

Decommissioning Requirements for Ireland's Demersal and Shellfish Fleets

A report to Marine Minister,
Pat the Cope Gallagher T.D.

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Department of Communications,
Marine and Natural Resources

*An Roinn Cumarsáide,
Mara agus Acmhainní Nádurtha*

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The Department of Communications, Marine and Natural Resources is the Government Department responsible for policy and administration relating to the fishing industry and the following staff were available for consultation by me at all times and gave me their full co-operation during this review: Dr Cecil Beamish; Josephine Kelly; James Lavelle; Brian Hogan; and Aidan Hodson.

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PADRAIC WHITE



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EXECUTIVE SUMMARY

OVERVIEW

The purpose of the review is to examine and report on the urgency, scope and cost of the decommissioning requirements for the demersal and shellfish fleets, including the situation in the scallop fleet, and the problems of eligibility in order to urgently establish a better balance between fleet size and available fishing entitlements.

Ireland's Marine Fishing Industry is an important and valuable source of economic activity nationally, particularly to the coastal communities where it is based. This review focuses on the polyvalent/beam trawl fleet with 1,238 vessels and 43,748 gross tonnes (GT) capacity and the specific fleet (including scallop and mussel fishing boats) with 155 vessels and 6,793 gross tonnes capacity.

Any decommissioning scheme undertaken by the state must comply with the mandatory requirements of the EU Decommissioning Regulation and have specific approval of the EU Commission.

The Terms of Reference of this review explicitly recognise the urgency of getting a balance between the fleet size and available fishing entitlements. There are too many boats chasing too few fish in most species. This basic imbalance is the root cause of the ills besetting the industry. It leads to the following problems:

- Pressure on fish stocks through over fishing which in turn has led to the new range of EU restrictions on fishing activity and effort;
- A volatile economic and financial environment for the boat owners, the fishers and the processors in the industry;
- An underlying temptation to exceed fishing restrictions which can in some instances lead to legal actions by the EU against fishermen and the Irish Government.

The central recommendation of this review is that the Government should back a decommissioning scheme to remove 25% (10,937 gross tonnes or GTs) of the whitefish fleet (polyvalent and beam trawl segments) and to reduce the scallop fleet to a level of 4,800 kilowatts (kW).

There are overwhelming benefits to getting the fundamental imbalance adjusted between fleet capacity and fishing entitlements on the scale recommended. It would result in a secure future, based on attractive economic returns, for those remaining in the whitefish and shellfish industries.

The economic analysis carried out for this review demonstrated that whitefish stocks would have to be some 30% greater to yield a viable and attractive return for the boats now in the demersal sector. There is no prospect of the stocks and permitted fishing activity increasing by this amount in the foreseeable future. Accordingly, decommissioning on the scale recommended is needed to provide a secure economic return for the boats remaining.

This is the way to remove the perpetual state of crisis which envelops the sector and the boom-bust cycles and to encourage confidence in the future of the industry. It would also lead to less pressure on fish stocks since the remaining boats could make a good living within the permitted fishing effort or allowable catches.

Similar considerations apply to the scallop fleet.

The overcapacity of the boats in relation to approved fishing limits has an inbuilt temptation to over-fish - a temptation undoubtedly acceded to periodically. By removing the economic pressure to over fish, decommissioning on the scale recommended would lay the basis for an entirely new attitude in the industry and which would be conducive to compliance with the regulations.

It could save the Government from potentially large penalties imposed by the European Court and the damage to the country's reputation from such penalties.

My recommendation is that the full programme of decommissioning to achieve the desired balance should commence in the second half of this year, be substantially completed by the end of 2006 and finalised by the end of 2007. The priorities for decommissioning to the end of 2006 should include vessels catching monkfish, hake, megrim and scallops. The decommissioning envisaged for 2007 would include boats meeting the fishing activity criteria at that point and which target other whitefish species which are under less immediate fishing pressure.

There is an opportunity presented by this review to act now and put the industry on a secure and confident basis for all the participants.

The overall cost is estimated as €45 million including €1.5 million for hardship cases.

The provision for decommissioning currently provided in the National Development Plan amounts to €8.8 million. The recommended programme involves a net additional funding of €36 million to the end of 2007. Expenditure incurred in 2007 should rank for support from the European Fisheries Fund now at an advanced stage of consideration by the EU. I am satisfied that this sum will cover the full decommissioning needs of the whitefish and shellfish as recommended in this report.

It would make little sense if after investing State funds in a decommissioning programme, people could add capacity again and bring the industry back to square one.

Measures to "ring-fence" the residual fleet capacity need to be implemented hand in hand with decommissioning and are set out in the report.

Alongside the fishing restrictions which face fishermen, another challenge has been on their horizon since December 1997, namely, tough new standards for their boats. It has become a reality of life from 1st July of this year.

Boats over 24 metres long, are not eligible to be licensed as a fishing boat from 1st July 2005 unless they comply with the EU Mandatory Certificate of Compliance standard set down in an EU Directive setting up a harmonised safety regime within the Community. Under the Directive, vessels over 24m cannot fish or land fish at a Community port without meeting this standard.

The existing fishing licences which boat owners had were for 3 years ending June 2005 so all these need to be renewed since midnight of June 30th if the boats are to continue fishing and landing at Community ports.

As of now, the majority of the 136 vessels on the fleet register over 24m cannot set to sea from 1 July as they are not in a position to apply to the licensing authority with the required certificate.

The 24 metres and over boat owners without a fishing licence after 1st July 2005 are presented in some cases with a difficult scenario. In the case of the scallop fishermen, and some whitefish fishermen the restrictions on their fishing effort puts a question mark over the economic viability for them of fishing and means that the cost of meeting the new safety requirements for their boats could not be justified or afforded in many cases. My view is that the difficult situation facing these boat owners should be taken into account in a future decommissioning scheme.

Mussel boats without a license are outside the scope of a decommissioning scheme

SCOPE

The basis for the scope of a decommissioning programme was determined by first examining individual fleets¹ and their requirements. The analysis indicated the definitive need to decommission in the Whitefish² and Scallop fleets. The Crab and Mussel Fleets were also examined in this section; the need to decommission was deemed to be less pressing for the crab fleet.

There is not in the mussels sector an EU imposed quota or fishing effort scheme as is the case in the whitefish and scallop fleets, which would justify inclusion in a decommissioning scheme.

1 The 'Fleets' referred to are all based on the species targeted by the vessels rather than the fleet segments in the Fleet register. The four 'Fleets' examined were the Whitefish, Scallop, Mussels and Crab fleets respectively.

2 Includes the Polyvalent and Beam Trawl segments.

Some of the mussel boats currently tied up and whose owners are interested, should be facilitated in qualifying for the less stringent "calm waters" provisions in the regulations. There are up to 8 boats interested in this option and they could then fish in more sheltered waters such as Lough Swilly and Cromane.

The owners now tied up and unable to meet the new licensing standards but who want to stay in the industry face a bleak situation. Helping them in their plight is, however, outside of the scope of a feasible decommissioning scheme.

WHITEFISH FLEET

To ascertain the level of decommissioning necessary in the Whitefish fleet a number of criteria were applied. These were based on EU Regulation 2792/1999 and included the following:

- The vessel must have carried out a fishing activity for at least 75 days at sea in each of the two periods of 12 months preceding the date of the application for permanent withdrawal.
- The vessel must be 15 years old or more;
- The vessel must be 18 metres in length overall or more.

Of the total Polyvalent and Beam Trawl vessels that comprise the Whitefish Fleet in this study, 9% met the criteria for decommissioning. However, this 9% of vessels account for 42% of the capacity in the fleet. Further analyses of the economic returns to this fleet indicated that 33% of the vessels would need to be withdrawn to ensure the economic viability of the remaining fleet.

Based on these analyses I recommend that a targeted decommissioning programme for the whitefish fleet should be put in place to withdraw 25% (10,937 GT) of the capacity of the entire 43,748 GTs in the polyvalent and beamer segments. This capacity would be withdrawn from that element of the fleet that is over 18 metres and 15 years of age. The capacity to be withdrawn (10,937 GT) represents 30% of all the capacity (36,294 GT) in the over 18-metre fleet in the relevant segments. Following decommissioning 25,397 GT or 70% of the offshore whitefish fleet would remain including the 13,670 GT of capacity in newer vessel less than 15 years of age.

SCALLOP FLEET

In the case of vessels targeting scallops vessels over 15 metres in length or more and which meet the mandatory EU requirements should be considered for decommissioning.

From the review the imbalance between the size of the current scallop fleet and the available fishing effort allocation of 634,000 kW.days is evident. The primary consideration in deciding on a decommissioning programme for the scallop fleet is the need to generate a viable and stable financial return for those vessels remaining in the fishery. Taking account of this requirement and bearing in mind the needs of scallop processors, I consider that the retention of a dedicated scallops fleet of some 4,800 kW, and approximately 1,300 gross tonnes, is necessary and that investment by the state in decommissioning to achieve a reduction in fleet capacity to this level would be justified. It is estimated that a fleet of this size would be able to fish on average over 130 days a year. This would represent a considerably higher level of activity than that carried out by the majority of the scallop fleet in recent years. In addition a ceiling on the limitation of the engine size of replacement vessels to be set at 600 kW going forward should be put in place.

OTHER RECOMMENDATIONS

ELIGIBILITY

I recommend that the Minister seeks the approval of the EU Commission to allow boats with valid fishing licenses on 30 June 2005 to be considered "operational" for the purpose of the proposed decommissioning scheme.

The precise terms of EU Council Regulation 2792/1999 require that the vessels eligible for decommissioning must have carried out a fishing activity for at least 75 days at sea in each of the two periods of 12 months preceding the

date of the application for permanent withdrawal. There is lack of clarity in this requirement as to whether the two previous calendar years are acceptable or whether it must relate to the 12-month periods prior to the date of the application. The Scottish Executive has applied a calendar year requirement in their recent decommissioning programmes with EU approval.

In the circumstances, I consider that either option appears acceptable. However, in order to ensure that EU rules are being fully respected I recommend that the Minister should advise the EU Commission of the requirement that he intends to apply.

The other key criteria of eligibility recommended are:

- Boats aged 15 years and over.
- Boats of 18 metres or more length overall and over in the polyvalent fleet and of 15 metres or more in length overall in the scallops sector.

RING FENCING THE RESIDUAL FLEET CAPACITY POST DECOMMISSIONING

Measures should be introduced by the Minister as a Policy Directive under Section 3 of the Fisheries (Amendment) Act 2003 at an early date to avoid any transfer of capacity into the sectors of the fleet being targeted under the decommissioning schemes. The following are recommended:

1. The segmentation of the polyvalent vessels into two size categories

- Vessels of 18 metres in length overall and greater.
- Vessels less than 18 metres in length overall.

2. The scallop fleet to be ring-fenced going forward would comprise fishing vessels that have carried out a scallop targeted fishing activity for at least 50 days at sea in the two and a half years to 30 June 2005.

HARDSHIP CASES

There are some individual cases where boats miss out on the 75 fishing days criteria for eligibility for 2004/2005 because of a mechanical breakdown and inability to raise bank funding because of the limits on fishing effort and the imbalance with the fleet size. They face extreme financial hardship, some of them participants in the industry for many years.

It is recommended that a provision be included in the decommissioning scheme for "hardship" cases where boat owners who want to decommission just miss out on the "fishing days" criterion through genuine circumstances outside their control and face financial ruin.

INCENTIVES FOR YOUNG FISHERMEN TO PURCHASE BOATS

I am proposing that the sector itself contributes towards the costs involved by purchasing additional capacity (say an extra 15%) that would be set aside and made available to contribute towards the introduction of boats by new young entrants and who do not have a family involvement in the sector. I believe that this type of measure is necessary in order to ensure that entrepreneurial young blood is introduced in order to safeguard the long-term viability and vitality of the sector.

