MGP	81%		23%				15%											
PGP		133%		19%					81%		42%				370%		65%	
HOK							15%		16%		21%			1551%		496%	22%	168%
DFN			15%			163%	12%			30%						100%	29%	371%
FPO							10%	21%		19%							81%	
PMP				23%			17%		43%		42%						35%	
<b>24-40m</b>																		
TBB	19%			8%				18%	4%		15%				13%			
DTS	31%		1%				12%	9%		10%	13%	46%		265%	8%	-462%	20%	58%
PTS				7%	-656%	9%	9%		5%	2%	6%		60%			30%	3%	12%
DRB								18%		5%								
MGP							10%											
PGP			6%															
HOK							6%	4%						-331%			107%	
DFN							5%					65%	287%					
<b>&gt;40m</b>																		
TBB								-76%							11%			
DTS					4%		3%	6%										
PTS			1%	2%			1%	1%		2%			-22%		1%			7%

Source: SGECA 08-02



### 4.3. Impact on multi-vessel firms – proposed regime

Impact of the present regime of *de minimis* on multi-vessel firms can be simply calculated from the data presented in section 4.2 by dividing it by a desired number of vessels per firm, under the assumption that the vessels have similar characteristics. This section illustrates the impact of the proposed regime on multi-vessel firms, as the situation would improve for them, compared to the present regime.

It is proposed to increase support to multi-vessel firms to 30,000 Euro per vessel, with a maximum of 100,000 Euro per firm. This means that a 5-vessels firm could receive effectively maximum of 20,000 Euro per vessel, i.e. 66% of the support level of a single-vessel firm. The impact of the support on these firms can be also seen from the tables 4.7-4.9, in which the presented percentages would have to be multiplied by a factor accounting for the number of vessels operated by a specific firm, e.g. 66% for a 5-vessels firm. How the support affects the competitive position of single and multi-vessel firms is elaborated in sections 6 and 7.

An example of impact on selected types of 1-, 4- and 5-vessels firms is presented in table 4.10. The table assumes that the firms own 4 respectively 5 vessels belonging to the same segment. Impact of *de minimis* on GVA between 1-vessel firm and 4-vessels firm decreases by 17% (difference between net support per vessel of 30,000 Euro versus 25,000 Euro). Comparing 1-vessel firm to a 5-vessels firm, the difference is 33%. The table shows that segments where impact of *de minimis* on 1-vessel firm is high, the impact is also high on multi-vessel firms. As stated in the previous paragraph impact on multi-vessel firms in any segment can be simply derived from tables 4.7-4.9. Because of lack of data, it is not possible to derive for multi-vessel firms tables comparable to tables 4.1-4.6.

Table 4.10 Examples of impact of proposed *de minimis* on GVA of 1-, 4- and 5-vessels firms, 2006

MS	Length	Gear	Basic data (1-vessel firm)				Maximum <i>de minimis</i> as % of GVA	
			Income (1000 €)	Fuel costs (1000 €)	GVA (1000 €)	<i>De minimis</i> as % of GVA	4-vessels firm	5-vessels firm
DEU	<12m	DTS	87.8	18.6	13.6	221%	184%	147%
DNK	<12m	PGP	29.2	2.2	16.7	180%	150%	120%
FRA	12-24m	DTS	550.7	153.9	216.3	14%	12%	9%
GBR	<12m	DTS	71.9	11.5	28.0	107%	89%	72%
GRC	<12m	PGP	43.9	5.0	31.3	96%	80%	64%
ITA	<12m	PGP	40.7	5.2	28.8	104%	87%	69%
ITA	12-24m	DTS	221.0	74.4	105.6	28%	24%	19%
NLD	24-40m	TBB	1,108.8	597.4	234.3	13%	11%	9%
PRT	24-40m	DTS	414.0	157.8	147.7	20%	17%	14%

Source: SGECA 08-02

#### Conclusion

The multi-vessel firms would significantly benefit from the proposed regime. A 5-vessels firm receives de facto under the present regime 6,000 Euro per vessel, while under the proposed regime it would receive 20,000 Euro per vessel. The impact on its GVA increases proportionately, i.e. by 233%.

#### 4.4. *De minimis* and fuel costs

The *de minimis* regulation was introduced to mitigate the consequences of rapidly rising energy prices. This section analyses the relation between the level of *de minimis* and the fuel costs, for the EU fleet as a whole as well as for individual segments.

The fleet of 53,700 vessels accounted for in SGECA 08-02 spent over 1.3 billion Euro on fuel in 2006, which has probably risen to 1.7-1.8 billion Euro under the average fuel price of 2008. The total resources available to the coastal MS under *de minimis* amount to 715 million Euro for three years. This means that (under the 2008 fuel price) *de minimis* resources represent about 13% of the fuel costs over the whole three year period.

However, the fuel costs are not proportionately distributed among the fleet. Small vessels use relatively much less energy than the large ones. Table 4.11 shows that fleet <12m, which contains 77% of the vessels, spends approximately 12% of the total fuel costs. The fleet >24m accounts for 6% of the vessels, which spend 58% of the fuel costs.

Table 4.11 Distribution of income, fuel costs and fleet by length groups, 2006

Length	Income (% of total income)	Fuel costs (% of total fuel costs)	Fleet (Number of vessels)
<12m	24%	12%	77%
12-24m	30%	30%	17%
24-40m	26%	35%	5%
>40m	20%	23%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: SGECA 08-02

As already illustrated in table 4.9 the *de minimis* premium of 30,000 Euro / vessel represents a very high percentage of the fuel costs for the <12m vessels. This is further stressed in table 4.12. This table shows that the maximum *de minimis* aid under present regime represents 200% of the annual fuel costs of 75% of the number of vessels. These are mainly the passive gear vessels <12m, which use relatively little energy.

Table 4.12 *De minimis* as percentage of estimated fuel costs in 2008

<i>De minimis</i> as % of fuel costs	Percentage of the number of vessels
<25%	6%
25-50%	9%
50-100%	3%
100-150%	3%
150-200%	3%
200-300%	2%
>300%	73%
<b>Total</b>	<b>100%</b>

Source: SGECA 08-02

Given the assumptions of this study, that the ownership composition is similar in all segments to the national ownership composition, shift to the proposed regime will not affect the distribution of benefits indicated in table 4.11.

#### *Conclusion*

The total national ceilings of *de minimis* represent about 13% of the 2008 fuel costs of the EU fleet. However, if it is assumed that composition of the beneficiaries (firms) represents the composition of the national fleet (in terms of length/gear-segments and ownership-classes), then a very large share of the assistance would be provided to fleets which experienced little impact from the higher fuel price and which would be overcompensated. On the other hand significant numbers of vessels which were affected by the higher fuel price would not be assisted sufficiently. This situation occurs under the present as well as the proposed regime.

## 5. NATIONAL CEILINGS ADAPTED

As demonstrated in section 3, increase of the *de minimis* aid per firm will lead to a lower number of beneficiaries. How much lower this number will be depends on the assumptions made, but it seems realistic to assume that the distribution of beneficiaries in terms of single and multi-vessel owners will be comparable to the composition of the national fleets. Section 3 shows that in this case the total number of beneficiaries (i.e. firms) would be reduced from 22,642 to 20,297, for coastal MS only. Consequently, the average aid per firm would increase in the various MS, depending on the composition of the fleet by ownership.

In order to maintain the number of beneficiaries per Member State at the original level (22,642 firms), it would be necessary to increase the national ceilings by a factor which represents the increase of the assistance per firm from the present to the new regime. The new national ceilings are presented in table 5.1, assuming that the assistance will be given to fishing firms only so that land-locked Member States have been excluded.

Table 5.1 Determination of new national ceilings – required under proposed regime

MS	Present <i>de minimis</i> ceiling (mln Euro)	Average aid per firm (Euro)	Increased Ceiling (mln Euro)	Relative increase
AUS				
BEL	11.8	32,211	11.8	0%
BGR	0.4	32,557	0.5	9%
CYP	1.6	31,151	1.6	4%
CZE				
DEU	49.0	41,239	55.9	14%
DNK	57.7	42,762	82.2	43%
ESP	127.9	31,917	136.1	6%
EST	3.7	45,344	5.6	51%
FIN	7.1	45,628	10.8	52%
FRA	138.6	32,563	150.4	9%
GBR	102.7	31,936	109.4	6%
GRC	18.0	32,278	19.4	8%
HUN				
IRL	8.5	32,591	9.2	9%
ITA	94.3	33,790	106.2	13%
LTU	5.2	32,275	5.6	8%
LUX			0.0	
LVA	3.9	41,942	5.5	40%
MLT	0.3	30,917	0.3	3%
NLD	35.9	36,960	35.9	0%
POL	21.1	32,626	23.0	9%
PRT	15.7	32,138	16.8	7%
ROM	0.5	34,750	0.6	16%
SLK				
SVN	0.3	46,033	0.5	53%
SWE	11.2	38,860	14.4	30%
<b>EU-total</b>	<b>715.3</b>	<b>33,680</b>	<b>801.6</b>	<b>12%</b>

Source: Own calculation

### Conclusion

The total national ceilings would have to increase by about 86 million Euro (12%) in order to maintain the number of beneficiaries equal to the present regime. However, such increase would be rather different depending on the individual Member State. While in some countries (BEL, NLD) the ceiling would not have to be increased at all, as it is already sufficient to cover more than the entire fleet, in other countries (EST, FIN, DNK, LVA) it would have to be raised by 40-50%.

## 6. IMPACT BY SIZE AND ON TRADE

### 6.1. Impact by size

#### *Present situation*

Tables 4.7-4.9 show clearly the differences of impact of the present *de minimis* support of 30,000 Euro per firm on small, medium and large scale vessels. Looking at the impact on GVA, it can be concluded from table 4.9:

- *Vessels <12m*: apart from some excessive levels of impact of more than 500%, impact on the French segments ranges between 25% and 75%, while in the UK, Italy and Portugal the impact on some segments exceeds 100%.
- *Vessels 12-40m*: Impact on segments varies with size and gear. For many segments of 12-24m impact still exceeds 20%. For the 24-40m vessels is at a somewhat lower level.
- *Vessels >40m*: With the exception of the UK (beam-)trawlers and Danish pelagic trawler/seiners, impact on most other segments is well below 10%.

Changing the aid regime to 100,000 Euro limit for multi-vessel firms will affect companies operating 4 or more vessels. Table 1.2 shows that there are some 772 of these companies, operating a total of 6,847 vessels. The multi-vessel firms operate also on average larger vessel (table 1.3). Although the available data does not allow a precise determination of the distribution of the multi-vessel firms in terms of vessel length and gear our estimations (tables 1.4 and 1.5) indicate that multi-vessel firms can be found in all length categories. However, about 20% of the vessels >40m are operated by 4+-vessels firms, while for the smaller vessels (<40m) this percentage is about 6-8%. As indicated in section 4, impact of the present regime on multi-vessel firms is a fraction of the impact on single-vessel firms, applying the number of vessels as a common denominator.

#### *Consequences of the proposed regime*

It was demonstrated in section 2 that approximately one third of the EU-fleet could potentially benefit from the present *de minimis* regime of 30,000 Euro per firm. Shift to a regime where multi-vessel firms would receive 30,000 Euro per vessel with a maximum of 100,000 Euro per firm may affect negatively the number of potential beneficiaries among the single-vessel firms as relatively more resources will be allocated to multi-vessel firms. Assuming that the support will be given proportionately to all firms (i.e. coverage ratio of single and multi-vessel firms would be equal) the number of beneficiaries will be affected as presented in the table 6.1.

The present regime would benefit some 22,600 vessels and firms of which 20,100 single-vessel firms. The new regime allows for support of some 20,300 firms, of which about 18,200 would be single-vessel firms. The single-vessel firms operate on average smaller vessels (see table 1.3), so that the support would shift relatively more towards larger firms and larger vessels. At the same time, it has been demonstrated that support of 30,000 Euro to vessels <12m often represents a very high percentage of income and gross value added, while for the larger vessels, particularly over 40m, the impact on economic performance is relatively limited. Shift to the new regime would increase proportionately the benefits accrued by the multi-vessel firms.

To achieve equitable assistance in terms of impact on operational performance, *de minimis* aid would have to be formulated not as a specific lump sum amount per vessel, but rather as a percentage of the average turnover of the vessel (or firm) or fleet segment. Such percentage would have to be consistent with the general *de minimis* principles, i.e. approximately 2.5% of the value of production. However such approach would have two major consequences in comparison to the present (or proposed) regime:

- The total amount available for support per vessel would be much lower, although at the same time in principle all vessels (or firms) could potentially receive aid.

- A relatively higher share of the support would be given to the larger vessels and firms, at the detriment of the support to the smaller companies.

Table 6.1 Comparison of the number of benefitting firms and vessels under the present and proposed *de minimis* regime, by MS and ownership-class, 2008

MS	Proposed regime						Present regime					
	1		2-3		4+		Total		1	2-3	4+	Total
	Owners	Vessels	Owners	Vessels	Owners	Vessels	Owners	Vessels	Owners	Owners	Owners	Owners
AUS												
BEL	89	89	6	13			95	102	89	6		95
BGR	12	12	1	2			13	14	13	1		14
CYP	48	48	2	4			50	52	50	2		52
CZE												
DEU	867	867	275	615	45	246	1,187	1,729	991	314	51	1,356
DNK	952	952	330	747	67	346	1,348	2,044	1,357	470	95	1,922
ESP	3,781	3,781	216	449	10	48	4,007	4,279	4,023	230	10	4,263
EST	52	52	25	57	5	23	82	131	79	38	7	124
FIN	96	96	53	119	6	27	155	243	146	81	9	236
FRA	3,945	3,945	292	614	18	100	4,255	4,659	4,282	317	19	4,618
GBR	3,040	3,040	168	355	9	44	3,217	3,439	3,237	178	9	3,424
GRC	520	520	38	79	1	16	558	615	559	41	1	601
HUN												
IRL	241	241	19	40	1	3	261	285	262	21	1	284
ITA	2,545	2,545	186	396	61	820	2,792	3,762	2,867	209	69	3,144
LTU	153	153	8	19	1	3	162	175	165	9	1	174
LUX												
LVA	68	68	20	46	5	26	94	140	95	28	7	131
MLT	8	8	0	0	0	0	8	9	8	0	0	9
NLD	468	468	92	203	9	55	569	726	468	92	9	569
POL	600	600	44	94	3	16	647	709	653	48	3	704
PRT	457	457	30	62	1	5	488	524	490	32	1	523
ROM	13	13	1	3	0	3	15	19	16	1	0	17
SLK												
SVN	5	5	2	5	0	2	7	12	7	3	1	11
SWE	216	216	67	145	3	15	287	376	280	87	4	372
<b>Total</b>	<b>18,180</b>	<b>18,180</b>	<b>1,874</b>	<b>4,067</b>	<b>243</b>	<b>1,797</b>	<b>20,297</b>	<b>24,043</b>	<b>20,137</b>	<b>2,065</b>	<b>240</b>	<b>22,642</b>

Source: own calculation based on EU fleet register

### Conclusion

Shift from the present to the proposed *de minimis* regime will reduce the number beneficiaries by about 10% in all ownership classes. The available resources will be reallocated from single-vessel owners (who also operate on average smaller vessels) to multi-vessel owners.

