DG MARE

Lot 2: Retrospective and prospective evaluation on the common fisheries policy, excluding its international dimension

Ref. No MARE/2011/01

ITALY Case Study Report

for

Retrospective Evaluation of Scrapping and Temporary Cessation Measures in the EFF

Specific contract no.4 – SI2. 639813

November 2013
Contents

1 Structure of the fisheries sector .................................................................................................................. 2
  1.1 Structure of industry ................................................................................................................................. 2
  1.2 Management structure ............................................................................................................................ 2
  1.3 Interviews ............................................................................................................................................... 3
2 History of fleet capacity and cessation measures in the MS ........................................................................ 3
  2.1 Trend in fleet capacity ............................................................................................................................. 3
  2.2 Permanent cessation funding ................................................................................................................... 3
  2.3 Temporary cessation funding .................................................................................................................. 5
3 Results of stakeholder interviews ................................................................................................................ 7
  3.1 Strategy and approach ............................................................................................................................... 7
  3.2 Implementation and Administration ........................................................................................................ 7
  Permanent cessation ..................................................................................................................................... 8
  Temporary cessation .................................................................................................................................... 8
  3.3 External factors......................................................................................................................................... 8
    a. Impact of Fuel crisis ............................................................................................................................... 8
    b. Impact on domestic market .................................................................................................................... 9
    c. Lack of recruitment ............................................................................................................................. 9
  3.4 Impact and Effectiveness .......................................................................................................................... 9
4 Results of vessel owner survey ..................................................................................................................... 11
  4.1 Vessel and vessel-owner information ...................................................................................................... 11
  4.2 Owners that scrapped their vessel(s) with support ................................................................................ 14
  4.3 Owners that scrapped their vessel(s) without support ........................................................................ 20
  4.4 Owners not scrapping any vessel .......................................................................................................... 20
  4.5 Owners engaging in temporary cessation with and without EU aid .................................................. 22
5 Discussion ................................................................................................................................................... 25
  5.1 Relevance ............................................................................................................................................... 25
  5.2 Effectiveness .......................................................................................................................................... 27
  5.3 Efficiency ............................................................................................................................................. 32
  5.4 Coherence ............................................................................................................................................. 34
  5.5 Acceptability ......................................................................................................................................... 35
6 Summary and conclusions .......................................................................................................................... 37
  6.1 Trends in fleet structure & capacity ......................................................................................................... 37
  6.2 Extent of cessation measures contribution ............................................................................................ 37
  6.3 Opinions on cessation measures ........................................................................................................... 37
  6.4 Vessel owner Survey findings ................................................................................................................ 38
  6.5 Evaluation conclusions ........................................................................................................................... 39
  6.6 Conclusions for the counterfactual analysis ........................................................................................... 40
  6.7 Recommendations ................................................................................................................................. 41
APPENDIX 1: References ............................................................................................................................. 42
Tables

Table 1 Active fleet by gear type in 2011 ................................................................. 2
Table 2 Scrapped fishing capacity and EFF granted by gear and adjustment plan ........... 5
Table 3 Temporary cessation schemes under EFF ....................................................... 6

Figures

Figure 1 – Trend in fishing capacity 2006-2011 (2006 = 100) ........................................ 3
Figure 2 – Number of vessels owned ......................................................................... 11
Figure 3 – Number of employees ............................................................................... 12
Figure 4 – Age of vessels owners ............................................................................... 12
Figure 5 – Ownership structure .................................................................................. 13
Figure 6 – Investment since 2008 ............................................................................... 13
Figure 7 – Ownership structure during the last year of activity for no active vessels anymore ...... 14
Figure 8 – Current employment status ........................................................................ 15
Figure 9 – Destination of quota after scrapping ......................................................... 17
Figure 10 – Opinion on scrapping premium ............................................................... 18
Figure 11 – Destination of scrapping premium ............................................................ 18
Figure 12 – Likely action without cessation funding .................................................... 19
Figure 13 – Opinion on scrapping processes .............................................................. 20
Figure 14 – Factors affecting profitability ................................................................... 21
Figure 15 – Evolution of profitability since 2008 ........................................................ 22
Figure 17 – Covering of vessels expenses by temporary cessation funding .................... 23
Figure 18 – Amount received in relation to normal profits .......................................... 23
Figure 19 – Opinion on temporary cessation processes .............................................. 24
Figure 20 – Trend in fishing effort and CPUE for the Italian fleet 2004-2011 .................... 29
Figure 21 – Trend in average age for the Italian fleet 2002-2011 .................................... 30
Figure 22 – GT and number of Italian fleet 2006-2012 .............................................. 32
# Acronyms

Please include a list of all Acronyms referred to in the report if necessary in the following format.

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACOM</td>
<td>Advisory Committee of ICES</td>
</tr>
<tr>
<td>AER</td>
<td>Annual Economic Report</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agriculture Organisation of the United Nations</td>
</tr>
<tr>
<td>FEAP</td>
<td>Fishing Effort Adjustment Plan</td>
</tr>
<tr>
<td>GRUND</td>
<td>Italian National Group for Demersal Resource Evaluation</td>
</tr>
<tr>
<td>GSA</td>
<td>Geographical Sub Area</td>
</tr>
<tr>
<td>ICCAT</td>
<td>International Council for the Conservation of Atlantic Tuna</td>
</tr>
<tr>
<td>MEDITS</td>
<td>International bottom trawl survey in the Mediterranean</td>
</tr>
<tr>
<td>MIPAAF</td>
<td>Ministero per le politiche agricole e forestali</td>
</tr>
<tr>
<td>SIPA</td>
<td>Sistema Italiano Pesca e acquacoltura</td>
</tr>
<tr>
<td>SSB</td>
<td>Spawning Stock Biomass</td>
</tr>
</tbody>
</table>
1 Structure of the fisheries sector

1.1 Structure of industry

In 2011, the Italian active fishing fleet consisted of 13,064 registered vessels, with a combined gross tonnage of 169,000 GT and total power of 1,045,000 kW and an average age of 28.5 years. The fleet is highly diversified with a broad range of vessel types targeting different species predominantly in the Mediterranean Sea. The largest segment within the fleet is the small-scale fishing fleet of 8,764 vessels, followed by trawlers (2,525 vessels), hydraulic dredges (706), passive polyvalent gears, (186), purse seiners (268) and mid-water pair trawlers (132). Total employment was around 28,982 jobs.

The total volume of landings achieved by the Italian fleet in 2010 was 225,000 tonnes of seafood. In 2011, European hake accounted for the highest value of landings (€90 million) by the national fleet, followed by crustaceans (€84 million), European anchovy (€75.9 million) and then deep water rose shrimp (€75.6 million).

In terms of landings composition, in 2010 European anchovy was the most common species landed in terms of volume (54,000 tonnes), followed by Striped Venus (19,700 tonnes) and European pilchard (16,200 tonnes).

The total amount of income generated by the Italian national fleet in 2010 was €1,137 million. This consisted of €1,115 million in landings value and €22 million in direct subsidies.

Table 1 Active fleet by gear type in 2011

<table>
<thead>
<tr>
<th>Gear types</th>
<th>Vessels</th>
<th>GT</th>
<th>Kw</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trawlers</td>
<td>2,525</td>
<td>103,854</td>
<td>498,829</td>
</tr>
<tr>
<td>Mid-water Pair Trawlers</td>
<td>132</td>
<td>10,572</td>
<td>48,059</td>
</tr>
<tr>
<td>Purse seiners</td>
<td>268</td>
<td>16,186</td>
<td>67,382</td>
</tr>
<tr>
<td>Dredgers</td>
<td>706</td>
<td>9,394</td>
<td>76,332</td>
</tr>
<tr>
<td>Small scale vessels</td>
<td>8,764</td>
<td>16,817</td>
<td>250,937</td>
</tr>
<tr>
<td>Multi-purpose vessels</td>
<td>483</td>
<td>6,501</td>
<td>69,859</td>
</tr>
<tr>
<td>Longlines</td>
<td>186</td>
<td>5,540</td>
<td>36,479</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,064</strong></td>
<td><strong>168,864</strong></td>
<td><strong>1,047,877</strong></td>
</tr>
</tbody>
</table>

Source: Mipaaf-Irepa

1.2 Management structure

The fishing fleet is managed centrally by the Ministero per le politiche agricole e forestali (MIPAAF) - Direzione Generale Pesca e Acquacoltura. The managing authority for the European Fisheries Fund is the MIPAAF.

The vast majority of fishing enterprises, 91%, are single vessel owner operators. Fishing enterprises are mostly represented by fishing cooperatives; this juridical form is common in the Italian fishing sector and, depending on the main aim of the fishing cooperatives, two different types can be identified (labour fishing cooperatives and services fishing cooperatives).

The principal national fishery organizations are Federpesca, Federcoopesca, Lega Pesca e UNCI Pesca; in addition there are 43 POs and a national association of POs.
1.3 Interviews

Interviews were conducted with the managing authority (MIPAAF) and:

- **Federcoopesca** (federation of fishing cooperatives created to represent and safeguard the interests of fishery cooperatives and their members. The members are 10,981, with a total of 7,100 employment);
- **Feder OP** (national association of POs. with 35 members which correspond to 2,455 vessels);
- **Associazione Trapani** (local fishermen’s organization with 11 ship-owning members and 16 vessels).

2 History of fleet capacity and cessation measures in the MS

2.1 Trend in fleet capacity

The size of the Italian fishing fleet has followed a decreasing trend between 2006 and 2011. The number of vessels declined by 6% while the total GT and kW of the fleet declined by 12% and 8%, respectively during the same period.

The Italian fishing fleet has been decreasing in size for several years under the FIFG and EFF programme periods. By 2011, the fleet had decreased to 13,064 (13,955 in 2006) active vessels with a proportionate decrease in employment (28,982 in 2011 and 30,351 in 2006).

**Figure 1 – Trend in fishing capacity 2006-2011 (2006 = 100)**

![Graph showing trend in fishing capacity 2006-2011](image)

Source: Annual report of the fleet, Italy, 2012

2.2 Permanent cessation funding

Fishing capacity was addressed in 22 fishing effort adjustment plans, as follows:

- three adjustment plans drawn up pursuant to Regulation (EC) 1198/06, for the fishing of Bluefin tuna using a purse seiners;
- one decommissioning plan for the oceanic fleet in the framework of the EC – Mauritania fishing agreement affected by adjustment plans;
exclusively for Mediterranean fleet:

- seven decommissioning plans for bottom-trawling,
- six decommissioning plans for fleets operating with other systems;
- five decommissioning plans for small pelagic fishery.

Each adjustment plan relating to the Mediterranean Fleet is associated with a national management plan drawn up pursuant to art.24 of Reg. (CE) n.1198/2006 (temporary withdrawal) and art.19 of Reg. (CE) n.1967/2006 (Mediterranean Rule).

The time series data from the GRUND (Italian National Group for Demersal Resource Evaluation) and MEDITS (International bottom trawl survey in the Mediterranean) trawl surveys have been used to assess the state of biological resource and to estimate the fishing effort reference point associated with exploitation rates (E) weighted for a pool of species. The adjustment plans found that a fishing effort reduction in the range between 3% and 20% should have been implemented. For areas not covered by the convergence objective and hence with limited financial resources, the planned reductions are less than those suggested by the biological parameter estimates.

The national FEAPs were adopted in December 2007, but modified in 2010; the first aids for permanent cessation were only sent to the beneficiaries in July 2010.

A call for application was published by MIPAAF in 2008 (decree of 8 August 2008); no more scrapping applications have been accepted up to 2012.

