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REPORT

drawn up on behalf of the Committee on  
Budgetary Control

on budgetary control with regard to the measures  
taken under the Common Fisheries Policy

Rapporteur : Mr Robert C. BATTERSBY

PE 97.194/fin.



At its meeting on 20 November 1984, the Committee on Budgetary Control appointed Mr. Battersby as member responsible for budgetary control aspects of the fisheries sector of the EC budget.

On 14 January 1985, Parliament authorised the Committee on Budgetary Control to prepare a report on budgetary control with regard to the measures taken under the Common Fisheries Policy.

At its meeting on 23 April 1985, the Committee confirmed the mandate of Mr. Battersby as rapporteur.

The Committee on Budgetary Control considered the draft report at its meetings on 23/24 April 1985 and 14/15 May 1985. At the latter meeting the Motion for a Resolution was adopted by 12 votes in favour, none against and one abstention.

Present at the time of voting: Mr. Aigner, chairman; Mr. Martin, vice-chairman; Mrs. Boserup, vice-chairman; Mr. Battersby, vice-chairman and rapporteur; Mr. Arndt (deputising for Mr. Wettig); Mr. Bardong; Mr. Dimitriadis; Mrs. Fullet; Mrs. Lentz-Cornette; Mr. Pitt; Mr. Price; Mr. Schön; Mr. Tomlinson (deputising for Mr. Schreiber).

The opinion of the Committee on Agriculture will be given orally.

The report was tabled on 21 May 1985.

The deadline for tabling amendments to the report will be indicated in the draft agenda for the part session at which it will be debated.

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The Committee on Budgetary Control hereby submits to the European Parliament the following motion for a resolution (together with explanatory statement):

A

MOTION FOR A RESOLUTION

on budgetary control with regard to the measures taken under the Common Fisheries Policy

The European Parliament,

- having regard to the motion for a resolution on the need for urgent investigation of alleged frauds affecting the common fisheries policy (Doc. 2-699/84);
  - having regard to the report of the Committee on Budgetary Control (Doc. A 2-34/85),
- A. Conscious of the importance of ensuring that European taxpayers' money should be put to the best use in all policies of the Community;
- B. Anxious that the relatively new Common Fisheries Policy should meet the desires of the Community institutions expressed at its inception for a well-structured European fishing industry, a proper system of conservation and management of the resource and adequate mechanisms of inspection and control;
- C. Concerned about recent allegations of widespread irregularities, notably overfishing and inadequate national measures to control it;
- D. Eager to ensure that:
- a) these shortcomings are set right as soon as possible;
  - b) the budgetary objectives in the fisheries sector indicated in Title 4, in particular Chapter 40, are fully respected;
  - c) the control and policing of this new policy should be made to operate in a manner that will constitute a model for other policies;
- E. Aware of the potentially large costs to the community budget in this sector which may result from the impending enlargement.
1. Recalls that by regulations No. 3796/81<sup>(1)</sup> of 29 December 1981 and No. 170/83<sup>(2)</sup> of 25 January 1983 the Common Fisheries Policy was established on a long-term basis by strengthening the common organisation of the market and setting up a Community system for the conservation and management of fishery resources;

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(1) OJ L.379/81

(2) OJ L.24/83

2. Notes that the new system for the organisation of the market has proved successful in limiting expenditure on withdrawals and urges that it should be maintained in its present form as an example for other sectors of the Community;
3. Is concerned, however, at reports of infringements in relation to overfishing, alleged official collusion in relation to breaches of Community legislation and failure by national authorities to deal with the problem;
4. Insists that sound budgetary management and the safeguarding of Community resources in the widest sense demand that concrete steps be taken to improve the situation, particularly in the context of enlargement;
5. Invites the Council to inform Member State governments of the Parliament's dissatisfaction with the failure of most national authorities to deal adequately with this situation;
6. Approves the decision of the Commission to initiate the infringement procedure under Article 169 of the EEC Treaty in relation to overfishing but finds it to be an indicator of serious potential difficulty in the implementation of the Common Fisheries Policy;
7. Observes that as part of the establishment plan of the Commission, the budgetary authority provided for an inspectorate to maintain effective control of the new policy and believes that the inspectorate should be reinforced to reach an eventual total of 30;
8. Invites the Commission, in the interests of transparency, to propose the consolidation of the fisheries budget under one Title heading;
9. Calls on the Member States to examine urgently the possibility of taking measures to ensure that similar and non-discriminatory sanctions will apply to similar violations of the Common Fisheries Policy regulations in Member States and their waters and to ensure that those directly responsible for specific contraventions of Community law pay the penalty;
10. Urges the Commission to establish as a matter of urgency a permanent register of all infringements in the fisheries sector, giving all relevant details, those details to be entered within 30 days of the penalty incurred being imposed;
11. Calls on the Commission to report on progress in relation to the above proposals by 1 October 1985;
12. Expects the Court of Auditors to keep a continuing watch on the implementation of the budget lines relating to the Common Fisheries Policy;
13. Instructs its President to forward this resolution and the report of its committee to the Council, the Commission and the Court of Auditors.

