Subject: State aid N 127/2003 – United Kingdom (Scotland)  
Fishing Vessels Decommissioning Scheme

Sir,

1. Procedure.

In a letter dated 10 March 2003, the UK authorities notified the Commission of a scheme entitled “Fishing Vessels (Decommissioning) (Scotland) Scheme 2003”. Following the exchange of a number of e-mails between the UK authorities and the Commission, since 1 April 2003, final information was received by letter dated 17 April 2003.

2. Description.

The aim of this measure is to provide for decommissioning scheme whereby fishing vessels will be permanently withdrawn from the UK fleet and removed from the register of sea fishing vessels in order to reduce effort on cod fishing by 15-20%. The scheme will be similar to the scheme which operated in 2001/2, which was approved as State Aid N490/2001.

The basic rules will be enshrined in a Scottish Statutory Instrument, the draft of which has been communicated to the Commission. An explanatory leaflet has also been communicated to the Commission, accompanied of two annexes which describe the scheme.

This scheme applies to registered fishing vessels, granted with Category A licences under UK law (except licences for pelagic pursers, pelagic freezers and pelagic trawlers)\(^1\), that have carried out fishing activity for at least 75 days during each of the calendar years 2001 and 2002 and that are operational at the time of application and, in the case of vessels over 12m in length, hold a valid safety certificate under the provisions of the Fishing Vessels (Safety Provisions) Rules 1975 and are, at the time of application, in the

The Right Hon Jack STRAW MP
Secretary of State for Foreign and Commonwealth Affairs

\(^1\) Category A licence means a licence granted in respect of a vessel under section 4 of the Sea Fish(Conservation) Act 1976 which authorises fishing in all or any part of the Community waters for all or any of the species of sea fish for which the United Kingdom has a share of the Community total allowable catch
same ownership as at 1 January 2003. In addition, the vessels must be Scottish based and at least 10 meters in overall length. No age restrictions are provided, so vessels of less than 10 years of age are also eligible.

Each application includes a bid for the level of grant which the applicant is looking for to decommission the vessel. If successful, all licences must be surrendered and the vessel must be removed from the register. Applications are evaluated and ranked on the basis of criteria including the vessel’s historic fishing activity on whitefish (measured by a number of weighted parameters such as KW days, the capacity of the vessel, and quota uptake, particularly of cod) and the cost of the decommissioning bid concerned. It is intended to give priority/weighting to vessels with an active history of fishing for cod. Awards to individual applicants will be discretionary and will be the amount bid under individually approved applications.

The withdrawal of a vessel from the fleet can then be undertaken within the provisions of Article 7 of Council Regulation (EC) Nº 2792/1999, of 17 December 1999 laying down the detailed rules and arrangements regarding Community structural assistance in the fisheries sector as last amended by Council Regulation (EC) 2369/2002 of 20 December 2002, hereinafter Regulation 2792/1999. The vessel shall not be decommissioned until the method of decommissioning has been approved by the Minister. The vessel must be decommissioned and total grant claimed before 31 October 2003.

The budget for this scheme is £40 million (around 60m Euro) and it is intended to be a one-off exercise ............... It is envisaged payments will be made over the financial year 2003/04.

For vessels of 10 years old or more, the level of the grant will remain under the ceilings specified in article 7 and Annex IV of Council Regulation (EC) Nº 2792/1999. An additional 20% premium may be granted to vessels which are required to reduce their fishing effort by 25% or more as a consequence of the recovery plan set out in the Annex XVII of Council Regulation (EC) 2341/2002. The UK authorities guarantied that this premium will be applied only to vessels which will be scrapped.

For vessels less than 10 years old, for which there is no provisions made in the Council Regulation (EC) 2792/1999, the level of the grant will be restricted to the maximum level of aid specified above for 10-15 year old vessels (according to article 7 and Annex IV of Council Regulation 2792/1999 plus an increased 20 % scrapping premium, which can be granted under the above mentioned conditions) increased by 1,5% for each year less than 10 years of age.

According to the Scottish authorities the eligibility of vessels of less than 10 years of age is appropriate in both conservation and economic terms. In particular, these vessels fish the hardest, spend the most time at sea and account for significant cod mortality (over 30% of cod landings by Scottish vessels in recent years are made by such vessels). They have therefore been seriously affected by measures to reduce fishing mortality. In addition, these vessels have been built without public aid and there is therefore no
problem of aid cumulation; in any case the relative cost-effectiveness of individual bids will be assessed in the evaluating process.

3. Assessment.

3.1. The scheme described involves transfer of State resources into private undertakings which they would not have received in the normal course of their business. The resources are destined for a specific category of enterprises and are therefore State aid in the sense of Article 87 of the EC Treaty. It must be assessed in the light of the Guidelines for the examination of State aid to fisheries and aquaculture (OJ C 19 of 20.1.2001, p. 7).