In the first months of 2013, a new call for applications was published by MIPAAF; permanent cessation measures are planned for some administrative regions. The permanent cessation measure falls under the State competence and only EEF and national funds are used to implement the capacity reduction. Yet, due to the need to protect biological resources living along the coast, in 2012 some regions asked the managing authority to use their own Axis 1 funds to scrap small scale trawlers and purse seiners fishing in coastal areas. Following an agreement between the State and the Regions, in the first months of 2013, a new call for application was published by the Management Authority to let permanent cessation to be implemented at local level. In these cases, the permanent withdrawal found its legal base in the reduction targets set by the fishing effort adjustment plans (FEAP) for the Mediterranean fleet.

Based on Axis 1 financial resources available to, each administrative region the payment of the premium was granted to vessels registered in:

- Friuli Venezia Giulia: trawlers, purse seiners and other systems with total length (LOA) lower than 12 m,
- Emilia Romagna: trawlers with total length (LOA) lower than 15 m,
- Veneto: trawlers with total length (LOA) lower than 15 m,
- Sicily: vessels with total length (LOA) lower than 12 m except for pelagic vessels.

At present, the financial resources allocated amounted to a total of €9.5 million. This scheme is still running and no data are available on the number of applications, GT to be scrapped and premiums paid.

In Table 2, data on Italian permanent cessation schemes are presented; data relates to completed operations only.
Table 2 Scrapped fishing capacity and EFF granted by gear and adjustment plan

<table>
<thead>
<tr>
<th>Gear Category</th>
<th>No of vessels</th>
<th>GT</th>
<th>EFF Granted (k€)</th>
<th>€/vessel</th>
<th>€/GT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trawls</td>
<td>256</td>
<td>15,123</td>
<td>37,770</td>
<td>147,539</td>
<td>2,497</td>
</tr>
<tr>
<td>Surrounding nets</td>
<td>109</td>
<td>5,797</td>
<td>16,523</td>
<td>151,584</td>
<td>2,850</td>
</tr>
<tr>
<td>Hook and lines</td>
<td>117</td>
<td>1,052</td>
<td>4,328</td>
<td>36,988</td>
<td>4,114</td>
</tr>
<tr>
<td>Gillnets and entangling nets</td>
<td>59</td>
<td>241</td>
<td>1,088</td>
<td>18,446</td>
<td>4,516</td>
</tr>
<tr>
<td>Not specified</td>
<td>32</td>
<td>1,641</td>
<td>4,453</td>
<td>139,163</td>
<td>2,714</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>573</strong></td>
<td><strong>23,854</strong></td>
<td><strong>64,162</strong></td>
<td><strong>111,975</strong></td>
<td><strong>2,690</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Adjustment plan</th>
<th>No of vessels</th>
<th>GT</th>
<th>EFF Granted (k€)</th>
<th>EFF paid (k€)</th>
<th>National contr. (k€)</th>
<th>MS Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mediterranean Sea</td>
<td>536</td>
<td>18,083</td>
<td>47,106</td>
<td>46,955</td>
<td>35,941</td>
<td>43%</td>
</tr>
<tr>
<td>Tuna</td>
<td>36</td>
<td>5,277</td>
<td>15,954</td>
<td>13,790</td>
<td>13,746</td>
<td>50%</td>
</tr>
<tr>
<td>Mauritania</td>
<td>1</td>
<td>494</td>
<td>1,102</td>
<td>1,083</td>
<td>1,083</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>573</strong></td>
<td><strong>23,854</strong></td>
<td><strong>64,162</strong></td>
<td><strong>61,827</strong></td>
<td><strong>50,770</strong></td>
<td><strong>45%</strong></td>
</tr>
</tbody>
</table>

Source: Art. 40 data provided by the Italian Managing Authority

2.3 Temporary cessation funding

Temporary cessation has been used as a management tool in Italian fisheries since 1988. Since then, each year a temporary closure is established for bottom and mid-water pair trawlers. According to the year and to financial resources available for the implementation of this measure, 30-45 days of cessation of fishing activity is set based on the spawning season of the most significant target species.

The MA states that the main objective of the temporary cessation measure in the Italian system is the rebuilding of the most important stocks through the reduction of fishing activity. There is no single rule governing the financial approach to this measure. In some years it has been totally paid by the State, but more often the EFF contributes to its implementation. The funding amounts have changed year to year according to the year and depending on the financial resource available. Generally the crew is paid with national funds made available by the Layoff Benefits Fund (“cassa integrazione guadagni in deroga”), while the EFF funds provide for the payment to the ship owners.

In 2008, a temporary cessation scheme was implemented through the Reg. 744/2008 for compensating losses brought about by extraordinary events such as the economic crisis induced by the rise of fuel costs. TC was funded in part by EFF and in part by a national fund called “Fondo centrale per il credito peschereccio (art.13 of D.L. n.154/2004)”\(^1\); in this year, compensation was paid both to fishermen and ship-owners.

In 2009, the annual temporary closure was established for bottom and mid-water pair trawlers but no compensation was provided for ship-owners. Only fishermen were allowed to apply to Layoff Benefits Fund (“cassa integrazione guadagni in deroga”).

In 2010, as a consequence of the adjustment plan adopted by the Italian government, in accordance to the ICCAT Resolutions and EU Rules (-40% TAC in two years) a tuna-fishing moratorium was

\(^1\) Ministerial decree 30/7/2008
introduced and a premium was paid to ship owners based on the temporary cessation scheme included in the Operation Programme of the EFF.

In the same year a TC scheme for trawlers was also implemented under the general context of the fishing effort adjustment plans, based on management plans adopted at national level within the framework of community conservation measures (art. 24(1) (v) of Reg. (CE) 1198/2006).

In 2010 and 2012, as for ship owners, TC was entirely funded by the EFF, while in 2011, the measure was funded partly by EFF and partly by a national fund “Fondo rotativo” (law n.183/1987, art.5)\(^2\). The TC for mid-water pair trawlers is not implemented under EFF; only national fund was used.

### Table 3 Temporary cessation schemes under EFF

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of beneficiaries</th>
<th>Beneficiaries</th>
<th>EFF paid (k€)</th>
<th>National contr. (k€)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>TC (Reg. 744/2008)</td>
<td>2008</td>
<td>4,258</td>
<td>Ship-owner and fishermen</td>
<td>8,755</td>
<td>8,755</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>2,559</td>
<td>Ship-owner</td>
<td>4,975</td>
<td>5,286</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>1,155</td>
<td>Ship-owner</td>
<td>2,347</td>
<td>2,687</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>643</td>
<td>Ship-owner</td>
<td>1,601</td>
<td>1,601</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,615</td>
<td></td>
<td></td>
<td>17,678</td>
<td>18,329</td>
</tr>
</tbody>
</table>

Source: Direzione Generale Pesca, MIPAAF

The Managing Authority states that overlapping between of EFF and national funding is avoided by defining precise criteria and procedures for the payment of the grant and also through the use of the Integrated Management and Control System (Sistema Integrato di Gestione e Controllo) within the SIPA (Sistema Italiano Pesca e acquacoltura).

Each vessel, year by year, can adhere or not to TC. Indeed, as Italian fisheries are multi-species and Italian fleets are generally multi-gear, in the period of temporary cessation of fishing activity for trawlers, vessels using trawl gears can continue to fish with other fishing gears. In this case trawl nets are to be unloaded or sealed.

From 2008 to 2012, there was a decrease in the number of beneficiaries for this measure. This reduction, in the opinion of the MA, is partly due to the delay in the payment (about one year to receive the aid) and partly due to the reduction of the fleet (linked with the permanent cessation measures).

---

\(^2\) Ministerial decree 15/6/2011
3 Results of stakeholder interviews

3.1 Strategy and approach

NSP and OP were drafted by central administration following consultation with stakeholders (in particular, fishermen’s organizations and POs).

An important share of EFF was focused on Axis I (about the 40% of the financial resources). As stressed in national OP, scrapping is considered as one of the most appropriate measure to adapt fishing capacity and to address over-capacity.

Fishing Effort Adjustment Plans (FEAPs) are designed at GSA (geographical sub-areas) level and for all the fishing segments. In consideration of the importance on the demersal and benthic resources, about the 70% of the total GT expected reduction has been assigned to the trawler fishing segment.

For each fleet adjustment plan, a Biological Reference Point Limit (LRP=E_{0.50}) and a Target Reference point (TRP=E_{0.35}) are used to estimate the expected reduction of fishing capacity by fishing system and GSA. For example, the management plan for trawler segment in GSA 10, aims to achieve an improvement in the spawning stock biomass (SSB) by reducing the exploitation rate (weighted for a pool of species: hake, mullet, deepwater pink shrimp, Norway lobster and striped red shrimp) from the present level of 0.66 to a level of 0.35 (target reference point). As far as trawling is concerned, with reference to the state of biological resources, a reduction in the exploitation rate (E) from the present level (0.66) to a value of 0.5 (Limit Reference Point) should be achieved with a reduction of 17% of the fishing capacity. A further reduction in fish mortality to a more precautionary exploitation rate (0.35 Target Reference Point) could be gradually achieved with the additional implementation of further management measures described in the management plan, such as: establishment of fishing protected areas, reduction of fishing activity and temporary cessation of fishing activity. In particular temporary cessation measure was also envisaged to help restore of fishing stocks in consideration of the biological objectives of the measure (reduction in the mortality of young fish).

Data Collection of Fisheries (EC Regulations 1543/2000 and 199/2008) has been used to inform the design of these schemes.

The national management plans, which were drawn up pursuant to Regulation (EC) No 1967/2006 and which contain fleet decommissioning schemes, provide for annual monitoring to verify the implementation of the objectives identified and quantified for each fishing method and area.

In 2010, there was a revision of OP due to the need to implement Council Regulation (EC) No 302/2009 concerning a multi-annual recovery plan for bluefin tuna in the Eastern Atlantic and Mediterranean. This reduced the budget assigned for Mediterranean adjustment plans, and 25% of the financial resource was re-assigned to bluefin tuna adjustment plans.

The industry believes that the characteristics of the Italian fishing industry lend themselves to the use of a generalised licensing scheme, as the most suitable tool for management of the industry and the resource. This is then supported by capacity reduction under management plans and fishing effort adjustment plans for each fleet segment and GSA. Each plan follows an ecosystem approach and is characterised by measures for the recovery of the main target species in the area through an effort management approach and by social and economic accompanying measures, required to support fishermen in the transitional period.

3.2 Implementation and Administration

Annex A – Fishing Effort Adjustment Plan relating to the Mediterranean Fleet drawn up pursuant to art.21 of Reg. (CE) n.1198/2006 – period 2010-2013
Permanent cessation

The MIPAAF decree of 15 April 2010 (amending Article 3 of the decree of 8 August 2008 on modalities for permanent cessation) has defined the measures for permanent withdrawal in relation to the 18 fishing effort adjustment plans for Mediterranean fleet according to geographical sub-areas (GSA) and fishing systems.

The main eligibility criteria are the vessel age (older than 10 years), a fishing activity for at least 75 days at sea in the period preceding the date of the application for permanent withdrawal and to fall in under one of the adjustment plan.

A ranking is drawn up for each adjustment plan; a score is calculated for each vessel on the basis of this formula:

\[ \text{GT} + ((\text{age} - 10) \times 5) \]

Public aid for final cessation paid to beneficiaries for Mediterranean fleet is function of GT (the table is published in OP) decreased on the basis of the year of the vessels.

Regarding tuna purse seiners, three different adjustment plans were implemented (in 2009, 2010 and 2011). In order to avoid that these schemes were under-subscribed due to insufficiently attractive premiums, the public aid for tuna purse seiners was increased of about 20% respect to the aid for Mediterranean fleet.

