



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 10 February 2012**

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INST 126  
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**NOTE**

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from:	General Secretariat of the Council
to:	Delegations
Subject:	Summary of the meeting of the European Parliament <b>Committee on Budgetary Control (CONT)</b> , held in Brussels on 9 February 2012

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The meeting was chaired by Mr Theurer (ALDE, DE)

- 1. Appointment of a member of the Court of Auditors - Mr Baudilio TOME MUGURUZA / ES**  
CONT/7/08562, 2012/0801(NLE)  
Responsible: CONT –

Mr Tomé Muguruza, candidate nominated by the Spanish Authorities, highlighted the fact that the whole of his professional career had been spent as a civil servant or Member of the National Parliament. He recalled his experience at the Spanish Directorate General for Taxation, as company tax coordinator, and the introduction of the reform of the tax system he contributed to while holding that office. Mr Tomé Muguruza also mentioned his academic experience, including a University internship in the US and as a professor in Spain. He also stressed his role as advisor to the Spanish Prime Minister responsible for the budget process, both with regard to planning and fulfilling macroeconomic objectives. Concerning his future role as a member of the Court of Auditors, he stressed the importance - in times of crisis and scarce resources - of results auditing as this has to do with public management, and the observance of principles of economy, effectiveness and efficiency.

Ms Ayala Sender (S&D, ES), rapporteur, regretted that the Spanish government had withdrawn the nomination of Mr Corona Ramón, as this cast a shadow on the independence of Mr Tomé Muguruza, although she did not question his technical and professional competence. Mr Tomé Muguruza considered that independence was not an issue, given his background, and the essentially technical mission of the Court of Auditors. He assured CONT that in case of appointment he would be exclusively committed to the CoA and would focus on it. As Mr Theurer highlighted Spain's high error rate and questioned him about his attitude towards his own country, he said in English that he would not differentiate between Spain or elsewhere in assessing the way structural funds were applied. He insisted to Mr Skylakakis (EPP, EL) that the fact of belonging to a political party would not impinge on his independence and demonstrated it with his constant dialectic approach to party leadership. Mr Audy (EPP, FR), criticised the independence issue raised by the rapporteur, as, in his view, the issue of independence was solely political and the rapporteur herself was in conflict of interest. Mr Rivellini (EPP, IT) supported this view and said that only technical competencies should be the subject of the hearing. Mr Geier (S&D, DE) objected to the fact that there was no consistency with the position of the EPP group at the time of the previous hearing of a Spanish candidate, as Mr Corona Ramón's candidature was put into question by the fact that it had been proposed by a government of a different political persuasion.

CONT delivered a favourable opinion on the Council's nomination of Mr Tome Muguruza as a Member of the Court of Auditors. The Report of Ms Ayala Sender (S&D, ES) with the draft EP Decision will be submitted for adoption to the February plenary in Strasbourg.

## **2. CONT delegation to Haiti (22 to 26 February 2012)** CONT/7/07896

Mr Mulder (ALDE, NL), Head of the delegation, announced a two-day mission of the delegation to Haiti and informed CONT that the Commission had suggested visiting three projects. Mr Audy questioned the methodology of the Commission in sampling the projects and asked about coordination with the DEVE Committee. Mr Haglund (ALDE, FI) raised doubts about the effectiveness of such a visit, in particular because of its short duration (Mr Staes - Greens, BE). The representative of the Secretariat assured CONT that the visit was prepared in close cooperation with DEVE. According to the Commission representative, the three projects were chosen on a geographical contiguity basis given the delegation's short stay on the island, as well as for security reasons. Mr Mulder suggested visiting one project in depth, and visiting the other projects if time allowed.

**3. Amendment of Council Regulation (EC) No 1083/2006 as regards certain provisions relating to risk sharing instruments for Member States experiencing or threatened with serious difficulties with respect to their financial stability**  
CONT/7/08114, 2011/0283(COD)

Responsible: REGI – Ms Hübner (PPE, PL)

Mr Rivellini (PPE, IT), rapporteur for the opinion, recalled that the crisis was jeopardising the implementation of cohesion policy programmes as the liquidity problems being faced by financial institutions is limiting the amount of financing available to the public and private stakeholders carrying out the underlying projects. He therefore welcomed the Commission proposal and noted that the main objective was to improve the access to financing to the promoters of projects in order to allow them to continue the implementation of the Structural Funds and Cohesion Fund programmes on the ground. In order to do so, a risk-sharing instrument would be created which would provide additional liquidity to implement infrastructure and productive investments projects without modifying the overall allocation under cohesion policy for the period 2007-2013.