ARTIFICIAL REEFS

A strategy for artificial reef development should be explored for Ireland.

EU APPROVAL

It is imperative that Commission approval is sought and obtained at the earliest possible date on a priority basis so as to facilitate the phasing of the proposed decommission programme.

COST

The decommissioning package must then be sufficiently attractive to persuade sufficient participants – including some of the most active – to come out now. In making that decision, many who are under pressure financially to repay loans, will be reluctant to do so now, unless the decommissioning terms can make a significant contribution to relieving those financial pressures and allowing them to walk away from the industry. A decommissioning scheme offering a very low cash benefit – compared with the going rate or the EU permitted levels – runs a real risk of failing to achieve the big reduction in fishing capacity recommended in this report and of prolonging the imbalances in the industry.

In the polyvalent/beamer situation I consider that the maximum grant aid is justified taking account of the original costs of entry to these segments of the fleet in order to ensure a good uptake and the removal of the targeted capacity. To achieve equitable treatment as between the quota and non-quota boats, I recommend that the net payments to each non-quota scallop boat be reduced by 15%.

The overall cost is estimated as €45 million including €1.5 million for hardship cases and involves a net additional funding of €36million after taking account of the €8.8 million currently available under the NDP.

CHAPTER 1 INTRODUCTION

On the 10th of June 2005, I agreed to a request from the Marine Minister, Pat the Cope Gallagher T.D. to conduct a review with the following objective:

"The purpose of the review is to examine and report on the urgency, scope and cost of the decommissioning requirements for the demersal and shellfish fleets, including the situation in the scallop fleet, and the problems of eligibility in order to urgently establish a better balance between fleet size and available fishing entitlements."

This review was instigated in part by the debate, across the fishing industry nationally, surrounding the new grant measures announced in April 2005, by the Marine Minister, Pat the Cope Gallagher TD. These measures include a new scheme to remove excess capacity from the Whitefish Sector in accordance with the strategy set out in the National Development Plan 2000-2006. State funding for decommissioning included in the National Development Plan is €1.3m in 2005 and €7.5 million for 2006 and 2007.

The review was also initiated against a backdrop of strong opposition by scallop fishermen based at Kilmore Quay, Wexford to new restrictions since January last on the days they could fish in any month. This culminated in a blockade of Rosslare port on Monday 6th June 2005 by scallop fishing vessels leading to the diversion of a passenger ship with some 1,000 passengers to Dublin Port. Scallop boats also occupied Waterford harbour that day. Their representative organisation, the Irish South & East Fishermen's Organisation had submitted a proposal to Minister Pat the Cope Gallagher on 30th May to achieve a reduction in the active scallop fishing fleet. The scallop fishermen had set a deadline of Thursday 9th June for acceptance of their plan. Some individual fishermen had also intimated that they were considering extending their protest action to Dublin Port if a satisfactory Government response to their proposals was not forthcoming.

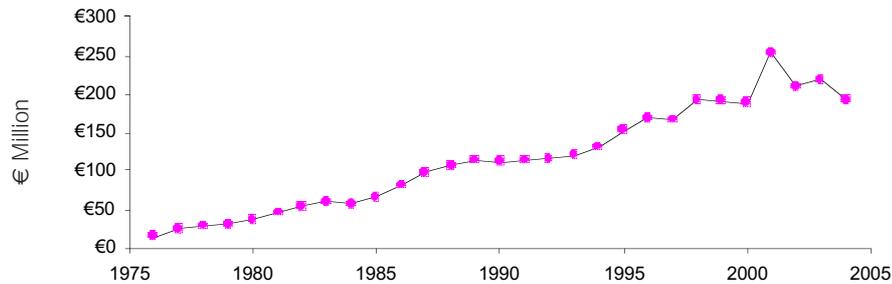
The review, which I have been asked to undertake, places the decommissioning requirements of the scallop fleet firmly within the wider context of the decommissioning requirements of the entire demersal and shellfish fleets.

On commencing this assignment two pertinent realities became quickly evident. Any funding by Government for decommissioning could only be provided in accordance with the detailed Decommissioning Regulations of the EU Common Fisheries Policy and the agreement of the EU Commission to any national scheme. Furthermore the other segments of the whitefish and shellfish fleets expected equal treatment across the board and that the actions of the scallop fishermen should not be rewarded at their expense.

CHAPTER 2 CURRENT STATUS OF THE IRISH DEMERSAL AND SHELLFISH INDUSTRY

Ireland's marine fishing industry remains an important and valuable source of economic activity nationally, particularly to the remote coastal communities in which it is largely based. It is an industry whose main competitors are those in other developed countries such as the UK and France.

Value of Irish Landings (All species) 1976 - 2002



Like these countries, the Irish fishing industry is seeing steady market growth, is a strong exporter of fish products and despite recent contractions, the fish catching sector alone provides at least 6,000 direct jobs while an additional 10,000 jobs onshore are dependent on catches from Irish vessels.

THE IRISH FISHING FLEET

Currently some 1,415 vessels³ are registered as part of the Irish fishing fleet.

They are grouped into 4 segments that, broadly, reflect their normal fishing patterns or fishing gear used. A further 755 traditional, inshore vessels - all less than 12 metres in length - are in the process of being incorporated into the fishing fleet register as part of a scheme introduced in 2004.

The fleets which, are the main focus of this review are the Polyvalent, Beamer and Specific segment fleets. To round out the picture of the overall Irish fleet, comparable data for the Pelagic fleet is shown.

THE IRISH FISHING FLEET – SUMMARY STATISTICS

Fleet Segment	Number of Vessels		Total capacity Gross Tonnes (GT)		Total engine power Kilowatts (kW)	
Polyvalent	1,229	86.8%	42,298	48.7%	134,574	62.7%
Beamer	9	0.7%	1,450	1.7%	5,639	2.6%
Specific	155	10.9%	6,793	7.8%	26,416	12.3%
Sub Total	1,393	98%	50,541	58%	166,629	77%
Pelagic	23	1.6%	36,327	41.8%	47,827	22.4%
Total	1,415	100%	86,868	100%	214,455	100%

POLYVALENT SEGMENT The single largest segment of the fleet is known as the polyvalent⁴ segment. It currently consists of 1,229 vessels with a combined capacity of 42,298 gross tonnes and a combined engine power of 134,574 kW. The average age of vessel in the polyvalent segment is 26.4 years.

The vessels in the polyvalent segment range in size and number from 935 'inshore' vessels under 12 metres in length; 103 coastal vessels between 12 and 18 metres in length; 159 mid-water vessels between 18 and 28 metres in length and 32 deepwater vessels greater than 28 metres in length.

³ Derived from the Irish register of fishing vessels (22/2/2005)

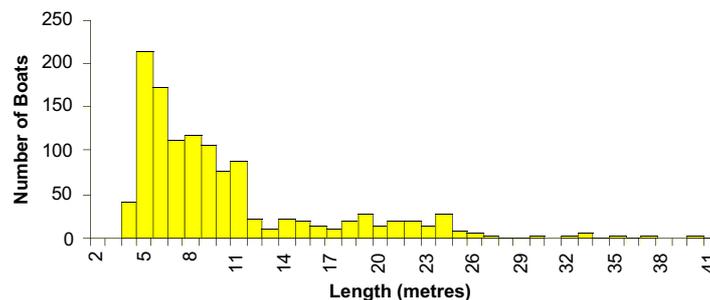
⁴ Having many uses, the vessels in this segment vary greatly in their dimensions and fishing capacity, deploy a range of fishing gears (nets, lines, traps, and pots) and target many different species.

Vessels in the polyvalent segment deploy a range of fishing gears including trawl-nets, seine-nets, lines, traps, and pots to take their catch. Similarly, they target a broad range of species both demersal (such as Cod, Haddock, Whiting, Monkfish, Megrin and Hake) and shellfish stocks (such as lobster, Crab, Scallop and Dublin Bay Prawns). Some of these vessels also target pelagic stocks.

There is also a degree of specialisation - often broadly related to the vessel size. The offshore polyvalent fleet (over 28 metres in length) mainly targets whitefish; mid-water vessels generally target whitefish but some of them target a mixture of shellfish (prawns) and whitefish, and others still specialise in catching live crab.

The inshore and coastal fleets predominately target shellfish stocks including lobster and crab but also take small amounts of whitefish.

Polyvalent Segment - Number of boats and their size.



BEAM TRAWL SEGMENT consists of just 9 vessels ranging in size from 20 to 35 metres in length - the name derives from the particular method used to deploy their fishing trawls. The beam trawl segment tends to target demersal flatfish species such as plaice and sole. They range in age from 16 to 36 years with an average age of 26 years. A number of polyvalent vessels also employ beam trawls.

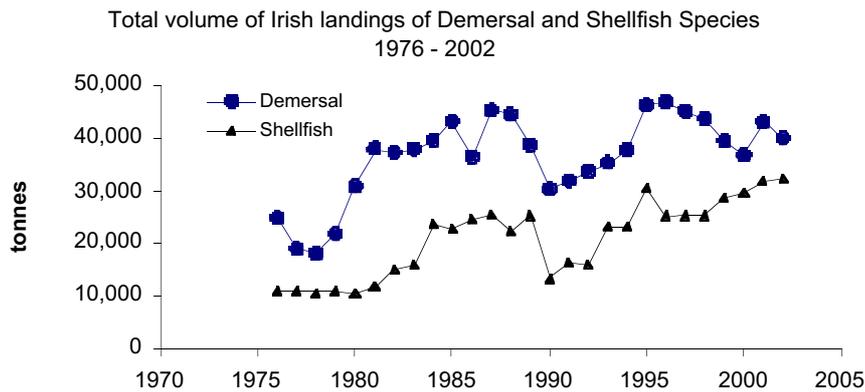
SPECIFIC SEGMENT (includes Scallop and Mussels Boats) The 'specific' segment consists of 155 vessels ranging in size from 6 to 44 metres in length. The segment consists solely of vessels targeting bi-valve molluscs (e.g. mussels, scallop, razor-shells.) and they generally fish with dredges. The average age of vessels in this segment is 36 years.

THE PELAGIC SEGMENT (which is outside the scope of this review) has 23 vessels currently registered with a combined capacity of 36,327 gross tonnes (42% of Ireland's total fishing tonnage) and a combined engine power of 47,827kW (22% of Ireland's total). These are all large deepwater vessels with an average size in excess of 50 metres and with the ability to operate on a truly international scale.

MANAGEMENT OF IRELAND'S FISHING FLEETS

Ireland's fishing fleets, like those of all our European partners, are governed by the rules of the Common Fisheries Policy (CFP⁵), a complex policy that incorporates a significant volume of legislation.

Since joining the Community, Ireland's fishing industry has developed and by 2002 the volume of pelagic species landed was 283% of that landed in 1976. For demersal and shellfish species, the equivalent figures are 161% and 292% respectively.



Ireland's fisheries are subject to a range of management measures put in place to ensure the sustainable exploitation of fish resources. These obviously impact both nationally and at an individual level, and significantly affect how each fishing vessel/fisherman may conduct its business. There is a complex range of instruments employed under the CFP to manage fishing within the EU.

FLEET REFERENCE LEVELS set the maximum permissible levels, in both terms of capacity (Gross tonnes, GT) and engine power (kW) for the fishing fleets of each member state⁶.

FISHING EFFORT combines the power of the boat (kilowatts – kW) with the number of days at sea to produce the permitted "fishing effort" in terms of "kilowatt days".