Regarding Oceanic fleet, one adjustment plan was implemented in 2010.

Temporary cessation

Temporary cessation measures were implemented in connection with national management plans and fisheries adjustment plans within the framework of Community conservation measures.

National administration implements the TC scheme and annually a call for application is published by MIPAAF (decree). For the Regions with special statute such as Sicily and Sardinia, an annual regional decree sets the criteria for application.

The direct beneficiaries are the vessel-owners. For the vessel-owners the premium is a function of the GT and the number of days (the table is published in the OP).

In 2008 and in 2011, the ship-owners benefited from EFF scheme and national funds:

- in 2008, a budget of €35 million was allocated of which €25 million was from EFF and €10 million from a national fund called “Fondo centrale per il credito peschereccio (art.13 of D.L. n.154/2004)”\(^4\)
- in 2011, a budget of €22 million was allocated of which €13 million was from EFF and €9 million from a national fund called “Fondo rotativo” (law n.183/1987, art.5)”\(^5\)

The fishermen, in the period of temporary cessation are laid off and collect unemployment benefits ("cassa integragrazione in deroga"). Benefits for both vessel owners and employees are assigned only to vessels adhering to the temporary cessation measure. Vessels not adhering to the temporary cessation and using an alternative fishing gear in that period do not receive funding support.

3.3 External factors

a. Impact of Fuel crisis

The last few years were marked by a strong increase in total costs, which worsened the overall economic situation of fishing enterprises and consequently, scrapping and TC measures were viewed by the industry as very important tools to support the sector. Temporary cessation was used under the framework of Reg. 744/2008.

\(^4\) Ministerial decree 30/7/2008
\(^5\) Ministerial decree 6/7/2011
b. Impact on domestic market

The trade deficit in the seafood sector continues to rise, partly due to the constant decline in landings. Domestic production in 2011 represented 38% of import volumes (366,000 t and 957,000 t respectively). Some trends in the domestic market negatively affect the fishery sector including the increased imports and the diffusion of the large scale retail trade.

In the period of the temporary cessation of fishing activity, imports of fish products rise and remain even when the fishing activity restarts. The level of imports remains high as a consequence of buyers finding other, more competitive sources. This is the case of the small pelagic fishery in the Adriatic Sea; in the first few weeks after the temporary cessation prices remained below the annual average. Domestic producers therefore lose market share during and following TC measures.

c. Lack of recruitment

Fishing activities, which represented traditional working opportunities in fisheries dependent areas, are not attracting young generations. The difficulties in finding young fishermen that are available to succeed those reaching retirement induce older fishermen to scrap the vessel.

3.4 Impact and Effectiveness

There is a growing awareness from the industry about resource issues; the reduction of over-capacity is considered the main benefits of the measures. All parties suggest that the main benefit of the permanent cessation has been the reduction of overcapacity.

As for the Mediterranean fleet, the latest data available show that 13% of the fishing capacity (GT) was scrapped. For tuna purse seiners, the fishing effort adjustment plans had a greater impact in terms of GT scrapped (-77% in the period 2008-2011).

The fishermen’s organizations interviewed don’t have direct biological information on the state of the exploitation of the stocks and of their evolution. The Feder OP. and the Trapani fishermen organisation have asserted that the state of the main stocks is considered quite stable in recent years and that the fishing effort is not considered high compared to the resource availability, partly as a consequence of the decommission plans. In general, the negative trend shown by profits is more linked to the rise in costs, particularly variable costs, rather than a fall in revenue and in landings. With regard to small pelagic species, the greatest difficulty is linked with the market and the trend in prices.

With the economic difficulties of recent years, the scrapping premium has been high enough for owners to decide to scrap as it is considered on a level with the second-hand market price of vessels. In the opinion of Feder OP, the selection criteria based on the age of the vessel should be eliminated since it is not relevant to the link between scrapping and overcapacity. The selection criteria must be more targeted to a given fleet segment, for example small trawlers, that have the highest impact on some stocks that are overexploited.

In the opinion of Federcoopesca, in some situation of crisis, an increase of the premium should help to reduce the overcapacity and avoid stock collapse. For example, currently a stock crisis in the clam fishery is observed in North Adriatic Sea, in particular in Monfalcone. In this case, only a higher premium would encourage the owners to scrap their vessels.

The premium is an important element in the decision to scrap a vessel but it isn’t the only one; the economic situation is most important and the scrapped vessels are in the majority of the cases those that are not profitable or those with a relatively old owner.
From a social perspective, all the stakeholders interviewees consider that the public support for permanent cessation has had a negative effect on economic and social aspects as a consequence of the fact that the aid has not been invested in fishing sector.

In the opinion of MA interviewed, the scrapping measures are not considered to have a positive impact on fleet modernization even if the exit from the fleet has affected the less efficient vessels and the most ancient vessels; the fishing sector, in fact, continues to be characterized by a low level of investment and technological improvements.

The financial resources assigned to Axis I are considered by the industry to be low compared with the other axis of the EFF. For the administrative regions that are not in the convergence objective financial resources are scarce. Moreover, the implementation of permanent measures doesn’t change the consequences of fuel crisis.

With regard the temporary cessation, the measure is considered by all the stakeholders interviewees to be a very important management instrument. One of the direct effects of the temporary cessation is considered the positive impact on the resource; the stakeholders are aware of this and they consider this measure as indispensable. TC also contributes to sustain the crew from an economic point of view and to support the level of employment.

In the opinion of the stakeholders interviewed, the aid for the temporary cessation measure is not sufficient to cover the loss of income due to the suspension of fishing activity. The stakeholders interviewees are in favour of the renewal of both schemes in the new program; stakeholders offered some recommendations for improvements if these measures were to be considered in the future; mainly, the two measures must be more flexible and able to adapt at environmental and economic changes; in particular, for the scrapping, the procedure should be more efficient in order to support period of crisis; at the moment the waiting time to receive the aid is too long.

The efficiency of the measures could be improved through greater stakeholder involvement and the development of co-management experiences. Recently, through the provision of Article 37 of Regulation (EC) 1198/06 on the European Fisheries Fund (EFF), which provides for the possibility of financing the drafting of local management plans, the Trapani fishermen’s associations implemented a local management plan through an ad hoc management consortium. The Feder OP. has experimented with successful methods to encourage sustainable fishing, with measures of self-management of effort and reduction of catch. In the last months, Feder OP. has drawn up with the national Fishery Directorate of Mipaaf (Ministero per le politiche agricole e forestali) a Management Plan for small pelagic fishery in GSA 17 and 18. In this plan, a set of measures is proposed such as reduction of capacity, reduction of time spent at sea (from 5 to 4 fishing days in a week), limit in the landings (total maximum catch per day), and others. The plan has been discussed at local level with the stakeholders and the fishermen; the fishermen choose, on a voluntary basis, to reduce the fishing effort in order to protect the resource.
4 Results of vessel owner survey

A total of 204 interviews were carried out. However, respondents were not always able to answer to all questions. As a consequence, around 190 questionnaires are sufficiently complete to be used for the analysis.

The sample included vessels using or having used bottom trawl (OTB), purse seine (PS), long-line (LLS) and set gillnet (GNS) as main fishing gear. The composition of the sample has followed statistical criteria. Around 45% of questionnaires have been submitted to owners of vessels with bottom trawl as main gear. Another 45% have been equally distributed between vessels with long-line and set gillnet, while the remaining 10% of questionnaires were submitted to owners of purse seine vessels. Sub-groups of the whole sample have been defined considering separately those having scrapped a vessel and those that did not, those that scrapped vessels without any financial support and those having engaged in temporary cessation.

4.1 Vessel and vessel-owner information

Even though the sample is limited to vessels using or having used the fishing gears reported above, it reflects the structure of the Italian fleet, which is generally characterised by the ownership of a single vessel. As reported in Figure 2, more than 80% of the vessels owners interviewed own a single vessel, while the remaining 20% owns 2 or 3 vessels. AER data for 2010 shows that around 90% of enterprises owns single vessels, while just 3% is the percentage of enterprises with more than 5 vessels.

Figure 2 – Number of vessels owned

Another characteristic of the Italian fleet is the low number of employees per vessel. As reported in Figure 3, 44% of the vessels in the sample has just an employee and 38% of the vessels has between 2 and 5 crew members. There is also 12% of the interviewers declaring no employees. This is the case of small-scale vessels managed by the same owner.
The vessels owners interviewed are generally over 40. More than 80% of the people interviewed are older than 43 years and almost equally distributed among the older three age classes. The vessel owners younger than 32 are just 4% of the total sample. This is mainly due to the selection in the sample of scrapped vessels and that older people are more interested in scrapping given the possibility to retire from work than younger people.

Given the structure of the sample, 40% of the vessels are not in activity anymore. Figure 5 shows also that most of the remaining vessels are owned through individual enterprise or by natural persons. This is justified by the predominance of small-scale vessels in the Italian fleet.
As shown in Figure 6, since 2008 no investments have been done for 80% of the vessels in the sample, while investments in vessel equipment have been done for 15% of the vessels. The lack of investment is due to both the economic difficulties the sector is facing and the presence of many vessels intended to be scrapped in the next future.

Figure 6 – Investment since 2008

The sample is equally distributed between owners of vessels scrapped, reassigned or transferred (almost exclusively scrapped vessels) and owners that have not applied for these options in the last ten years. Owners having scrapped two vessels represent only 1% of the total.
4.2 Owners that scrapped their vessel(s) with support

More than 40% of the vessels owners interviewed declared to have benefited from funding support for scrapping their vessels. This group of respondents is split in those still having at least an active vessel and those with no active vessel anymore.

The last sub-group represents 46% of the total sample and the great majority (86%) of the vessels having benefited from scrapping funding. Indeed, as the Italian fleet is characterised by single vessels owning, scrapping a vessel generally means to leave the sector.

The ownership structure of these sub-group of vessels is characterised by the predominance of single owners. Indeed, as shown in Figure 7, 80% of the vessels were owned through individual enterprises or by natural persons. This is mainly due to the predominance of small-scale vessels in the Italian fleet.

Figure 7 – Ownership structure during the last year of activity for no active vessels anymore

![Ownership structure diagram]

The vessels scrapped by single vessel owners were not profitable. Only 15% of the people interviewed declared a positive ratio between profits and turnover (lower than 10%), while almost 80% of interviewers declared a value equals to 0 (breakeven) or negative.

Once scrapped the vessel, as these fishers have no other vessel, they generally left the sector and retired.
Figure 8 shows that 70% of the owners of these vessels are retired, while just 10% is employed on another vessel and 5% in a fishing sub-sector different than catching. Therefore, just 15% remained in the fisheries sector, while another 15% is employed in a different sector or is unemployed.
As reported above, more than 85% of the vessels owners that benefitted from scrapping funding had a single vessel. The remaining 15% consists of vessels owners that scrapped a vessel and continued the fishing activity with the other vessels they own.

The profitability of the vessels still active is generally positive. More than two thirds of interviewers declared a positive ratio between profits and turnover. Few of them declared a value higher than 10%. These are the purse seiners involved in tuna fisheries, which owners have generally had more than a vessel. They were pushed to scrap vessels as a consequence of the Ministerial order 10751/2010, which established a minimum tuna quota of 130 tons per vessel (this has been reduced to 100 tons later). To achieve the minimum quota, these owners were obliged to scrap some vessels and concentrate their quotas on a single vessel. In some cases, they also bought quotas from other vessels which owners was not in condition to achieve the minimum level.