## 6.2. Impact on trade patterns

The distortion of trade patterns is in the short and even medium term very unlikely. The *de minimis* package will help certain fleet segments to continue fishing, maintaining the original level of effort and landings. Impact on fish prices seems also unlikely, as the level is largely determined by supply and demand, where imports from non-EU states play an important if not dominant role.

The segments included in SGECA 08-02 landed a total of 4.7 million tonnes of fish in 2006, which is 89% of the 5.3 million tonnes reported by Eurostat as total catch of EU-27 in that year (incl. fresh water). This shows that the report covers almost the total EU production of the EU marine catching sector. Table 6.2 shows that most segments account for only a very small share of the total landings, usually below 1%. The only exceptions are the pelagic trawlers / seiners >40m in Denmark, France, UK and the Netherlands and the pelagic trawlers of 24-40m in Denmark. Section 4 (tables 4.7-4.9) shows that for

these segments the *de minimis* aid is only marginal in relation to the various economic parameters. Consequently, their level of production is unlikely to change as a consequence of receiving *de minimis*, even disregarding the fact that only about 30% of the firms would potentially receive the maximum assistance (see also section 9).

Over a medium term of three years, the level of assistance does not seem high enough as to impact economic performance, effort and landings structurally. These are largely determined by an external improvement in costs levels (lower fuel price) or market conditions (higher fish prices).

In 2006 EU-27 imported 6.2 million tonnes of fish and fish products with a total value of 17.3 billion Euro. This illustrates that changes in effort and landings of specific segments as a consequence of *de minimis* aid are extremely unlikely to affect trade flows.

However, one qualification to this general assessment must be made. Different governments within the EU approach assistance to the fisheries sector very differently. If in one specific fishery, e.g. the nephrops in the Atlantic (see section 9.3), one government would decide to support its fleet while another one would abstain from that support, than trade flow in that specific market segment could be affected.

In summary, it can be concluded that impact of *de minimis* on global trade flows will be negligible for at least three reasons:

- Share of individual fleet segments in total EU landings is in most cases below 1%.
- National ceilings allow on average support of about 30% of the fleet, so that aggregate effort and catches of the individual fleet segments depend more on structural economic and biological aspects (costs, prices, stocks) than on *de minimis* aid.
- Value of EU imports is approximately three times higher than the value of EU landings, while the volume is approximately 20% higher. This reduces further the relative importance of output from individual fleet segments.

### *Conclusion*

Intra- and extra-EU trade cannot be analyzed directly in relation to the *de minimis* as the required data does not exist. However, the share of the volume of production of individual segments is so low that no one single segment can have any noticeable impact on global trade flows. At best the *de minimis* assistance will achieve maintaining fishing effort and landings in the short term at the present levels.

The role of individual segments on the EU market (in terms of prices and trade flows) is further limited by the high level of imports, which supply about 60% of the EU demand for fish and fishery products. However, in specific niche markets, e.g. nephrops, intra-EU trade flows could be affected if different governments would pursue very different approaches to providing *de minimis* (or not) to the segments involved in the related fisheries.

Table 6.2 Share of individual fleet segments in total landings in the EU, 2006

Length/gear	CYP	DEU	DNK	ESP	EST	FIN	FRA	GBR	GRC	IRL	ITA	LTU	LVA	MLT	NLD	POL	PRT	SLV	SWE	Total
<b>&lt;12m</b>																				
TBB		0.0%						0.0%	0.0%											0.0%
DTS		0.0%	0.1%				0.2%	0.2%			0.0%				0.0%		0.0%	0.0%	0.0%	0.6%
PTS				0.0%			0.0%	0.0%						0.0%			0.0%	0.0%		0.1%
DRB			0.5%				0.3%	0.1%									0.0%			0.8%
MGP				0.0%			0.1%	0.0%												0.2%
PGP	0.0%	0.2%	0.3%		0.2%	0.1%	0.0%	0.0%	2.4%		1.0%				0.0%	0.3%	0.0%		0.1%	4.7%
HOK				0.0%			0.1%	0.0%	0.2%		0.0%			0.0%			0.0%			0.3%
DFN							0.2%	0.0%				0.0%		0.0%			0.0%	0.0%		0.2%
FPO							0.3%	0.6%						0.0%			0.0%		0.0%	0.9%
PMP		0.0%	0.0%				0.1%	0.0%	0.2%	0.5%							0.0%			0.8%
<b>12-24m</b>																				
TBB		0.4%	0.1%				0.0%	0.1%	0.4%	0.0%	0.1%				0.4%					1.4%
DTS	0.0%	0.4%	1.6%	0.1%			1.5%	1.5%		0.5%	1.6%			0.0%	0.1%	0.1%	0.0%	0.0%	0.5%	7.9%
PTS			1.2%	0.4%	0.0%	0.5%	0.7%	0.0%	1.8%		1.4%			0.0%	0.8%		0.1%	0.0%	0.1%	7.2%
DRB			0.6%				0.4%	0.3%		0.0%	0.4%						0.0%			1.8%
MGP		0.1%		0.1%			0.1%													0.4%
PGP	0.0%		0.2%				0.0%		0.1%	0.0%	0.1%				0.0%		2.2%			2.6%
HOK				0.1%			0.0%	0.0%	0.1%	0.0%	0.2%			0.0%			0.0%		0.0%	0.5%
DFN		0.0%				0.0%	0.2%	0.1%		0.0%	0.2%					0.1%	0.0%		0.0%	0.4%
FPO							0.1%	0.3%		0.1%							0.0%			0.4%
PMP			0.4%				0.0%		0.0%		0.1%						0.1%			0.6%
<b>24-40m</b>																				
TBB		0.1%	0.1%				0.0%	0.3%	0.7%	0.0%	0.0%				0.2%					1.8%
DTS		1.0%		1.7%			0.8%	1.3%		0.2%	0.4%	0.1%			0.1%	0.3%	0.2%		0.2%	6.2%
PTS			4.1%	0.6%	1.3%	1.5%	0.2%	0.0%	0.4%	0.6%	0.8%					1.4%	0.1%	0.0%	2.6%	13.6%
DRB								0.2%		0.0%										0.2%
MGP				0.0%			0.0%													0.0%
PGP		0.0%															0.1%			0.1%
HOK				0.6%			0.0%	0.1%		0.0%				0.0%			0.1%			0.8%
DFN							0.1%	0.0%		0.0%		0.0%								0.2%
FPO								0.0%		0.0%		0.0%								0.1%
PMP																	0.0%			0.0%
<b>&gt;40m</b>																				
TBB								0.2%		0.0%					0.8%					1.0%
DTS				0.6%	0.3%		0.8%	0.5%		0.0%	0.1%	0.1%					0.5%			2.8%
PTS		3.2%	10.6%	0.0%			5.3%	6.6%		2.6%	0.2%	2.8%			7.5%				2.1%	40.9%
DRB								0.1%		0.0%										0.1%
PGP																	0.1%			0.1%
HOK				0.0%													0.0%			0.0%
DFN							0.0%													0.0%
<b>Total</b>	<b>0.0%</b>	<b>5.5%</b>	<b>19.9%</b>	<b>4.3%</b>	<b>1.8%</b>	<b>2.1%</b>	<b>11.7%</b>	<b>12.5%</b>	<b>6.4%</b>	<b>4.7%</b>	<b>6.3%</b>	<b>3.0%</b>		<b>0.0%</b>	<b>9.9%</b>	<b>2.2%</b>	<b>3.5%</b>	<b>0.0%</b>	<b>5.6%</b>	<b>100.0</b>

Source: SGECA 08-02

## 7. DISTORTION OF ECONOMIC PERFORMANCE

### *Methodology*

Present and proposed regimes are identical for 1-vessel firms. The proposed regime implies changes for multi-vessel firms, which would receive higher aid. This section compares impact on gross value added of the present and proposed *de minimis* aid regime in six situations:

- Short term (one year) impact on a single-vessel firm receiving 30,000 Euro.
- Medium term (three years) impact on a single-vessel firm receiving 30,000 Euro, i.e. 10,000 Euro per year.
- Short term (one year) impact on a 5-vessels firm receiving under the present regime 30,000 Euro, i.e. 6,000 Euro per vessel.
- Medium term (three years) impact on a 5-vessels firm receiving under the present regime 30,000 Euro, i.e. 2,000 Euro per vessel per year.
- Short term (i.e. one year) impact on a 5-vessels firm receiving under the proposed regime 100,000 Euro, i.e. 20,000 Euro per vessel.
- Medium term (i.e. three years) impact on a 5-vessels firm receiving under the proposed regime 100,000 Euro, i.e. 6,600 Euro per vessel per year.

Comparison is made between average performance of vessels of similar size and gear operating in the same fishery. However, it must be pointed out that the available information is insufficient to determine whether the selected segments compete with each other in reality either for the same stocks or on the same markets. For this purpose a much more detailed analysis would have to be carried out, including compilation of a substantial amount of additional information.

Main economic indicators on 2006, drawn from SGECA 08-02 are presented for each segment. Fuel costs and consequently gross value added have been adapted to the fuel price level of 2008.

### **7.1. North Sea beam trawlers 24-40m**

North Sea beam trawlers 24-40m (in the UK, Netherlands and Belgium) is a small segment in numbers (less than 150 vessels), realizing relatively high income per vessel (0.8-1.3 million Euro). This segment is highly energy intensive, spending more than 50% of its income on fuel. Despite the high fuel costs, all segments show positive GVA of approximately 160-230,000 Euro per vessel, i.e. about 10-20% of their income.

The present *de minimis* regime would have a positive impact on GVA of 1-vessel firms of about 13-19% in the short run. In the medium term, the GVA would increase by about 5% for the three segments. The 5-vessels firms would effectively receive under the present regime 6,000 Euro per vessel. This means that their GVA would increase in the short term by 3-4% and in medium term by about 1%.

The 5-vessels firms would receive under the proposed *de minimis* regime 100,000 Euro, i.e. 20,000 Euro per vessel. Their GVA would rise by about 9-13% in the short term and 3-4% in the medium term.

### *Conclusions*

- Present regime would noticeably increase the GVA of the 1-vessel firms in the short term. In medium term the increase would be about 5%. Impact on 5-vessels firms would be very marginal even in the short term.
- The present regime creates important distortions of competition between 1-vessel firms receiving assistance and those not receiving anything. This distortion is further increased by differences in coverage rates where Belgium and Netherlands would have sufficient funds to support their entire fleet, while the UK can provide support to only 55% of the vessel owners.



- Distortion of competition between 5-vessels firms is not significant under the present regime.
- The proposed regime would lead to a substantial improvement for the 5-vessels firms in the short term. In the medium term the impact on GVA would remain below 5%. The proposed regime may give rise to distortion of competitive position between firms which would receive assistance and those which would not.

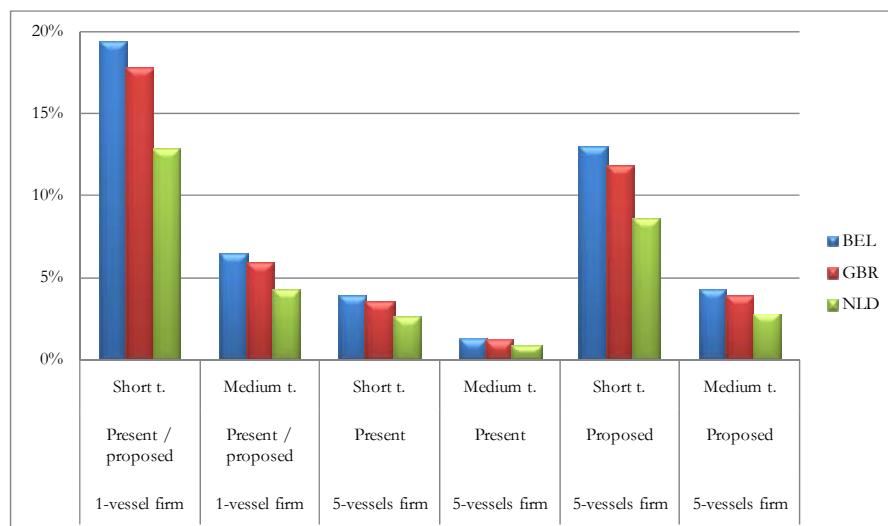


Figure 7.1 Impact of the present and proposed *de minimis* regime on GVA of North Sea beam trawlers 24-40m

Table 7.1 Main economic indicators of North Sea beam trawlers 24-40m, 2006 (average per vessel) <sup>a)</sup>

MS	Fleet (number)	Fleet (1000 GT)	Income (1000 Euro)	Fuel costs (1000 Euro)	Operational c. (1000 Euro)	GVA (1000 Euro)
BEL	53	15.6	1,315.5	729.2	431.1	155.1
GBR	52	10.6	787.1	363.7	254.2	169.2
NLD	42	10.0	1,108.8	597.4	277.1	234.3

Source: SGECA 08-02, <sup>a)</sup>Fuel costs and GVA adapted to 2008 fuel price level

## 7.2. Baltic pelagic trawlers / seiners 24-40m

The Baltic pelagic trawlers / seiners of 24-40m (in Poland, Latvia, Finland and Sweden) perform on very different levels. While the Latvian vessels realize an income of about 200,000 Euro/year, the Finnish and the Swedish vessels make a turn-over of 600-700,000 Euro. The Polish vessels are between these two 'extremes'. The Finnish and Swedish vessels are on average also substantially bigger, having about 300 GT while the Latvian and the Polish vessels have some 120 GT.

These differences are also reflected in the potential impact of the present *de minimis* aid on the GVA. In the short term the GVA of a Latvian 1-vessel firm would increase by about 60%, while the impact on Finnish and Swedish vessels would be about 10%. A comparable difference, at a lower level, occurs in the medium term.

The present regime would increase the GVA of most 5-vessels firms in the short term, by less than 5%, with the exception of Latvia. In medium term the impact would be quite low of 1-4%.

Impact of the proposed regime on 5-vessels firms in the short run would be quite significant reaching 40% of GVA for the Latvian firms and 20% for the Polish. In case of Swedish and Finnish firms it would represent about 6-8% of the GVA in the short term. In medium term the role of *de minimis* in the two latter countries is almost negligible (2-3%).

## Conclusions

- Vessels operating in the Baltic area are rather different in terms of their turn-over, and consequently differences arise in relation to the impact of present and proposed *de minimis*.
- Present regime boosts significantly the GVA of Latvian and Polish vessel in the short and even medium term. Impact on Swedish and Finnish vessels is much more limited.
- The proposed regime would mean a major benefit in short and medium term for the Latvian and Polish 5-vessels firms. For the Swedish and Finnish the short term GVA would increase by 6-8% and in the medium term by 2-3%.
- The present regime leads to distortion of competition between the 1-vessel firms which would receive assistance and those which would not, particularly in Latvia and Poland.
- Implementation of the proposed regime would lead also to a similar distortion of competition among 5-vessels firms.
- The distortions would be further increased due to differences in national coverage. The national ceilings would allow (under the present regime) to give maximum level of assistance to 81% of the firms in Poland, 22-24% in Sweden and Latvia and only 11% in Finland.