ACCESS REGIME Apart from the long standing limit on access to the areas within 6 and 12 miles of the coast of a member state, EU Regulations⁷ apply to all fishing waters around Ireland and limits access to these waters by vessels greater than 15 metres in length (and by vessels over 10 metres in the biologically sensitive area), fishing demersal species, scallops, edible crab and spider crab, to a specified amount of fishing effort. This particular regulation is having a significant bearing on the activity of the scallop fleet and the crab fishery.

TECHNICAL MEASURES are measures designed to protect undersized or juvenile fish or non target species such as Cetaceans, Turtles or Sea birds. There is a raft of EU legislation governing fishing gear design and fishing areas under these measures.

CLOSED AREAS, A number of key fisheries are subject to closed areas and or periods. For example specific closed areas apply in the case of cod in the Irish Sea, Celtic Sea and to the west of Scotland and to Hake off the south west coast.

TOTAL ALLOWABLE CATCHES (TAC) & QUOTAS, Each year the European Council sets for each fishery a total allowable catch for the following year - that is the total quantity of fish, in tonnes, which may be taken from the fishery.

- The Polyvalent fleet has to operate within specific fleet reference limits as well as limits on what it can catch as set down in the annual quotas for each species.
- The shellfish sector and sub-sectors (scallops, mussels, crabs) do not have an EU defined fleet reference limit. They are constrained by "fishing effort", and operate within EU approved annual limits of "kilowatt-days" (kW.days) reflecting the power of the boats. Effectively, this limit decides the number of days at sea they can fish each year. It places no limit on what they can catch during the days at sea.

The size of the shellfish fleet is governed by the number of vessels that the Department of Communications, Marine & Natural Resources has issued with licences. In future licences will be issued by the Licensing Authority.

⁶ Commission regulation (EC) No 1438/2003

⁷ Council Regulation (EC) No 1954/2003 and 1415/2002

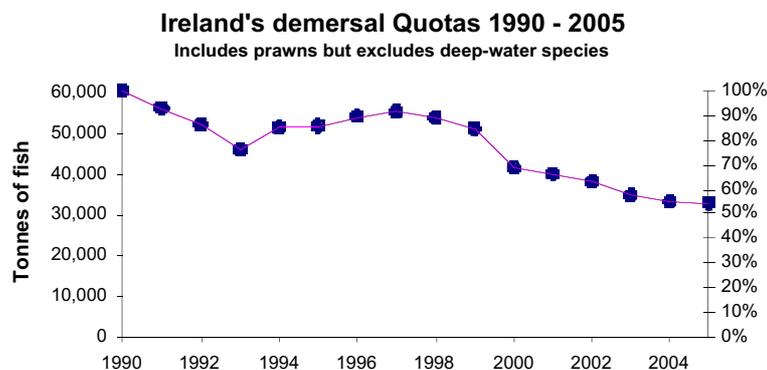
CHAPTER 3 HOW THE PRESSURE TO DECOMMISSION HAS ARISEN

The uncertainties facing the demersal and shellfish sectors because of quota and effort restrictions have been compounded by a range of other factors. The cumulative effect is the realisation that there is no real economic future for some of the participants in these sectors unless a large proportion of the fishing capacity can be taken out so that those remaining can look forward to working in a fishing industry with good economic prospects and not dogged by one crisis after another. A national decommissioning programme is seen as the best way of taking out the necessary fishing capacity.

The factors, which have led to this realisation, are now examined.

A: DECLINE IN FISH STOCKS.

Over the past 15 years our fishing fleets have, like all other European fleets that fish in the waters around Ireland, experienced a gradual reduction in the total annual quota of demersal species - a reduction driven by the EU because of a decline in the biological status of many stocks. Overall, demersal quotas have fallen by almost 50% since 1990.



Despite this significant decline in the quantity of 'quota' species available to Ireland's demersal and beam-trawl fleets, fishermen have to some extent managed in the past to maintain landings of demersal species by increasing the volume of non-quota species landed.

The shrinking quotas for demersal fish have led to ever-greater reductions in the financial return annually to those vessels targeting key "pressure stocks"⁸ most notably monkfish, hake, cod, sole and plaice.

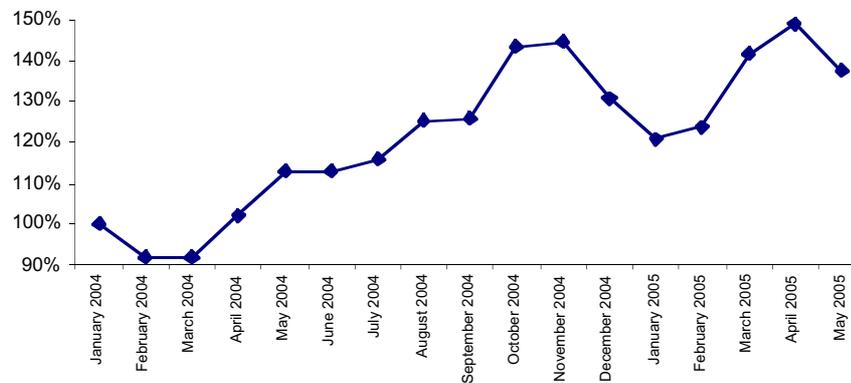
- Overall, the polyvalent and beam-trawl sector, over 18 metres in length, faces significant challenges as the annual outtake of key whitefish species is reduced in the face of a continued decline in the stock size of a number of species.
- Conversely, in the shellfish sector, continued growth in landings of non-quota species and a relatively stable annual quota for prawns (*Nephrops*), has resulted in a relatively stable catch profile.
- Finally in the scallop and crab fisheries the introduction of new limits on permissible days at sea has created a new regulatory framework.

⁸ "Pressure stocks" are those subject to quota, whose stock levels are low, which command good prices and are under pressure because of intense competition among boats for them.

B: RISING FUEL COSTS.

Since 2004, fuel costs have continued to rise and owners now face an increased operating cost of some 40% for this aspect of their operation compared to 18 months ago.

Relative cost of marine diesel 2004-2005



C: AVAILABILITY OF CREWS

As a result of Ireland's fast economic growth and increased employment opportunities, the fishing industry find it difficult to recruit experienced and qualified crew of people to work onboard fishing vessels. This is particularly the case on older, less viable, large whitefish and shellfish vessels that provide less attractive working conditions and returns for crew.

D: AGE OF VESSELS

The average age of a vessel in the polyvalent fleet is 26.4 years and a significant portion of the polyvalent segment are 30 years and greater (361 vessels or 26% of the segment).

The oldest vessels are in the Specific shellfish Fleet - the average age of a vessel is 35 years old. The age of vessels by Fleet Segment is shown in the Table below.

The average age of Ireland's fishing fleet.

Fleet Segment	Average Age (Years)
Polyvalent	26.4
Beam Trawl	25.6
Specific	35.6
Pelagic	8.2
All Vessels	27.0

The older vessels need more maintenance and repair, are less efficient than their modern counterparts, and may have greater safety concerns and face increasing standards when seeking renewal of their sea-fishing licences.

On the other hand, however, the fleets also have a core of modern boats, which have benefited from national renewal schemes. In the 1990s, the age and safety of the Irish Whitefish fleet was a cause of considerable concern following a number of tragedies that resulted in loss of life. The 1996 fishing vessel safety review recommended renewal of the whitefish fleet. In 1998, the Government introduced the 'Whitefish Renewal Scheme' to encourage the introduction of young, safe and modern vessels into the whitefish fleet.

A significant part of the Irish fishing fleet has changed for the better in the last 6 years. Under the various Whitefish Renewal Programmes, investment of €119 million, has delivered a modern, efficient and safe whitefish fleet. Total state and EU grant aid for the renewal and modernisation of the whitefish fleet amounted to some 26% of the total investment with the balance provided by private sector investors and fishermen. They have resulted in the introduction of 62 new vessels, 17 modern second-hand vessels and many more existing vessels which were modernised and made safe under the renewal schemes. This new and modern section of the fleet gives Irish fishermen the potential, for the first time ever, to compete on a truly international scale.

E: HIGHER SAFETY STANDARDS.

All fishing vessels on the Irish register over 24 metres in length must, from the 1st of July 2005, meet mandatory EU safety standards if they are to retain their fishing license. These requirements are being implemented in accordance with the sea fisheries licensing framework as provided for in the Sea Fisheries Amendment Act in 2003. The cost of meeting these standards is significant leading many fishermen to question the cost effectiveness of updating their vessels. This issue is considered further in Chapter 4.

E: TECHNOLOGY CREEP.

New vessels in the fleet have more catching capacity than older boats of the same tonnage because of superior technology. Since the 1980s, the available technology has improved radically resulting in more advanced electronics and hydraulic equipment, better refrigeration, greater fuel efficiency, remote sensing equipment and improved vessel design. Many of the current vessels seeking decommissioning are older, less efficient vessels, which cannot compete with the modern fleet.

The problems for Ireland's fishing industry are not universal but are largely focussed on a number of specific sub-sectors:

- The mid-water and offshore elements of the polyvalent sector, are suffering from poor stocks and low levels of profitability. This is specifically true of vessels over 18 metres in length and more than 15 years of age which target, monkfish, cod, hake.
- Likewise, the ageing beam-trawl fleet faces a difficult outlook, particularly those vessels which target plaice where the annual Irish quota has declined 44% in the past 5 years.
- The scallop fleet is critically constrained, not by quota restrictions, but by declining stocks and by a new EU conservation regulation, which came into effect on 1st January 2005, which limits the days these vessels can remain at sea in any one-year.

CHAPTER 4 A CONVERGING ISSUE – NEW FISHING BOAT LICENCES FROM 1ST JULY 2005

Alongside the fishing restrictions which face fishermen, another challenge has been on their horizon since December 1997, namely, the importation of tough new safety standards for their vessels. It has become a reality of life from 1st July of this year.

Vessels over 24 metres long, are not eligible to be licensed as a fishing boat from 1st July 2005 unless they comply with the EU mandatory Certificate of Compliance Standard set down in an EU Directive⁹ setting up a harmonised safety regime within the Community. Under the Directive, vessels over 24m cannot fish or land fish at a Community port without meeting this standard.

Fishing licences for these vessels were valid for 3 years ending June 2005 and needed to be renewed from midnight of June 30th 2005 if the boats are to continue fishing and landing at Community ports.

As of now, the majority of the 136 vessels on the fleet register over 24m cannot set out to sea from 1st July 2005 as they are not in a position to apply to the licensing authority with the required certificate.

It appears to me that many boat owners hoped that somehow the day of the new requirements would not arrive and they focused on trying to make a living within the fishing limits set down for species of fish they caught.

The Maritime Safety Office sent notices to owners of fishing vessels about the new safety standards in May 2004, having previously met and briefed industry representatives on the 13th of June 2003. Many other meetings have been held since then to explain the safety requirements.

Some owners may also have considered that they could not afford the costs of meeting the new standards or, if their boats were old or have a particular design that the modification costs would be prohibitive.

The mandatory EU Certificate of Compliance required since 1997 and a condition of licence renewal from the 1st July 2005 is dramatically more demanding and rigorous than that required by the licensing regime in place for many years in Ireland. For example:

- It requires the vessel to be at the standard of its original specification;
- It requires a detailed survey of the vessel in a "dry dock" or to be raised by specialist lifts;
- It requires a naval architect to provide a "Stability Book".

The costs of a survey can vary depending on the maintenance standard of the vessel and in some cases may be substantial. The survey itself and the remedial work may take up to many months depending on the maintenance standard of the vessel.

Fishermen with a relatively old fleet, such as those fishing scallops or mussels, face the biggest technical and financial hurdles to meet the new standards. In this sense, the scallop fishermen based out of Kilmore Quay face a "double whammy" in 2005. Eleven of their 19 boats are 24-metres and over in length: not only do they face the increased restrictions on fishing effort but are also subject to the new licensing requirements.