As a consequence of the increase in tuna quota per vessel, the economic performance of the remaining purse seiners involved in these fisheries has clearly improved since the scrapping scheme. On the contrary, the other respondents declared that the economic performance of the vessels they still own is similar or less profitable than that before the scrapping scheme. However, in the opinion of respondents, the economic performance in the last years is not related or just partially related to the scrapping scheme. For instance, the scrapping scheme has positively affected the performance of the remaining purse seiners involved in tuna fisheries even though the main reason of the improvement is the concentration of quotas.

The whole sample of vessels owners benefited of scrapping funds, those with no active vessel and those with still active vessels, have indicated the decision to retire as main reason for scrapping. Indeed, around 60% of respondents declared to have scrapped because they had reached retirement age or, even if not yet reached, it was an opportunity of early retirement. The most selected reason is that they had reached retirement age (48%), while an opportunity for early retirement was selected by almost 20%. Also the lack of a successor, which was selected by 14% of the respondents, is related to the achievement of the retirement age.
Another important reason indicated by almost 40% of respondents is that the activity was not profitable enough. Most of these respondents (more than 70% of them) indicate also the limited fishing opportunities due to the lack of available resources and/or the lack of quota or other regulatory restrictions. These two potential reasons for the low profitability (and hence the decision to scrap the vessel) have been selected by 24% and 10% of the respondents respectively. The only other reason selected by more than 10% of the respondents (11%) was the cost of vessel overhaul. Among those respondents declaring to have applied for scrapping for economic reasons, a difference between owners of larger and those of smaller vessels have been identified. Larger vessels (in particular, those having used bottom trawl as main gear) indicated in the increase in fuel price and the restrictions introduced with the Mediterranean Regulation (Reg. (CE) 1967/2006) the main causes of the decreased profitability of their vessels. On the contrary, the owners of smaller vessels indicated in the scarcity of resources the main reasons of their low profitability.

The selection of the vessel to be scrapped was obliged for almost all the respondents (93%). The vast majority (84%) only had one vessel, while for another 9% only one vessel fit the eligibility criteria to receive scrapping support. In the few remaining cases, the most technically out-dated vessel or the least profitable vessel were equally used as selection criterion.

All vessels were scrapped in Italy, where the vessels are based, and more than three quarters of vessels owners incur costs when scrapping. These are mainly the costs paid to the shipyard for the scrapping operations.

Only 10% of respondents declared of having sold equipment or parts of the vessel separately from the scrapping operations. These are electronic equipment, engine and fishing gears. Selling equipment does not impact on the premium paid for scrapping.

As in the Italian system, the fishing licence is attached to the vessel, this is removed when the vessel is scrapped. Almost all respondents (95%) indicated this destination for the fishing licence, while the other few cases are related to people that were not sure about the destination of the licence.

Regarding the destination of the quota, as shown in Figure 9, more than 80% of the respondents did not own quota. Indeed, the only IQ systems in Italy are related to tuna fisheries and clam fisheries. As reported above, the quota for tuna of the scrapped purse seiners involved in these fisheries was generally moved to the other vessels of the same owner. This case represents 5% of the respondents, while another 12% consists of respondents that do not know or are not sure about this issue.
The overall average yearly catch for the vessel owners who still have active vessels has dropped by approximately the average yield of the scrapped vessel for more than 60% of the sample units. For another 25% of the respondents it has decreased but less than the average yield of the scrapped vessel. Some respondents (11%) declared an increase in their overall average yearly catch. These are purse seiners involved in tuna fisheries, where the level of landings depend more on the owned quota than the number of vessels. Indeed, these respondents have bought quotas from other vessels in the last years to achieve the minimum tuna quota per vessel established by Ministerial order 10751/2010. As a consequence, they have increased their landings even with less vessels than before the scrapping scheme.

The majority of the respondents (73%) declared of having applied for a scrapping scheme focused on a fleet segment and 6% for a scrapping scheme focused on a geographical area. As reported above, scrapping schemes were applied in Italy for each combination of fleet segment and geographical area. Respondents applied for scrapping funds with the assistance of their PO or cooperative. In the majority of cases (57%) they filed their own claim but with the assistance of PO or cooperative, while in another 30% of cases PO or cooperative filed directly the application on their behalf. Just 13% of the respondents did it on their own without assistance.

The amount of scrapping aid is considered sufficient to cover the market price of the vessel by the majority of the respondents. Around two thirds of respondents declared that the premium is about equivalent to the market price and an additional 5% said that it is higher than the market price. However, a relevant minority of respondents (22%) thinks that the premium for scrapping is lower than the market price of the vessel. Generally, this opinion is common to the owners of more recently built vessels, who have been scrapped because not enough profitable.
The monies received for scrapping allowed the vessels owners to retire. As reported in Figure 11, more than 75% of respondents indicated that the premium allow them to a greater or to some extent to retire. A relevant number of respondents say that the premium for scrapping was useful also to pay off debts, but at lower extent than the possibility to retire. For the other options submitted to the people interviewed - investments in modernization of another vessel, other aspects of the fishing industry or other business sectors – more than 80% of respondents declared that the monies received by the scrapping scheme were not at all used for investments. However, 16% of vessel owners declared that the scrapping premium allowed them to a greater or to some extent to invest in the modernization of another vessel. This percentage drops to 8% for investments in other aspects of the fishing industry or other business sectors.

Figure 11 – Destination of scrapping premium
In case there was no cessation funding, as shown in Figure 12, the majority of respondents declared that they would have sold the vessel. More than 60% declared this, while just 14% of vessels owners would have scrapped the vessel even without funding. The remaining 20% of respondents would have continued fishing.

Figure 12 – Likely action without cessation funding

The opinion of the respondents of this sub-group on the complexity of the cessation processes is reported in Figure 13. On a scale from 1 to 5, with 1 being “very simple” and 5 being “very complicated”, both the process of applying for funding and the process of receiving and accounting for funding have been evaluated as relatively simple. Indeed, the lower two levels of complexity (1 and 2) for the application process and for premium receiving and accounting have been selected by 63% and 56% of respondents respectively. These percentages increase to 94% and 80% respectively when including also the intermediate level 3. Only 6% of vessels owners consider as complex or very complex the process of applying for cessation funding, while the process of receiving and accounting for funding has been considered complex or very complex by 20% of respondents. The main criticism on that is related to the long time from the application to the delivery of the premium. Most of the respondents considering complex the second step of the process are those having scrapped a vessel for economic reasons. Some of them have other active vessels and the delay in receiving the premium can damage his activity.
Compared with other public funding programmes, cessation funding processes have been generally evaluated by the respondents as similar or better. Around 65% of vessels owners considers the cessation processes “about the same” of the other public funding programmes, while 20% of them stated that the cessation programmes are better than others. Just 7% of respondents thinks that the processes for scrapping are worse than other public processes for funding.

### 4.3 Owners that scrapped their vessel(s) without support

On the total sample of 190 interviewed vessels owners, only 6 of them scrapped their vessel without any financial support. These vessels are not really different than those scrapped with public support. The owners generally owned a single vessel. Their profitability was equally distributed among those with a ratio of profits on turnover in the range 0-10% and those in the range between 0 and -10%.

They scrapped their vessels because the achievement of the retirement age and/or the low profitability of the vessel. Three of them applied for scrapping funding, but their vessels were not selected. In the other cases, they did not apply because they wanted to build a new vessel or just because they decided to retire from the fishing sector being too old for working (without further explanation on why they did not still apply for funding).

### 4.4 Owners not scrapping any vessel

This sub-group of the sample consists of vessels owners that have not scrapped any vessel. The profitability of these vessels is generally null. Around 60% of the respondents declared a ratio between profits and turnover close to 0, the breakeven point. The percentage of vessels owners declaring negative profits (28%) is higher than those stating positive values (13%). When positive, the ratio between profits and turnover is lower than 10%, while vessels with a negative performance include also 6% of cases with a ratio lower than -10%.
Since the scrapping scheme, the strong majority of these vessels have registered a less profitable performance (80%), while the remaining 20% of them declared about the same economic performance than before the implementation of the scrapping programme. However, in the opinion of respondents, the economic performance of these vessels has not been affected by the scrapping scheme.

The main factor having affected their economic performance is fishing opportunities. Almost 90% of respondents consider this as a strong factor in affecting profitability. Another important factor is represented by the fuel price. As reported in Figure 14, more than 90% of respondents think that fuel price is a strong or medium factor in affecting profitability. The importance of fuel cost is reflected also in the answers on the operating costs. As fuel cost is an important component of operating costs, also this factor is considered relevant in determining the economic performance of the fleet. The management of the stock is considered as a weak factor (88% of respondents) as well as technological improvement (93% of respondents). Finally, fish price and other market conditions show more diversified opinions among respondents. A relative majority of vessels owners considers fish price as a medium factor, while more than an half of respondents think that the other market conditions are a weak factor.

**Figure 14 – Factors affecting profitability**

![Factors affecting profitability](image)

Among this sub-group of vessels owners, less than an half (43%) has considered scrapping a vessel in the past. However, they did not scrap because they could not have received a subsidy and the cost of scrapping would have been too high. The other 57% of the sample units declared to have never considered scrapping a vessel in the last five years.

Since 2008, as reported in Figure 15, more than 90% of the respondents declared that his vessels are less profitable, while just 8% said that the profitability is around the same.
Temporary cessation has been generally applied in the Italian fishing sector as part of a national plan. As a consequence, vessels were not allowed to fish during the periods established by the Ministerial programme. Indeed, almost 80% of respondents declared to have temporarily stopped fishing because “it was part of a national or EU management plan and I was not allowed to fish during that/those period(s)”. It should be clarified that they were not allowed to fish with trawlers, but they could with other fishing gears (which are generally hold by Italian vessels in their licence). Another 9% of vessels owners stated that they stopped fishing in particular periods because involved in a seasonal activity. Fuel price shock and natural disaster or public health emergency were the reasons of the temporary withdrawal of activity for 4% and 3% of respondents respectively. Only 2% of them declared to having stopped the fishing activity to undergo restructuring. 89% of the respondents received funds for the temporary cessation.

The funding scheme used for temporary cessation was mainly aimed to rebuild the most important stocks through the reduction of fishing activity. This scheme has been generally implemented in the summer months in coincidence with the spawning season of the most significant target species exploited by trawlers. Respondents said that the scheme is based on a single stock, but they probably mean that it is justified as a method to help juveniles of some important species to be protected. Respondents are aware that the temporary cessation measure is implemented for biological reasons and the option “scheme focused on a given species” in the questionnaire submitted to them was the most similar to their perception.

Without temporary cessation funding, 43% of respondents would not voluntarily agreed to stop fishing. However, 28% of vessels owners declared to stop fishing anyway if there is a legal obligation and another 14% were available to stop fishing for a shorter period. A minority (10%) declared that
there would be some effects on the crew, 4% would rely more on temporary contract for the crew and another 6% would lay off some of the crew. Only 5% would decide to scrap the vessel sooner.

Even though the premium seems to be necessary for the temporary cessation, almost 80% of the respondents said that this is not enough to cover the fixed costs of the vessel (see Figure 16). For around 20%, funds are enough to cover fixed costs but not enough for other expenses. Just 3% of respondents declared that temporary cessation funds are enough to cover all vessel expenses.

**Figure 16 – Covering of vessels expenses by temporary cessation funding**

<table>
<thead>
<tr>
<th>How did the funding cover vessel expenses during the period?, n=67</th>
</tr>
</thead>
<tbody>
<tr>
<td>They were not enough to cover the fixed costs of the vessel</td>
</tr>
<tr>
<td>They covered the vessel's fixed costs (harbour dues, etc.)</td>
</tr>
<tr>
<td>They covered vessel expenses (fixed costs, maintenance, etc.)</td>
</tr>
<tr>
<td>They covered vessel expenses and contributed to my living expenses</td>
</tr>
</tbody>
</table>

As shown in Figure 17, the amount received during the cessation period is less than the usual profits for almost 70% of respondents, while for another 20% it is about the same.