Point 2.2.1. of the Guidelines states that aid for permanent withdrawal of fishing vessels is compatible with the common market provided that it meets the requirements of Regulation (EC) No 2792/1999 for eligibility for Community aid. It also provides that aid schemes for such permanent withdrawal can differ from those requirements if they are of a limited duration. If so, they are assessed on a case-by-case basis.

The requirements provided by this scheme comply with the provisions laid down in Council Regulation (EC) No 2792/1999, with regard to the conditions of decommissioning and the ceilings of premia and with the conditions laid down in Council Regulation (EC) No 2370/2002 of 20 December 2002 establishing an emergency Community measure for scrapping fishing vessels for granting an additional 20% scrapping premium, except for vessels less than 10 years old for which no provision is made in those regulations.

3.2. The main objective of the Common Fisheries Policy is to ensure exploitation of living aquatic resources that provides sustainable economic, environmental and social conditions. (Article 2, paragraph 1 of the Council Regulation (EC) no 2371/2002 of 20 December 2002, on the conservation and sustainable exploitation of fisheries resources under the Common Fisheries Policy and point 3 of the introduction of the guidelines for the examination of state aid to fisheries and aquaculture). This can mainly be achieved by the permanent cessation of fishing vessels’ fishing activities. It is in order to achieve this objective that the Council adopted the specific Regulation No 2370/2002 providing for an additional premium of 20% for vessels whose fishing effort has had to be reduced by 25% or more as a consequence of a recovery plan and whose decommissioning is done by means of scrapping.

Furthermore, it is true that a number of fish stocks of particular importance to the Scottish fleet – notably cod, haddock and whiting – are under severe pressure. Therefore, they have been subject to significant reductions in TACs and Quotas over the past few years. Especially for cod, additional conditions for monitoring, inspection and surveillance in the context of a recovery plan are provided for under the Annex XVII of the Council Regulation (EC) 2341/2002, of 20 December 2002 fixing for 2003 the fishing opportunities and associated conditions for certain fish stocks and groups of fish stocks, applicable in Community waters and, for Community vessels, in waters where catch limitations are required.

3.3. For vessels ten years old or over, the scheme complies with the provisions of Point 2.2.1 of the Guidelines, except the possibility of an additional 20% scrapping premium where the vessel is decommissioned by means of scrapping. As the Guidelines refer to
the conditions laid down for decommissioning in Council Regulation (EC) N° 2792/1999, namely to the provisions adopted by the Council to adapt fishing effort to the level of the resources available, we can consider, by analogy, that those Guidelines also refer to the specific additional measure adopted by the Council through Regulation (EC) N° 2370/2002.

This scheme, which is of limited duration, serves to achieve the aim of reducing the capacity of the Scottish fleet in order to protect threatened fish stocks, balance capacity with available fishing opportunities and ensure long term viability of the fisheries and the fishing fleet. It is thus consistent with the objectives of the common fisheries policy.

On these grounds, with regard to this category of vessels, this aid scheme can be considered compatible with the common market.

3.4. The eligibility for decommissioning of vessels less than 10 years old is justified and appropriate to achieve the aim of the reduction of the effort on cod fishing by 15-20% since these vessels contribute substantially to cod fishing mortality. As the value of these vessels is, due to their age, higher than that of the vessels of the age groups provided for under the Regulation 2792/1999, the increase of the premia fixed for vessels of 10 to 15 years old by 1.5% per year under 10 is also justified. In addition, the percentage of the increase corresponds to the system of the calculation of the rates of premia for older vessels adopted by the Regulation 2792/1999 (article 7, paragraph 5, point a). It has also to be noted that there is no cumulation with aid previously granted for the construction of those vessels.

The grant of an additional scrapping premium to vessels whose fishing effort has had to be reduced by 25 % or more as a consequence of a recovery plan is also justified. It constitutes an additional incentive for the further reduction of the Scottish fishing vessels and especially those which are the most affected by a recovery plan. It thus serves the conservation of seriously depleted stocks, mainly whitefish, and the economic sustainability of the remaining fleet.

As there are real grounds for decommissioning vessels less than ten years old and the conditions for granting aid for their decommissioning are similar to those required for vessels ten years old or over, the increase of the basic premium (1.5% per year) is justified. Therefore, in the same way as this scheme can be considered compatible with the common market for vessels ten years old or over, it can also be considered compatible for vessels less than ten years old.

4. Decision.

In view of the above, the Commission has decided not to raise any objection to this aid scheme.

The Commission reminds the UK authorities of Article 21 of Council Regulation N° 659/1999 which provides for the obligation of annual reports on state aid schemes.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt.
If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site:


Your request should be sent by registered letter or fax to:

European Commission
Directorate General for Fisheries
DG FISH-D-3
Rue de la Loi/Wetstraat, 200
B-1049 Brussels
(Fax number : 0032 2 295.19.42)

Yours faithfully,

For the Commission

Franz FISCHLER
Member of the Commission