I regard the dramatic change in the licensing standards which faced these larger boats either side of midnight of 30 June - 1 July 2005 as problematic. Ireland does not have sufficient facilities to carry out the large number of surveys required in a short time period. Similarly we don't have sufficient dry docks, 'synchro' lifts, consultants or welders to do the remedial welding and repairs for the majority of the boats without licences and vessels may have to go to the UK or continent to find these facilities.

⁹ EU Directive 97/70/EC of 11 December 1997 setting up a harmonised safety regime for vessels of 24 metres in length and over. It effectively applies an earlier standard, the "Torremolinos Protocol" of 2 April 1993.

I explored whether a transition period of up to a year would be possible during which the existing licences could be rolled over. I came to the conclusion that this was not possible:

- a) The EU Directive is binding on all states for boats of 24-metres or over,
- b) The Licensing Authority cannot issue a licence unless it complies with this Directive.¹⁰

An amendment to the law in June 2005 allows a phasing in of the new safety standards for boats less than 24 metres - this can be done under domestic legislation since the EU directive does not apply to them.

The 24 metres and over boat owners without a fishing licence after 1st July 2005 are presented in some cases with a difficult scenario. In the case of the scallop fishermen, and some whitefish fishermen the restrictions on their fishing effort puts a question mark over the economic viability for them of fishing and means that the cost of meeting the new safety requirements for their boats could not be justified or afforded in many cases. My view is that the difficult situation facing these boat owners should be taken into account in a future decommissioning scheme.

¹⁰ *Fisheries (Amendment) Act, 2003 as amended by the Fisheries Amendment) Bill 2005*

CHAPTER 5 A BASIS FOR ARRIVING AT THE SCOPE OF DECOMMISSIONING

RELEVANCE OF DECOMMISSIONING TO CERTAIN SECTORS

The first element in arriving at the desirable scope of decommissioning is an assessment of the relevance of decommissioning to the future prospects of the main demersal and shellfish segments and any particular conditions or priorities which should apply to decommissioning in these segments.

THE WHITE FISH FLEET

The whitefish fleet includes the Beamer and Polyvalent segments and currently consists of some 2,000 boats most of them are small inshore vessels using pots and operating on a seasonal basis.

Segment Fleet	Number of vessels	Capacity (GTs)	Engine power (kW)
Polyvalent	1,229	42,298	134,574
Beamer	9	1,450	5,639
Total	1238	43,748	140,213

Note: This table does not include some 750 traditional, inshore potting vessels - all less than 12-metres in length which are in the process of being incorporated into the fishing fleet register as part of a scheme introduced in 2004

These two segments include vessels targeting whitefish and shellfish species except for certain vessels fishing for scallops mussels etc the most important being cod, haddock, whiting, monkfish, hake, megrim, sole and plaice. For some vessels the prawn fisheries and pelagic fisheries are also very important.

OVERVIEW OF RESOURCES

Scientific advice from the Marine Institute indicates considerable concern about the biological status of nearly all eight of the main whitefish species being targeted by the polyvalent and beam trawl segments. The stocks concerned are mostly over-exploited at the present time and the core of the scientific advice is to reduce fishing pressure.

Stock recovery measures have already been introduced for Cod in the Irish Sea, Northern Hake and Cod to the West of Scotland. While the overall objective of these measures is to ensure the recovery of the stocks within a timeframe of five to ten years, the need to reduce pressure on these stocks in the short-term is clearly urgent and implies a vital role for the decommissioning of vessels that particularly impact on these stocks.

IMPORTANCE OF TARGETED DECOMMISSIONING

Many of the vessels in the fleet concerned have a low impact on the most heavily fished stocks.

There are over 1,000 vessels under 18 metres ranging from the very small potting vessel to coastal trawlers targeting a range of stocks. It has been recognised that there is need for more effective management and conservation measures for inshore stocks such as lobster

To deal with this a new management structure for inshore stocks, to be implemented by BIM, was introduced by the Marine Minister, Pat the Cope Gallagher TD earlier this year. It involves a partnership with the fishermen involved to deliver sustainability for the stocks and a viable future for those concerned.

The coastal trawlers tend to be fully multi-purpose, targeting a range of stocks including stocks under pressure, such as cod. These vessels are mainly owner skippered, land always into homeports and are an essential element of the fabric of fishing communities around the coast. Looking to the future, we should maintain an active and vibrant inshore and coastal fishing fleet that lands into Ireland and supplies fish to local markets.

I consider that the decommissioning of vessels should be targeted at the larger vessels, over 18 m in overall length since they are mainly targeting the key stocks under pressure. Decommissioning is normally directed at withdrawing older vessels which I am defining as 15 years. The withdrawal of vessels meeting these criteria would yield a good dividend to the future viability of the remaining fleet, including the coastal trawler fleet.

As indicated earlier, quotas have fallen to almost half their level of 1990 for the demersal sector and combined with ever increasing operating costs, especially for fuel and oil, the economic viability of many of the vessels is in jeopardy.

Share of national quota & landings by vessels over 15 years of age and over 18 metres in length in the polyvalent & beam trawl segments.

	Tonnes landed	% of National quota (2003 – 2004)	% of National landings € (2003 – 2004)
Landings	48,431		
Deepwater	346		
Pelagic	15,371	5%	6%
Shellfish	9,175		
Prawns	5,327	40%	45%
Non quota	3,848	--	--
Demersal	23,539		
Cod	1,036	19%	40%
Haddock	1,590	30%	56%
Whiting	3,913	22%	43%
Hake	1,131	49%	59%
Monk	1,893	55%	55%
Megrin	2,983	47%	59%
Pressure Stocks	12,846	31%	
Other quota	3,731	--	--

From the table it is clear that these vessels account for catches of significant proportions in the range of 19% to 55% of the quotas of valuable pressure stocks such as Cod, Haddock, Hake, Monk and Megrin.

The larger polyvalent vessels tend to focus on combinations of the fish at any one time: for instance monkfish, hake and megrim tend to be fished together as are cod, haddock and whiting. The flatfish species, plaice and sole, are fished mainly by vessels using beam trawls.

The price commanded by each species varies over time reflecting scarcity as well as changing consumer preferences and the "prestige" rating of particular fish.

In recent times, monkfish and cod have commanded premium prices and as a consequence the polyvalent fishermen are attracted to these species. The result is considerable competition between fishermen for these stocks and added pressure on the species.

A decommissioning scheme should yield a substantial reduction in the real fishing effort which impacts the critical pressure stocks. The fundamental objective of a decommissioning scheme must thus be the permanent removal of a significant and most effective fishing capacity from the fleet. This will help to achieve an effective balance between actual fishing capacity and the pressure stocks and provide a viable and sustainable financial return to the remaining boat owners and crews.

It may be thought desirable to focus a decommissioning scheme even more precisely on boats which fish a specific individual species. This is unlikely to work in practice since polyvalent boats are entitled to fish for any whitefish species and they can generally technically do so – particularly the new boats acquired under the fleet renewal scheme. I am satisfied that the best way to achieve a real and meaningful decommissioning programme for the polyvalent and beamer fleet is for it to take out a significant share of fleet capacity – the possible scale and impact of decommissioning is analysed in the following sections. Such a scheme would include the following elements:

- **The withdrawal of older boats** - considered to be vessels of more than 15 years of age - within an overall strategy of ensuring a modern fleet operating to highest international safety standards and incorporating state-of-the-art working conditions;
- **The withdrawal of those vessels that impact most heavily on the key pressure stocks** - considered to be vessels of 18 metres or more in overall length
- **The ring fencing of the remaining capacity** after decommissioning and the prevention of a subsequent increase in the capacity of boats over 18 metres in length. A proposal to achieve this effect is set out in the Section on "Ring fencing".

SCALLOP

Scallop landings in 2004 were valued at over €3.5 million. The scallop fishery in recent years has been fished mainly by a dedicated fleet of about 19 vessels. Most of them are licensed under the "Specific" segment of the national fleet and are entitled to fish for "bi-valve molluscs" (e.g. scallops, mussels, clams) but not any crustacean, demersal or pelagic species.

Most of the scallop vessel owners did not generally have to buy replacement capacity (licence entitlement) or vessel tonnage to enter the national fleet as was required in the whitefish and pelagic segments.

LICENSED FLEET CAPACITY

The "Specific" segment of the fleet was not restricted by EU rules under successive EU Multi-Annual Guidance Programmes (MAGPs) and accordingly when capacity became expensive in the polyvalent and pelagic segments of the fleet, fishermen entered the Specific segment without having to purchase replacement capacity.

When it became clear that there was a surge in demand for licences in this segment, a moratorium on the issuing of new licences in the Specific segment was introduced in April 1999 to protect wild mussels, scallops and razor clams in particular. By that time, a significant number of new licences had been issued and other applications were being considered by the Department. The industry made strong representations to have applications in the system fully processed and the industry was accommodated in this respect.

The resulting pattern of licences in force and the corresponding tonnages, for all vessels in the Specific segment, are shown in the following table. This includes vessels targeting mussels, scallops, razor clams and other bi-valve molluscs since the licences permit the holder to fish across all of these species.

Year ending	Number of Vessels	GT	kW
1997	15	764	3,167
1998	97	1,914	8771
1999	120	3,556	15,070
2000	138	4,690	19,419
2001	172	5,789	24,229
2002	193	6,952	29,285
2003	N/A	N/A	N/A
2004	156	6,831	21,362

Industry sources claim that the number of licences issued by the Department in 1999 and subsequently was excessive in relation to the agreed fishing effort whereas the Department state that it was the industry itself that was pressing and lobbying for the licences.

THE STATE OF SCALLOP STOCKS

The scallops sector now faces constraints on scallop stocks. Scallop stocks off the southeast coastline have been fished down in recent years and the scientific advice is that the fishing power and effort are currently in excess of what the resource can sustain, and that "the management priority in this fishery is reducing fishing effort" (through reducing the number of dredges per vessel, reducing the number of boats and/or reducing the number of days at sea).

The vessels in this sector are currently operating mainly in the Channel. There are now indications that the stocks in the Channel may also require additional conservation measures. Such measures would inevitably impact adversely on the Irish Scallop Fleet and their probable emergence in the short-run strengthens the case for undertaking significant decommissioning of the fleet. The removal of excess fishing capacity would also serve to ensure that the vessels electing to remain in the fishery have a reasonable basis for achieving economic sustainability within the available fishing effort limits.

Fishing effort limits were first applied to the scallops sector [and the crab sector] in June 1995 through an EU regulation¹¹ at the time that the Iberian fleets were being integrated into EU fishing waters. However, the criteria were different to those currently used.

This limit did not cause any difficulties for the licensed fleet then or in subsequent years. As a result of the once in a decade review of the Common Fisheries Policy culminating in decisions at the Council of Ministers in December 2003, the regulation governing fisheries in the area known as the "Irish Box" was modified. The new regime defined a biologically sensitive area off the south and west coast of Ireland within which "fishing effort" limits were applied to whitefish stocks and non-quota species such as scallops. The revised fishing effort limits were then incorporated in a new EU regulation¹² in July 2004 which limited activity for the relevant fleets and fisheries involved to the average recorded activity in the period 1998-2002 inclusive. Under this regime, Ireland was allocated a total of 634,000 kilowatt-days comprising 109,395 kilowatt-days for Scallop in the biologically sensitive area and 525,012 kilowatt-days in other areas of the Western waters (ICES area VII).

The revised fishing effort limits¹³ came into effect in January 2005 and were actively administered by the Department as required by the EU.

By the end of May 2005, over 60% of the annual fishing effort and related fishing days had been used by the scallop fleet. The impact of this restraint regime was the proximate cause of the protest actions by the scallop boats in June 2005.

The fish processors in the southeast dependent on the scallops have informed me that to maintain operations would require significantly more fishing effort than that currently available under the regulation. The need to travel further to fishing grounds is a contributory factor.