**Figure 17 – Amount received in relation to normal profits**

<table>
<thead>
<tr>
<th>Amount received in relation to normal profits, n=67</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than the usual profit</td>
</tr>
<tr>
<td>About the same as the usual profit</td>
</tr>
<tr>
<td>More than the usual profit</td>
</tr>
<tr>
<td>Not sure / don't know</td>
</tr>
</tbody>
</table>
The majority of respondents, around 70%, have not received any other subsidies for their vessels since 2008, while 20% of respondents has received other subsidies. Two thirds of them received EU funds through EFF for modernization of vessel hull, engine or other equipment, while one third received National funds in “de minimis” regime.

The opinion of the respondents on the complexity of the cessation funding processes is reported in Figure 13. On a scale from 1 to 5, with 1 being “very simple” and 5 being “very complicated”, both the process of applying for funding and the process of receiving and accounting for funding have been evaluated as relatively simple by approximately an half of the respondents. Indeed, the lower two levels of complexity (1 and 2) for the application process and for premium receiving and accounting have been selected by 51% and 46% of the sample units respectively. These percentages increase to 84% and 68% respectively when including also the intermediate level 3. However, there is a significant 16% of vessels owners consider as complex or very complex the process of applying for cessation funding and an even more significant 32% of respondents considering complex or very complex the process of receiving and accounting for funding. The difference seems to depend on the long time from the application to the delivery of the premium, which is generally longer than a year.

**Figure 18 – Opinion on temporary cessation processes**

<table>
<thead>
<tr>
<th>Opinions of scrapping processes on scale of 1-5, with 1 being ‘very simple’ and 5 ‘very complicated’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process of receiving and accounting for funding, n=74</td>
</tr>
<tr>
<td>20% 26% 22% 11% 21%</td>
</tr>
<tr>
<td>Process of applying for funding, n=73</td>
</tr>
<tr>
<td>19% 32% 33% 19% 5%</td>
</tr>
</tbody>
</table>

Compared with other public funding programmes, cessation funding processes have been generally evaluated by the respondents as similar. Around an half of vessels owners considers the cessation processes “about the same” of the other public funding programmes. Another 40% is equally divided between those considering this funding programme better and those considering it worse than others. Just 5% of respondents thinks that this funding processes are much worse than other public processes for funding.
5 Discussion

5.1 Relevance

5.1.1 Are measures other than EU-funded cessation measures (e.g. the market, transferable quotas) capable of addressing overcapacity in the Italian fishing fleet? If not, to what extent are they insufficient and why?

Italian fisheries are managed under a Generalised Licencing Scheme. The right of access to resources, which is given by the licence, is limited to the extent that no new licences are issued. All vessels, fishing by means of all possible gears are required to possess a licence, which is centrally managed by the General Directorate for Fishery and Aquaculture. The licence describes all the characteristics used for the fishing activity and reported in order to identify the vessel. Consequently, one fishing licence corresponds to one fishing vessel. The permanent cessation measure funded by EU allowed a reduction in the number of vessels and consequently in the number of licences, which are removed when the vessel is scrapped.

In Italy, management systems based on quotas are in force only for Bluefin tuna fisheries. The management of Bluefin tuna is based on the TAC established by ICCAT for EU, which subsequently allocates a share to Member States. The Italian government receives its quota share and in turn allocates shares to boat-owners/POs of fleet segments. Once rights are allocated to sectors, POs play the role of allocating rights to members. Quotas allocated to a single vessel owner are transferable since 2008 (Ministerial order 9214/2008). However, the transferability of the fishing right has not produced a reduction in fleet capacity. As a consequence, a specific fishing effort adjustment plan including a permanent cessation measure funded by EU has been applied to the purse seiners holding tuna quotas. This, in combination with the introduction of a minimum quota per vessel, has allowed a concentration of catch quotas for tuna, a reduction in capacity and a more efficient use of the remaining fleet capacity.

Another right based management system in Italy consists of a combination of co-management and TURFs implemented for clam fisheries. The management of the clam fisheries in each maritime district, mainly located in the Adriatic Sea, is delegated to consortia consisting of at least 75% of the vessel owners operating in that area and involved in these fisheries. Once a consortium is empowered with the management of the area, even vessels not registered in the consortium are obliged to comply with the consortium rules. The legislation adopted for the management of bivalve molluscs fisheries includes a combination of measures to control both output and input and technical measures. Among the management measures implemented by consortia, there are output control measures limiting the catches of the fleet belonging to each single consortium by maximum daily catch quantities per vessel. This system has been presented as a successful experience of co-management (Spagnolo, 2004) that, through the eradication of the race to fish and the possibility to make coordinated exploitation decisions at local level, has allowed stock condition to recover. However, the daily catch quota is non-transferable and this does not allow quotas to be concentrated and a consequent reduction in fleet capacity to be obtained.

As clam is a sedentary species, the consortia for the management of these fisheries have a complete control on the levels of stock exploitation. Furthermore, as this is a single-species fishery, daily catch quota can be easily defined and applied. Given these specificities, the extension of the clam fisheries management system to other Mediterranean fisheries is very problematic. Indeed, the Mediterranean is characterised by the prevalence of multi-species fisheries generally exploiting non sedentary stocks. However, even though the clam fisheries management system cannot be just applied to other fisheries, attempts to introduce similar co-management systems in fisheries where stocks are largely exploited at local level (like the artisanal fisheries in many Italian coastal areas) have been recently made through the Local Management Plans (LMP).
The Italian management system is currently experiencing these new cases of co-management at local level. The LMP, which are foreseen by the art. 37 of the Reg. (CE) 1198/2006, are aimed to resources conservation. To this end, the consortia or POs empowered with the management of the area can implement management measures more restrictive than those established at higher geographical level and based on the definition of technical criteria in the use of the fishing gears, the definition of periods for carrying out the fishing activity for each fleet segment, and the establishment of nursery and stock rebuilding areas. Also in this case, the system can be useful for the achievement of stock conservation objectives, but is not capable to reduce overcapacity. This system can reduce the use of fleet capacity, but this would remain the same.

A generally held belief among stakeholders is that within the current Italian management system no measures other than EU-funded cessation measure are capable of addressing overcapacity in the Italian fishing fleet. However, there is no evidence of other measures being applied.

The fishermen’s organizations interviewed do not have direct biological information on the state of stocks exploitation and their evolution. They have asserted that the state of the main stocks has been quite stable in recent years and the current level of fishing effort is not high compared to the resource availability.

Mediterranean multi-species fisheries are characterised by the exploitation of a relevant number of target stocks. The evaluation on their status and levels of exploitation have been necessarily limited to a restricted number of stocks selected on the basis of their relevance form a biological and/or economic point of view. However, since 2008 onwards the number of assessed stocks has steadily increased thanks to the work carried out by STECF EWG on Assessment of Mediterranean Sea stocks and GFCM SAC Sub-Committee on Stock Assessment.

Even though nowadays a significant number of Mediterranean stocks is regularly assessed, a comparison between the levels of exploitation before and after the implementation of the EU-funded cessation measures is feasible only for those stocks evaluated in both periods. Based on the stock assessments in the reports of STECF EWG on Assessment of Mediterranean Sea stocks, on a total of 12 stocks having been assessed in the Italian GSAs both in the period 2008-2009 (at least one year) and 2011-2012 (at least one year), only Sardine (Sardina pilchardus) in GSA 17 have moved from overexploitation to sustainable exploitation. Other two stocks, deep-water rose shrimp (Parapenaeus longirostris) in GSA 9 and Sardine in GSA 16 were and remained in a status of sustainable exploitation, while the remaining nine stocks were and are still overexploited. Slight improvements towards a sustainable exploitation has been registered for red mullet (Mullus barbatus) in GSA 9 and European anchovy (Merluccius merluccius) in GSA 16. The remaining seven stocks show a stable or even worse overexploitation status.

Based on the same stock assessments reports, the levels of exploitation of Mediterranean stocks seem to be not changed significantly in the period under analysis. Even though significant reductions in fishing effort have been observed for the Italian fleet, these have not resulted in an equivalent decline in fishing mortality. Compared to FMSY, a general outcome by the reports of STECF EWG on Assessment of Mediterranean Sea stocks is that around 93% of the analysed Mediterranean stocks were exploited unsustainably in 2007-2010 and around 90% were exploited unsustainably in 2010-2011.

Unfortunately, the analysis of stock assessments outcomes is partial for both the small number of stocks comparable in the two periods and the lack of information for 2012. Indeed, the last available stock assessments (which are reported in the 2012 report) are related to 2011 data.
5.1.2 To what extent are the objectives of permanent and temporary cessation measures appropriate to address overcapacity in the Italian fishing fleet?

Both interviewed managing authorities and producer organizations stated that the main benefit of the permanent cessation has been the reduction of overcapacity. A total of 22 fishing effort adjustment plans (FEAP) were adopted at the end of 2007 (and modified in 2010). Each FEAP was related to a specific fleet segment (or group of fleet segments) and a specific geographical area (generally a Geographical Sub-Area (GSA)). Within each FEAP, specific objectives in terms of fleet capacity reduction were defined in agreement with the biological reference points to be achieved. These objectives in terms of expected reductions in GT have been achieved for all fleet segments and geographical areas through the use of the permanent cessation measure funded by EU. As a proportion of the fleet at 2011, vessels scrapped using this measure represent around 13% in GT of the Italian Mediterranean fleet (excluding fleets subject to international agreement) and 77% of tuna fleet.

Also vessel owners think that the permanent cessation measure has been useful to address overcapacity. When interviewed on their likely behaviour in case of no fund for scrapping, just 14% of them declared that they would have scrapped the vessel anyway. The great majority of them stated that they would have tried to sell it (which would not have reduced capacity) or continued fishing. Therefore, even though most of the owners having scrapped their vessels had reached the retirement age, they would have preferred to sell their vessels instead of scrapping it if funding was not available.

5.2 Effectiveness

5.2.1 To what extent have permanent cessation measures contributed to a reduction in the size of the Italian fishing fleet?

As reported above, 22 FEAPs were adopted in 2007 and modified in 2010. Three FEAPs were drawn for the purse seiners holding catch quota for Bluefin tuna, one was drawn for oceanic fleet, and other 18 FEAPs were defined for the remaining Italian fleet, defined as “Mediterranean”. The last group consists of decommissioning plans by geographical areas and fleet segment. In particular, seven decommissioned plans were defined for bottom trawlers, five for small pelagic fisheries and six for other fishing systems. For each of these plans, a percentage of reduction in GT and KW was defined as target to be achieved at 2015. Indeed, even though the call for scrapping application was published in August 2008, the first EFF aids for permanent cessation were sent to the beneficiaries in July 2010. Before 2010, vessels were scrapped by using funds provided through FIFG.

The objectives of overcapacity reduction reported in the Italian Operational Programme, which were included in the FEAPs, consisted in a reduction of 17.9 thousand GT for the Mediterranean fleet (9.7% of the fleet at the end of 2006), 2.3 thousand GT for the oceanic fleet (63.5% of the fleet at 2008) and 7.9 thousand GT for purse seine tuna fleet (77% of the fleet at the end of 2006). Even though these objectives were expected to be achieved by 2015, the negative performance of the sector has accelerated the process of exit from the fleet. Indeed, as reported by the Italian Managing Authority (Art. 40), 573 vessels for a total of 23,854 GT were scrapped at 2012. This includes around 18 thousand GT for the Mediterranean fleet (which is more than what expected by 2015), 494 GT for the oceanic fleet (one vessel scrapped) and 5.3 thousand GT for purse seine tuna fleet (see Table 2).