Nevertheless, he announced several amendments with the aim of increasing the impact, efficiency and effectiveness of the proposed measures. Among other things, he suggested opening access to the proposed risk-sharing instruments to all Member States (MSs), and broadening the scope of the proposal by including provisions to support relevant SME projects. Mr Stavrakakis (S&D, EL) supported the rapporteur and announced an amendment to align the measures with the Europe 2020 strategy and to strengthen support to SMEs. Mr Hartong (NI, NL) opposed the scheme, as he considered it a waste of EU funding.

The representative of the Commission insisted in limiting the scheme to MSs under assistance and in keeping its scope to cohesion. He recalled that other schemes were already in place to assist SMEs.

Calendar:

deadline for tabling amendments: 14 February 2012, noon.

**4. Special report No 12/2011 (2011 discharge): Do EU measures contribute to adapting the capacity of EU fishing fleets to available fishing opportunities?**  
CONT/7/08662, 2012/2009(DEC)

Responsible: CONT –

Opinions: PECH –

Mr Lazarou, member of the European Court of Auditors responsible, gave the speech in the annex.

Ms Andreasen (EFD, UK), rapporteur, welcomed the special report, as according to her, it highlighted what she considered a failure of EU spending. She recalled that EUR 1,7 billion had been spent since 2001, without solving the problem of over-fishing and with the loss of 100,000 jobs. According to her, national governments should be given back the management of fishing policy. She asked Mr Lazarou whether MSs that had not been monitored presented specific problems and whether automatic sanctions could not represent a reply to non-compliance. She asked the representative of the Commission why the last assessment of fishing over-capacity dated back 15 years. Mr Lazarou recalled that MSs submitted to monitoring represented 80% of the budget and recalled that decisions on automatic sanctions fall within the competence of the legislator.

The representative of the Commission agreed with some of the remarks made in the special report and by the rapporteur, concerning measuring over-capacity and eligibility costs for fishing fleets. As for the updating of the fleet register, the Commission recalled that information has to come from MSs. He also announced that many points would be addressed for the reform of the fishing policy, in particular the measure of over-capacity. He justified the absence of an assessment of over-capacity during the last 15 years recalling the Council decision not to make capacity reduction compulsory.

Ms Andreasen announced that the report would be discussed on 23 April.

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### *Voting time*

#### **5. The impact of devolution of the Commission's management of external assistance from its headquarters to its delegations on aid delivery**

CONT/7/06908, 2011/2192(INI)

Responsible: DEVE

Rapporteur for the opinion: Mr Kalfin (S&D, BG)

Cont adopted the draft opinion, as amended, by 20 votes in favour and 2 against.

#### **6. Next meeting(s)**

- 28 February 2012, 15.00 – 18.30 (Brussels)
- 29 February 2012, 9.00 – 12.30 (Brussels)
- 29 February 2012, 15.00 – 18.30 (Brussels)

**SPECIAL REPORT 12/2011**

**Have EU measures contributed to adapting the capacity of the fishing  
fleets to available fishing opportunities?**

**Presentation to COCOBU on 09.02.2012**

**By Lazaros S. Lazarou**

**Member of the European Court of Auditors**

Mr President and Members of the CONT Committee,

I'm pleased to present the Court's Special Report No 12/2011 on EU measures to adapt the capacity of its fishing fleets to available fishing opportunities.

This Special Report comes at an important time for the Common Fisheries Policy, as the Commission's proposals for a reformed CFP and the new European Maritime and Fisheries Fund are due for consideration by the legislative authorities.

I would like to briefly go over the background to the report, then highlight the main conclusions, and recommendations made by the Court.

**Starting with the background to the report:**

For many years, fish catches and fish stocks of the EU have been in decline. Fishing at unsustainable levels is both threatening the long term viability of fish stocks and the livelihood of the fishing sector.