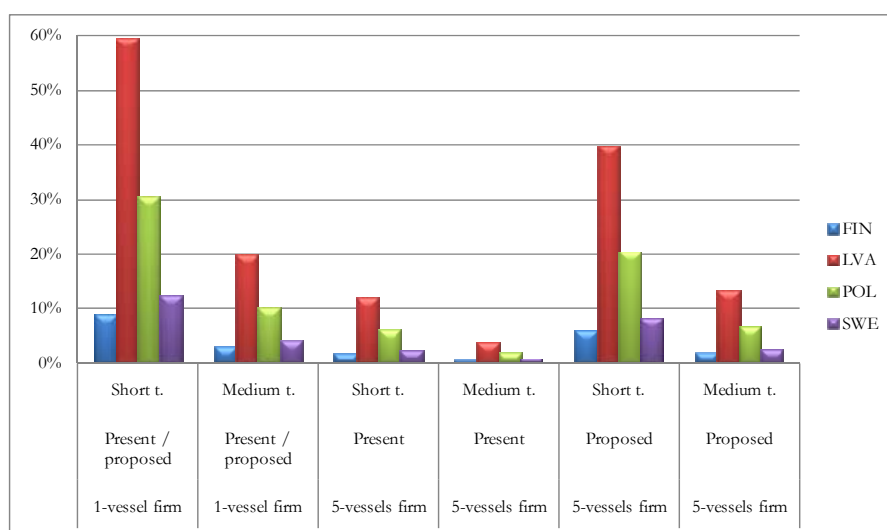


Figure 7.2 Impact of the present and proposed *de minimis* regime on GVA of Baltic pelagic trawlers / seiners 24-40m

Table 7.2 Main economic indicators of Baltic pelagic trawlers / seiners 24-40m, 2006 (average per vessel)<sup>a)</sup>

MS	Fleet (number)	Fleet (1000 GT)	Income (1000 Euro)	Fuel costs (1000 Euro)	Operational c. (1000 Euro)	GVA (1000 Euro)
FIN	20	5.8	730.0	110.3	284.0	335.7
LVA	81	9.8	195.8	90.1	55.3	50.4
POL	41	6.4	336.8	148.5	89.5	98.8
SWE	41	13.5	612.2	185.0	183.7	243.5

Source: SGECA 08-02, <sup>a)</sup>Fuel costs and GVA adapted to 2008 fuel price level

### 7.3. Atlantic demersal trawlers / seiners 12-24m

Atlantic demersal trawlers / seiners of 12-24m<sup>6</sup> realize incomes between 300,000 and 800,000 Euro, although they are quite comparable in size having about 75-90 GT. In case of Spain data has been drawn

<sup>6</sup> Data for France may include also trawlers operating in the Mediterranean.

from MAPYA using the segment ‘Cantábrico Noroeste Arrastre’ (North-west Cantabrian trawlers). The Spanish vessels are on average 28m long.

The short term impact of the present regime on GVA of 1-vessel firms would reach 43% for the Irish fleet, while in case of the vessels from Spain, Portugal and France it would remain at 10-15%. The medium term impact would be proportionately lower, between 9% and 14% respectively for UK and Ireland, but reaching at most 5% for the other countries. Short term impact on 5-vessels firms would remain below 8% of their GVA in the short term, and would be negligible in the medium term.

The impact of the proposed regime on the GVA of 5-vessels firms would be in the short term quite significant for the Irish and UK firms (about 28% and 17% respectively) and would still reach about 10% for the Spanish and French firms. The medium term impact on Irish and UK vessels would represent about 6-9% of their GVA. In the other countries it would remain below 3%

### Conclusions

- The Irish and UK 1-vessel firms would benefit relatively more strongly from the present *de minimis* aid than comparable firms in other countries in short and medium term.
- The proposed *de minimis* regime would significantly increase the GVA of Irish and UK 5-vessels firms, particularly in the short term.
- The present regime already leads to distortions of competitive position among 1-vessel firms which would receive assistance, as the short term affect on GVA ranges from 9% to 43%.
- Implementation of the proposed regime would further aggravate the distortions among 5-vessels firms.
- Furthermore, there are major differences in the level of coverage under the present regime which the national ceilings allow: France 97%, UK 55%, Ireland 15%, Spain 35% and Portugal 8%. This implies that significant distortions would occur between the MS as well as between vessels receiving assistance and those that would not. It must be pointed out that the Member States involved in this fishery have very different approach to the use of public assistance to the fishing industry. While UK is usually against any additional support, the French government has regularly provided ad hoc aid<sup>7</sup>, including making use of *de minimis*. The French fleet may therefore get a competitive advantage against the UK vessels.

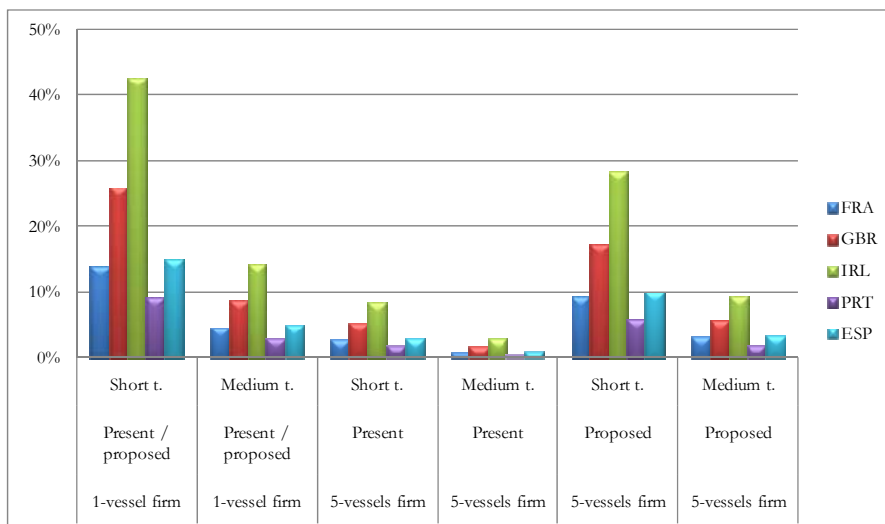


Figure 7.3 Impact of the present and proposed *de minimis* regime on GVA of Atlantic demersal trawlers / seiners 12-24m

<sup>7</sup> Ministère de l’Agriculture et de la Pêche, Modalités d’octroi des aides pouvant accompagner les plans de restructuration du Plan de Sauvetage et de Restructuration (PSR) pour les petites et moyennes entreprises. Circulaire DPMA/SDPM/C2008-9631, Date: 21 novembre 2008; Section 10.2.1 deals with application of *de minimis*.

Table 7.3 Main economic indicators of Atlantic demersal trawlers / seiners 12-24m, 2006 (average per vessel) <sup>a)</sup>

MS	Fleet (number)	Fleet (1000 GT)	Income (1000 Euro)	Fuel costs (1000 Euro)	Operational c. (1000 Euro)	GVA (1000 Euro)
FRA	493	41.8	550.7	153.9	180.4	216.3
GBR	507	41.0	386.7	75.1	195.9	115.7
IRL	161	15.3	307.4	91.7	145.2	70.4
PRT	19	1.4	787.4	255.3	197.9	334.2
ESP	130		520.2	193.4	125.0	201.9

Source: SGECA 08-02, <sup>a)</sup>Fuel costs and GVA adapted to 2008 fuel price level

#### 7.4. Atlantic passive gears <12m

The segments<sup>8</sup> reviewed in this section are:

- MAPYA segment ‘Cantábrico Noroeste Artesanales’ (North-west Cantabrian artisanal fleet). The average size of these vessels is about 6m<sup>9</sup>.
- FRA-1 are the vessels <12m using various passive gears. (SGECA 08-02 segment PG)
- FRA-2 is weighted average of segments using hooks (HOK), drift and fixed nets (DFN), pots and traps (FPO) and a mixture of passive and active gears (PMP).
- Irish and Portuguese vessels <12m using various passive gears.

These fleets are composed of large number of small vessels, having about 2-4 GT. Their annual income lies in the range of 55-115,000 Euro. The fuel costs (2008 level) represent about 5-10% of their turn-over, so that these vessels have not been seriously affected by the fuel price increase. Also the operational costs are relatively low, leaving 60-80% of the income as GVA.

The GVA per vessels ranges between about 40,000 and 75,000 Euro. Consequently, the present *de minimis* support of 30,000 Euro for a 1-vessel firm represents potentially a very high percentage of the GVA of 40-80%. Even in medium term, impact on the GVA of the segments in Portugal, Ireland and France-1 would be 21-26%.

Short term impact of the present regime on the GVA of 5-vessels firms would reach 12-16% for Portugal, Ireland and France-1. The medium term impact would be at or below 5%.

The consequences of the proposed regime for 5-vessels firms would be noticeable. Short term impact on the GVA of 5-vessels firms would achieve 26-53%. In medium term the impact would be less pronounced, but still at 9-17%.

#### Conclusions

- The present *de minimis* regime implies a very significant increase of the GVA in short and even medium term for 1-vessel firms in the Atlantic passive gear segments.
- The 5-vessels firms would benefit under the present regime, particularly in the short term.
- The proposed regime would bring the benefits to the 5-vessels firm ‘almost’ to the 1-vessel firm level.
- In view of these very significant impacts on the GVA, under present as well as proposed regimes, a major distortion of competitive positions can be expected to occur between firms receiving assistance and those not receiving due it due to different national approaches and different levels of the coverage rates.

<sup>8</sup> The French data may also contain vessels operating on the Mediterranean coasts. It is not possible to make the distinction.

<sup>9</sup> Based on Mapya p. 31, assuming that they belong to the groups ‘Artes menores’ (small scale gears).

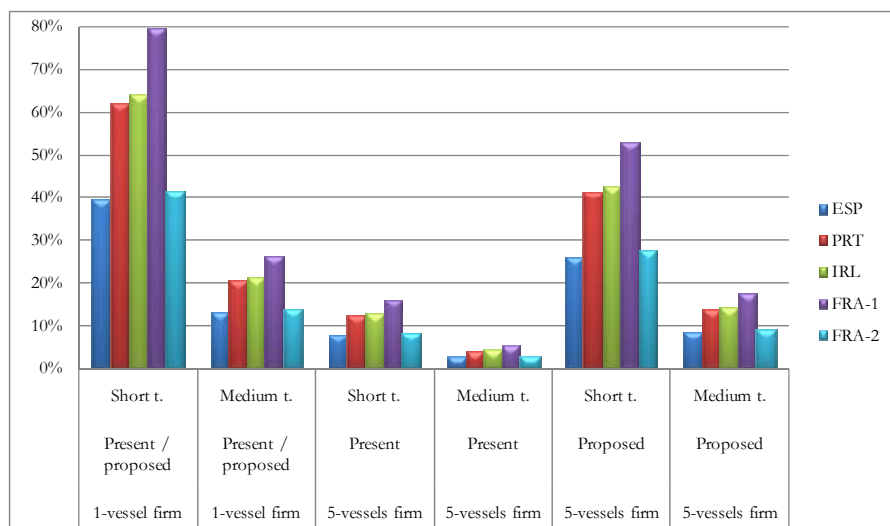


Figure 7.4 Impact of the present and proposed *de minimis* regime on GVA of Atlantic passive gear vessels <12m

Table 7.4 Main economic indicators of Atlantic passive gear vessels <12m, 2006 (average per vessel) <sup>a)</sup>

MS	Fleet (number)	Fleet (1000 GT)	Income (1000 Euro)	Fuel costs (1000 Euro)	Operational c. (1000 Euro)	GVA (1000 Euro)
ESP	4,821		112.4	17.5	18.4	76.5
PRT	2,437	4.63	60.3	3.8	8.0	48.4
IRL	1,032	4.47	59.9	6.0	6.9	47.1
FRA-1	530	1.14	55.0	3.8	13.4	37.8
FRA-2	2,083	3.4	115.0	9.5	33.0	72.4

Source: SGECA 08-02, <sup>a)</sup>Fuel costs and GVA adapted to 2008 fuel price level

## 7.5. Mediterranean trawlers

This section compares Italian and Spanish Mediterranean trawlers. The data for Spain is drawn from MAPYA, using the segment 'Mediterráneo Arrastre' (Mediterranean trawlers). The average length of the Spanish vessels is 20m. Their economic performance is comparable to the Italian bottom trawlers of 12-24m. The annual income of the smaller vessels is approximately 225,000 Euro, while the Italian 24-40m trawlers reach over 500,000 Euro. The fuel costs (at 2008 prices) amount to about 35% of the income, which means that the profitability of these segments is quite sensitive to energy prices. The GVA is still in the order of 40% of the income.

The data shows clearly that the present *de minimis* aid would benefit much more the smaller (12-24m) vessels than the larger ones (24-40m). In the short run, a 1-vessel firm operating a 12-24m vessel would see its GVA increased by about 30%, while for the a larger vessel it would be only 13%. The medium term impact of *de minimis* on GVA is proportionately lower.

The present *de minimis* regime would not increase the GVA of 5-vessels firms significantly. In the short run the increase would be 3-6%, while in medium term it would be at most 2%.

Under the proposed regime, a 5-vessels firm operating 12-24m trawlers would benefit about 20% in the short run and 7% in the medium term. In case of firm with 24-40m vessels, these percentages (related to GVA) would be about 8% and 3% respectively.

## Conclusions

- The present *de minimis* support would strengthen the position of the owners of smaller vessels vis-à-vis those operating larger trawlers and particular of 1-vessel firms. However, the SGECA 08-02 report seems to imply that these two groups mostly target different species and that they operate on largely different grounds<sup>10</sup>. Direct competition seems therefore limited or non-existent.
- The present regime would benefit in particular in the short term the 1-vessel firms operating smaller trawlers.
- The proposed regime would mainly also benefit the same group.
- The distortion of competition would occur in the 12-24m groups, among the 1-vessel firms, which would and those which would not receive assistance.
- Spain and Italy show coverage rates of 35% and 23% respectively, so that the national ceilings would not cause further competitive disparities.