EXPLANATORY STATEMENT1. Introduction

It is now over two years since the Community reached agreement on a new set of provisions governing the fisheries sector. These provisions settled rights of access, broad allocation of TACs (Total Allowable Catches) and the shape of the structural policy. Moreover, they afforded a degree of stability in that it was agreed that the new regime should remain in force until 31 December 2002, after a review of the situation at the end of 1992. In this way, the arguments which had raged since the establishment of 200 mile EEZs (Exclusive Economic Zones) by the Member States at the beginning of 1977 in all waters except the Mediterranean were effectively resolved.

2. Since 1983 the policy has enjoyed important successes. January 1984 was the first time that the Council was able to establish at the beginning of the year the breakdown of TACs into national quotas for the whole range of Community fish<sup>(1)</sup>. In December 1984 the Ministers improved on this by setting the quotas before the year, to which they applied, began<sup>(2)</sup>. Thus for 1985 the allocation of the seven main species looks as follows:

Table 1:

Allocation of 1985 quotas in tonnes

Species	EC total	B	DK	D	F	IRL	NL	UK
Cod	466,000	9,260	158,260	87,960	39,820	11,520	26,670	132,510
Haddock	207,500	1,910	12,170	7,840	21,130	4,050	1,330	159,070
Saithe	132,300	90	8,390	23,230	74,840	3,060	210	22,480
Whiting	175,050	3,970	15,870	4,230	39,400	17,800	9,290	84,490
Plaice	207,870	13,155	42,100	10,780	7,835	3,270	71,820	58,910
Mackerel	385,000	330	8,350	24,330	16,330	80,000	35,330	220,330
Herring	439,850	9,120	97,260	69,990	37,270	32,880	87,720	105,610

3. Agreements on the details of quotas have been important in increasing the confidence of fishermen in the ability of the Community to manage this sector of the economy. Also important in this respect has been the establishment of the

(1) Regulation 320/84, OJ L.37/84

(2) Regulation 1/85, OJ L.1/85

fisheries inspectorate, an initiative which the Parliament played an important part in fostering. The idea is one that can be traced back to the Klinker report<sup>(1)</sup> and was pursued consistently thereafter, notably in the Péry report on the coordination of maritime inspection and surveillance operations<sup>(2)</sup>. As a result, posts for 13 inspectors were created in the Commission from 1983.

4. However, the pattern of success is not uniform. In particular, the framing of the policy has left possible loopholes for Community funds to be misdirected or misappropriated: Evidence has accumulated to indicate that there are a variety of ways in which those involved in the industry can, with or without the connivance of national authorities, evade some of the rules laid down by the Community for eligibility to the monies voted under Title 4 of the budget, 'Common fisheries and marine policy'. It is essential that every effort be made now to limit such activity to a minimum and for three main reasons.
5. Firstly, the policy is a relatively new one and it is reasonable to hope that its structures are still flexible enough to be revised. At the same time, the size of the budget has witnessed an important increase. In 1984, both payment and commitment appropriations of Title 4 were over 80% up on the 1983 outturn, with the 1984 commitment appropriations approaching 160mECUs. This remains a small sum in Community terms but it is vital to avoid the major difficulties that the larger funds, notably in agriculture, have suffered.
6. Secondly, Spanish and Portuguese membership of the Community will necessarily make implementation more difficult. As the following table indicates, the accession of these new Member States will almost double the number of fishermen to over 300,000, increase vessel tonnage by nearly 75% and put up the size of the EEC fleet by well over half.

Table 2:

	<u>EEC (10)</u>	<u>Spain</u>	<u>Portugal</u>
Number of boats	57,000	17,000	18,000
Tonnage	1,360,000	800,000	320,000
Fishermen	154,000	111,000	38,000

7. Thirdly, there is the more general agreement that weakness in enforcing regulation will undermine the willingness of fishermen to abide by the rules. Every effort has got to be made to ensure that all fishermen know that if their colleagues from their own or another country break the law, they will incur

(1) Doc. 441/78

(2) Doc. 1-183/82



penalties. The result may not be to eliminate law-breaking but at least, the credibility of Community-wide regulations would be reinforced. Indeed the more credible they become, the stronger the pressure from the industry that they be improved.