Since the last reform of the CFP in 2002, fish catches have declined by 1 million tonnes and 70,000 jobs in the fishing sector have been lost.

Overcapacity of the fishing fleet has been widely identified as one of the main reasons for over fishing and for the decline in fish catches. For many years, through the CFP, there has been an attempt to reduce the overcapacity of the fishing fleets through various methods, including publicly funded vessel scrapping schemes, and fleet capacity restrictions imposed on the Member States.

However, the measures taken so far have not worked. This is recognised in the Commission's April 2009 Green Paper on its current reform proposal. The Court also reported on problems with fleet overcapacity in previous audit reports, most recently in its Special Report 7/2007, but also back in 1993. This means that the problems we are addressing have been around for a long time.

Knowing the CFP was due for reform, and in light of the known problems, the Court decided to examine EU measures to reduce overcapacity – or in the terms of the CFP legislation – we examined the EU measures to adapt the capacity of its fishing fleets to available fishing opportunities.

The 7 Member States we visited (Denmark, France, Italy, Spain, Poland, Portugal, and the UK) together represent about 70% of EU fish catches and fleet capacity, and 80% of EU funding, giving us a good overview of the global situation of the overcapacity in the EU.

**Moving on to the main conclusions:**

The Court made conclusions under two main categories. The first relates to the policy framework for the reduction of overcapacity, and the second relates to the design and implementation of specific measures to reduce overcapacity.

*There are three main points I would like to highlight concerning the policy framework.*

First, there was inadequate measurement of “capacity” and “overcapacity”. The CFP measures vessel capacity in terms of power and size. These measures do not take into account technological progress in fishing methods. While the nominal capacity of the fishing fleet is decreasing, the *ability* of the fleet to catch fish is increasing by around 3 % per year. This was estimated by the Court to result in an overall increase of 60 % over the 16 year period 1992 to 2008. Furthermore, the last time fleet overcapacity was assessed was 15 years ago when it was estimated at 40% by the “Lassen Report”<sup>1</sup>. This complicates setting appropriate targets for its reduction.

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<sup>1</sup> This was a Report of the Group of Independent Experts to Advise the European Commission. According to this report, overcapacity was estimated to be 40%, on the basis that a 40% reduction in the fleets was required to reduce the volume of catches by 40%.

Second, fleet capacity ceilings, as a measure to restrict the size of the fishing fleet, have become irrelevant. The CFP sets capacity ceilings in terms of power and size on the fishing fleets. However the ceilings are no longer relevant as the actual fleet size is well under the ceilings. In fact the fleet could be 200,000 tonnes bigger and still comply with the rules.

The third point concerns the treatment of fishing rights. The CFP does not have sufficiently clear rules for the treatment of fishing rights when fishing vessels are scrapped with public aid. In fact the CFP gives contradictory signals on the subject: the basic Council Regulation, since 2002, provides for the withdrawal of fishing rights for such vessels, but the Regulations which set annual quotas allow for the reallocation of these rights in some cases<sup>1</sup>.

Some Member States (Denmark, Spain) allow fishers to sell their fishing rights, whereas others (France, Poland) forbid it. Sale of fishing rights of scrapped vessels provides extra resources to fishers to help them to restructure their remaining fishing activities, or to pursue other interests. The CFP Regulations do not say how such cases should be treated when public aid is paid for scrapping the vessel.

More fundamentally, the role of transferable fishing rights in addressing fleet overcapacity is not specified by the CFP. The Court's Report notes that Denmark and Norway have successfully adapted their fleet capacity without significant use of public aid, through use of transferable fishing rights. Without drawing blanket conclusions, the Court considers that the rules on fishing rights need to be clarified and that lessons can be learned.

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<sup>1</sup> « Contradictions in CFP legislation concerning withdrawal of fishing rights »  
This was mentioned in § 28 of the Special Report: Article 11.3 on the basic Council Regulation 2371/2002 provides for the withdrawal of fishing licences and authorisations when vessels are decommissioned with aid.  
The annual quota regulations allow the reallocation of such rights in some cases e.g. Annex IIB Council Regulation 43/2009.