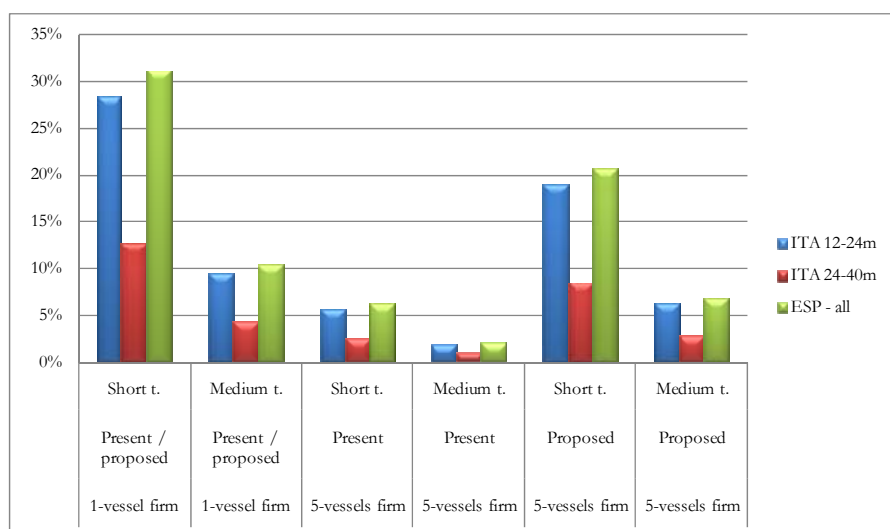


Figure 7.5 Impact of the present and proposed *de minimis* regime on GVA of Mediterranean trawlers

Table 7.5 Main economic indicators of Mediterranean trawlers, 2006 (average per vessel) <sup>a)</sup>

MS / Length	Fleet (number)	Fleet (1000 GT)	Income (1000 Euro)	Fuel costs (1000 Euro)	Operational c. (1000 Euro)	GVA (1000 Euro)
ITA 12-24m	2,443	78.0	221.0	74.4	41.0	105.6
ITA 24-40m	303	41.9	537.9	197.2	104.9	235.8
ESP	875		230.1	80.9	52.6	96.7

Source: SGECA 08-02, <sup>a)</sup>Fuel costs and GVA adapted to 2008 fuel price level

## 7.6. Mediterranean passive gears <12m

The Mediterranean passive gear vessels <12m carry out a large variety of activities, targeting an equally wide variety of species. The action radius of most of these vessels is rather limited so that their interaction is mostly local. It is interesting to notice that the relatively larger Cypriot vessels (average 5 GT) realize income which is substantially lower than the income of the smaller vessels (2 GT) operating in Italy and Greece. The data on Spain is drawn from MAPYA segment 'Mediterráneo Artesanales' (Mediterranean artisanal fleet), a fleet with an average length of about 7m. The fuel costs for all these segments are relatively low: 15% of income in Spain, about 12% in Greece and Italy and 6% on Cyprus. The GVA amounts to 60-70% of the income. These fleets are not significantly affected by the fluctuations of energy prices.

<sup>10</sup> This has been also confirmed in personal communication by IREPA.

Short term impact of the present *de minimis* regime on GVA of 1-vessel firms is very substantial, ranging from about 100% in Greece and Italy to 150% in Spain and even almost 300% on Cyprus. Consequently, also the medium term impact on these firms is substantial – between about 30% and 100%.

Also the 5-vessels firms would significantly profit from receiving *de minimis* aid in short as well as medium term under the present system. Their GVA would increase by 20-60% in the short term and by 7-20% in the medium term.

The proposed *de minimis* regime would raise the GVA of 5-vessels firms by 65% to almost 200% in the short term and a third of these values in the medium term.

### Conclusions

- There is very little international interaction among these fleets, so that distortion of competitive positions is unlikely in this respect.
- Under the present regime the national ceilings allow at most assistance to 35% of the firms in Spain, while in Italy, Greece and Cyprus the potential coverage would be 23%, 4% and 5% respectively. This implies that a small minority receiving assistance would gain substantially in comparison to a large majority which would not receive it.
- The proposed regime would further aggravate the competitive distortion within each country as the number of beneficiaries would be reduced and disparities among multi-vessel firms receiving respectively not-receiving assistance would be increased.

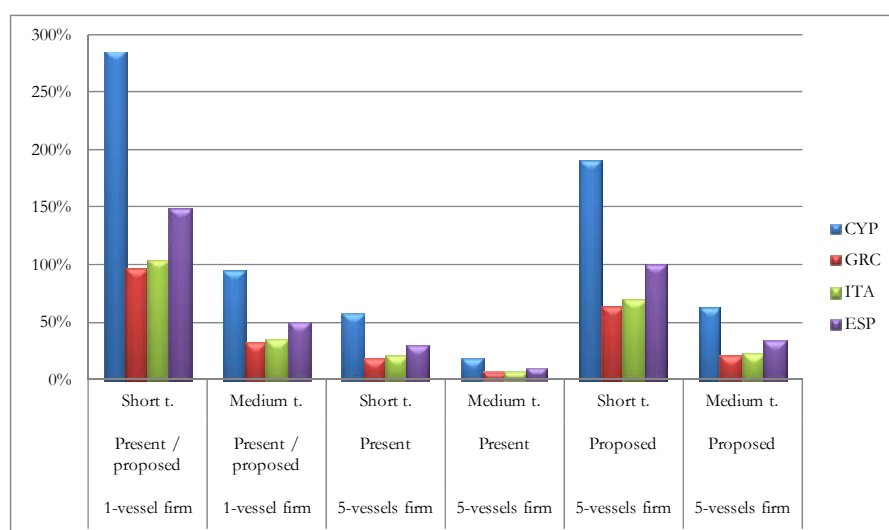


Figure 7.6 Impact of the present and proposed *de minimis* regime on GVA of Mediterranean passive gear vessels <12m

Table 7.6 Main economic indicators of Mediterranean passive gears <12m, 2006 (average per vessel) <sup>a)</sup>

MS	Fleet (number)	Fleet (1000 GT)	Income (1000 Euro)	Fuel costs (1000 Euro)	Operational c. (1000 Euro)	GVA (1000 Euro)
CYP	457.0	2.4	15.5	1.0	4.0	10.5
GRC	11,357.0	20.8	43.9	5.0	7.5	31.3
ITA	9,383.0	18.1	40.7	5.2	6.7	28.8
ESP	2,137		34.6	5.0	9.6	20.1

Source: SGECA 08-02, <sup>a)</sup>Fuel costs and GVA adapted to 2008 fuel price level

## 7.7. General conclusions

The cases presented in sections 7.1-7.6 illustrate that even within relatively similar fleets / fisheries there are still significant differences in average economic performance among the fleet segment of different Member States. Consequently the impact of *de minimis* will vary from segment to segment due to their specific characteristics and conditions under which they operate.

The present *de minimis* regime produces two types of distortions:

- It leads to distortions between Member States due to the differences in potential level of coverage of their fleet. While some MS are theoretically capable of assisting most, if not all, of their fishing firms, in other MS only a small percentage can receive full *de minimis* premium.
- The present *de minimis* premium represents in the short (and in some cases also medium) term a significant share of the GVA of vessels below 24m, and in particular of those <12m. This leads to distortions of competitive position between the vessels receiving assistance and those which would not receive it.

The implementation of the proposed regime may further aggravate the competitive distortions for two reasons:

- The total number of beneficiaries is reduced by approximately 10%, widening the gap between the 'haves' and the 'have nots' (or rather the 'gets' and the 'do not gets').
- The differences between multi-vessel firms which would and which would not receive assistance will become greater, as the new regime would provide substantially higher premiums to the multi-vessel firms.

However, the proposed regime would decrease the differences between 1-vessel and multi-vessel firms which would both receive assistance.



## 8. IMPACT ON FISH PROCESSING AND AQUACULTURE

In principle the *de minimis* regulation covers the entire fisheries sector, including aquaculture, fish processing and trade. However, the proposed change of the regime to a ceiling of 100,000 Euro for multi-vessel firms is based on assisting fishing vessels and it is not clear how such rule should be interpreted in relation to the other sub-sectors of the fisheries sector. Therefore assistance of 30,000 Euro per firm is assumed in this section. Basic data on the two sub-sectors are presented in table 8.1.

### *Aquaculture*

Aquaculture sector is composed of 15-16,000 firms<sup>11</sup> with total value of output of 3.7 billion Euro and a value added of 1.4 billion Euro. Most of these firms are relatively small, making an average turn-over of about 240,000 Euro, of which 116,000 Euro is value added. Firms in the United Kingdom, Italy and Greece are on average relatively large, with a turn-over of 1-1.4 million Euro. In many other countries the average turn-over is 100-200,000 Euro, or even less.

Provision of *de minimis* aid to the aquaculture producers would in many cases represent a very significant boost to their gross value added – on average about 26% in the short term. In the three countries with large producers, the *de minimis* would represent about 4-7% of the GVA, but in many other countries it would range between 30% and 50% of the GVA. In the countries with smallest producers (Czech R., Portugal, Hungary) maximum *de minimis* assistance would represent 100-200% of the average GVA.

In medium term the *de minimis* aid would still significantly support economic performance of the small producers.

It seems unlikely that provision of *de minimis* aid to aquaculture firms would noticeably affect the production levels and the subsequent national and international trade flows within short or medium term. The total EU aquaculture production has been rather constant over the past 20 years (approximately 1.1-1.3 million tonnes). Significant parts of the production are traditional species like trout, carp, mussels and oysters (870,000 tonnes in 2005, Eurostat). These species face significant market problems and potential for production growth is at best limited<sup>12</sup>.

Similarly to the argument put forward in relation to the fleet, should one Member State decide to give maximum support to its aquaculture firms while other Member States, having similar sector, would not take this step, *de minimis* may affect the competitive position and intra-EU trade. Table 8.1 illustrates that in some Member States and for some species, the present regime of 30,000 Euro per firm already represents a very high share of annual GVA. Should the proposed regime increase the maximum support per firm further (parallel to the fleet), the competitive disparities would be further accentuated. The *de minimis* would benefit in particular aquaculture segments characterized by small firms, i.e. carp, trout and oyster farming.

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<sup>11</sup> This number excludes about 20,000 small scale / part-time and hobby fish farmers in Germany.

<sup>12</sup> Source: Review of the EU aquaculture sector, Interim Report of the project Definition of data collection needs for aquaculture (FISH/2006/15 Lot 6), December 2007

Table 8.1 *De minimis* of 30,000 Euro as percentage of GVA in aquaculture, by species and Member State, 2006

MS	Carps	Mussel	Oyster	Salmon	Seabass	Trout	Turbot
CZE	95%						
DEU	18%					35%	
DNK		75%				14%	
ESP		72%	34%		4%	5%	2%
FIN						23%	
FRA		12%	30%				
GBR		15%	34%	0%		17%	
GRC		136%					
HUN	66%						
IRL							
ITA		13%			6%	22%	
LTU	15%						
NLD		4%	16%				
POL	93%					32%	
PRT					19%	30%	17%
SWE						47%	

Source: Definition of data collection needs for aquaculture, FISH/2006/15-Lot 6

#### *Fish processing and trade*

Eurostat<sup>13</sup> puts the number of firms in fish processing at little over 4,000, with a total turn-over of 19 billion Euro and a GVA of 4 billion Euro. These figures probably exclude a number of small processors, employing less than 10-20 persons. Reliable statistics on fish trade alone do not exist<sup>14</sup>.

In most Member States the fish processing firms are relatively large, making an average turn-over of 4.7 million Euro and GVA of almost 1 million Euro. The *de minimis* aid would in most case represent only 1-4% of the GVA in the short run and consequently less than 1% in the medium term.

#### *Coverage and competitive performance*

Provision of the *de minimis* aid to aquaculture and fish processing would increase the total number of eligible firms by about 20,000. Although this is significantly lower than the number of owners of fishing vessels, the coverage rate (number of potential beneficiaries as percentage of total number of eligible firms) would fall from 31% to 25% (for EU-27) over one cycle of three years (and double over the total duration of the regulation).

Considering the level of *de minimis* in relation to the size of the fish processing companies, distortion of competition does not seem likely. The situation is, however, entirely different in relation to aquaculture. There the *de minimis* would represent for many beneficiaries a significant share of their turn-over and GVA and would put them in short and medium term in a clearly competitive advantage over those who would not receive such assistance.

<sup>13</sup> Structural Business Statistics

<sup>14</sup> Eurostat puts fish trade under 'g5138 Wholesale of other food including fish, crustaceans and molluscs'. There are about 43,000 firms registered under this activity. Many of them have probably little to do with fish.

Table 8.2 Basic indicators for aquaculture and fish processing, 2005-2006

MS	Aquaculture					Fish processing				
	Number of firms	Value of production (mln Euro)	Estimated GVA <sup>a)</sup> (mln Euro)	Value / firm (1000 Euro)	GVA/firm (1000 Euro)	Number of firms	Value of production (mln Euro)	Value added at factor cost (mln Euro)	Value / firm (1000 Euro)	GVA/firm (1000 Euro)
AUS	<i>400</i>	<i>9</i>				5	35	15	6,980	2,940
BEL		<i>3</i>				62	500	89	8,061	1,435
BGR		<i>8</i>				35	17	4	486	100
CYP		<i>14</i>								
CZE	1,244	42	20	33	16	19				
DEU <sup>b)</sup>	1,054	194	102	184	97	190	2,017	449	10,617	2,363
DNK	193	111	37	574	194	125	1,287	255	10,294	2,036
ESP	2,478	345	204	139	82	745	3,705	754	4,973	1,012
EST <sup>c)</sup>	<i>96</i>	<i>2</i>		<i>22</i>	<i>8</i>	65	94	21	1,442	318
FIN	343	70	24	203	69	160				
FRA	4,541	548	293	121	65	492	2,866	624	5,825	1,268
GBR	511	708	365	1,385	714	388	3,155	775	8,131	1,996
GRC <sup>c)</sup>	555	545	222	981	474	65	100	31	1,542	472
HUN	400	26	12	65	29	11	2	0	136	36
IRL <sup>c)</sup>	175	123	0	701	339	70	324	76	4,621	1,090
ITA	616	655	0	1,063	428					
LTU	61	8	4	125	62	83	195	35	2,348	425
LUX		<i>0</i>				0	0	0		
LVA		<i>1</i>				116	145	34	1,253	291
MLT		<i>4</i>								
NLD	207	120	50	579	242	120	643	131	5,359	1,088
POL	1,050	88	38	84	36	419	878	146	2,096	347
PRT	1,084	32	15	29	14	150	629	122	4,192	814
ROM		<i>13</i>				41	35	9	854	220
SLK		<i>2</i>				8	33	9	4,125	1,100
SVN		<i>3</i>				5				
SWE	215	31	9	142	44	211				
<b>EU-27</b>	<b>15,223</b>	<b>3,700</b>	<b>1,395</b>	<b>243</b>	<b>116</b>	<b>4,035</b>	<b>18,938</b>	<b>3,977</b>	<b>4,693</b>	<b>986</b>

Sources: **Aquaculture:** Draft final report *Definition of data collection needs for aquaculture* (project Fish 2006/15 lot 6), data on 2006; figures in Italics: Eurostat 2005

**Fish processing:** Eurostat 2005, Structural Business Statistics, data on NACE DA152

<sup>a)</sup> Estimate based on total production value and share of gross value added available for approximately 80% of the total production value.

<sup>b)</sup> Number of firms relates only to 'commercial firms'. Total number of fish farmers in Germany is more than 22,000.

<sup>c)</sup> GVA is calculated with the EU-average GVA in value of production

## 9. IMPACT ON FISHING LEVEL AND RESOURCE EXPLOITATION

### *Methodology*

Making a direct link between the SGECA 08-02 data and exploitation rates of specific fish stocks is not unambiguously feasible. This source provides some information regarding landings by species per segment, but it does not provide information regarding fishing areas of the distinguished fleet segments. Neither is there a distinction between various target species in terms of stocks, e.g. North Sea and Baltic cod. The analysis of the impact of *de minimis* aid on fishing effort and resource exploitation is therefore only indicative.