The 2005 fishing effort limits for scallops of 634,000 kilowatt-days were based on returns to the Department for the reference years of 1998 -2002 inclusive. The returns were derived from the logbook returns by vessels. The Department view is that the log sheets it was given formed the only basis for making an official return to the Commission.

IS THERE AN ALTERNATIVE TO DECOMMISSIONING FOR THE SCALLOP INDUSTRY?

A strong body of opinion in the fishing and processing sectors believes that the Marine Minister should "make a case to Brussels" for a substantial increase in the present scallop fishing effort. The processors believe that only in this way will they be able to secure the supplies to sustain their industries.

I have to conclude, however, that the declining state of the local south-east scallop stocks would not provide a sound biological basis for increased fishing effort and that conservation measures as recommended by the Marine Institute in relation to the stocks off the southeast coast will be necessary for the foreseeable future. In relation to the Channel, the Commission has committed itself to introducing further conservation measures in this area.

The transfer of boat tonnage from the scallop sector to the polyvalent and pelagic fleets is not realistic because these fleets have more than adequate fishing capacity and a major reduction in capacity of the polyvalent fleet is recommended in this Review.

¹¹ Regulation 2027/95

¹² EU Council Regulation No 1415/2004

¹³ Statutory Instrument No 245 of 2005

THE SUBMISSION OF THE INDUSTRY

Following a meeting with me in Kilmore Quay, the Irish South & East Fisherman's Organisation (ISEFO) made a written submission to me for this review.

The key elements in their proposal were as follows:

- "That in order to have a sustainable fishery within [their] effort limitation that [they] should not exceed 4,200 kW total going forward and that the power of a vessel should not exceed 600kW".
- Need for special consideration of two "exceptional cases" where, because of engine breakdowns, the boats do not meet the fishing days criteria of the Decommissioning regulations. The creation of an Artificial Reef off the coast as advocated by angling and diving interests in Wexford was seen as one solution to the exceptional case problems.

My recommendations on hardship cases and artificial reefs are set out later in the report.

CRAB INDUSTRY

Under the new Western Waters Regulations¹⁴, a maximum level of fishing effort has also been set for the fishing of edible crab¹⁵. The available effort allocation of 465,000 kilowatt-days was based on the returns to the EU by the Department for the reference years 1998-2002 inclusive. There are no catch quotas for this fishery.

The crab fishery is predominantly located off the Donegal and North Mayo coasts and has grown steadily since the early 1990s. In value terms, the indigenous crab fishery is the third most important fishery for Ireland after mackerel and prawns (*Nephrops*). Exports of crab, after onshore processing, exceeded €23 million in 2002.

In the context of the establishment of the existing effort limit of 465,000 kW.days Ireland indicated, during the negotiations at EU level on the new regime, that this allocation was insufficient to enable Ireland to take up, in accordance with a pre-established development plan, its fishing possibilities for this important resource, which is found largely adjacent to Ireland's north-western coastline. The Irish stance reflected also the strong representations of the industry.

Article 12 of the relevant Council Regulation 1954/2003, which establishes the effort limits, contemplates adjustments to maximum fishing effort levels on the basis of a case being presented to the Commission. The Irish authorities have submitted such a case but the Commission has not yet approved an increase in the limit and the case continues to be pursued with the Commission by the Irish authorities.

There are a comparatively small number of large vessel operators in the crab fleet [6 vessels over 15 metres] and the position in relation to the state of the resource appears less acute than that applying to key whitefish stocks or scallops. There, is however, a cautionary note in the scientific advice which calls for the number of vessels participating in this fishery to be capped. While the need for immediate decommissioning would appear less pressing for this fleet than for others, it cannot be completely discounted.

THE BOTTOM MUSSEL FLEET

There are currently some 30 boats that have been operating as mussel dredgers in the Irish fleet. These vessels work predominately in licensed aquaculture sites and obtain seed mussels from areas such as the Irish Sea for culture on their sites.

The fleet comprises a core group of operators who pioneered mussel farming activity 35 years ago and some recent new entrants. They have fished with old modified fishing vessels and some have purchased ex-dredgers from the Dutch industry.

The bottom mussel farming sector is currently undergoing change with the introduction of new, larger and more efficient purpose built vessels.

¹⁴ EU Council regulation No 1415/2004

¹⁵ Spider crab is only fished to any appreciable extent in waters off the Cork/Kerry coasts.

- Four new boats have been introduced to the fleet recently and three more are to join before the year-end. This investment in the bottom mussel sector is highly significant and is indicative of the confidence that exists in the sector.
- The value of landings of mussels in 2004 was close to €20m.
- There are no fishing-effort limits set down by the EU nor are there catch quotas. The DCMNR seek to achieve good management of the mussels industry by determining allocations of "mussel seed".
- The aquaculture beds on which the seed are farmed are licensed and the seed allocations relate to those licensed areas.

THE LICENSING CRISIS FACING THE MUSSEL FLEET

Aside from the seven new vessels that are joining the fleet this year, most of the fleet is faced with the new licensing standards¹⁶ for vessels of 24 metres and over which applies to extension of licences from 1 July 2005.

Some 20 boats are now tied up mainly at Wexford Harbour, Carlingford and Lough Swilly because their licences have expired. I understand that most of these boats are unlikely to meet the standards of the mandatory EU Certificate of Compliance required. It is understood, taking account of the construction design of the vessels as well as their age that the cost of remedial works, where technically possible, would be financially prohibitive for a number of the operators. In addition, some boats will be restricted to operating in smoother waters.

THE OPTIONS AVAILABLE TO THE MUSSEL FLEET

There is not in the mussels sector an EU imposed quota or fishing effort scheme as is the case in the whitefish and scallop fleets, which would justify inclusion in a decommissioning scheme.

Some of the boats currently tied up and whose owners are interested, should be facilitated in qualifying for the less stringent "calm waters" provisions in the regulations. There are up to 8 boats interested in this option and they could then fish in more sheltered waters such as Lough Swilly and Cromane.

The owners now tied up and unable to meet the new licensing standards but who want to stay in the industry face a bleak situation. Helping them in their plight is, however, outside of the scope of a feasible decommissioning scheme.

DECOMMISSIONING CONSISTENT WITH THE EU REGULATIONS

COUNCIL REGULATION (EC) No 2792/1999 lays down the detailed rules and arrangements regarding Community structural assistance in the fisheries sector and specifies that, to be eligible for a decommissioning grant (scrapping premium), a vessel must meet the following criteria:

- The vessel must have carried out a fishing activity for at least 75 days at sea in each of the two periods of 12 months preceding the date of the application for permanent withdrawal.
- The vessel must be 10 years old or more;
- The vessel must be operational at the time the decision is taken to grant the premium;
- Prior to its permanent withdrawal, the vessel must be registered in the fishing vessel register of the Community;

While Council regulation 2792 of 1999 provides for decommissioning of vessels of any size, for the reasons outlined elsewhere in this report, it is considered appropriate to additionally restrict the scope of future decommissioning as follows:

- In the cases of vessels in the polyvalent, beam trawl, and Specific segments of the fleet, the vessel must be 15 years old or more;
- In the cases of vessels in the polyvalent and beam trawl segments of the fleet, the vessel must be 18 metres or more in length overall.

¹⁶ EU Council Directive 97/70/EC through the provision of a Certificate of Competency (COC).

- In the case of vessels targeting scallops the vessel must be 15 metres or more in length overall.

One of the purposes of decommissioning is to withdraw older boats and yield a more modern and efficient fleet. Currently the average age of vessels, 18 metres in length or more, in the polyvalent and beam trawl segments of the fleet is 25 years while the average age of vessels, 15 metres in length or more, in the non-quota shellfish fleet is 36 years.

Additionally, in Ireland's case, an aid measure - to adjust fishing effort (decommission) - has been approved by the EU but only in respect of vessels 15 years old or more¹⁷.

Based on these criteria 117 vessels currently registered in the polyvalent or beam trawl segment of the Irish fleet, would fall within the scope of a decommissioning scheme. These vessels have a combined capacity of 18,524 GTs and 52,787 kW.

Number and capacity of vessel (in the Polyvalent & Beam trawl segments) that meet both EC and national criteria for decommissioning.

	Vessels	% of segments	GT	% of segments	kW	% of segments
Polyvalent & Beam trawl segments	117	9%	18,524	42%	52,787	38%

Accordingly, a national decommissioning programme using the criteria outlined above – consistent with the EU Regulations – could take out a very significant fishing capacity from the polyvalent and beam trawl segments of the fleet.

DECOMMISSIONING TO ENABLE A VIABLE AND STABLE FINANCIAL RETURN FOR THE FLEET; POLYVALENT SEGMENT

A further approach to arriving at the scope of a decommissioning programme for the polyvalent and beam trawl segments of the fleet centres on the objective of providing a viable and sustainable financial return to the boat owners and crews post decommissioning. This analysis is based on calculating the scale of fleet capacity that should be maintained to achieve a balance between fishing capacity & stocks to provide a good economic future for those remaining in the industry.

A detailed analysis was carried out of the economic status of 74 sample vessels from the polyvalent fleet which took into consideration investment costs, marketing costs, fuel costs; operating costs, crew share, repairs and maintenance expenses, fishing gear, interest and depreciation. The results, from the sample analysed, were then applied to the total polyvalent segment of the fleet.

The analysis compared two critical results.

- The value of the landings currently taken by the polyvalent fleet. This is based on the quotas and maximum fishing effort available under the CFP.
- The economic return for reasonable viability as defined as a net 10% return on capital costs.

The 'required income function' (derived from the sample analysis) was applied to all 1,229 vessels in the polyvalent segment and the total income requirement of the segment was computed and compared to the resource available (calculated as the average landed value of catches by the sector in 2003 and 2004).

The results of this analysis indicate that the polyvalent fleet would need, on average, some 32% more fish than is currently permitted, to achieve the target economic return. The results are shown in the following Table:

Decommissioning required to enable a viable and stable financial return for the polyvalent & beam trawl segments.

Number of Vessels in segment	1,238
Total capacity of segment (GTs)	42,672 GT
Value of the resource currently available to the segment	€142 million
Economic Requirement for reasonable viability	€188 million
Overcapacity relative to resources	32%
Decommissioning Requirement (GTs)	13,800 GT

In summary the application of the proposed decommissioning criteria to the polyvalent and beam trawl segments of the fleet indicates that 42% (18,524 GT) can be decommissioned while the economic analysis suggests that 32% (13,800 GT) of the capacity of these segments should be withdrawn to ensure the economic viability of the remaining fleet.

RECOMMENDATION

Having reviewed all the facts, I consider that a decommissioning programme that withdraws 25% of the capacity (GTs) of the polyvalent and beam trawl segments of the fleet would be justified.

This should be targeted and would apply to vessels 18 meters or more in length overall and 15 years of age or more and subject to the prevailing EU vessel decommissioning criteria as laid down in Council Regulation (EC) No 2792/1999.

Total capacity in whitefish (polyvalent & beam trawl segments) fleet.

	Capacity	No of Vessels
Polyvalent & Beam trawl segments	43,748 GT	1,237
Vessels < 18 metres in length	7,454 GT	1,036
Vessels > 18 metres in length	36,294 GT	201

Capacity being decommissioned in whitefish fleet 18 metres or more in length overall.

	GT	%
Capacity to be decommissioned (GTs)	10,937	30%
Remaining capacity over 18 metres in length.	25,357	70%
	36,294	100

The object of the targeted decommissioning programme for the whitefish fleet is to withdraw 25% (10,937 GT) of the capacity of the entire 43,748 GTs in the polyvalent and beamer segments. This capacity would be withdrawn from the element of the fleet over 18 metres and 15 years of age. The capacity to be withdrawn (10,937 GT) represents 30% of all the capacity (36,294 GT) in the over 18-metre fleet in the relevant segments. Following decommissioning 25,397 GT or 70% of the offshore whitefish fleet would remain including the 13,670 GT of capacity in newer vessels less than 15 years of age.