Furthermore, I would like to mention an interesting study prepared for the European Parliament “Tools for fishing management” in 2010, which identified similar issues to those raised by our own report.

*There are seven points I would like to highlight concerning specific measures to reduce overcapacity.*

First, there were delays in the implementation of the European Fisheries Fund by Member States<sup>1</sup>. By the end of 2010, half way through the programme, only € 645 Mio (15%) of the available amount of € 4.3 billion have been used.

Second, Member State’s<sup>2</sup> Operational Programme objectives for reducing capacity were not sufficiently justified by reference to the state of fish stocks. Also, there were problems with Fishing Effort Adjustment Plans<sup>3</sup> (FEAP), which is the main mechanism for targeting aid for decommissioning fishing vessels. For example, their required content or minimum capacity reduction objectives were not defined.

Third, although investments on board which increase fishing ability are not eligible for public funding, we found that in practice such investments can be funded – for example, by funding better propulsion systems which enable fishing vessels to fish faster and longer than before.

Fourth, the European fishing fleet register was not correctly updated with details of fishing vessels scrapped with public aid<sup>4</sup>. This overstated the fleet capacity ceilings.

Fifth, while, between 2003 and 2005, 5.800 vessels/305.000 tonnes were scrapped with public aid, according to the fleet register, in practice the selection of vessels for scrapping was not well targeted<sup>5</sup>. This resulted in scrapping vessels which had little if

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<sup>1</sup> All Member States visited, except France.

<sup>2</sup> Poland, Portugal, Spain, and the UK

<sup>3</sup> France, Poland, Spain and the UK.

<sup>4</sup> France and the UK.

<sup>5</sup> France, Poland, Spain, the UK. Specific examples are given in the Report for each of these Member States.

any impact on the targeted fish stocks. In some cases public aid was paid for fishing vessels which were already inactive, or for vessels which caught insignificant quantities of the targeted fish stocks.

It is noteworthy that the Commission, in its very recent proposal for a new Maritime and Fisheries Fund, has concluded that addressing overcapacity through public aid for scrapping has proven ineffective, despite the fact that since 1994 1,7 billion euro has been spent on this specific measure.

Sixth, the “Fuel Crisis Regulation” (No. 744/2008) had insufficient and unforeseen results. This Regulation was intended to grant public funding at higher rates for scrapping and modernising vessels, in response to the severe hikes in fuel prices in 2008. The Court found that some Member States<sup>1</sup> liberally interpreted its eligibility requirements, and did not obtain anticipated fleet capacity savings. For example, indirect public funding for the construction and importation of fishing vessels was granted.

Finally, the Court found that the CFP’s rules under which Member States report on their efforts to reduce fishing overcapacity are inadequate. Furthermore, most Member States do not prepare adequate reports and often do not use available Commission guidelines. It is in fact impossible to get reliable information on overcapacity at EU level from these reports.

### **So what did the Court recommend?**

The Report recommends that the Commission considers whether initiatives or revisions to the basic Regulations are required in order to:

- better define and measure fishing capacity and fishing overcapacity;
- take relevant measures to reduce overcapacity;

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<sup>1</sup> Denmark and France.

- set effective fleet capacity limits;
- improve the targeting of FEAP's;
- clarify the role of fishing right transfer schemes;
- re consider the aid scheme for modernising vessels;
- improve the quality of the fleet register, and reporting of efforts to balance fishing capacity with fishing opportunities.

The Report recommends that Member States:

- implement the European Fisheries Fund on time;
- ensure that any publicly funded investments on board do not increase fishing ability;
- keep the fishing fleet register up to date;
- better target their fishing vessel decommissioning schemes;
- improve the reporting of their efforts to reduce overcapacity.

**To conclude,**

Our main message is that the CFP is unlikely to be successful unless the problem of fleet overcapacity is resolved. This would involve the identification of the extent of overcapacity, the design and implementation of measures and incentives to reduce it, and the correct reporting of performance.

The Court believe that the current reform of the CFP and its funding arrangements offer a window of opportunity for the legislative authorities to address fleet overcapacity, and we are pleased that with this Report the Court can contribute to this process.

Thank you for your attention and I am now at your disposal to answer any questions you may have.

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