Two questions can be raised in relation to the impact of the *de minimis* aid on level of fishing effort and resource exploitation:

- To which extent can it be expected that the present *de minimis* aid of 30,000 Euro per firm will impact fishing effort in the short run (one year)?
- What would the additional impact be of the proposed change of the *de minimis* regime to a maximum of 100,000 Euro per firm?

Four fisheries have been selected to be analysed quantitatively:

- North Sea and Baltic Sea cod
- North Sea sole and plaice
- Atlantic nephrops
- Mediterranean anchovy

Specific comments on each fishery are made in the respective sections.

The countries most heavily involved in the three Northern fisheries have been selected on the basis of the national quota for the various species. Volume of landings was used for the Mediterranean. Within those countries, the most important segments landing these species have been selected from the SGECA 02-08 report. For these segments all relevant data is available for 2006:

- Gross value added, which was adapted for higher fuel costs in 2008.
- Number of vessels, total GT and total number of fishing days, from which effort in GT-days was calculated as:  $\text{Total GT} * \text{Total days} / \text{Number of vessels}$ .
- Total volume and value of landings and the volume and value of the relevant species, which allowed to determine the relative importance of these species for each segment.

The segments selected cover approximately 70% of each of the three Northern fisheries in terms of utilization of the TACs. The Mediterranean segments account for 75% of the landings of European anchovy.

The *de minimis* aid has been calculated for two situations:

- Present regime of 30,000 Euro per firm, and
- Proposed regime of 30,000 Euro per vessel and a maximum of 100,000 Euro per firm.

How much *de minimis* aid could be given to a specific segment in a specific country depends furthermore on two aspects:

- fleet composition by ownership, i.e. how many vessels are owned by the three groups of owners distinguished in section 1, and
- the available resources, i.e. which percentage of the fleet can be given the maximum aid – issue which was analyzed in sections 2 and 3 for the present and proposed regime.

As sufficiently detailed data is not available, it was assumed that the ownership structure of the fleet is equal in all segments to the national structure and that all segments would receive a proportionate part of the available *de minimis* aid, i.e. coverage rate would be equal, according to the national ceilings and coverage rates.

The *de minimis* aid will in the short term increase the gross value added of the benefiting firm, which will be experienced by the (skipper-)owners as increased income. Therefore the used hypothesis is that 'high' level of impact is more likely to maintain the vessel in operation, while 'low' level of impact (ratio between *de minimis* and GVA) would not influence the decision to continue or stop fishing. Two levels of impact are distinguished in terms of the ratio *de minimis* / GVA<sup>15</sup>:

- High impact: > 20%
- Low impact : < 20%

To determine the impact, the GVA of 2006 was adapted to the higher level of fuel price of 2008.

Impact on fishing effort and resource exploitation can be subsequently determined by relating the fishing effort of the various fleet segments, expressed in GT-days, to the impact of *de minimis* on their GVA, i.e. *de minimis* would have 'High impact' on X% of total effort in the considered fishery. This approach assumes that GT-days are equally productive (or cause same fishing mortality) independently of the gear used and the size of the vessel.

The quantitative examples assume that maximum level of *de minimis* aid would be given to the beneficiaries. However, evidence from many Member States indicates that, if *de minimis* aid is offered at all, it is never given at the maximum rate.

### 9.1. North Sea and Baltic Sea cod

The 2006 cod TACs in the areas IIa, III and IV amounted to about 105,000 tonnes. 70% of this amount (almost 74,000 tonnes) was allocated to the Germany, Denmark, Poland and Sweden. Germany disposed furthermore of quota of 5,300 tonnes of cod in the areas I, II and IIb. In particular Germany and Denmark have substantial quota of cod in the North Sea as well as in the Baltic Sea. It is not possible to separate these two fisheries on the basis of the available data.

The UK also has a quota of about 9,000 tonnes in the North Sea, but the UK fleet has been excluded from the analysis for the following reasons:

- UK has large quota of cod (12,600 tonnes) in other areas (I, II and IIb), being exploited by >40m trawlers. Dependence of this segment on North Sea cod is negligible.
- North Sea cod quota are being exploited by demersal trawlers of 12-24m and 24-40m. However, these two segments show very low dependence on cod (3% and 8% of value of landings respectively) and at the same time very high level of fishing effort (in terms of GT-days) aimed at other species. Inclusion of these segments would therefore distort the conclusions.

Fourteen fleet segments (see table 9.5) from the four mentioned countries landed a total of 61,000 tonnes of cod, i.e. about 82% of their national quota. These segments are mainly demersal trawlers in 12-40m range and passive gear vessels <12m. These segments contain a total of 4,817 vessels with 82,200 GT. Their total value of production amounted in 2006 to 357 million Euro (325,000 tonnes), of which 200 million Euro was GVA. The value of cod alone amounted to 118 mln Euro. This means that on average 33% of the production value depended on this species. There are evidently some differences between the segments. The Polish demersal trawlers show the heaviest dependence on cod, which represents 60-70% of their revenues. Most other segments show dependence rates between 30% and 40%.

The increase of the fuel price in 2008 would raise the fuel costs by about 12 million Euro (compared to 2006), reducing the GVA by the same amount to about 189 million Euro. The present *de minimis* regime

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<sup>15</sup> These values have been selected after having calculated the ratio for all relevant segments and having empirically considered where approximately distinction can be identified. These values are different from the values applied in chapter 4 as this section deals with the far reaching question whether the *de minimis* would affect the decision to stop or to continue fishing. 'Low impact' limit has been set at 20%, as GVA contains also capital costs (depreciation and interest) and after accounting for these costs the increase of income for the owner (before income tax) will be marginal. All other cases are considered as 'High impact' for the clarity of the argument. Clearly this is only a rough approximation, as low impact on GVA may still hide high impact on profits.

would theoretically provide 80.6 million Euro to the fleets under consideration. This would compensate 689% of the increase of fuel costs in 2008, compared to 2006. However, while small vessels would be overcompensated, the larger ones would be under compensated (see table 9.2).

At present the analysed fleets would potentially receive 80 million Euro in *de minimis* aid, which is 43% of their total GVA. There would be potentially strong incentive to maintain present level of fishing effort directed at cod. This is the result of very high impact on the GVA of the three Polish segments and the passive gear vessels <12m in Sweden, Germany and Denmark and the smaller German demersal trawlers (12-24m). These seven segments account together for 27% of effort in GT-days and 44% of the catch of cod. Other seven segments, which represent 73% of total effort and 56% of catch of cod, would experience low impact.

Table 9.1 exemplifies that in the short term *de minimis* aid would represent more than double of the GVA of the small vessels, which show high impact.

Table 9.1 Impact of *de minimis* on cod fisheries in the North Sea and the Baltic – summary, 2006

Impact level	Income (mln Euro)	GVA (mln Euro)	Share in GT-days	Cod weight (1000t)	Cod value / income	<i>De minimis</i> - present (mln Euro)	<i>De minimis</i> - proposed (mln Euro)
High	100.5	40.2	26%	27.1	38%	68.4	72.0
Low	256.6	147.6	74%	34.0	25%	12.1	12.3
<b>Total</b>	<b>357.1</b>	<b>187.8</b>	<b>100%</b>	<b>61.1</b>	<b>33%</b>	<b>80.6</b>	<b>84.3</b>

See table 9.2 for details by segment

The proposed *de minimis* regime would increase the total potential support to these fleets by about 4 million Euro. This would not lead to any changes in the classification of the level of impact.

Figure 9.1 presents the impact of *de minimis* by segment. It shows clearly that for most segments composed of larger vessels (over 12m) the potential *de minimis* is relatively low in comparison to their GVA. For the small vessels the situation is reverse. At the same time it is the small vessels which catch a substantial part of the cod quota, so that supporting their continuity may affect directly the sustainability of these cod stocks. The figure also shows that aggregate impact of the shift to the new regime is barely noticeable.

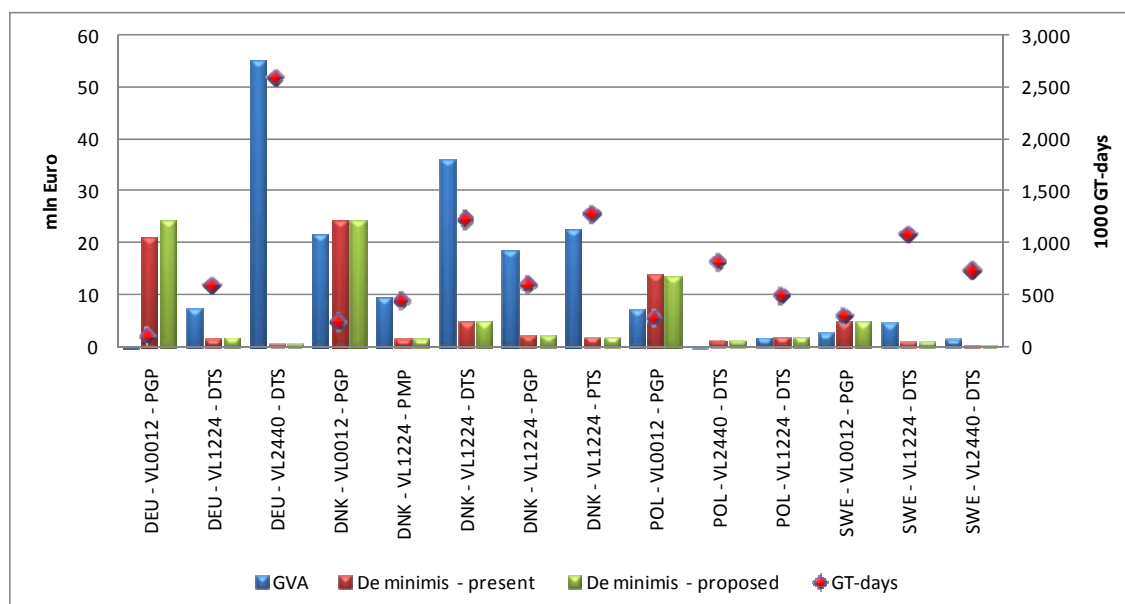


Figure 9.1 Cod fishery: Relation of present and proposed *de minimis* to GVA and fishing effort by segment, 2006

It can be concluded that providing maximum *de minimis* support to the main segments exploiting cod in the North Sea and the Baltic Sea is likely to have substantial positive effect on the ability of the smaller

vessels to remain in operation in the short run and is equally likely to jeopardize attempts to reduce the level of catches and fishing effort.

Implementation of the proposed regime will further increase the overall aid by about 4 million Euro, i.e. almost 5%. This increase would be mainly the result of much higher support of the German passive gear vessels <12m, which probably operate mostly in the Baltic. This is a consequence of the fact that the German coverage rate for the present regime amounts to 120% (see table 2.1).

Table 9.2 North Sea and Baltic cod fishery – Details of impact of *de minimis* by segment, 2006

MS	Length	Gear	Income (mln Euro)	GVA – adapted (mln Euro)	Fleet (number)	GT- days (1000)	Cod value (mln Euro)	Cod weight (1000t)	Increase of fuel costs 2006-8 (mln Euro)	<i>De minimis</i> - present (mln Euro)	<i>De minimis</i> - proposed (mln Euro)	Impact
DEU	<12m	PGP	9.6	-0.5	1,014	102	3.3	1.8	0.3	20.89	24.24	High
DEU	12-24m	DTS	18.1	7.6	73	581	6.8	3.7	0.6	1.50	1.74	High
DEU	24-40m	DTS	60.8	55.0	24	2,581	18.9	4.8	0.3	0.49	0.57	Low
DNK	<12m	PGP	37.6	21.6	1,288	236	17.2	7.9	0.5	24.23	24.37	High
DNK	12-24m	PMP	20	9.7	76	436	5	2.3	0.0	1.43	1.44	Low
DNK	12-24m	DTS	63.9	36.1	271	1,209	18.8	10.7	2.0	5.10	5.13	Low
DNK	12-24m	PGP	29.9	18.5	119	590	8.9	3.0	0.5	2.24	2.25	Low
DNK	12-24m	PTS	43.7	22.3	98	1,266	9	4.8	2.0	1.84	1.85	Low
POL	<12m	PGP	10.9	7.3	622	272	5.2	4.2	0.3	13.80	13.72	High
POL	24-40m	DTS	5.4	-0.3	44	808	3.3	2.7	0.9	0.98	0.97	High
POL	12-24m	DTS	6.1	1.6	91	487	4.5	3.6	0.6	2.02	2.01	High
SWE	<12m	PGP	12.8	2.9	912	292	4.8	3.2	0.5	5.01	4.99	High
SWE	12-24m	DTS	27.7	4.6	158	1,068	8.2	5.5	2.5	0.87	0.86	Low
SWE	24-40m	DTS	10.6	1.4	27	721	4.3	2.9	0.9	0.15	0.15	Low
<b>Total</b>			<b>357.1</b>	<b>187.8</b>	<b>4,817</b>	<b>10,649</b>	<b>118.2</b>	<b>61.1</b>	<b>11.9</b>	<b>80.55</b>	<b>84.30</b>	<b>High</b>

Source: SGECA 08-02

## 9.2. North Sea plaice and sole

The 2006 sole TAC in the areas IIa, III and IV amounted to about 18,400 tonnes and the plaice TAC to 69,000 tonnes. 92% of these amounts were allocated to the Netherlands, UK, Belgium and Denmark. Furthermore UK and Belgium disposed of about 4,000 tonnes of sole and 3,600 tonnes of plaice in areas V-VIII. The landings of these latter quota cannot be distinguished from the landings from the areas IIa-IV.

Eleven fleet segments (see table 9.4) from the four mentioned countries landed a total of 66,000 tonnes of plaice and sole, i.e. about 69% of their quota of 95,000 tonnes. These segments are beam trawlers in Belgium (12-24m and 24-40m), UK (24-40m and >40m), the Netherlands (12-24m, 24-40m and >40m) and Denmark (24-40m). Furthermore also Danish bottom trawlers (12-24m) and passive gear vessels (<12m and 12-24m) participated in this fishery. These eleven segments contain a total of 2,166 vessels with 119,400 GT. Their total value of production amounted in 2006 to 529 million Euro (211,000 tonnes), of which 200 million Euro was GVA. The value of plaice and sole alone amounted to 260 mln Euro. This means that on average 49% of the production value depended on these species. However, there are significant differences between the segments. The dependence rates range from 17% for the Dutch beamers of 12-24m to over 80% for the Danish beam trawlers of 24-40m and the Dutch beam trawlers of >40m.

The increase of the fuel price in 2008 would raise the fuel costs by about 47 million Euro, reducing the GVA to about 153 million Euro. The present *de minimis* regime would theoretically provide 42.9 million Euro to the fleets under consideration. This would compensate 91% of the increase of fuel costs in 2008, compared to 2006. However, while small vessels would be overcompensated, the larger ones would be under compensated (see table 9.4).