In effect the smaller inshore and coastal fleets would not be impacted by the programme directly and the 70% of the offshore fleet remaining would be in balance with the fishing possibilities available to it and would operate in an environment conducive to the economic viability. As the pressures on the whitefish stocks are reduced the potential for stock recovery is increased and the offshore and coastal fleets stand to benefit from that recovery going forward.

SCALLOP FLEET

There are about 19 vessels in the 'Specific segment' fleet dedicated to scallop fishing with a capacity of some 10,400 kW and 2,750 GT. This is based on the information in the national register of fishing vessels and log-sheet returns.

There is an evident imbalance between the size of the current scallops fleet and the available fishing effort allocation of 634,000 kW.days. Urgent action needs to be taken to correct this imbalance through a reduction in the size of the fleet. The case for decommissioning scallop boats is in my view justified and compelling.

As already proposed, to be eligible for decommissioning the vessels targeting scallops should be 15 metres or more in length overall and meet the mandatory EU requirements for decommissioning.

RECOMMENDATIONS

1. The primary consideration in deciding on a decommissioning programme for the scallop fleet is the need to generate a viable and stable financial return for those vessels remaining in the fishery. Taking account of this requirement and bearing in mind the needs of scallop processors, I consider that the retention of a dedicated scallop fleet of some 4,800 kW, and approximately 1,300 gross tonnes, is necessary and that investment by the state in decommissioning to achieve a reduction in fleet capacity to this level would be justified. Given the available effort allocation of 634,000 kW.days per year, a fleet of this size would be able to fish on average over 130 days a year. This would represent a considerably higher level of activity than that carried out by the majority of the scallop fleet in recent years. Some vessels fishing against local stocks would fish less than this whilst others would be in a position to fish for a greater number of days. The key consideration is that such an adjusted fleet would be put on a sound economic footing. The industry has proposed that the fleet needs to be reduced to a size of 4,200 kW.
2. To ensure that the benefits of decommissioning are secured, there is a clear ring-fencing requirement for this fleet sector. The number of vessels and capacity of the scallop fleet, unlike the polyvalent segment, can only be defined after nationally agreed parameters for inclusion in a scallop sub-segment are determined. To this end I recommended that a national scallop sub-segment be established based on the recent track record of vessels that have targeted scallops over a recent representative period. I consider that a reasonable approach would be that fishing vessels should have carried out a scallop targeted fishing activity for at least 50 days at sea in the two and a half years to 30 June 2005. Scallop vessels meeting this modest activity requirement and which were not decommissioned would be included in this ring-fenced national fleet for the future.
3. The Industry has proposed a ceiling on the limitation of the engine size of replacement vessels to be set at 600 kW going forward. I consider this to be an important and worthwhile initiative and I recommend its implementation. This provision will ensure that the limited capacity in the sub-segment is not concentrated into a small number of large boats, which are less likely to support the processing factories in the southeast. Boats within this sector will retain some capacity to fish not just on inshore grounds, but also where the resource is readily available away from Ireland. In addition to a biological dividend, there is also an important socio-economic consideration where scallop processors in the south-east would legitimately wish to conclude business arrangements with vessels owners of a sufficient scale to supply the required raw material for processing. The aspects of ring fencing the remaining fleet, hardship cases and artificial reefs is considered later in this report.

Vessels wishing to decommission under the recommended programme would be subject to the prevailing EU vessel decommissioning criteria as laid down in Council Regulation (EC) No 2792/1999. I am satisfied that there is sufficient funding available within the financial envelope being recommended in this report to achieve the necessary decommissioning.

MECHANISM TO ENSURE THAT BENEFITS OF DECOMMISSIONING ARE MAINTAINED

It is critically important that the proposed programme of decommissioning delivers long-term sustainability for the fishing fleet. The benefits achieved through the removal of capacity from particular sections of the fleet, which have been identified in this report as being under particular pressure, will be short term.

In relation to the whitefish sector, my proposal is to remove capacity that is primarily focused on stocks under most pressure (monk, hake, cod etc). I am recommending that this be done through removal of boats over 18 metres or more in length overall. However, there is a real danger that capacity from smaller boats will be bought up and used to purchase new large boats which will then be used to target these pressure stocks. This would diminish significantly the achievements of the decommissioning scheme. The fishing boat licensing policy in place allows for such a situation where capacity from other parts of the fleet can replace vessels removed under the proposed decommissioning programme.

In relation to the scallop fleet other boats from the Specific segment or the polyvalent segment of the fleet could move into the scallop fishery under the current fishing boat licensing policy. This could result the capacity of the scallop fleet being increased again after the proposed decommissioning programme to an economically unsustainable level and would completely undermine the achievements of the decommissioning scheme that I have proposed.

In order to ensure long-term delivery of the benefits of the proposed decommissioning schemes, I recommend a series of accompanying policy measures. These are described in detail in the next chapter.

METHODS OF DECOMMISSIONING

THE CURRENT DECOMMISSIONING PROGRAMME IN IRELAND

In April 2005, the Marine Minister, Pat the Cope Gallagher TD, announced a series of new support measures for the Irish whitefish fleet. The measures included a new Grant scheme to remove excess capacity from the Whitefish Sector in accordance with the strategy set out in the National Development Plan 2000-2006. This scheme will be implemented by Bord Iascaigh Mhara (BIM). State funding for decommissioning included in the National Development Plan is €1.3m in 2005 and €7.5 Million for 2006 and 2007. The Minister has put on hold the decommissioning initiative of April last pending the outcome of this decommissioning review.

DECOMMISSIONING PROGRAMMES ELSEWHERE

As part of this study the decommissioning programmes for Scotland and Northern Ireland were reviewed as possible models.

Both schemes also set out a bidding process where each applicant bids for a decommissioning grant. Each of the authorities involved advised the applicants to base their calculations for the bid on the maximum permitted scrapping premiums in the EU Regulation 2792/1999. The bids were all accepted by a certain date and were ranked in order of cost. Bids that exceeded the maximum rates allowed under the regulation were rejected. All remaining bids were evaluated and ranked based on agreed criteria. The details and basic criteria for each of the schemes are listed below:

THE DECOMMISSIONING SCHEME IN SCOTLAND

The scheme in Scotland was implemented in February 2003. A particular objective was to secure an immediate and significant reduction in fishing for cod and the authorities sought a waiver on the minimum 10 year age restrictions on the vessels to be decommissioned. They also proposed that fishing activity be based on the preceding two calendar years, rather than the two twelve month periods preceding the application. The EU Commission approved both these proposals. The scheme was closed to applications in April 2003 and the process completed in October 2003.

THE DECOMMISSIONING SCHEME IN NORTHERN IRELAND

The scheme in Northern Ireland was implemented in July 2003 after negotiations with the fishing sector. The broad objective of the scheme was to reduce the capacity in the whitefish sector, particularly in the sector targeting cod. As a result, to be eligible for the scheme a vessel must have caught at least 3 tonnes of cod in total from the Irish Sea and/or West of Scotland in each of the calendar years 2001 and 2002.

The basic criteria for vessels under the scheme were very similar to the Scottish scheme. However, they retained the age limit of 10 years. The scheme was closed to applications in September 2003 and the process completed in February 2004.

A CATCH 22 FOR BOATS OF 24 METRES AND OVER.

The Scottish and Northern Ireland decommissioning schemes required boat owners to have a current up-to-date fishing licence for their boats. As explained earlier [Section 2 A], after 1st July 2005, the majority of the over 24 metre boats in this jurisdiction do not have the new licences and for many the cost of acquiring them, set against an uncertain economic future presents a real predicament.

- The EU regulation governing decommissioning states that the “vessel must be operational at the time the decision is taken to grant the (scrapping) premium”¹⁸. The requirements of “operational” are not defined.
- The EU regulation also requires that a boat to be eligible for decommissioning should have “carried out a fishing activity for at least 75 days at sea in each of the two periods of 12-months preceding the application” for decommissioning.

By any commonsense standard, a boat which has been fishing for at least 75 days at sea in the two years prior to applying for decommissioning is “operational”.

If such an approach was not taken, it would mean saying to boats which on policy grounds were targeted for decommissioning: *“You must spend €250,000 to €500,000 carrying out surveys and repairs to get a new fishing licence and become eligible for decommissioning and then you should qualify for our decommissioning scheme and payments”*.

I consider such an approach to be farcical and a waste of resources. Accordingly, my recommendation is that boats which meet the EU fishing activity criteria should also be deemed “operational” for the purpose of the EU requirements even if they do not possess the new licences. I recommend that the Minister seek the approval of the EU Commission to allow boats with valid fishing boat licences on 30 June 2005 to be eligible for the decommissioning scheme now being recommended.

¹⁸ EU Regulation 1999R2792 of 1 Jan 2004 as amended by 1421/04, Annex III 1.1 (b) (ii)

CHAPTER 6 RECOMMENDATIONS ON ELIGIBILITY, URGENCY, SCOPE AND COSTS

The Terms of Reference of the Review require me to report on eligibility, urgency, scope and cost of decommissioning for the fleets in order "urgently to establish a better balance between the fleet size and available fishing entitlements".

There are too many boats chasing too few fish in most species. This basic imbalance is the root cause of the ills besetting the industry. It leads to the following problems:

- Pressure on fish stocks through over-fishing which in turn has led to the new range of EU restrictions on fishing activity and effort;
- A volatile economic and financial environment for the boat owners, the fishers and the processors in the industry;
- An underlying temptation to exceed fishing restrictions leading to legal actions by the EU against fishermen and the Irish Government.

ELIGIBILITY

Requirement that boats must be operational.

The terms of the EU Council Regulation 2792/1999, as amended, requires that a vessel "*must be operational at the time the decision is taken to grant the premium*" (decommissioning grant).

As already stated, the investment of money in boats to meet the new licensing standard and which would be scrapped immediately would be a waste of money and does not benefit either the State or fishermen.

The other EU requirements for a decommissioning scheme, including that the boat must have fished for 75 days in each of the 12 months preceding the date of the application for a grant, ensures that only recently active boats will qualify for a decommissioning grant.

In the event that these vessels and the associated capacity are not taken out of the fleet, inevitably the capacity of the boats will be sold and used to introduce new boats which will continue to over-exploit the relevant fisheries.

As already stated I recommend that the Minister seeks the approval of the EU Commission to allow boats with valid fishing boat licences on 30 June 2005 to be eligible for the decommissioning scheme now being recommended.

FISHING HISTORY

The precise terms of EU Council Regulation 2792/1999 require that the vessels eligible for decommissioning must have carried out a fishing activity for at least 75 days at sea in each of the two periods of 12 months preceding the date of the application for permanent withdrawal. There is lack of clarity in this requirement as to whether the two previous calendar years are acceptable or whether it must relate to the 12-month periods prior to the date of the application. The Scottish Executive has applied a calendar year requirement in their recent decommissioning programmes with EU approval.

In the circumstances, I consider that either option appears acceptable. However, in order to ensure that EU rules are being fully respected I recommend that the Minister should advise the EU Commission of the requirement that he intends to apply.

The other key criteria of eligibility recommended are:

- Boats aged 15 years and over.
- Boats of 18 metres or more length overall and over in the polyvalent fleet and of 15 metres or more in length overall in the scallops sector.

URGENCY

As indicated earlier, the Terms of Reference "explicitly state as the objective of the review the need to "urgently" establish a better balance between fleet size and fishing entitlement.

