

# FINANCIAL ASSISTANCE TO FISHING INDUSTRIES IN VARIOUS COUNTRIES

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## BACKGROUND

Interest in governmental financial assistance to the fishing industries has been increasing in recent years. Practically every nation with a fishery of any importance has some program of credit assistance. There are three general types of financial aid given: (1) loans, (2) direct subsidies, and (3) indirect subsidies. Using these categories, loan and mortgage insurance or guarantees are included with direct loans.

In the space available, all fishery loan programs as used all over the world cannot be reviewed in detail. Examples of each of the various types of loans can be described, and purposes and results pointed out. Some programs have dual purposes and cannot be classified distinctly.

The types of credit assistance provided by various governments in all parts of the world are shown in table 1.

## LOANS

Generally speaking, the developing countries make loans to fishermen primarily as a means of mechanizing fishing and increasing their standard of living, or to increase catches in order to provide food for the population or products for export.

As an example, in Jamaica, the Fisheries Division purchases outboard motors, sells them to

A former tuna clipper which was converted to a purse seiner with the aid of a fishery loan from the U. S. Department of the Interior.

fishermen and allows 18 months for complete repayment. The Government then provides gasoline to fishermen at less than the commercial price by selling it duty-free, but adds one shilling to the price of the gasoline and applies this on the note for payment of the motors.

In the State of Madras in India the Director of Fisheries is authorized to lend money to cooperatives to reloan to their members for general working capital. Also, he can sell mechanized boats on hire-purchase, or a conditional sales contract basis. In this case 25 percent of the motor and 50 percent of the hull costs constitute a subsidy with the balance payable in installments over seven years. Similar arrangements are also available on trucks used in hauling fishery products. Other states in India have somewhat similar programs providing for construction of boats and purchase of nets, with the provision that a certain percentage of the cost will be handled as a subsidy.

In Uganda, Africa, the Uganda Credit and Savings Bank has been established using Government funds, deposits, and some International Cooperation Administration funds for capital.

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Table 1 - Government Loans Available to Fishery Industries in Various Countries