8. So far in the development of the CFP, the major difficulties have arisen with regard to the common organisation of the market (COM), which comes under the EAGGF Guarantee Section. However, it is important to foresee the opportunities for fraud that may arise as structural policy in the fisheries sector develops. To understand how infringements can occur it is useful to look briefly at the nature of policy in these two areas in turn.

The common organisation of the market

9. As in agriculture, the COM in fisheries products operates on the basis of a common set of prices. Thus for each species covered (the total is at present 15 as compared to the more than 30 species to which the quota arrangement applies), the Community fixes a guide price according to freshness, size or weight and presentation. From this the withdrawal price can be fixed, which varies between 70% and 90% of the guide price. In addition, the regulation provides for the fixing of an export refund to allow excess supply on the Community market to find an outlet.
10. Within the COM, the largest expenditure is that devoted to withdrawals from the market. This was distributed as follows among the Member States in 1982 and 1983:

Table 3:

Expenditure on withdrawals (in mECU)

	EC									
	Total	B	DK	D	GR	F	IRL	I	NL	UK
1982	20.16	0.37	1.69	1.62	-	2.96	1.62	5.99	0.56	5.31
1983	17.52	0.15	2.60	1.92	0.01	2.20	1.76	2.92	0.81	5.10

11. The first and most obvious difficulty with the COM is the possibility of 'fishing for FEOGA', by deliberately catching more than the market could absorb. Examples of this practice have been uncovered particularly in the case of sardines in the Mediterranean, which are both plentiful and unpopular with the consumer. In the course of clearing the accounts for 1981-82, the Commission discovered that fishermen at Chioggia had gone further and made fake declarations as to the amount of sardines they had caught.

12. However, the system in operation since 1970 was significantly modified in 1981 by Regulation 3796/81 and as a result such activity is much more difficult. Firstly, the importance of the role of producer organisations (POs) in the making of claims for withdrawals has been strengthened. Fishermen outside the organised framework of a PO are not able to obtain funds from EAGGF. Secondly, the amount of fish for which compensation can be claimed and the level of compensation has been limited. Only 20% of the annual catch of a PO of a particular species can benefit and that 20% is itself subdivided into four 'tranches', subject to a degressive subsidy. The first 'tranche' receives 85% compensation, the second 70%, the third 55% and the fourth 40% of the withdrawal price. Thirdly, POs are obliged to give their members at least 2.5% more than the percentage provided from Community funds and in this way a degree of financial coresponsibility is introduced into the system.
13. These changes to the rules have had a significant effect in breaking the level of expenditure on withdrawals. The outturn in expenditure under Article 4010 went down from 20.2 mECU in 1982 to 17.5 mECU in 1983 and the rate of utilisation of appropriations continued at a low level in 1984, less than half of the monies under Chapter 40 having been spent by the end of the year. This decline in expenditure should be welcomed and the application of similar degressive forms of support to other sectors should be actively considered as a way of limiting the possibilities for fraud.
14. A second area of difficulty with the COM has been the provision of export restitutions for fish which are in surplus in the Community. An example was given by the Court of Auditors in its 1983 annual report<sup>(1)</sup>. The Court noted that for the period 1981-83 the Dutch authorities appeared to pay export refunds for amounts of frozen mackerel which exceeded their quota allocation. Thus in 1981 the payments pointed to catches four or five times greater than those allocated to Dutch fishermen, while in the following two years the quotas were still exceeded by 290% and 260%. What is more, the Commission continued to pay out Community funds, despite the evident breach in the quotas. As its reply to the Court indicates, the Commission recognises that it could be useful to delay such payments in the event of uncertainty about the legality of the claims made. Not to do so is to allow Member States the chance to use advances to which they are not entitled over a very long period, until the accounts are settled.
15. It should be added that the provision of such restitutions was formally suspended as of 1 November 1983. There had been no limit on the amount of fish that could benefit from these measures and there was concern as to the cost involved

<sup>(1)</sup> OJ C.348, p.63

(13.8 mECU in 1982 and 8.2 mECU in 1983). Here a loophole has been temporarily blocked and the Parliament should insist that such payments are not restarted until some procedure for safeguarding Community funds is devised.

16. The third area of difficulty with the COM is the more general one of maintaining financial support to Member States when they are endangering the whole fisheries policy by allowing quotas to be breached. In some cases, it may be less than straightforward for national officials to control what is going on. A classic example is the way in which, in parts of Scotland, box weights have been varied to suit different circumstances. Should a fisherman catch above the quota, there is a temptation to overload the boxes. As sales are made on the basis of a standard weight per box, he has the chance to disguise the extent of his catch. On the other hand, when there is not much fish on the market and prices rise, the proportion of ice in the box can be raised and the weight of fish reduced, thus artificially distorting the value of the catch. In other cases, there is reason to believe that national officials are well aware of illegal practices and allow them to continue. Here we can point to the success of the Community fisheries inspectorate in uncovering a substantial 'grey market' operated by the Dutch fishing industry. The inspectors noted that those in charge of the auction at Ijmuiden, under the supervision of the Ministry of Transport, were issuing two sales notes - one 'official' to be sent to Brussels, the other 'grey' indicating the actual catch. By this kind of double book-keeping, the amount of fish caught can be dramatically under-stated. Thus at another auction in Scheveningen, an inspector noted that official sales of sole were set at 1,000 kilos, while the 'grey market' side amounted to 2,560 kilos.
  