As reported in Figure 1, the Italian fleet has registered a declining trend in the period 2006-2011. The last available data (September 2012) shows a further decrease of the fleet. The active fleet decreased from 13,955 vessels in 2006 to 12,814 vessels at September 2012. This reduction, equivalent to 8.2%, has been mainly due the effects of FIFG and EFF programmes.
To analyse only the period of implementation of the EFF programme, since 2008 (when the call for scrapping application was published) the reduction in the number of active vessels has been of 560 units, equivalent to 4.2%.

Fleet capacity estimated in terms of GT and KW shows an even stronger decline than the number of vessels. Total GT has reduced by 15.7% from 2006 to 2012, while total KW decreased by 11.5% in the same period. Since 2008, the reduction of GT and KW has been registered in 11.3% and 7.4% respectively. The stronger reduction of GT and KW compared with the number of vessels is due to criteria adopted for the selection of the vessels to be scrapped, which have favoured larger vessels.

As reported above, in the Italian management system, each vessel is required to possess a licence under the Generalised Licensing Scheme. Consequently, as one fishing licence corresponds to one fishing vessel, the evolution in the number of licences is the same as the evolution in the number of vessels described above.

A total number of 1345 vessels were proposed for scrapping in 2008 and 2009. Based on the available financial funds, only 573 vessels were scrapped. Questionnaires submitted to vessels owners have shown that more than 85% of them owned only the scrapped vessel. Most of the owners that scrapped their vessels (70%) were in the retirement age and left the sector once scrapped their unique vessel. Only a minority (15%) continued to work on other vessels or in other fishery sub-sectors. Those owners having more than a vessel have continued their fishing activity with the remaining vessels.

Regarding the behaviour of owners which applications for scrapping were rejected, questionnaires show that around one fourth of them is not in activity anymore. They scrapped their vessels without support or sold them. The remaining three fourths of rejected applicants are still in activity. They declared a negative economic performance in the last year of activity. Almost 60% of these vessels have negative profits and another 30% is just at the breakeven point with null profits. Just 10% of these vessels produces positive profits.

5.2.2 To what extent have permanent cessation measures led to a sustained reduction in Italian fishing capacity (the overall catching capacity of the fleet)?

As reported above, fleet capacity has registered a significant reduction from 2006 to 2012. Total GT of the active fleet has reduced by 15.7%, while total KW decreased by 11.5%. Since 2008, the reduction of GT and KW has been registered in 11.3% and 7.4% respectively.

Figure 19 shows the trend in fishing effort and CPUE for the Italian fleet, where fishing effort is calculated as the product between GT and average days at sea per vessel. From 2006 to 2011 (last year of landings data available), fishing effort has registered a reduction of around 24%. As the average days at sea in 2011 are just slightly lower than to those registered in 2006 (-4%), this reduction is almost exclusively due to the decrease in GT. On the contrary, CPUE has remained quite stable in the same period. CPUE has declined by 4% from 9.1 in 2006 to 8.8 in 2011 with a lowest value of 8.6 registered in 2008. Unfortunately, data on landings for 2012 are not yet available.

As CPUE has not significantly changed, total Italian landings have followed the evolution in fishing effort. Indeed, from 2006 to 2011, data provided by IREPA shows a reduction by 26% from 286 to 210 thousand tonnes.

Given the relative stability in CPUE, GT can be considered as an appropriate proxy of catching capacity. Therefore, as GT has reduced by 15.7% since 2006 and by 11.3% since 2008, it can be
assumed that the catching capacity for the Italian fleet has declined by approximately the same percentages.

5.2.3 To what extent have permanent cessation measures contributed to the modernisation of the Italian fishing fleet?

The Italian fleet is characterised by a high average age of the vessels. Data collected by DCF shows an increasing trend in this variable, which moves from 27 years in 2002 to almost 30 years in 2011. The increase in the average age of Italian vessels has been slowed by permanent cessation.

The permanent cessation measure implemented under EFF programme has favoured the exit from the fleet of less efficient and older vessels. This, as confirmed by the three industry representatives interviewed and by the DCF data reported above, has had a positive impact on the overall age of the fleet. Indeed, based on the list of vessels scrapped provided by the management authorities, the average age of these vessels was 38.5 years, much higher than the average age of the Italian fleet.

In the last years, the level of investments and the entry of new vessels in the fleet (in substitution of older ones) has been very low. Indeed, around 80% of the vessel owners interviewed declared no investment since 2008. Around 16% declared to have used scrapping funds to a greater or to some extent and 3% to a little extent for investments in the modernization of another vessel.

The effect on the whole fleet can be measured applying 20% (or better 16%) to 4.2% of vessels scrapped on total fleet. This would mean that scrapping premium has allowed the modernization of less than 1% of the fleet. Also in terms of GT, applying 20% to a reduction of 11%, the GT positively affected by investments with EFF scrapping funds is around 2% of the fleet.

This leads the Italian management authorities interviewed to state that the scrapping measures have not had a significant impact on fleet modernization even if the exit from the fleet has affected the less efficient vessels and the most ancient vessels. In their opinion, the Italian fishing sector continues to
be characterized by a low level of investment and technological improvement. All interviewed stakeholders highlighted that the aids provided under the EFF programme have not been invested in fishing sector.

**Figure 20 – Trend in average age for the Italian fleet 2002-2011**

5.2.4 **To what extent have temporary cessation measures led to temporary drops in fishing activity?**

The impact of temporary cessation on the number of fishing days is not clear. As the measure has been carried out continuously since 2008, a comparison between years with and without temporary cessation is not possible. However, an approximate estimation can be done assuming that the vessels would have been active in the period of temporary cessation as they are in the rest of the year. Excluding 45 days of temporary cessation, trawlers generally are active for around 45% (150 days based on IREPA database) of the remaining 320 days in year. Applying the same percentage, the withdrawal of activity for 45 days should have produced a reduction of fishing days per vessel of around 22 days for trawlers. Assuming also that all vessels using trawl as main gear have adhered to the measure, the reduction in fishing days can be estimated in around 60 thousand days per year, which is equivalent to 4% of the total fishing days of Italian fleet and 14% of trawlers fishing days. In 2011, trawlers in the Italian fleet were estimated in around 2,800 vessels (DCF data), which employed about 9,200 people.

Even though the premium, which can be estimated at around 4 thousand Euro per beneficiary for stopping 45 days (see Table 3), is not enough to cover the fixed costs for 80% of the interviewers, the beneficiaries stop the activity anyway. Furthermore, around 40% declared to be available (some of them for a shorter period) to adhere to the temporary withdrawal of activity even without funding support. Some interviewers explained that this is due to the possibility to use this period for restructuring the vessel and to the costs associated to the change of the fishing gear to be used on board, which would be anyway less profitable than trawl. Furthermore, they generally agree with the aims of the measure. However, in the last years, managing authorities declared that there has been a decrease in the number of beneficiaries for this measure. Italian Management Authorities think that this is partly due to the delay in the payment (about one year to receive the aid) and partly due to the reduction of the fleet.
5.2.5 To what extent have temporary cessation measures assisted vessel owners to adapt to emergencies and other shifting conditions?

As stated by the Italian Management Authorities, the temporary cessation measures implemented in Italy are generally aimed to rebuild some important stocks. For this reason, the period of cessation is set according to the spawning season of the most significant target species and the measure is directed to the vessels using trawl gears. Even though in 2008 the measure has been justified as a compensation for the losses due to the rise in fuel costs, its application has followed the same criteria (in terms of period and duration) adopted since 1988, when it was introduced. As a consequence, the temporary cessation measure in Italy cannot be considered as a measure aimed to assist vessel owners to adapt to emergencies or other shifting conditions. Indeed, this measure is generally implemented in Italy under the management plans adopted within the framework of community conservation measures (art. 24(1) (v) of Reg. (CE) 1198/2006).

5.2.6 To what extent have temporary cessation measures contributed to the maintenance of jobs in the fishing sector?

As reported above, the temporary cessation measure in Italy is directed to vessels using trawlers. The vessels can adhere or not to the measure. The owners engaged in temporary cessation can guaranty the income to the crew through national funds made available by the Layoff Benefits Fund. There is no case of vessels obliged to stop fishing for a period without a compensation for crew salaries. Therefore, it is not possible to compare the effect on employment for vessels benefiting and not benefiting from the measure. However, around 10% of the vessels owners interviewed declared that the lack of funds for this measure would have affected employment in terms of laying off some of the crew and relying more on temporary contract for the crew.

5.2.7 Have the effects of permanent and (to a lesser extent) temporary cessation measures contributed to environmental, economic and social sustainability in the Italian fishing sector?

Based on the Italian annual reports delivered to the European Commission in 2007, 2009 and 2011 under Article 12 of Regulation (EC) No 1438/2003, the Italian fleet has evolved as shown in Figure 21. Data reported for 2012 refers to the fleet at September 2012 as provided by IREPA. Values reported in Figure 21 include both active and inactive vessels.

Since 2006, the whole Italian fleet has decreased by 9% in number and more than 19% in GT. Based on this data, the number of vessels was reduced of 1268 units, equivalent to almost 40 thousand GT. To analyse only the period of implementation of the EFF programme, since 2008 the reduction in the total number of Italian vessels has been of 827 units, equivalent to 6%. In terms of GT, in the same period, a reduction of around 28.5 thousand (14.6%) was registered.

A significant part of this reduction was due to permanent cessation measure implemented under the EFF programme. As reported above, the measure allow to scrap 573 vessels equivalent to 23,854 GT, which represent 69% and 84% respectively of the total reduction in the fleet registered since 2008.
Both managing authorities and producer organizations stated that the main benefit of the permanent cessation has been the reduction of overcapacity. The fishermen’s organizations interviewed do not have direct biological information on the status of stocks exploitation and on their evolution. Some of the interviewers stated that the status of the main stocks is quite stable in recent years and the fishing effort is not high compared to the resource availability. They declared that this is partly due to the decommission plans.

As reported above, the temporary cessation measure is implemented in Italy under the management plans adopted within the framework of community conservation measures (art. 24(1) (v) of Reg. (CE) 1198/2006). Therefore, in Italy the aim of this measure is not related to the maintenance of activity and jobs in periods where activity is interrupted for reasons beyond the control of fishermen. In the Italian fishing sector, the temporary withdrawal of fishing activity is aimed to rebuild the most important stocks exploited by bottom trawlers and mid-water pair trawlers.

The temporary cessation measure is considered by both managing authorities and producer organisations as a very important management instrument, which should be maintained in the future. Some of the POs interviewed stated that one of the direct effects of the temporary cessation is the positive impact on the resource and consider this measure as indispensable.

### 5.3 Efficiency

#### 5.3.1 Have the effects of permanent and temporary cessation measures been achieved at a reasonable cost? Could similar effects be achieved in a more cost effective way?

As reported in Table 2, the total cost of the scrapping scheme has been around 112.6 million Euro. EFF has contributed for almost 62 million Euro, equivalent to 55% of the total, while the remaining amount was funded by the Member State. The EFF contribution was directed to the Mediterranean fleet for almost 47 million Euro, 13.8 million Euro was for purse seine tuna fleet and a remaining 1 million Euro was paid to the oceanic fleet.
Dividing the total cost for scrapping by the number of scrapped vessels, the average amount received by each beneficiary has been around 196 thousand Euro. This value seems to be higher than the average value of an Italian vessel. Indeed, based on DCF data, the average value of tangible assets in 2010 has been 102 thousand Euro for an Italian vessel.