My recommendation is that the full programme of decommissioning to achieve the desired balance should commence in the second half of this year, be substantially completed by the end of 2006 and finalised by the end of 2007. The priorities for decommissioning to the end of 2006 should include vessels catching monkfish, hake, megrim and scallops. The decommissioning envisaged for 2007 would include boats meeting the fishing activity criteria at that point and which target other whitefish species which are under less immediate fishing pressure.

There is an opportunity presented by this review to act now and put the industry on a secure and confident basis for all the participants.

There is also an urgency derived from the possible Catch 22 situation already described for fishermen with boats of 24 metres length or over who cannot fish after 1st July 2005 without meeting the new safety standards which would take time and money to achieve. In the meantime, delays in commencing and deciding on decommissioning would result in them losing eligibility on prior years fishing activity.

While this might save money on a decommissioning scheme, it would represent a tough minded and harsh approach by Government towards a section of the fishing industry already facing serious economic problems.

SCOPE

The central recommendation of this review is that the Government should back a decommissioning scheme to remove 25% (10,937 GTs) of the whitefish fleet (polyvalent and beam trawl segments) and to reduce the scallop fleet to a level of 4,800 kW.

There are overwhelming benefits to rectifying the fundamental imbalance between fleet capacity and fishing entitlements on the scale recommended. It would result in a secure future, based on attractive economic returns, for those remaining in the whitefish and shellfish industries.

The economic analysis carried out for this review demonstrated that whitefish stocks would have to be some 30% greater to yield a viable and attractive return for the boats now in the demersal sector. There is no prospect of the stocks and permitted fishing activity increasing by this amount in the foreseeable future. Accordingly, decommissioning on the scale recommended is needed to provide a secure economic return for the boats remaining.

This is the way to remove the perpetual state of crisis which envelops the sector and the boom-bust cycles and to encourage confidence in the future of the industry. It would also lead to less pressure on fish stocks since the remaining boats could make a good living within the permitted fishing effort or allowable catches.

The overcapacity of the boats in relation to approved fishing limits has an inbuilt temptation to over-fish - a temptation undoubtedly acceded to periodically. By removing the economic pressure to over-fish decommissioning on the scale recommended would lay the basis for an entirely new attitude in the industry and which would be conducive to compliance with the regulations.

It could save the Government from potentially large penalties imposed by the European Court and the damage to the country's reputation from such penalties. There are seven cases at present where the Irish Government is being taken to Court by the EU for non-enforcement of fishing regulations.

It is also the case that the Government of a Member State is liable to having severe penalties imposed by the European Commission if its fleet is found guilty of breaking fishing regulations. In a recent French case, the French Government was fined €117m by the Commission for non-compliance by the French fleet. This fine is now under appeal to the European Court but it provides an indication of the potential massive fines that the Government could face if the Commission successfully found against it.

By dealing decisively with the underlying causes of non-compliance through a programme of boat decommissioning as recommended, the Government would be reducing dramatically the likelihood of EU legal action against it in future.

The cost of the decommissioning programme should be seen against the scale of potential penalties for non-compliance by the Irish fleet in an unreformed industry.

RING FENCING THE RESIDUAL FLEET CAPACITY POST DECOMMISSIONING

It would make little sense if after investing State and EU funds in a decommissioning programme, people could add capacity again and bring the industry back to square one.

Accordingly, as discussed earlier, measures to “ring-fence” the residual fleet capacity need to be implemented hand in hand with decommissioning.

Measures should be introduced by the Minister as a Policy Directive under Section 3 of the Fisheries (Amendment) Act 2003 at an early date to avoid any transfer of capacity into the sectors of the fleet being targeted under the decommissioning schemes. The following measures are recommended:

The segmentation of the polyvalent vessels into two size categories

- Vessels of 18 metres or more in length overall.
- Vessels less than 18 metres in length overall.

Capacity in both segments would be ring-fenced and capacity from one segment could not be used to introduce boats into the other segment. The over 18 metres vessels are primarily targeting the pressure stocks and this policy change will, therefore, ensure that there is little scope for new effort coming into these fisheries.

The scallop fleet to be ring-fenced going forward would comprise fishing vessels that have carried out a scallop-targeted fishing activity for at least 50 days at sea in the two and a half years to 30 June 2005. As stated previously, scallop vessels meeting this modest activity requirement and which were not decommissioned would be included in this ring-fenced national fleet for the future.

In addition, the engine size of replacement vessels in the ring-fenced sub-segment should be restricted to 600 kW. This provision will ensure that the limited capacity in the sub-segment is not concentrated into a small number of large boats, which are less likely to support the processing factories in the southeast.

The target size of the scallop fleet after decommissioning is 4,800Kw.

A MECHANISM FOR DECIDING ON “HARDSHIP” CASES

There are some individual cases where boats miss out on the 75 fishing days criteria for eligibility for 2004/2005 because of a mechanical breakdown and inability to raise bank funding because of the limits on fishing effort and the imbalance with the fleet size. They face extreme financial hardship, some of them participants in the industry for many years.

It is recommended that a provision be included in the decommissioning scheme for “hardship” cases where boat owners who want to decommission just miss out on the “fishing days” criterion through genuine circumstances outside their control and face financial ruin.

A cap on the funds for such cases would be established. Any such provision for “hardship” cases would be included in the programme submitted for approval to the EU Commission.

INCENTIVES FOR YOUNG FISHERMEN TO PURCHASE BOATS

The current licensing and registration policy requires that a new entrant into the fleet must purchase not just a new vessel but also the “replacement capacity” (fishing boat licence) from a fisherman wishing to leave the industry. The “replacement capacity” involves the new boat owner purchasing the full (100%) capacity of the vessel, in terms of tonnage and engine power. This amounts to the purchase of a licence for the boat. The removal of capacity under the decommissioning scheme, while it will provide more economic stability and security for vessel owners remaining in the sector, is likely to result in less capacity being available for sale and accordingly an increase in the cost of such

capacity. This reality is likely to significantly restrict the entry of new young fishermen into the sector as boat owners will find it difficult to finance both a new vessel and the necessary capacity (licence). It is desirable in the interests of adding further vitality to a reformed industry that a system be introduced to reduce the cost of entry for young people whose families are not in the industry.

The EU rules governing management of the fleet restrict substantially the role the State may play. They do not allow the State to purchase capacity (licences) other than through a decommissioning scheme which requires that the capacity (licence) is permanently removed from the fleet. Under the current EU funding rules, grant aid for the purchase of boats is not permitted. This matter is currently being negotiated at EU level in the context of the next round of EU funding, 2007 – 2013. However, at this time the outcome to the negotiations remains uncertain. Even if EU rules permit grant aiding of boats for young fishermen entering the sector, the main barrier remains the cost of purchasing capacity (licence).

I am proposing that the sector itself contributes towards the costs involved by purchasing additional capacity (say an extra 15%) that would be set aside and made available to contribute towards the introduction of boats by new young entrants and who do not have a family involvement in the sector. I believe that this type of measure is necessary in order to ensure that entrepreneurial young blood is introduced in order to safeguard the long-term viability and vitality of the sector.

THE ISSUE OF EQUITY BETWEEN BOATS FISHING "QUOTA" SPECIES AND NON-QUOTA

In the past, vessel owners and new entrants to the polyvalent sector have had to purchase additional tonnage to secure access to demersal quota fisheries. In the case of shellfish – scallops, mussels – where quota restrictions do not apply to the amount of fish you can catch, the key restriction is on the number of permitted days at sea for each vessel. Most of the boat owners were able to enter the industry without paying for the tonnage.

There is an issue as to whether it is equitable that the shellfish operators should benefit to the same extent from a decommissioning as the quota restricted operators.

The EU decommissioning regulation¹⁹ provides that the maximum allowable grant be reduced by 1.5% for each year over 15 years with the deduction capped at 22.5% for vessels 30 years and over. Such a deduction if applied to the Irish scheme's proposed scrapping premium, would reduce payments more in the case of the shellfish fleet because of its older age profile.

To achieve equitable treatment as between the quota and non-quota boats, I recommend that the net payments to each non-quota scallop boat be reduced by 15%.

COST

In considering the appropriate price that the Government should pay for decommissioning, it is essential to recall the core objective of this exercise. In the words of the end objective of this review, it is to "urgently establish a better balance between fleet size and fishing entitlements".

It is my firm recommendation that the Government should get the job done once and for all now and on a scale that removes the uncertainty over the industry and provides an assured and attractive future for the remaining participants.

The decommissioning package must then be sufficiently attractive to persuade sufficient participants – including some of the most active – to come out now. In making that decision, many who are under pressure financially to repay loans, will be reluctant to do so now, unless the decommissioning terms can make a significant contribution to relieving those financial pressures and allowing them to walk away from the industry. A decommissioning scheme offering a very low cash benefit – compared with the going rate or the EU permitted levels – runs a real risk of failing to achieve the big reduction in fishing capacity recommended in this report and of prolonging the imbalances in the industry.

The UK schemes used a bidding process whereby qualifying boats put in a bid for the tonnage they wished to have decommissioned. Numerous sources have told me that fishermen participated in the scheme on the directions of the financial institutions to whom they owed money.

¹⁹ Council regulation 2792 of 1999 as amended by 1421/04, Article 8, Section 5

In the UK, the boat owners retained an Individual Transferable Quota (ITQ) with rights that they could use, sell or lease. The capacity of their boat was removed from the register but they had a tradable asset that they were able to sell or lease. This added to the financial return of the overall decommissioning programme.

The recommended Irish whitefish and shellfish decommissioning programme is ambitious in the proportion of the fleet to be taken out. It targets a small number of boats and it is unlikely in a bidding situation that they would compete against each other to reach the objective of the decommissioning programme.

For the above reasons, I do not favour a bidding process as part of the Irish scheme.

RECOMMENDATION

I recommend that the decommissioning payments be at the maximum levels permitted in EU decommissioning Regulations.

The maximum level of grant aid²⁰ was determined by the EU taking account of the statistics in most Member States where capacity is held by the State and is not traded. In the case of the Ireland capacity for the polyvalent and beamer segments has to be purchased when the boat was being licensed to fish. The cost of buying vessel capacity is determined by the market and may vary significantly. At present it ranges from €2,500-€3,000 per GT and associated kW. The decommissioning grant paid must in this situation compensate for the capacity, the boat to be scrapped and loss of livelihood. In the case of the polyvalent/beam trawl fleets I consider that the maximum grant aid is justified taking account of the original costs of entry to these segments of the fleet in order to ensure a good uptake and the removal of the targeted capacity.

The overall cost is estimated as €45 million including €1.5 million for hardship cases.

The provision for decommissioning currently provided in the National Development Plan amounts to €8.8 million. The recommended programme involves a net additional funding of €36 million to the end of 2007. Expenditure incurred in 2007 should rank for support from the European Fisheries Fund now at an advanced stage of consideration by the EU. I am satisfied that this sum will cover the full decommissioning needs of the whitefish and shellfish fleets as recommended in this report.

OTHER ISSUES

TAXATION OF DECOMMISSIONING PAYMENTS

The taxation liability on decommissioning receipts will depend on the particular circumstances applying to each vessel owner. A wide range of factors would require to be considered and assessed on an individual basis in the ultimate determination of that liability. These factors include such matters as whether the fishing vessels are held by individuals or companies, re-investment decisions and past capital allowance claims. The availability of various reliefs would also be an important factor to be considered and the extent to which these may be available are dependent on such criteria as the age of a vessel owner at the time of decommissioning.

It is not possible in this report to provide an all-embracing view on the taxation liability. It would clearly be appropriate for vessels owners to seek specialist expertise and guidance on their particular situations.

RESPONSIBILITY FOR SCRAPPING VESSELS

The EU rules (Council Regulation 2792/1999) require that vessels decommissioned with aid must be either scrapped or permanently re-assigned for non-profitable purposes other than fishing.