Country	Administration	Purpose
Belgium	Minister of Navy	Acquisition or improvement of vessels.
Canada	Fishermen's Loan Boards	Acquisition of vessels, engines, gear and equipment.
Denmark	Fishery Bank	Acquisition of vessels, engines, processing and marketing facilities.
France	Credit Societies Central Bank of Overseas France	Acquisition of vessels, equipment, and engines. Acquisition of vessels and fishing gear.
West Germany	Loan Boards	Construction of vessels, purchase of engines, repairs and modernization.
Iceland	Fishery Loan Dept. Fisheries Fund Iceland Bank of Development  Fish Industry Fund	Acquisition of vessels. Acquisition of vessels and improvement of processing plants. Acquisition of vessels and processing plants and improvements to processing plants. Loans to assist new enterprises in the fishing industry.
India	State Fishery Agencies	Loans to cooperatives for relending. Financing sale of mechanized vessels and trucks on a hire-purchase basis. Loans for augmenting fish production, construction of boats, and purchase of nets.
Ireland	Sea Fisheries Board	Finances hire-purchase contracts for vessels.
Italy	Government guarantees loans from private lending institutions	Improvements to vessels, engines, gear, shore establishments, and distribution facilities.
Jamaica	Fishery Division	Acquisition of outboard motors.
Japan	Japan Development Bank Central Cooperative Bank for Agriculture and Forestry Agriculture, Forestry and Fisheries Finance Corporation Government Special Account for Smaller Fisheries Credit Guaranty Fisheries Division	Assistance to large fishing enterprises. Loans to cooperatives for any purpose.  Construction and gear costs to individuals and small enterprises.  Guarantees loans from banks to small enterprises and individuals.  Direct disaster loans.
Malta	Minister of Posts and Agriculture	Acquisition or improvement of vessels or equipment.
Netherlands	Reconstruction Bank Marketing Board for Fish and Fishery Products	Construction and modernization of vessels. Acquisition of retail frozen food cabinets.
Norway	Fishery Bank  Norges Bank  Ministry of Fisheries	Refinancing, rebuilding and acquisition of vessels, and purchase of equipment and gear. Working capital for processing and marketing facilities. Also administers government guarantees of private short-term loans to fishing vessel owners. Construction, reconstruction and expansion of processing plants.
Portugal	Fund for Renewal and equipment of the Fishing Industry	Construction and modernization of vessels and equipment.
Spain	National Reconstruction Credit Institute Central Bank for Maritime and Fisheries Credit	Construction of large steel vessels.  Purchase, construction and repair of vessels, purchase of engines, equipment and gear. Loans to cooperatives and processing plants.
Sweden	Fishery Loan Fund Fund for the Promotion of Fish Processing and Distribution State Loan Fund for Gear	Acquisition of vessels, engines and equipment. Acquisition of equipment to improve processing, storage and distribution. Replace fixed gear lost in storm.
Turkey	Agricultural Bank	Acquisition of vessels and engines.
Uganda	Uganda Credit and Savings Bank	To Africans for any business purpose.
South Africa Republic	Fishery Development Corporation	Purchase and repower vessels, provide water, electricity, homes, etc., for fishermen and processing plants in remote areas.
United Kingdom	White Fish Authority and Herring Industry Board	Acquisition of new vessels, engines and gear; vessel improvements; capital expenditures by cooperatives and processors; and working capital for processors.
United States of America	Secretary of the Interior (Fishery Loan Fund)  (Fishing Vessel Mortgage Insurance Program)	Financing and refinancing operations, maintenance, repairs, replacement and equipment of vessels and gear and research into the basic problems of the fishery. Insures mortgages given for construction, reconstruction, and reconditioning of fishing vessels.
Yugoslavia	Agricultural Bank	Construction and reconstruction of vessels, and purchase of gear.

Under certain conditions the "local" government guarantees 50 percent of the loan. As most of their loans are very small, the cost of administration exceeds the income from interest, and the excess costs of administration are paid by the Government.

These sample plans have been mentioned rather briefly to illustrate typical methods of handling loans in several countries because the problems and purposes in those countries are considerably different than those in the United States.

Most of the more highly developed countries that have a fishing industry of any consequence have loan programs to assist fishermen and vessel owners in one manner or another. These programs are generally designed to improve the economic position of the fisherman, although in some cases they are used to promote certain changes in the fishing industry which are felt to be desirable by the government.

There are three general ways of handling loans in the various more developed countries with a number of variations for each. First is a direct loan by the government usually through the fisheries agency. The second is a loan by a fisheries bank, a central government bank set up to handle loans, or through a fisheries development corporation which can make loans. The third is for the government to guarantee loans made by commercial lending institutions. Some countries use only one of these methods, others use all three.

For example, Denmark channels all of its lending programs through the Royal Fisheries Bank, and South Africa handles all of theirs through a Fisheries Development Corporation. Japan handles some loans on a direct-loan basis, makes others through the Japan Development Bank, the Agriculture Forestry and Fisheries Finance Corporation, the Central Cooperative Bank for Agriculture and Forestry, and also guarantees loans from commercial banks through the Government's Special Account for Smaller Fisheries Credit Guarantees.

The Royal Fisheries Bank in Denmark makes loans for the acquisition of vessels, replacement of motors, and for facilities for processing and marketing of fishery products. Although the Fisheries Bank operates entirely on government funds, the method of handling the loans is such that the government does not have to put the money up at the time the loan is made. When a loan is approved, the bank issues bonds to the fishermen in the amount of the approved loan. These bonds earn  $5\frac{1}{2}$ -percent interest, which is the same amount that is charged to the fishermen. The fishermen then must discount these bonds and sell them to whoever will purchase them. This discount usually runs from 4 to 6 and at times as high as 10 percent. The bond holder thus holds bonds issued by the Fisheries Bank and which are guaranteed by the Danish Government. Funds collected from the fishermen are used to pay off the bonds.