Also comparing the average value paid for scrapping trawlers (see gear category in Table 2), which can be estimated in 343 thousand Euro, this is higher than the average value of 297 thousand Euro calculated for tangible assets of trawlers through DCF data on fleet segments DTS and TBB.

However the tangible asset value collected through DCF could be lower than the real market value of fishing vessels in Italy. Unfortunately, there is not a structured second-hand market of fishing vessels in Italy that could facilitate this evaluation. The majority of the vessel owners interviewed (67%) declared that the premium is about the same as the market price, while 22% declared that it is lower. Only 5% of the respondents stated that the premium is higher than the market price. However, they specified that this is due to the difficulty to find a buyer. In particular, the owners of purse seiners for tuna fisheries declared that the value of the vessel was higher than the premium because the investment made in the past, but probably lower than the price on the open market.

As reported in Table 3, since 2008 the total cost of the temporary cessation measure has amounted to 36 million Euro. This amount was almost equally distributed between EFF and national funds. Beneficiaries of EFF funds were ship-owners with the exception of the measure applied in 2008, when also crew income was partially covered by European funds.

On average, each beneficiary received a contribution of around 4 thousand Euro for a temporary cessation of 45 days. Almost 80% of the vessel owners interviewed declared that the premium is not enough to cover the fixed costs of the vessel and around 20% declared that funds are enough to cover fixed costs but not enough for other expenses.

In 2009 ship-owners adhered to the temporary cessation measure without funding. In that circumstance, only crew were compensated by national funds.

5.3.2 Are the procedures, processes and rules of the cessation measures conducive to enabling Member States to fulfil their respective roles cost effectively?

No particular problem with processes and rules of the cessation measures has been highlighted by the managing authorities. On the contrary, the main problem indicated by the industry is related to the delay in the payment of the premium. Also managing authorities stated that a reduction in the applications for temporary cessation has been registered in the last years because premiums are generally paid at least one year later.

Managing authorities, producer organisations and vessel owners are in favour of the renewal of both schemes in the new program. They consider both permanent and temporary cessation measures very useful for reducing overcapacity and reducing stocks overexploitation. However, some aspects related to the implementation of the measures could be improved.

Regarding the rules of the permanent cessation measure, producer organisations stated that the selection criterion based on the age of the vessel is not relevant for reducing overcapacity. They suggested that selection criteria should be targeted the fleet segments having the highest impact on overexploited stocks.

Furthermore, as the aids have not been invested in the fishing sector, they consider that the public support for permanent cessation has had a negative effect on economic and social aspects. The exit of vessels from the fleet determines also a reduction in the employment, which could be avoided or
mitigated if the premiums for scrapping are reinvested in the sector. Also from an economic point of view, the reinvestment of scrapping funds in the sector would contribute to the modernization of the Italian fishing fleet.

5.4 Coherence

5.4.1 To what extent do the cessation measures complement other initiatives at EU and national level? Are there any areas of duplication that could be avoided? Could similar initiatives be expected by the Member States or other actors without EU support?

The level of complementarity between cessation measures and other initiatives carried out by the Italian managing authorities is very high. As reported above, both permanent and temporary cessation measures have been implemented within the Italian management plans. Each management plan is aimed to achieve biological and socio-economic targets by reducing fishing effort through a number of management measures, which include among others both the permanent cessation measure through FEAPs and the temporary cessation measure. Therefore, these measures are used in combination with others for reducing fishing effort. Another measure included in the national management plans is the technical withdrawal of fishing activity for trawlers, which prohibits fishing activity on weekends and public holidays for eight weeks after the period of temporary cessation. The prohibition to fish on certain days is complementary to the temporary cessation as it is aimed to avoid an immediate overexploitation of the resources, which biomass has increased as a consequence of the temporary cessation measure.

Regarding the temporary cessation measure, both the clam fisheries management consortia active since 1990s at maritime district level and the new consortia empowered with the management of local artisanal fleet (COGEPAs) can establish specific rules for carrying out the fishing activity within the area under their control including the definition of specific periods when the fishing activity is suspended. Regarding the clam management consortia, decisions on periods of temporary withdrawal are generally based on market reasons (but can also be associated to specific critical periods for the resource), while the local management plans implemented by COGEPAs or POs foresee the possibility of temporary cessation aimed to limiting the exploitation of local resources. These measures, which are aimed to reducing fishing effort in the areas under the control of the local management entities, are complementary to the temporary cessation measure established for trawlers. Temporary cessation in clam fisheries does not generally receive public funds, while the temporary cessation periods established by the local management plans for the artisanal fleet are expected to be funded through the axis 1 of EFF as foreseen by art. 26(4) (c) on small scale coastal fishing of Reg. (EC) 1198/2006. This article states that “the EFF may contribute to the payment of premiums for fishers and owners of fishing vessels involved in small-scale coastal fishing in order to: […] encourage voluntary steps to reduce fishing effort for the conservation of resources”.

Regarding the temporary cessation measure, the suspension of fishing activity for vessel using dredge does not determine any overlaps with the measure for trawlers as these measures are directed to different groups of vessels. Also in the case of local management plans, the temporary withdrawal of fishing activity, which can be directed also to trawlers, is implemented as a continuation of the temporary cessation measure established at national level. This avoid any possible overlapping situation.

As for possible overlapping of EFF and national funds used for the cessation measures, Italian managing authorities state that this is avoided by specific criteria and procedures for the payment of the grant and also through the use of the Integrated Management and Control System (Sistema Integrato di Gestione e Controllo) within the SIPA (Sistema Italiano Pesca e acquacoltura).
5.5 Acceptability

5.5.1 What are managing authorities’ views of the current system for cessation measures in relation to other potential ways to reduce fishing capacity?

Managing authorities stated that the permanent cessation measure has been very useful for reducing overcapacity. They are in favour of the renewal of both permanent and temporary cessation schemes in the new program. Italian managing authorities have had no particular problem in the implementation of these measures.

Managing authorities were interviewed also on possible alternative methods for reducing fishing capacity. They feel there is no measure other than EU funded cessation measures in the Italian system capable to reduce overcapacity. Regarding the possibility to implement a system of individual transferable effort quota for the Italian fleet (see below), they stated that this system has never been experimented in Italy and they have no information to provide an evaluation of the potential impact on fishing capacity.

5.5.2 To what extent do vessel owners rely on the current level of funding for cessation measures and are there other interventions that could fulfil a similar role?

An overall opinion among managing authorities, producer organisations and vessel owners is that the current level of funding is necessary for both permanent and temporary cessation measures.

With the economic difficulties of recent years, the scrapping premium has been a high enough incentive for vessel owners to decide to scrap and it is considered close to the second-hand market price of vessels (67% of vessel owners declared this). The economic crisis that affected the sector in the last years has reduced economic profitability of fishing industry and maintained a high demand for scrapping. On 1345 applications for scrapping under EFF, only 573 vessels were scrapped given the funds available. As a consequence, an increase in the financial resources assigned to Axis I for permanent cessation measure would be welcome by the sector and allow for further reduction in overcapacity. In particular, the fishing industry stated that financial resources are too low compared with the other axis of the EFF.

As reported above, there is no measure other than the permanent cessation funded under EFF for reducing overcapacity. However, an analysis on the potential effects of the implementation of a generalised system of individual transferable effort quotas (ITE) for the Italian fleet has been carried out within an Impact Assessment study related to the CFP (Fish/2006/096). The analysis was related to the case of Sicily, but results can be extended to the whole Italian fleet.

Based on that study, an ITE system based on days or hours of effort would find many difficulties and resistances in its implementation and would probably not determine significant improvements to the current system if it is not associated to specific conservation policies, such as linking fishing effort to specific fisheries. Apart from possible problems of implementation, the study suggests that the new system may not produce any relevant change in the current situation when fisheries are profitable. On the contrary, when fisheries are or become unprofitable, an ITE system in combination with conservation measures would probably determine a concentration of fishing effort in fewer vessels and a reduction of overcapacity. Indeed, under a conservation policy aimed to reduce fishing effort, a

---

decrease of days at sea per vessel under the minimum level, which allow vessels to have positive profits would cause the exit of the less efficient vessels from the fleet. Under an ITE system, these vessels would sell their fishing rights to the more efficient ones, which could consequently increase their average days at sea achieving a level of activity sufficient to cover fixed costs and making the fishing activity profitable.

Regarding the temporary cessation measure funded under EFF, this could be only partially substituted by the implementation of local management plans. Indeed, these plans are limited to the artisanal fleet operating within 12 miles from the coast and cover only areas where specific consortia or POs have been established and are active in local management. Furthermore, also the implementation of this measure within the local management plans is generally funded under EFF.
6 Summary and conclusions

6.1 Trends in fleet structure & capacity

Two measures of the Italian fleet have been taken into account in this report, the active Mediterranean fleet (excluding tuna and oceanic fleet) as reported in Table 1 and the whole fleet (active and inactive vessels) as reported in Figure 21, which includes also tuna and oceanic fleet. Since 2008 to 2012, the active Mediterranean fleet has shown a decrease of 560 units (-4.2%), equivalent to 20.7 thousand GT (-11.3%) and 82 thousand KW (-7.4%). In the same period, the whole fleet from the Italian annual reports delivered to the European Commission shows a decrease of 827 vessels (-6.1%), equivalent to 28.5 thousand GT (-14.6%) and 112.1 thousand KW (-9.8%).

6.2 Extent of cessation measures contribution

As reported in Table 2, the total cost of the scrapping scheme has been around 112.6 million Euro. EFF has contributed for almost 62 million Euro, equivalent to 55% of the total, while the remaining amount was funded by the Member State. The EFF contribution was directed to the Mediterranean fleet for almost 47 million Euro, 13.8 million Euro was for purse seine tuna fleet and a remaining 1.1 million Euro was paid to the oceanic fleet.

The total cost of the measure paid through EFF and national funds allowed to scrap 573 vessels, equivalent to 23,854 GT. Compared with the trend in the official fleet communicated to the European Commission, since 2008 the permanent cessation measure has contributed to the total reduction in the Italian fleet for 69% in terms of number of vessels and 84% in terms of GT.

Regarding the temporary cessation measure, the whole impact of this measure on the number of fishing days is not clear. However, stopping the fishing activity for 45 calendar days produces approximately a reduction of 22 fishing days per vessel per year. This would determine a reduction in fishing effort by around 60 thousand days per year, which is equivalent to 4% of the total fishing days of Italian fleet and 14% of trawlers fishing days.

As reported in Table 3, since 2008 the total cost of the temporary cessation measure has amounted to 36 million Euro. This amount was almost equally distributed between EFF and national funds.

6.3 Opinions on cessation measures

The general opinion of managing authorities and producer organizations on cessation measures is positive. Managing authorities, producer organisations and vessel owners are in favour of the renewal of both schemes in the new program. They consider both permanent and temporary cessation measures very useful for reducing overcapacity and stocks overexploitation.

Both managing authorities and producer organizations stated that the main benefit of the permanent cessation measure has been the reduction of overcapacity. Also vessel owners think that the permanent cessation measure has been useful to address overcapacity.

Managing authorities stated that the temporary cessation measure implemented in Italy is aimed to rebuild the most important stocks exploited by trawlers. Indeed, this measure is generally implemented in Italy under the management plans adopted within the framework of community conservation measures (art. 24(1) (v) of Reg. (CE) 1198/2006).

The temporary cessation measure is considered by both managing authorities and producer organisations as a very important management instrument, which should be maintained in the future. Some of the POs stated that one of the direct effects of the temporary cessation is the positive impact on the resource and consider this measure as indispensable.
Managing authorities have not highlighted any particular problem with processes and rules of the cessation measures. The only critical point they stated is that the scrapping measures have not had a significant impact on fleet modernization. In their opinion, the Italian fishing sector continues to be characterized by a low level of investment and technological improvement.