The impact of the present *de minimis* regime would be on average 28% of the adapted GVA. The Belgian beamers (12-24m) and the Danish passive gear vessels (<12m) would see their GVA rise by 168% and 113% respectively. The impact on most other segments would be low, ranging between 5% and 14%. This latter group represents 83% of effort and 82% of the catch of plaice and sole.

The proposed adaptation of the *de minimis* regime would further increase the aid provided to these segments by about 1.8 million Euro. This would not lead to any changes in classification of the level of impact. The proposed regime would benefit the Dutch and to lesser extent Belgian beam trawlers. This is a consequence of coverage rates exceeding 100% under the present regime.

Table 9.3 Impact of *de minimis* on plaice and sole fisheries in the North Sea – summary, 2006

Impact level	Income (mln Euro)	GVA (mln Euro)	Share in GT-days	Plaice and sole weight (1000t)	Plaice and sole value / income	<i>De minimis</i> - present (mln Euro)	<i>De minimis</i> - proposed (mln Euro)
High	139.2	43.9	17%	12.1	29%	30.2	31.3
Low	389.9	107.2	83%	53.9	56%	12.7	13.4
<b>Total</b>	<b>529.0</b>	<b>151.2</b>	<b>100%</b>	<b>66.0</b>	<b>49%</b>	<b>42.9</b>	<b>44.7</b>

See table 9.4 for details by segment

Figure 9.2 shows the large differences in the impact of *de minimis* aid on various fleet segments. While for most larger vessels the *de minimis* would be substantially lower than their GVA, for the Danish passive gear boats <12m *de minimis* exceeds the GVA. The figure also shows that aggregate impact of the shift to the new regime is barely noticeable.

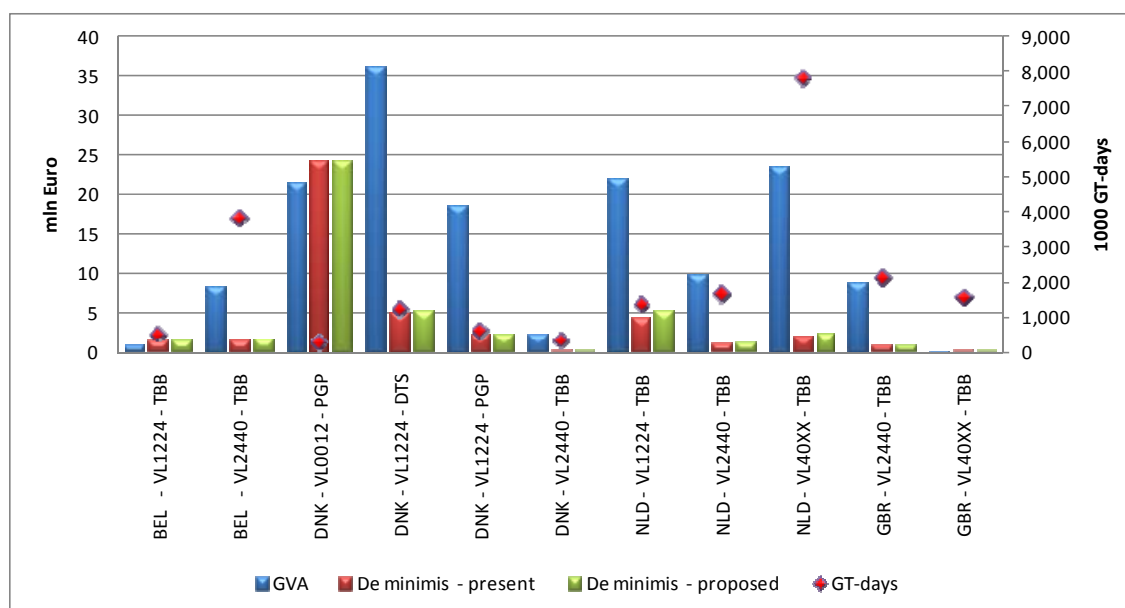


Figure 9.2 Plaice and sole fishery: Relation of present and proposed *de minimis* to GVA and fishing effort by segment, 2006

It can be concluded that providing maximum *de minimis* support to the main segments exploiting sole and plaice in the North Sea and adjacent areas is likely to have at least some positive effect on the ability of the vessels to remain in operation and generates an opposite incentive to the attempts to reduce the level of fishing effort. In the short term under the present regime the *de minimis* represents 28% of the GVA, which would increase to almost 30% under the proposed regime.



Table 9.4 North Sea plaice and sole fishery – Details of impact of *de minimis* by segment, 2006

MS	Length	Gear	Income (mln Euro)	GVA – adapted (mln Euro)	Fleet (number)	GT- days (1000)	Plaice and sole value (mln Euro)	Plaice and sole weight (1000t)	Increase of fuel costs 2006-8 (mln Euro)	<i>De minimis</i> – present (mln Euro)	<i>De minimis</i> – proposed (mln Euro)	Impact
BEL	12-24m	TBB	18.4	0.9	49	486	11.3	1.6	2.1	1.4	1.5	High
BEL	24-40m	TBB	69.7	8.2	53	3,780	42.2	7.0	8.7	1.5	1.6	Low
DNK	<12m	PGP	37.6	21.5	1,288	236	8.0	2.3	0.6	24.2	24.4	High
DNK	12-24m	DTS	63.9	36.1	271	1,209	12.5	5.4	0.1	5.1	5.1	Low
DNK	12-24m	PGP	29.9	18.5	119	590	14.3	4.6	0.5	2.2	2.3	Low
DNK	24-40m	TBB	7.5	2.3	6	304	6.1	3.2	0.6	0.1	0.1	Low
NLD	12-24m	TBB	58.4	22.2	187	1,332	9.8	2.0	3.8	4.4	5.2	High
NLD	24-40m	TBB	46.6	9.8	42	1,633	25.6	5.8	5.5	1.0	1.2	Low
NLD	>40m	TBB	131.3	23.5	84	7,777	108.9	23.3	17.1	2.0	2.3	Low
GBR	24-40m	TBB	40.9	8.8	52	2,096	10.7	4.7	4.2	0.8	0.8	Low
GBR	>40m	TBB	24.9	-0.6	15	1,537	10.7	6.2	3.8	0.2	0.2	High
<b>Total</b>			<b>529.0</b>	<b>151.2</b>	<b>2,166</b>	<b>20,979</b>	<b>260.0</b>	<b>66.0</b>	<b>47.0</b>	<b>42.9</b>	<b>44.7</b>	<b>High</b>

Source: SGECA 08-02

### 9.3. Atlantic nephrops

The 2006 nephrops TAC in the Atlantic areas amounted to about 43,800 tonnes of which 95% was allocated to the UK, France and Ireland. The UK also had a quota of 24,400 tonnes of nephrops in the area IIa and IV. The data does not allow to separate the landings from these two areas.

Six fleet segments (see table 9.6) from the three mentioned countries landed a total of 48,800 tonnes of nephrops, i.e. 72% of their quota of 68,200 tonnes. These segments are demersal trawlers in France (<12m and 12-24m), UK (<12m, 12-24m and 24-40m) and Ireland (12-24m). These segments contain a total of 2,035 vessels with 136,000 GT. Their total value of production amounted in 2006 to 728 million Euro (294,000 tonnes), of which 294 million Euro was GVA. The value of nephrops alone amounted to 161 mln Euro. This means that on average 22% of the production value depended on this species. However, there are significant differences between the segments. The two UK segments of <12m and 12-24m depend for 40-50% on nephrops, while the dependence in the other segments ranges between 5% and 24%.

The increase of the fuel price in 2008 would raise the fuel costs by about 40 million Euro, reducing the GVA to about 255 million Euro. The present *de minimis* regime would theoretically provide 39.1 million Euro to the fleets under consideration. This would compensate almost 100% of the increase of fuel costs in 2008, compared to 2006. However, while small vessels would be overcompensated, the larger ones would be under compensated (see table 9.6).

The impact of the present *de minimis* regime would be on average 15% of the adapted GVA. The small French and UK demersal trawlers <12m would benefit most, as their GVA would increase in the short term by 50% and 30% respectively. The impact on other segments would be relatively modest, ranging between 5% and 13% of their GVA (see figure 9.3 and table 9.6).

Implementation of the new regime would lead to a minor reduction of the total provided aid, by about 0.5 million Euro, i.e. 1.2%. The reduction would affect all considered segments. This is a consequence of the ownership composition in the three countries: although the average assistance per benefitting firm increases, the number of assisted firms is reduced, which results in the slightly lower total assistance. The classification by impact would not change.

Table 9.5 Impact of *de minimis* on nephrops fisheries in the Atlantic - summary

Impact level	Income (mln Euro)	GVA (mln Euro)	Share in GT-days	Nephrops weight (1000t)	Nephrops value / income	<i>De minimis</i> - present (mln Euro)	<i>De minimis</i> - proposed (mln Euro)
High	84.9	41.2	4%	6.4	21%	15.6	15.4
Low	643.3	213.5	96%	42.4	22%	23.5	23.2
<b>Total</b>	<b>728.2</b>	<b>254.7</b>	<b>100%</b>	<b>48.8</b>	<b>22%</b>	<b>39.1</b>	<b>38.6</b>

See table 9.6 for details by segment

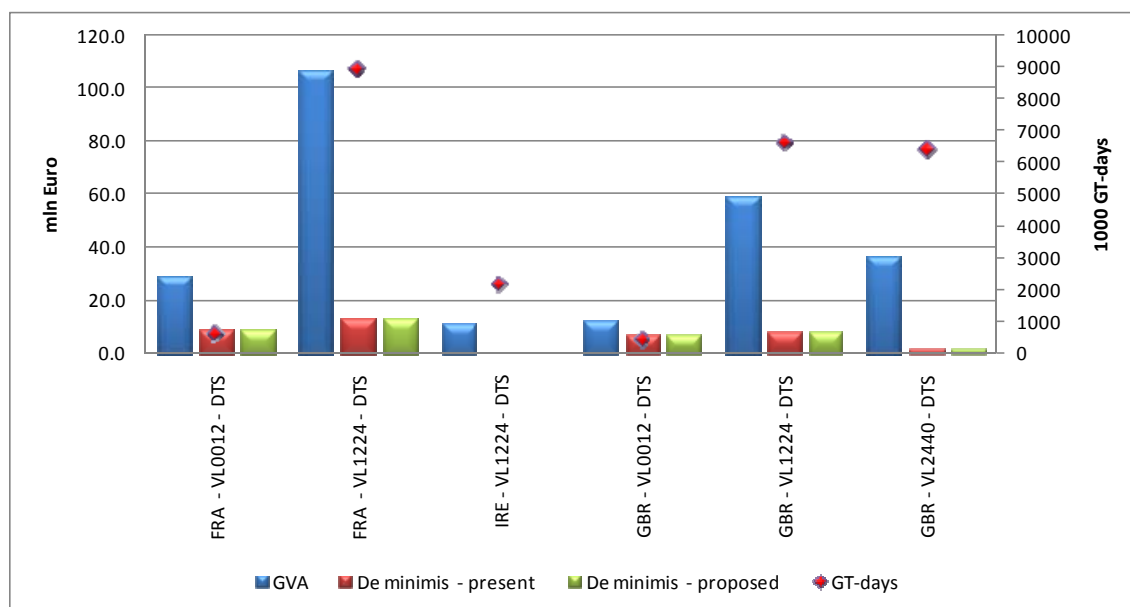


Figure 9.3 Nephrops fishery: Relation of present and proposed *de minimis* to GVA and fishing effort by segment, 2006

It can be concluded that providing maximum *de minimis* support to the main segments exploiting nephrops in the Atlantic areas will have some positive affect in the short term to maintain effort at the existing level and may compromise attempts for decommissioning or effort reduction. Consequences of the implementation of the proposed regime will be barely noticeable in comparison with the present one.

Table 9.6 Atlantic nephrops fishery – Details of impact of *de minimis* by segment, 2006

MS	Length	Gear	Income (mln Euro)	GVA – adapted (mln Euro)	Fleet (number)	GT- days (1000)	Nephrops value (mln Euro)	Nephrops weight (1000t)	Increase of fuel costs 2006-8 (mln Euro)	<i>De minimis</i> - present (mln Euro)	<i>De minimis</i> - proposed (mln Euro)	Impact
FRA	<12m	DTS	53.5	29.0	329	621	2.3	0.3	2.1	8.7	8.7	High
FRA	12-24m	DTS	271.5	106.6	493	8,925	45.9	4.9	17.0	13.1	13.0	Low
IRE	12-24m	DTS	49.5	11.3	161	2,184	11.7	4.5	3.3	0.7	0.7	Low
GBR	<12m	DTS	31.4	12.2	436	445	15.6	6.2	1.1	6.9	6.7	High
GBR	12-24m	DTS	196.1	58.7	507	6,607	79.0	30.9	8.6	8.0	7.8	Low
GBR	24-40m	DTS	126.3	36.8	109	6,400	6.5	2.0	7.6	1.7	1.7	Low
<b>Total</b>			<b>728.2</b>	<b>254.7</b>	<b>2,035</b>	<b>25,182</b>	<b>160.9</b>	<b>48.8</b>	<b>39.7</b>	<b>39.1</b>	<b>38.6</b>	<b>Low</b>

Source: SGECA 08-02

#### 9.4. European anchovy in the Mediterranean

According to Eurostat, in 2006 the EU Member States landed some 563,000 tonnes of fish in the Mediterranean and Black Sea, of which 101,000 tonnes was European anchovy. Italy alone landed 81,000 tonnes of anchovy followed by Greece with some 14,000 tonnes. These figures show the relative and absolute importance of Italian anchovy fisheries in the Mediterranean area<sup>16</sup>.

Two Italian segments account for 75% of Italian anchovy landings: the pelagic trawlers of 12-24m and 24-40m. These segments contain a total of 454 vessels with 29,000 GT. Their total value of production amounted in 2006 to 183 million Euro (100,000 tonnes), of which 122 million Euro was GVA. The value of European anchovy alone amounted to 130 mln Euro. This means that on average 71% of the production value depended on this species.

The increase of the fuel price in 2008 would raise the fuel costs by about 7 million Euro, reducing the GVA to about 115 million Euro. These segments use relatively little energy and their results are not heavily affected by the fuel price. The present *de minimis* regime would theoretically provide 2.4 million Euro to the fleets under consideration. This would compensate about 35% of the increase of fuel costs in 2008, compared to 2006. However, while small vessels would be overcompensated, the larger ones would be under compensated (see table 9.8).

Under the present *de minimis* regime these segments would receive about 2.4 million Euro. This means that the impact would be at a very low 2% of the adapted GVA. This applies to both considered segments (see figure 9.4 and table 9.8).

Implementation of the new regime would lead to a minor reduction of the total provided aid, by about 0.1 million Euro, i.e. 5%. The reduction would affect both segments equally, as for both apply same assumptions based on the ownership composition of the national fleet. The impact classification would evidently not change.