In practice almost all vessels are scrapped. In the Scottish and Northern Ireland programmes, the requirement for scrapping was defined as *scrapping means permanently broken up, or otherwise permanently disabled and rendered incapable of any use (or economic repair for use) for sea going purposes*. Responsibility for scrapping the vessels rested with the owner. Applicants were paid grant-aid in stages involving the surrender of the licence and the de-registration of the boat from the Fishing Boat Register, on certification that the boat was broken up as set down in the

²⁰ The EU value is based on the age and size of the vessel and varies according to both of these factors. For instance if the vessel is less than 10GT (Gross Tonnage) in size the price recommended per GT is €11,000 with a flat rate of €2,000. If the vessel is great than 25GT but less than 100GT the cost is 4,200 per GT plus a flat price of €82,000. All Values per GT are listed in Annex IV of Council Regulation No 2792/1999. The age is also taken into consideration- in Article VII paragraph 5 of the same Regulation. If the vessel is older than 30 years 22.5% of the cost is deducted from the total. If it is older than 15 years but less than 29, 1.5% is deducted for every year it is older than 15.

rules governing the particular scheme. In practice most boats were sent to boat yards in Denmark which have specialised in the scrapping of fishing boats. It is understood that in many cases the Danish yards paid for the boats. The owner of the vessel which is being scrapped is responsible for complying with environmental rules, including those governing the steaming of the vessel to Denmark, which must be met by the vessel owner when scrapping the boat.

ARTIFICIAL REEFS

To enhance recreational fishing and sport diving opportunities in coastal waters, and to increase the amount of productive hard-bottom habitat available overall, it is possible to create man-made, or "artificial" reefs. This is accomplished by placing suitable long-lived, stable and environmentally safe materials (usually steel or concrete) on a selected area of ocean bottom. Once the material is in place it acts in the same way that naturally occurring rock outcroppings do in providing hard substrate necessary in the basic formation of a live-bottom reef community. Such man-made artificial reefs are to be found in a number of areas most notably in the USA, for example, artificial reef development in South Carolina's coastal and offshore waters is managed through the South Carolina Department of Natural Resources, Marine Resources Division. As of January 1996, 38 artificial reefs have been constructed along the South Carolina coast. These sites are located in waters from 9 to 110 feet deep, ranging from inshore locations to areas as far as 35 miles offshore. A further report notes that, in Japan, rocks have been placed either singly, as a pile, in wooden cribs, or in scuttled boats.

In Ireland, the development of artificial reefs is governed by the Dumping at Sea Acts of 1996 and 2004. According to these the disposal of vessels at sea is not permitted (since 31 December 2004). The possibility of placement, rather than dumping, of vessels does exist however, in principle, under these Acts. Applications would have to be considered on a case-by-case basis and no such placement has been permitted to date.

RECOMMENDATION

A strategy for artificial reef development should be explored for Ireland. The strategy development should be led by BIM with support from the Marine Institute and would include advice on the practicality of using vessels under the proposed decommissioning scheme for such reefs.

EU APPROVAL

Under State aid rules, the introduction of decommissioning schemes requires the approval of the European Commission. In order to secure such approval, Member States must submit a detailed case to the Commission that invariably involves extensive discussion and correspondence between Member States and the Commission that can, in the normal course of events, take up to a year to complete. I consider that there is particular urgency associated with the decommissioning requirement being recommended in this report so as to make an early start to correct the basic imbalance that currently exists between the fleet capacity and fishing entitlements. For this reason, and also because eligibility under the 75-day fishing criterion in the previous two years would change with the passage of time, it is in my view imperative that Commission approval is sought and obtained at the earliest possible date on a priority basis so as to facilitate the phasing of the proposed decommission programme. Namely, that it should commence in the second half of this year, and be substantially completed by the end of 2006 and be finalised by the end of 2007.

THE STATE OF THE MAIN COMMERCIALY EXPLOITED FISHERIES RESOURCES IN WATERS AROUND IRELAND.
(ADVICE FOR 2005)

Stock			SSB in relation to precautionary limits	F in relation to precautionary limits	Stock Size	Stock Trend	Comment
Cod Vb, VI, XII, XIV							
Cod VIa		Reduced reproductive capacity	Reduced reproductive capacity	Harvested unsustainably	Lowest	Decreasing	Zero catch advice
Cod VIb		Reduced reproductive capacity	Unknown	Unknown	Low	Decreasing	Zero catch advice
Cod VIIa		Reduced reproductive capacity	Reduced reproductive capacity	Harvested unsustainably	Low	Decreasing	TAC set according to 30% rule in management plan
Cod VIIb-k, VIII, IX, X							
Cod VIIb,c			Unknown	Unknown	Unknown	Unknown	Average catches to avoid rapid expansion of fishery
Cod VIIe-k		Full reproductive Capacity	Full reproductive Capacity	Harvested sustainably	High	Decreasing	SSB likely to decrease due to low recruitment
Black Angler (Monk) VI & IV			Uncertain	Uncertain	Uncertain	Uncertain	Very poor catch data no assessment possible, precautionary TAC
Black Angler (monk) VIIb-k & VIIIab		Full reproductive Capacity	Full reproductive Capacity	Harvested unsustainably	High	Increasing	Caught with white angler increasing TAC but reliant on good recruitment
White Angler (monk) VIIb-k & VIIIab		Full reproductive Capacity	Full reproductive Capacity	Harvested sustainably	High	Increasing	Caught with white angler increasing TAC but reliant on good recruitment
Megrim VI			Uncertain	Uncertain	Uncertain	Uncertain	Mixed fisheries considerations, precautionary TAC based on average landings
Megrim VIIbc,e-k,VIIIabd		Full reproductive Capacity	Full reproductive Capacity	Harvested sustainably	Average	Decreasing	mixed fisheries considerations TAC slightly higher than 2004
Haddock IIa,IV		Full reproductive Capacity	Full reproductive Capacity	Harvested sustainably	High	Stable	Assessment based on IV and IIIa
Haddock Vb,VI,XII,XIV							
Haddock VIa		Full reproductive Capacity	Full reproductive Capacity	Harvested sustainably	Average	Stable	Mixed fisheries considerations, poor assessment with bias,
Haddock VIb			Uncertain	Uncertain	Low	Increasing	Stock at historical low in 2003, advice for lowest possible catches
Haddock VII,VIII,IX,X							
Haddock VIIa			Unknown	Harvested unsustainably	Average	Stable	Fishing mortality too high, stock likely to decrease
Whiting Vb, VI, XII, XIV							
Whiting VIa			Unknown	Unknown	Low	Stable	Substantial misreporting, high discarding, taken in mixed fisheries
Whiting VIb			Unknown	Unknown	Unknown	Unknown	Tiny catches no assessment
Whiting VIIa			Unknown	Unknown	Low	Uncertain	
Whiting VIIb-k							

Whiting VIIb,c							No separate ICES advice
Whiting VIIe-k		Full reproductive Capacity	Full reproductive Capacity	Unknown	Average	Stable	Mixed fisheries considerations, high discards, TAC slightly down on 2004
Hake (Northern-Vb, VI, VII, XII, XIV)			At risk of reduced reproductive capacity	At risk of being harvested unsustainably	Low	Increasing	Misreporting problems, big 2002 recruitment should bring up stock
Plaice IIa,IV			At risk of reduced reproductive capacity	At risk of being harvested unsustainably	Low	Stable	Recovery plan would necessitate much lower catches than the 2005 TAC
Plaice Vb, VI, XII, XIV							no separate ICES advice
Plaice VIIa		Full reproductive Capacity	Full reproductive Capacity	Harvested sustainably	High	Increasing	TAC same as 2004
Plaice VIIb,c			Unknown	Unknown	Unknown	Unknown	Average catches to avoid rapid expansion of fishery
Plaice VIIf,g			At risk of reduced reproductive capacity	Unknown	Low	Stable	Fishing mortality is too high and should be reduced to maximise long term yield
Plaice VIIh,j,k			Unknown	Unknown	Unknown	Unknown	Average catches to avoid rapid expansion of fishery
Saithe VI		Full reproductive Capacity	Full reproductive Capacity	Harvested sustainably	Average	Stable	TAC reduced from 2004 according to management plan
Saithe VII,VIII,IX,X			Unknown	Unknown	Unknown	Unknown	Status quo TAC until more information available
Sole II,IV		Full reproductive Capacity	Full reproductive Capacity	At risk of being harvested unsustainably	Average	Stable	TAC increasing slightly
Sole Vb,VI,XII,XIV			Unknown	Unknown	Unknown	Uncertain	No assessment but TAC decreased in line with decrease in landings
Sole VIIa			At risk of reduced reproductive capacity	Harvested sustainably	Average	Stable	2005 TAC increased slightly against ICES advice
Sole VIIb,c			Unknown	Unknown	Unknown	Unknown	Average catches to avoid rapid expansion of fishery
Sole VIIf,g		Full reproductive Capacity	Full reproductive Capacity	Harvested sustainably	Average	Stable	Marginal reduction in 2005 TAC
Sole VIIhjk			Unknown	Unknown	Unknown	Unknown	Average catches to avoid rapid expansion of fishery

NOTE: red indicates there is serious concern about the stock, orange indicates there is some concern or that limits are unknown and green indicates there is no concern about the stock.

DEFINITION OF FISHERIES TECHNICAL TERMS

ACCESS RIGHTS

Right to fish in a certain area. Within the EU all member states can fish in another fishing zone between 12 and 200 miles. In addition some states have historic fishing rights to fish in the 6-12mile zone of another member state

Further EU regulations have been put in place for all fishing waters around Ireland to limit access to these waters by vessels greater than 15 metres in length (and by vessels over 10 metres in the biologically sensitive area), who fish demersal species, scallops, edible crab and spider crab, to a specified amount of fishing effort.

BEAM TRAWL

A bottom trawl that is kept open laterally by a rigid beam.

CFP

The common fisheries policy of the European Union. It provides the framework for the management of fisheries within the EU.

DAYS AT SEA

The time (in days) spent at sea by a fishing boat. Used as a measure of fishing effort.

DEMERSAL FISHERIES

Demersal fisheries target species which live on the or near the seabed and feed on bottom-living organisms and other fish. Although fisheries may be directed towards particular species or species groups, demersal fish are often caught together and comprise a mixed demersal fishery.

EFFORT

The number of days spent at sea multiplied by the gross tonnage of the vessel or the kilowattage of the vessel.

FISHING POWER

The catch which a particular gear or vessel takes from a given density of fish during a certain time interval. For example, larger vessels have a greater ability to catch more fish, thus the greater their fishing power. Also, improvements in a vessel or gear, such as fish finders etc, can increase fishing power.

GROSS TONNAGE (GT)

A measure of the capacity of a vessel.

KILOWATTAGE (KW)

A measure of the size of a vessel engine.

KILOWATT DAYS (KW.DAYS)

A measure of fishing effort taken as the size of a vessel engine expressed in kilowatts multiplied by the number of days fishing. Thus a vessel with an engine rated 100 kW, fishing for 1 day, expends an effort equivalent to 100 kW.days.

MAGP

The EU Multi-annual guidance programme which limits the capacity of EU fishing fleets. Each Member State has reference levels for fleets below which they must remain.

PELAGIC FISHERIES

Fish that spend most of their life swimming in the water column as opposed to resting on the bottom are known as pelagic species. Mackerel, Herring, horse mackerel, blue whiting and Tuna are examples of pelagic fish.

QUOTA

A portion of a total allowable catch (TAC) allocated to an operating unit, such as a country.

TAC

Total allowable catch is the total regulated catch (measured in tonnes) from a stock in a given time period, usually a year.

WHITEFISH

Any of the demersal species e.g. Cod, Haddock, Plaice, but not pelagic oil rich species.