The main problem indicated by the industry is related to the delay in the payment of the premium both for permanent and temporary cessation measure.

Regarding the rules of the permanent cessation measure, producer organisations stated that the selection criterion based on the age of the vessel is not relevant for reducing overcapacity. They suggested that selection criteria should be targeted the fleet segments having the highest impact on overexploited stocks.

Furthermore, as the aids have not been invested in the fishing sector, producer organisations consider that the public support for permanent cessation has had a negative effect on economic and social aspects.

An overall opinion among managing authorities, producer organisations and vessel owners is that the current level of funding is necessary for both permanent and temporary cessation measures.

Producer organisations stated that an increase in the financial resources assigned to Axis I for permanent cessation measure would allow for further reduction in overcapacity.

**6.4 Vessel owner Survey findings**

The sample of vessel owners selected reflects the Italian fishing sector characterised by the prevalence of single vessels owners. As a consequence, the applicants for scrapping were intended to scrap their unique vessel and use the premium for their retirement. Indeed, around 60% of the respondents declared to have reached the retirement age or the opportunity for early retirement as reasons for scrapping the vessel. Furthermore, 70% of those having scrapped the vessel declared to be currently retired. Therefore, the permanent cessation measure is seen by vessel owners as an opportunity to retire.

As the use of the scrapping premium is mainly aimed to owners retirement, the permanent cessation measure does not contribute to the increase in the level of investment and the modernization of the fishing fleet. The level of investment in the Italian fishing sector is generally very low and this is confirmed by around 80% of the vessel owners, who declared no investment since 2008.

The vessels scrapped were generally not enough profitable. The strong majority of their owners declared level of profits null or negative. This represents the second reason for scrapping after the willing to retire.

Those owners having still an active vessel declared to have positive profits, but the economic performance of their vessels has not improved in the last years (after the implementation of the scrapping measure). They explain this negative performance as a consequence of the status of resources and the increase in fuel price.

Their opinion on the scrapping premium is generally positive. They consider the premium sufficient to cover the market price of the vessel. However, a different opinion on this is expressed by a minority represented by the owners of more recently built vessels.
Even though most of the applicants for scrapping were intended to retire, just 14% of them would have scrapped the vessel without cessation funding. The majority of respondents would have sold the vessel or continued to fish.

Regarding the temporary cessation measure, with few exceptions represented by vessels involved in seasonal fisheries, the great majority of respondents received funds for this measure. In Italy, the measure is compulsory for vessels using trawls. Even though they could continue to fish using other fishing gears, this is quite difficult and generally not very economically suitable.

The premium for adhering to this measure is generally considered as not sufficient to cover the fixed costs. Furthermore, the amount paid to ship-owners seems to be lower than the usual profits they would have earned without the measure. However, the premium represents an important incentive for the vessel owners.

Without temporary cessation funding, 43% of respondents would not voluntarily agreed to stop fishing, while 28% of vessels owners declared to stop fishing anyway if there is a legal obligation and another 14% were available to stop fishing for a shorter period.

The process of applying for funding and the process of receiving and accounting for funding, have been evaluated as relatively simple by the vessel owners interviewed for both the permanent and the temporary cessation measures. The complexity of the cessation funding processes has been generally evaluated by the respondents as similar to the other public funding programmes. The main criticism is related to the long time from the application to the delivery of the premium.

6.5 Evaluation conclusions

Relevance. In the Italian fishing sector no other measures other than EU-funded cessation measures have been used in isolation to address fleet overcapacity. The ITQ system adopted in Italy, which is in force since 2008 for the management of Bluefin tuna fisheries, did not produce a reduction in fishing capacity for the vessels holding tuna quotas. For this fleet, a concentration of catch quotas and a reduction in fleet capacity occurred through the permanent cessation measure funded under EFF. This may be because vessel owners anticipated cessation funding would be made available. For other fisheries, most without quota, the permanent cessation measure is considered to be relevant for addressing overcapacity in the Italian system.

Effectiveness. Since 2008, fishing capacity in Italy has been strongly reduced and the objectives pursued through fishing effort adjustment plans generally achieved in a shorter period than planned. The positive results in reducing fishing effort and fishing capacity has been possible thanks to the permanent and temporary cessation measures funded under EFF. The permanent cessation measure has contributed significantly to the decline of Italian fleet capacity (69% and 84% in terms of number and GT respectively), but has not been very useful in the modernization of the Italian fleet as scrapping premiums have been only partially reinvested in the sector. The temporary cessation measure has been applied in Italy since 1988 for limiting the fishing effort of trawlers on some important stocks in their spawning period. Indeed, this measure is implemented in Italy under the management plans adopted within the framework of community conservation measures (art. 24(1) (v) of Reg. (CE) 1198/2006). Therefore, even though the temporary cessation measure has been very useful in limiting fishing effort and reducing stocks overexploitation, it was not aimed to assist vessel owners to adapt to emergencies and other shifting conditions neither to contribute to the maintenance of jobs.

Efficiency. Even though vessel owners declared that the premium paid for scrapping is about the same as the market value of the vessel, a proper comparison was not possible because there is not a
structured second-hand market of fishing vessels in Italy. Given the average value of an Italian vessel estimated through DCF data on the tangible asset value of the fleet, the scrapping premium seems to be higher than the real value of a vessel. Furthermore, as total applicants have been much more than those accepted on the basis of the available funds, the possibility to reduce the premium and increase the number of scrapped vessels likely to be feasible. Regarding the temporary cessation measure, the contribution to ship-owners represents just a necessary partial compensation for the cost associated to the temporary suspension of the activity. The efficiency of this measure is negatively affected by the delay in the payment of the premium. Indeed, the number of vessels adhering to the measure has shown a reduction in the last years.

Coherence. The level of complementarity between cessation measures and other initiatives carried out by the Italian managing authorities is very high. Both permanent and temporary cessation measures have been implemented within the Italian management plans and integrated with a number of other measures for achieving the same long-term objectives of biological and socio-economic sustainability. Any overlap of EU funded cessation measures with other measures at national level has not been identified. The permanent cessation under EFF is the only measure available for the reduction of overcapacity. Regarding the temporary cessation, measures for the suspension of fishing activity not funded under EFF have been implemented in Italy. However, these are complementary to that funded under this scheme as in some cases are directed to a different group of vessels and in other case represent a continuation of the measure funded under EFF.

Acceptability. Managing authorities stated that the permanent cessation measure has been very useful for reducing overcapacity. They are in favour of the renewal of both permanent and temporary cessation schemes in the new program. Italian managing authorities have had no particular problem in the implementation of these measures. An overall opinion among managing authorities, producer organisations and vessel owners is that the current level of funding is necessary for both permanent and temporary cessation measures. An increase in the financial resources assigned to Axis I for permanent cessation measure would be welcome by the sector and allow for further reduction in overcapacity. Alternative measure to address overcapacity are not available in the Italian system. However, based on an Impact Assessment study related to the CFP (Fish/2006/09), the implementation of a generalised system of individual transferable effort quotas (ITE) for the Italian fleet, in combination with conservation measures, would probably determine a concentration of fishing effort in fewer vessels and a reduction of overcapacity when fisheries are or become unprofitable. Regarding the temporary cessation measure funded under EFF, this could be only partially substituted by the implementation of local management plans. These plans are limited to the artisanal fleet operating within 12 miles from the coast and cover only areas where specific consortia or POs have been established and are active in local management. However, also the implementation of this measure within the local management plans is generally funded under EFF.

6.6 Conclusions for the counterfactual analysis

The permanent cessation measure funded under EFF has contributed significantly to the reduction of Italian fleet capacity. Since 2008, almost 70% of the vessels exited from the fleet (equivalent to 84% in terms of GT) were in receipt of public funds for scrapping.

In case of no fund for scrapping, just 14% of the interviewed vessel owners declared that they would have scrapped the vessel anyway. The great majority of them would have tried to sell the vessel (which would not have reduced capacity) or continued fishing. As a consequence, without permanent cessation funds, on 573 vessels scrapped under the EFF programme, around 490 units may still be active.
Regarding the temporary cessation, even though in Italy this measure is not specifically aimed to assist vessel owners in adapting to emergencies and other shifting conditions, both managing authorities and producer organizations consider this tool very useful in limiting fishing effort and reducing overexploitation of stocks.

Vessel owners adhere to the measure even though the premium paid is actually not enough to cover the fixed costs (as declared by 80% of respondents). Without temporary cessation funding, 43% of respondents would not voluntarily agreed to stop fishing, while around 40% declared to be available (some of them for a shorter period) to adhere even without funding support. Only 10% of the interviewed vessels owners declared that the lack of funds for this measure would have affected employment. However, the case of no fund for permanent cessation would have affected vessel owners rather than the crew as income to the crew would have been guarantied through national funds made available by the Layoff Benefits Fund.

Therefore if there were no funding for temporary measure, only a minority of the vessel owners currently adhering to the measure would have used a fishing gear other than trawl for fishing during the period of temporary cessation.

### 6.7 Recommendations

#### 6.7.1 Permanent cessation

Managing authorities stated that the permanent cessation measure has been very useful for reducing overcapacity. Managing authorities, producer organisations and vessel owners are in favour of the renewal of this scheme in the new program.

Even though the permanent cessation measure has contributed significantly to the reduction of fleet capacity, the effect of this reduction on stocks status is not clear. The number of stocks with a scientific assessment on their status at the beginning and at the end of the EFF programme is relatively small compared with the total number of stocks exploited by the Italian fleet. Increasing the number of stocks assessed for Mediterranean fisheries would allow a better evaluation of the effects of the permanent cessation measure.

Regarding the premium paid for scrapping, the average value of an Italian vessel estimated through DCF data on the tangible asset value of the fleet seems to be lower than the scrapping premium. Furthermore, as total applicants have been much more than those accepted on the basis of the available funds, the introduction of a competitive bidding would probably reduce the premium and increase the number of scrapped vessels.

#### 6.7.2 Temporary cessation

The general opinion of managing authorities and producer organizations on the temporary cessation measure is positive. Managing authorities, producer organisations and vessel owners are in favour of the renewal of this scheme in the new program.

However, as this measure is generally implemented in Italy under the management plans adopted within the framework of community conservation measures (art. 24(1) (v) of Reg. (CE) 1198/2006), the positive view of managers and other Italian stakeholders is associated to the objective of limiting fishing effort and reduce stocks overexploitation.

Therefore, the temporary cessation measure in Italy cannot be considered as a measure aimed to assist vessel owners to adapt to emergencies or other shifting conditions and particular recommendations to improve the measure in achieving this objective cannot be provided.
APPENDIX 1: References


EUR 25309 EN – Joint Research Centre – Institute for the Protection and Security of the Citizen. Title: REPORT OF THE SCIENTIFIC, TECHNICAL AND ECONOMIC COMMITTEE FOR FISHERIES ON Assessment of Mediterranean Sea stocks (STECF-12-03)


IREPA. 2009. Osservatorio economico sulle strutture produttive della pesca marittima in Italia, Ed. F. Angeli Milano, Italy.

IREPA. 2010. Osservatorio economico sulle strutture produttive della pesca marittima in Italia, Ed. F. Angeli Milano, Italy.

IREPA. 2011. Osservatorio economico sulle strutture produttive della pesca marittima in Italia, Ed. F. Angeli Milano, Italy.

IREPA. 2012. Osservatorio economico sulle strutture produttive della pesca marittima in Italia, Ed. F. Angeli Milano, Italy.