Table 9.7 Impact of *de minimis* on anchovy fisheries in the Mediterranean - summary

Impact level	Income (mln Euro)	GVA (mln Euro)	Share in GT-days	Anchovy weight (1000t)	Anchovy value / income	<i>De minimis</i> - present (mln Euro)	<i>De minimis</i> - proposed (mln Euro)
High							
Low	182.9	114.9	100%	75.2	71%	2.4	2.2
<b>Total</b>	<b>182.9</b>	<b>114.9</b>	<b>100%</b>	<b>75.2</b>	<b>71%</b>	<b>2.4</b>	<b>2.2</b>

See table 9.8 for details by segment

It can be concluded, as also shown in figure 9.4, that *de minimis* plays no role of relevance for the two main segments in the Mediterranean anchovy fishery and that the shift to the new regime would not have any noticeable consequences.

<sup>16</sup> Anchovy fishery is also the only segment for which sufficiently detailed data is available in the SGECA 08-02 report. For most other segments specification of landings by species remains unclear as they are classified under 'Other' or 'All'.

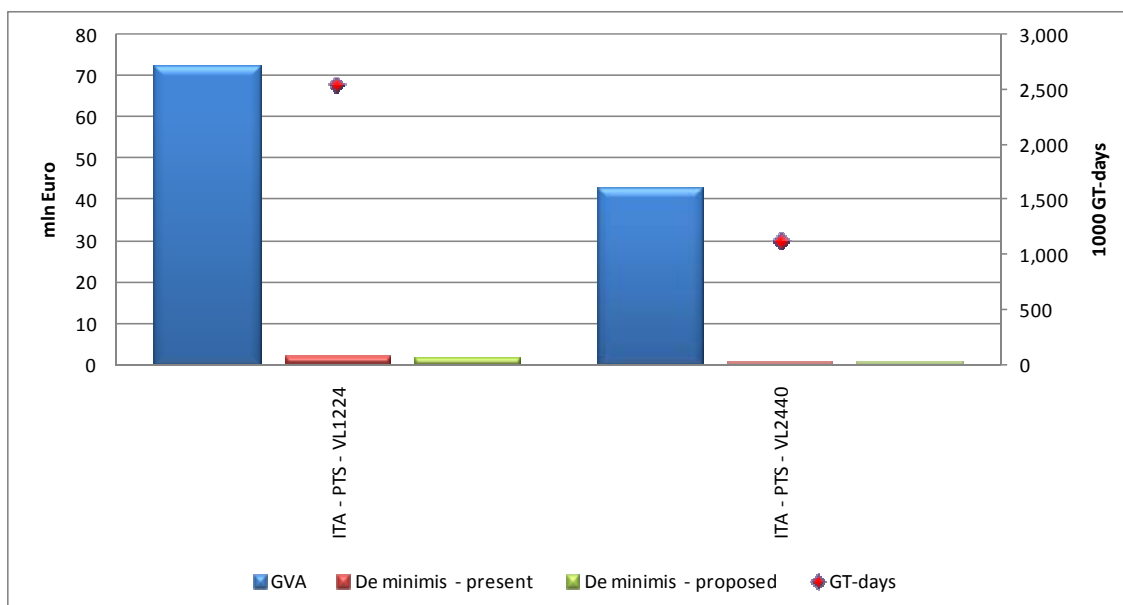


Figure 9.4 Anchovy fishery: Relation of present and proposed *de minimis* to GVA and fishing effort by segment

Table 9.8 European anchovy fishery in the Mediterranean – Details of impact of *de minimis* by segment

MS	Length	Gear	Income (mln Euro)	GVA – adapted (mln Euro)	Fleet (number)	GT- days (1000)	Anchovy value (mln Euro)	Anchovy weight (1000t)	Increase of fuel costs 2006-8 (mln Euro)	<i>De minimis</i> – present (mln Euro)	<i>De minimis</i> – proposed (mln Euro)	Impact
ITA	PTS	12-24m	120.3	72.3	369	2,526	69.7	40.8	5.3	1.9	1.8	Low
ITA	PTS	24-40m	62.5	42.5	85	1,123	60.0	34.4	2.1	0.4	0.4	Low
<b>Total</b>			<b>182.8</b>	<b>114.8</b>	<b>454</b>	<b>3,649</b>	<b>129.7</b>	<b>75.2</b>	<b>7.4</b>	<b>2.4</b>	<b>2.2</b>	<b>Low</b>

Source: SGECA 08-02

## 9.5. General conclusions

This section has assessed the impact of the present and the proposed *de minimis* regime on the level of fishing effort and consequently resource exploitation. The analysis is based on the assumption that maximum *de minimis* premium would be provided proportionately to all fleets. The maximum *de minimis* amount available for each national fleet segment was calculated and compared to the GVA of that segment. Two ratio levels of (*de minimis* / GVA) were distinguished: ‘High’ > 20% and ‘Low’ < 20%. The ratio of each segment was then related to its share in the total fishing effort in the fishery, in terms of GT-days. This assumes that all GT-days are equally productive, irrespective of gear or vessel size. The two ratio levels ‘High’ and ‘Low’ are interpreted as potential short term influence of *de minimis* on the decision to continue or stop fishing. This calculation has been carried out for both, present and proposed regime.

The analysis leads to the following conclusions:

Current regime:

- In general, the present *de minimis* regime has a positive impact on the economic performance of the vessels receiving assistance and will therefore maintain present levels of fishing effort in the short run. In this sense it works contrary to the objectives of the conservation policy to reduce effort. The present level of effort will not increase as a result of *de minimis*, as it is already constrained by other management measures.
- Different fisheries and fleet segments are affected differently by the present regime. Impact of *de minimis* in cod and flatfish fisheries would be relatively high. Nephrops and anchovy fisheries would

experience low impact. Firms operating small vessels (<12m) and to lesser extent medium sized vessels (12-24m) would benefit significantly more from the regime than the firms operating larger vessels.

Proposed regime:

- The national ceilings in most Member States do not allow to provide maximum *de minimis* aid to all fishing firms. This constraint implies that the amount of total support given to each fleet segment remains approximately constant. A slight change would occur in the distribution of the assistance between 1-vessel and multi-vessel firms, in favour of the latter.
- Only three Member States (Belgium, Germany and the Netherlands) have a national *de minimis* ceiling which would allow them to increase their total support of the sector under the proposed regime. However, none of these three countries has made use of *de minimis* until the end of 2008 and there are no indications that their position is going to change in this respect.
- Consequently, compared to the present situation, the proposed regime will not affect the already existing incentive to continue fishing and it will not have a noticeable effect in relation to fishing effort.

All case studies demonstrate that both present and proposed *de minimis* regime are both ill-suited to meet the higher fuel costs of the fleet segments which need it most. The premium based on number of vessels structurally overcompensates the numerous firms operating small vessels (below 12 to 24m) and it undercompensated the firms with larger vessels (>24m).

## 10. COMPARISON TO OTHER SECTORS

### 10.1. Legislation and ceilings regarding other sectors

EC Regulation 1998/2006 replaced EC Reg. 69/2001<sup>17</sup>. It increased the general *de minimis* ceiling from 100,000 Euro to 200,000 Euro and extended its application to the sector of processing and marketing of agricultural products and to the transport sector (incl. maritime transport). A special *de minimis* threshold of 100,000 Euro is applicable to the road transport sector. National ceilings based on the sectors' annual output do not exist.

EC Regulation 1535/2007 increased the amount of *de minimis* to 7,500 Euro for all firms active in the agricultural primary production, thereby repealing and replacing Regulation No. 1860/2004.

Table 10.1 Current amounts that can be granted (situation end 2008)

Sector	Maximum amount per firm (Euro)	National ceiling (% of value of annual output)
Fisheries sector	30,000	2.50%
Agriculture (processing and marketing)	200,000	a)
Agriculture (primary production)	7,500	0.75%
Road transport	100,000	a)
Other transport (incl. maritime)	200,000	a)

a) Aid is provided under a loan-guarantee scheme when the guaranteed part of the underlying loan does not exceed 1,500,000 Euro (or 750,000 Euro in road transport). However, MS can provide loan guarantees on amounts of more than 1,500,000 Euro if they can show, using a methodology accepted by the Commission, that the aid element does not exceed 200,000 Euro.

#### *Use of de minimis*

Not all MS use the *de minimis* regulation for their agriculture and fisheries sectors. MS that do use the *de minimis* regulation use it for various purposes. Most of them mainly use it to enable the firms to cope with,

<sup>17</sup> Note: The *de minimis* regulations can also be applied retroactively, so aid given in the past can be regularised under current regulations (something that has been done by some, e.g Germany).

and recover from, natural hazards and other exceptional occurrences (e.g. losses suffered due to droughts, storms or, for example, the mad cow disease). Other countries, such as Germany and Romania, have also used the *de minimis* for quality improvement. The national ceilings are far from reached. In case of Denmark, The Netherlands, Germany, Lithuania and Portugal, it appears that none of these MS has used more than 10% of its national ceiling. Solely Latvia crosses this line with a percentage of 11%.

Given that the *de minimis* aid is predominantly used in case of exceptional occurrences and/or deteriorating circumstances, the amounts granted per fiscal year vary significantly. Since the fisheries sector experiences great difficulties (increasing fuel prices), the use of *de minimis* aid in this particular field has risen considerably, especially since 2008 (e.g. Portugal, Scotland, Germany and Denmark). Also in the agricultural sector a considerable rise in the use of the *de minimis* has occurred. This can point at two things: either the need for aid has risen due to a worsened business climate for agriculture (e.g. more droughts and diseases) or most MS have only recently begun to fully realize the potential of the *de minimis* in the execution of their policies.

Both central and regional government bodies (i.e. municipalities, provinces) can grant aid under the *de minimis* regulation.

## 10.2. *De minimis* in primary agriculture

As not all farms can make use of the *de minimis* aid, an attempt has been made to calculate what percentage of the agricultural farms in individual MS might use the maximum *de minimis*, based on the FADN<sup>18</sup> population of agricultural holdings. Based on the national ceiling for farms active in the primary agricultural production, an average of 7.2% of all farms in the MS can make use of the *de minimis* aid<sup>19</sup>. However, the average number differs considerably between the MS. In the Netherlands, for example, this percentage is more than 30% while in many other countries (e.g. Greece, Spain, Latvia, and Poland) this percentage stays under a 5%<sup>20</sup>.

### *Potential role of de minimis in agriculture*

The importance of the *de minimis* for a single firm varies considerably. In 2007, the average (for all MS together) lies at 6.5% of the firm's income. However, there is some variation between the MS. In Slovenia, Cyprus, Poland and Portugal the maximum *de minimis* amount constitutes on average around 20% of the farm's income. In Slovakia, The Netherlands, the Czech Republic and Denmark, on the other hand, the maximum amount of *de minimis* aid would constitute only 2% of the firm income.

Table 10.2 Main indicators for agriculture by Member State, 2006

MS	<i>De minimis</i> national ceiling (mln Euro)	No. of farms <sup>c)</sup> (1000)	GVA / farm (Euro) <sup>a)</sup>	<i>De minimis</i> as % of GVA	Total coverage rate (%) <sup>b)</sup>
AUS	40.4	75.3	49,306	22%	7%
BEL	51.5	33.7	98,685	10%	20%
CYP	4.3	20.1	12,438	90%	3%
CZE	26.3	14.3	120,504	8%	24%
DEU	297.8	200.4	94,096	11%	20%
DNK	59.4	36.3	116,074	9%	22%
ESP	274.7	739.6	29,017	28%	5%
EST	3.5	6.7	32,734	29%	7%
FIN	26.8	43.7	47,611	27%	8%
FRA	438.3	378.1	74,777	15%	15%
GBR	152.8	97.1	105,733	9%	21%
GRC	75.4	509.7	16,890	53%	2%
HUN	44.5	87.8	24,409	41%	7%
IRE	40.3	114.9	28,471	35%	5%
ITA	320.5	733.6	35,849	25%	6%
LTU	11.6	31.2	16,214	60%	5%
LUX	1.8	1.7	96,143	14%	14%
LVA	5.6	19.2	20,403	48%	4%
MLT	0.9	1.4	29,050	29%	8%
NLD	165.3	62.9	150,660	7%	35%
POL	119.5	757.2	14,239	70%	2%
PRT	47.8	132.9	14,524	68%	5%
SLK	12.0	3.7	142,752	73%	43%
SVN	8.2	38.8	10,187	163%	3%
SWE	30.2	28.7	62,220	22%	14%
<b>Total</b>	<b>2,259.3</b>	<b>4,169.1</b>	<b>38,546</b>	<b>25%</b>	<b>7%</b>

<sup>a)</sup>FADN indicator: Gross Farm Income (SE410), <sup>b)</sup> Maximum percentage of firms which could receive the maximum *de minimis* aid; <sup>c)</sup> These are the farms covered by FADN in 2006. According to DG AGRI the total number of agricultural holdings in EU-25 was about 9.7 million in 2005.

### *Comparison to fisheries sector*

<sup>18</sup> Farm accountancy data network.

<sup>19</sup> To calculate this, the national ceiling has been divided by €7,500,- of which the outcome has been divided by the number of farms per MS.

<sup>20</sup> Coverage rates based on EUROSTAT statistics are at variance with the above figures as it is based on the number of agricultural holdings instead of farms represented per MS.

Table 10.1 shows that on average about 7% of the primary agricultural firms could obtain maximum *de minimis* aid, the coverage rate ranging from 2% to 43% depending on the MS. This is a substantially lower coverage rate than the one achieved for the fisheries sector, which is 31% for EU-27.

The total gross value added of the EU catching sector amounted in 2006 to about 4.1 billion Euro. This means that the *de minimis* ceiling is approximately 17% of the GVA, due to the inclusion of fish processing and aquaculture. In agriculture, the *de minimis* ceiling is in the order of 0.2% of the value added of agricultural output.

The *de minimis* regime for the fisheries sector (which must be interpreted as the catching sector in proposed regime) is significantly more favourable than in primary agriculture, with higher maximum premium and higher coverage levels, as illustrated in table 10.2.

Table 10.2 Comparison of *de minimis* in agriculture and fisheries, 2006-7

	Agriculture	Fisheries <sup>a)</sup>
EU-27 <i>de minimis</i> budget	2,380 <sup>b)</sup>	718
Value of output (million Euro)	343,750 <sup>d)</sup>	7,814
Gross value added (million Euro)	143,357 <sup>d)</sup>	4,105
Employment (1000)	11,744 <sup>c)</sup>	170
<i>De minimis</i> as % of value of output	1%	9%
<i>De minimis</i> as % of gross value added	2%	17%
<i>De minimis</i> / employed (Euro)	203	4,224

Sources: Agriculture: Eurostat, Pocketbook Agricultural statistics, Main results 2006-2007. Fisheries: SGECA 08-02.

