

Report from the French Court of Auditors on State aid to the fishing sector

2000 to 2009 financial years (187 pages) - briefing
Court of Auditors, Seventh chamber, Third section

Context

In 2010, the French Court of Auditors carried out an in-depth investigation into State aid given to the fishing sector, but public dissemination of the report did not occur until French weekly magazine *Le Nouvel Observateur* obtained and released a copy of the secret report on July 4th 2013. The magazine revealed a merciless assessment by the Court, which shows that France's fishing sector survives only because of massive public funds. It highlights that for French public authorities, aid policies to the fishing sector fulfill one key objective: to buy short-term social peace.

Harsh critiques

The Court of Auditors' analysis also denounces the **inconsistency of public subsidies**, which do not meet the objectives set by European regulations, and their **counterproductive nature** because they have failed to **protect jobs, to conserve natural resources and ecosystems, and to curb the economic erosion of the sector**.

Instead, subsidies have made the fishing sector less resistant to fluctuating fuel oil prices, by preventing conversions to different fishing methods. Public subsidies have thus **"contributed to the excessive pressure on fish stocks over the many years when construction and modernization subsidies prevailed and increased fishing capacity"**. The increased fishing effort *"eventually causes contraction of fish stocks, decreased catch, and lower profitability for businesses."*

The report criticizes the French authorities for *"being lax in applying and enforcing regulations"*, stating that *"it will take a long time and a lot of subsidies to reestablish a balance between the fishing effort and fish stocks"*.

The Directorate of Fisheries: negligent and complacent

The Court of Auditors' report is a real indictment against high-level administration, particularly France's **Directorate of Fisheries and Aquaculture** (Direction des Pêches Maritimes et de l'Aquaculture, or DPMA), **which is directly criticized for its negligence, and its lack of knowledge and evaluation of the allocation of subsidies**.

"At the time of this report, there is no organized and permanent body at national level that assesses the effectiveness of aid given to fisheries". The only national analysis was conducted in 1997, by France's General Planning Commissariat (page 42).

Consequently, the Directorate of Fisheries **"does not have an exhaustive overview of aid to the fishing sector, because it does not know what subsidies are given by local authorities"** (page 23). The report calls local aid a **"black hole"**.

"The Directorate does not know the total amount of State subsidies given to the fishing sector each year, or precisely how this sum is divided between beneficiaries".

“Far from acting as a watchdog and a strategist with the capacity to steer France’s fishing economy in the right direction, it acts more like a crisis-management body which repeatedly administers subsidies as an emergency measure” (page 23).

The report also highlights the **complacency of this Directorate, which readily “twists” things** to align the subsidies it gives away with the European objectives they are supposed to comply with. A prime example of this is provided, according to the report, by the letters used to convince the European Commission that France’s aid measures are EU-compatible.

Subsidies excess turnover

In 2008 (excluding industrial fleets for which data was not available), financial aid totaled **2.5 times the sector’s average gross operating profit (GOP¹)**, and **four times its net income after tax**. The total aid received by over 10 000 business reached **1 billion euros** for a total turnover of 1.2 billion euros.

These ratios indicate that **without subsidies**, the gross operating profit and the net income of businesses, as well as their cashflow, **“would be negative and these businesses would not be viable.”**

The Court’s assessment concludes that **subsidies “exceed the turnover of the sector, if social protection aid is included”**. And if it is not included, **subsidies represent “a significant part of the turnover, and probably over three times their gross operating profit, excluding tax expenditure and aid from local authorities.”**

Public subsidies undermine sustainable development...

Regarding fuel consumption, **“the main determining factor is the fishing method”**: it ranges from 0.15 l/kg caught in small coastal fisheries using nets and 2.5l/kg for trawlers over 12 meters long (pages 50-51). Unfortunately, **“subsidies aiming to keep diesel oil costs low incite fishing businesses to do the exact opposite of what they should be doing. These subsidies have reduced or removed not only the incentive to limit consumption, but also that to redirect activities towards those fisheries that use the least fuel”** (page 53).

No employment objectives

“Employment is regularly cited to justify the objective of keeping fishing activities and businesses alive. However, the way in which the measures are managed strangely shows no concern for maximizing jobs (page 45).

Measures are nowhere to be found **“that give aid on condition that there be a commitment to protect or create jobs”** (page 45).

“Measures should take on board that their aim is not so much to maintain production, as to maintain jobs in the fishing sector. They should therefore seek the least costly ways of doing so, by putting production objectives second” (page 56).

¹ GOP = the average operating margin after payment of salaries, but before depreciation.

Slack attribution criteria

“The EFF documents (and those of the FIG before them) are a bastion of rationality in the too-often irrational world of fishing subsidies” (page 17). But the report also notes: “[The EFF objectives] will undoubtedly be adhered to, but it shouldn’t be without reservations, as they remain very general. [...] The EFF does not break with the tradition of generalized and substantial aid for fishing and aquaculture. On the contrary, it allows this tradition to continue, because it no longer needs to notify the European Commission of the subsidies that it provides” (page 16).

“Almost all businesses or activities can, at some time or other, obtain subsidies” (page 16). For most measures, the attribution criteria and conditions are very broad and flexible. “The operational program defines the commitments that beneficiaries are expected to make in exchange for aid only very vaguely, if at all” (page 17).

The French paradox

73% of the French fish production is exported and 85% of what the nation consumes is imported. Thus, **“French taxpayers pay to feed Spanish and Italian consumers, these countries accounting for 44% of French exports” (page 44).**