17. These examples are illustrations of a much wider pattern of behaviour which the Commission revealed at the beginning of this year. It emerged that in every Member State concerned there were cases of the agreed quotas being broken. Under Regulation 3796/81 a formal link was established between intervention measures financed by FEOGA and the quotas established in the context of the management of the resource. Thus intervention is only to be supported financially within the quota limits allowed to each state. However, the problem comes when quotas are broken but there is no directly-related intervention activity. This does not mean that overfishing has no effect on the Community budget, only that it is more difficult to assess its precise nature and extent. Thus if breaches of the quotas continue, it is clear that

the livelihood of fishing communities will be threatened and their demands for assistance increase. Hence the importance of ensuring that the Community inspectorate is of sufficient dimensions and has adequate powers to discourage such breaking of quotas.

18. Finally, it is worth stressing that the problem will take on a different dimension with the arrival of Spain and Portugal in the Community. Although landings are heavily concentrated in a small number of ports, the system in place for the collection of statistics and the control of landings is of a relatively rudimentary kind. Without a significant increase in the level of control, the scope for infringements will be very broad and the tensions between the fishing industries of the enlarged Community will be accordingly increased.

#### The structural measures

19. In 1983, as well as agreeing on quotas and limits, the Council also approved a number of measures designed to provide a structural policy for this sector. These included measures to encourage exploratory fishing and cooperation through joint ventures in the fishing sector<sup>(1)</sup> and certain measures to adjust capacity in the fisheries sector<sup>(2)</sup>. So far these measures have generated no expenditure but as was suggested earlier, attention needs to be paid to the problems they may provoke.
20. Particularly difficult from the point of view of financial management may prove the measures to adjust capacity for which 26 mECU, (a sum equivalent to that available for withdrawals) were allocated in 1984. Member States are permitted by the directives to introduce a system of financial aid for two types of measure:
- a temporary reduction of fishing pending the reconstitution of stocks;
  - the laying up for good of old fishing vessels and vessels unsuited to the new fishing situation.

It may well not prove easy to verify that the conditions for aid have been fulfilled, particularly where vessels are required to forego fishing for limited periods. Hence it is vital to provide for the possibility of spot-checks, which could be incorporated into the responsibilities of the Community fisheries inspectorate.

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(1) Regulation 2909/83

(2) Directive 83/515/EEC

### Towards a solution

21. To an important degree, the CFP has proved successful in limiting the possibilities for misuse of Community funds. 'Fishing for FEOGA' has ceased to be a practical possibility with the introduction of the degressive system of market support and the Commission has used its powers to suspend the payment of export restitutions since November 1983. However, in two particular areas there is scope for making the fisheries sector a still better example for other policy sectors, especially in the context of the enlargement.
22. First, the Community presence in fishing ports must be strengthened. Originally 40 fisheries inspectors were envisaged but only 13 are at work at present. The Commission should be encouraged to recruit the number of inspectors originally suggested and thus to improve its capacity for checking on alleged malpractices at the ports or at sea. The inspectors may have no sanctions of their own but they are certainly in a position to embarrass national authorities into modifying existing practices where these clearly run contrary to agreed Community rules.
23. Second, the responses of Member States to infringements in the fisheries sector must be made much less variable. At the present time, states appear to adopt very different positions depending on who is guilty of the offence in question. They may be prepared to turn a blind eye or to meet the costs of those responsible for contraventions. On the other hand, they may be ready to use force or to impose very dramatic fines. In these circumstances, there should be a move towards a common system of uniform and speedily-imposable penalties. As a first step, the Commission should vigorously pursue the search for information in this sector by reference to Article 5 of Council Regulation 2057/82, which imposes an obligation on the Member States to inform the Commission of the infringements they have uncovered and how they have responded to them.
24. By themselves, these moves will not eliminate abuse of the system but they can certainly help to create a climate in which illegal behaviour may have less chance of success. Without such improvements there will be little to stop fishermen and others in fisheries sector undermining the CFP, with the behaviour of the worst in the industry setting a standard for the rest. At this early stage in the policy's development and with the enlargement of the Community at hand, this is a risk that we cannot afford to take.