<sup>a)</sup>Fishing fleet only; <sup>b)</sup>This total includes Bulgaria and Romania, while table 10.1 does not; <sup>c)</sup> Annual work units (approximately full time equivalents); <sup>d)</sup> Includes 51 billion Euro of subsidies

### 10.3. *De minimis* in other sectors

*De minimis* available to processing of agricultural products and (marine) transport cannot be simply compared to the *de minimis* regime in fisheries. The maximum amounts available are earmarked for loan guarantees, as stated in the EC Reg. 1998/2006 (preamble 15):

*It is necessary to provide legal certainty for guarantee schemes which do not have the potential to affect trade and distort competition and in respect of which sufficient data is available to assess any potential effects reliably. This Regulation should therefore transpose the general de minimis ceiling of EUR 200,000 into a guarantee-specific ceiling based on the guaranteed amount of the individual loan underlying such guarantee. It is appropriate to calculate this specific ceiling using a methodology assessing the State aid amount included in guarantee schemes covering loans in favour of viable undertakings. The methodology and the data used to calculate the guarantee-specific ceiling should exclude undertakings in difficulty as referred to in the Community guidelines on State aid for rescuing and restructuring firms in difficulty. This specific ceiling should therefore not apply to ad hoc individual aid granted outside the scope of a guarantee scheme, to aid granted to undertakings in difficulty, or to guarantees on underlying transactions not constituting a loan, such as guarantees on equity transactions. The specific ceiling should be determined on the basis of the fact that taking account of a cap rate (net default rate) of 13 %, representing a worst case scenario for guarantee schemes in the Community, a guarantee amounting to EUR 1,500,000 can be considered as having a gross grant equivalent identical to the general de minimis ceiling. This amount should be reduced to EUR 750,000 as regards undertakings active in the road transport sector. Only guarantees covering up to 80 % of the underlying loan should be covered by these specific ceilings. A methodology accepted by the Commission following notification of such methodology on the basis of a Commission Regulation in the State aid area, like Commission Regulation (EC) No 1628/2006 of 24 October 2006 on the application of Articles 87 and 88 of the Treaty to national regional investment aid, may also be used by Member States for the purpose of assessing the gross grant equivalent contained in a guarantee, if the approved methodology explicitly addresses the type of guarantees and the type of underlying transactions at stake in the context of the application of the present Regulation.*



## 11. RELATION TO OTHER SUPPORT MEASURES

Two sets of measures have been introduced in the face of the rising fuel prices. The temporary measures (EC Reg. 744/2008) and the increased *de minimis* aid (EC Reg. 875/2007). The temporary measures are directly related to the European Fisheries Fund and allow reallocation of the spending to earlier years. The survey of the MS indicates that no specific measures have been taken under the temporary measures package. Therefore comparison of *de minimis* is made to the national resources allocated to EFF. It is not unlikely that support under *de minimis* would directly compete with national contributions to EFF, in view of the constraints on national budgets in general and within the present credit crisis in particular.

Table 11.1 compares the EFF allocations of the Member States to the five priority axes with the *de minimis* ceiling. The five priority axis target the following areas:

- Priority axis 1: measures for the adaptation of the Community fishing fleet
- Priority axis 2: aquaculture, inland fishing, processing and marketing of fishery and aquaculture products
- Priority axis 3: measures of common interest
- Priority axis 4: sustainable development of fisheries areas
- Priority axis 5: technical assistance.

Consequently, as the *de minimis* support is primarily aimed at the fishing fleets, it may compete most directly with resources allocated to the priority axis 1.

The *de minimis* ceiling of one 3-year period amounts to 26% of the national resources allocated to EFF, or to 52% until 2013. For some Member States like the UK, France, Germany and the Netherlands this percentage is even substantially higher, ranging between 50% and 94% for one 3-year period.

The *de minimis* ceiling exceeds for many Member States their total allocation to the priority axis 1. Apart from extreme cases like Germany and the United Kingdom (where *de minimis* ceiling amounts to 953% and 399% respectively of axis 1), this also applies to Belgium, Denmark, Finland, France, the Netherlands and Sweden. However, considered over the entire period till 2013, the resources required for full implementation of *de minimis* would exceed the priority axis 1 budgets in all Member States with the exception of Bulgaria, Romania and Poland.

In the theoretical case that the Member States would decide to implement fully the *de minimis* scheme at the expense of the priority axis 1, this would have probably far reaching consequences on the development of the fishing capacity and effort. Axis 1 aims at fleet restructuring and adaptation of the level of effort to the available resources. In practice this means decommissioning or reduction of size of the fleet by other means. However, the *de minimis* scheme achieves the contrary. It alleviates most pressing economic problems, and consequently it maintains the fishing vessels in operation. In earlier sections it was demonstrated that in particular for smaller vessels (<24m) the *de minimis* aid represents a significant contribution to the average gross value added of the firms operating these vessels.

Table 11.1 Comparison of national contributions to EFF and the *de minimis* ceilings

MS	National contributions to EFF (mln Euro)						<i>De minimis</i> ceiling		
	Axis 1	Axis 2	Axis 3	Axis 4	Axis 5	Total	Ceiling (mln Euro)	% of Total	% of Axis 1
AUS		5.0	0.1		0.0	5.1	0.6	12%	
BEL	7.6	5.0	9.5	2.9	1.3	26.3	11.8	45%	156%
BGR	2.7	12.0	6.7	4.0	1.3	26.7	0.4	2%	16%
CYP	2.2	3.3	12.9	1.0	0.4	19.7	1.6	8%	71%
CZE		4.0	4.6		0.5	9.0	1.0	11%	
DEU	5.1	35.3	35.4	14.1	1.3	91.3	49.0	54%	953%
DNK	21.4	47.1	46.0	12.5	6.7	133.7	57.7	43%	270%
ESP	285.1	317.8	313.5	29.0	11.0	956.4	127.9	13%	45%
EST	5.1	8.2	7.1	6.4	1.4	28.2	3.7	13%	73%
FIN	4.5	22.5	19.7	4.8	0.8	52.4	7.1	14%	156%
FRA	82.9	57.5	72.1	5.5	2.2	220.2	138.6	63%	167%
GBR	25.7	24.5	45.3	10.0	4.0	109.4	102.7	94%	399%
GRC	20.5	21.0	11.4	11.7	1.8	66.3	18.0	27%	88%
HUN		8.4	3.0		0.6	12.0	0.7	6%	
IRL	11.6		6.8	5.7		24.1	8.5	35%	73%
ITA	165.5	106.1	108.2	23.3	21.2	424.3	94.3	22%	57%
LTU	2.9	7.5	3.1	2.2	0.9	16.5	5.2	32%	183%
LVA	7.0	15.4	8.1	9.6	1.7	41.7	3.9	9%	56%
MLT							0.3		
NLD	27.7	9.8	27.1	5.0	2.4	72.0	35.9	50%	130%
POL	56.3	48.9	48.9	78.3	12.2	244.7	21.1	9%	38%
PRT	13.9	27.0	28.6	6.5	2.5	78.5	15.7	20%	113%
ROM	3.3	35.0	10.0	25.0	3.6	76.9	0.5	1%	16%
SLK	0.7	2.7	2.5	0.7	0.6	7.2	0.3	5%	47%
SVN		4.2	0.8		0.2	5.2	1.1	22%	
SWE	9.1	10.9	19.1	8.2	2.7	50.1	11.2	22%	122%
Total	760.7	838.9	850.5	266.7	81.2	2,798.0	718.8	26%	94%

Source: National Operational Programmes, total of Objective-1 and non-Objective-1 areas.

## REFERENCES

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## ANNEX 1. CLASSIFICATION OF GEARS FROM FLEET REGISTER TO DCR-SEGMENTS

### **TBB = Beam trawl**

Bottom trawl beam trawl

### **DTS = Demersal trawl / seine**

Bottom trawl otter trawl

Bottom trawl pair trawl

Otter twin trawl

Seine net Danish seine

Seine net pair seine

Seine net Scottish seine

### **PTS = Pelagic trawl / seine**

Mid-water trawl otter trawl

Mid-water trawl pair trawl

Surrounding net with purse lines (purse seine)

Surrounding net without purse lines (lampara)

### **DRB = Dredge**

Boat dredge

Hand dredge

Mechanised dredges

### **PGP = Passive gears, polyvalent**

Boat operated lift net

Combined gillnet-trammel net

Encircling gillnet

Seine net beach seine

Set gillnet (anchored)

Shore operated stationary lift net

Trammel net

### **HOK = Gears using hooks**

Drifting longline

Hand-line and pole-line hand operated

Hand-line and pole-line mechanised

Set line longline set

Trolling longline

### **DFN = Drift and fixed nets**

Drift net

### **FPO = Pots and traps**

Pot

### **MGP = Polyvalent mobile gears**

### **PMP = Combining mobile and passive gears**

## ANNEX 2. DETAILS OF THE DETERMINATION OF THE FUEL PRICE RISE

Table a2.1 Basic indicators for the calculation of the 2008 fuel price

	Exchange rate \$/ €	Brent price \$/barrel	Index exchange rate	Index Brent price	Index Brent price in €
2005	1.244775	54	1.00	1.00	1.00
2006	1.255658	65	1.01	1.20	1.19
2007	1.370633	72	1.10	1.33	1.21
2008	1.464358	98	1.18	1.81	1.54

Sources: Exchange rate: De Nederlandse Bank; Brent price: US Energy Information Administration.

From the table above it follows that fuel price in 2008 was 54% higher than in 2005 and 29% higher than in 2006. These percentages have been used to adapt the fuel prices paid by the fleet in 2006 to the 2008 price level, all other things remaining equal.

According to the International Energy Agency, the actual average Brent price in 2008 was 96.95 US\$/barrel<sup>21</sup>. The analysis was carried out end November 2008 and a slightly higher price for the last weeks of 2008 was assumed, than the one realized.

## ANNEX 3. INCREASING *DE MINIMIS* AID TO 50,000 AND 100,000 EURO PER VESSEL

This annex discusses the main consequences of implementing an alternative *de minimis* regime by raising the current premium to 50,000 or 100,000 Euro per vessel. It is assumed that the ceiling per firm of 100,000 Euro would remain applicable.

Option 1: 50,000 Euro per vessel and 100,000 Euro per firm

Option 2: 100,000 Euro per vessel and per firm

### *Number of beneficiaries*

Table a3.1 Number of beneficiaries

<i>De minimis</i> regime	Number of benefitting firms	EU coverage rate
Present	22,642	31%
Option 1	12,751	17%
Option 2	7,130	9%

The number of beneficiaries would be significantly reduced, assuming that the maximum allowed support would be provided to them.

### *Relation to economic variables*

Tables 5.7-5.9 indicate the impact of *de minimis* aid of 30,000 Euro per vessel on the three economic variables – income, fuel costs and GVA. Increase of assistance to 50,000 and 100,000 Euro per vessel would proportionately increase the figures indicated in those table, i.e. by a factor of 1.67 and 3.33 respectively. This would mean that the GVA of most segments <24 m would be significantly boosted.

Section 4.4 shows that the larger vessels >24m are the main fuel consumers, who have been affected most seriously by the increased fuel price. The proposed options 1 and 2 will significantly reduce the total number of beneficiaries and consequently also the number of beneficiaries in the fleet segments which may need assistance most seriously.

### *Distortion of competition*

<sup>21</sup> <http://tonto.eia.doe.gov/dnav/pet/hist/rbrtew.htm>

The distortion of competition has been pointed out already in relation to the present regime - namely differences in coverage levels in different MS and the relative advantage gained by the firms receiving assistance against those not receiving it. The implementation of options 1 and 2 would further aggravate such distortions as the number of beneficiaries would be lower and differences of economic advantage would increase.

#### *National ceilings*

In order to maintain the number of beneficiaries equal to the present regime the sum of national ceilings would have to be raised:

- Option 1: 1,266 million Euro (increase by 77%)
- Option 2: 2.266 million Euro (increase by 217%)

#### *Conclusion*

The proposed alternative options of *de minimis* will reduce the number of beneficiaries and increase competitive distortions. While in the present regime, significant numbers of beneficiaries would be overcompensated for increase of fuel price, the two options will increase the overcompensation even further.

## **ANNEX 4. LIST OF ABBREVIATIONS**

DCR	Data collection regulation (EC Reg. 1543/2000 and 1639/2001)
GT	Gross tonne
GVA	Gross value added
kW	Kilowatt
MAPYA	Ministerio de Agricultura, Pesca y Alimentación, Spain
mln Euro	million Euro
SGECA	Sub-Group on Economic Analysis of STECF
STECF	Scientific, Technical and Economic Committee on Fisheries

**ANNEX 5. USE OF *DE MINIMIS* IN 2008 BY MEMBER STATE**

	Use of <i>de minimis</i>	Amount (1000 Euro)
BEL	No	-
BGR		
CYP		
DEU		
DNK	Yes	890
ESP	Yes	41,414
EST		
FIN	No	-
FRA	Yes	Not available
GBR	Yes	813
GRC		
IRL		
ITA	Yes	Not available
LTU	Yes	228
LVA	Yes	695
MLT	Yes	100
NLD	No	-
POL	Yes	85
PRT	Yes	133
ROM		
SVN	Yes	150
SWE	No	-

## ANNEX 6. TERMS OF REFERENCE OF THE STUDY

The contract under negotiated procedure No. MARE/2008/12 specified the following terms of reference for the present study:

### Part 1

The following analyses shall be conducted on a representative sample of fleets and fisheries in different regions of the EU (Baltic, North Sea, Atlantic and Mediterranean), to be selected on the basis of a higher risk of distortion of trade and competition and a higher threat to stocks and economic sustainability.

The analysis shall examine, using the latest available economic data:

1. The number and structure of multi-vessel owner enterprises in the catching sector of the analysed Member States (MS).
2. The number of potential beneficiaries with the current *de minimis* aid and ceilings.
3. The number of vessels and enterprises that could receive €30,000 per fishing vessel, with an overall cap of €100,000 per enterprise, in relation to the established ceilings for MS (2.5% of national fisheries output).
4. The proportion of *de minimis* aid (ranging from €30,000 to €100,000) compared to the average economic variables (e. g. operating costs, revenues, capital value) for the analysed MS fleet segments on an annual basis.
5. The ceiling of national fisheries output that would be required to ensure a number of beneficiaries with the new thresholds which is equal to the number of potential beneficiaries calculated in (2) above.

### Part 2

Based on the above, the analysis shall assess:

6. The potential differential impact on small scale, medium and large scale vessel segments in relation to:
  - Overall potential aid given
  - Competition and change in trade patterns (i.e. local, regional, intra-Community, and international impacts)
7. The potential distortion created between MS fleets that may/may not receive *de minimis* aid, by analysing MS fleets that operate and compete in the same fishery/region/market (e.g. Atlantic)
8. The potential application and impact of the proposed *de minimis* level on the aquaculture, processing and marketing sectors.
9. The potential impacts of *de minimis* aid on fishing effort and the level of resource exploitation, using quantitative examples where possible.

### Part 3

The analysis shall further examine:

10. The differences between the proposed *de minimis* level for fisheries and the applicable *de minimis* level in agriculture, maritime transport, and other sectors.
11. The likely incentives given to the fisheries sector if the proposal is adopted and the consequence it may have on the overall outcome of the emergency package outlined in the said Commission Communication. In particular, the effects on potential allocation of national budgetary resources among alternative spending possibilities (e.g. EFF, emergency package, *de-minimis*, other state aid schemes for e.g. research, market measures) shall be assessed