In Norway direct loans are made by the Fisheries Bank and in some cases by the Norwegian State Bank. In Sweden loans are handled by local government agencies, but the funds are obtained from the National Government. In West Germany direct loans are obtainable from the Federal Government for the construction of cutters. Guarantees of commercial loans are also available from the West German Government.

The purposes for which loans are made are also quite diverse. These range all the way from construction of a new vessel, vessel improvements, and fishing gear to the cost of acquisition, reconditioning, or improving processing plants, working capital for processors, and even loans on fishery products processed for export. South Africa Republic loans are made not only to purchase powered vessels, but also to permit fishermen to construct houses and to provide water, electricity, and other facilities to plants and communities constructed in isolated areas.

A number of European countries distinguish between the types of owners in making loans. Several of these countries will make loans only to a vessel in which the master is also the owner. In some cases if he is a part owner they will only loan his share of the cost and other owners must provide their share of the cost from other sources.

Countries report various degrees of success with their loan programs. For example, Ireland, which is making a determined effort to increase the fisheries at any cost and consequently has been exceedingly lenient in its loan program, reports that over 50 percent of the loans are seriously delinquent. However, the Irish Government feels that the program has achieved some success in that it is bringing more people into the fishing industry. On the other hand, Denmark reports that they have practically no problem with delinquent payments and that the program has been responsible for considerable modernization of its fishing fleet. In Great Britain one of the purposes was the conversion of coal-burning vessels to

oil-burning or Diesel engines in their white fish fleet. Subsidies have also been granted in conjunction with the British loan program, and the combination has been quite successful in encouraging the conversions.

In most of these countries it seems to be assumed that fisheries loans should be handled by the government, and as near as can be determined there does not seem to be any objection from commercial lending institutions. This lack of objection on the part of the commercial lending institutions is probably due to poor experience in collections in the past, and the feeling that they would prefer to lend their money to some less risky enterprises. The fact that many of these countries make loans only to skipper-owned vessels may also affect this feeling inasmuch as the larger so-called "company owned enterprises" still have to get their funds from commercial sources. As those generally are considered the better risks in European countries because of their more stable financing, the commercial lenders appear to be satisfied with this arrangement.

#### DIRECT SUBSIDIES

Direct subsidies or grants of various kinds are made by a number of countries. In the United Kingdom, grants of 25 percent are available for the construction of new vessels (excludes large distant-water vessels) or for conversion of coal engines to oil engines. The Herring Industry Board of that country owns a number of gutting machines and conveyors which are leased to processors who cannot afford to buy this type of equipment. In Malta, grants of up to 50 percent of the cost of acquisition or improvement of the fishing vessel or equipment may be obtained. Grants for these purposes are also available in France and in Ireland. A number of countries, including Belgium, Canada, France, West Germany, and Ireland also make grants to pay part of the interest owed by fishermen because of loans made in connection with the acquisition or modernization of fishing vessels. In the Province of Quebec, Canada, grants are made to be used to reduce the amount of life insurance premiums payable by a borrower in connection with private loans for the construction of vessels or the purchase of engines, equipment, or fishing gear.

#### INDIRECT SUBSIDIES

There are a number of what may be termed "hidden subsidies" used in various countries. The most obvious of these, of course, is simple tariff protection. There is also the requirement for licenses for the import of certain commodities which may restrict the amount which can be brought in. The use of absolute quotas or prohibition of imports of certain commodities may be used to protect a country's fisheries. In some countries, such as Norway, price supports are available for certain fishery commodities. Low interest rates on fisheries loans may be considered as a type of hidden subsidy. Exemption of products used by fishermen from import duties is also allowed in some countries. Accelerated depreciation schedules on fishing vessels may be considered a subsidy as may be the 160-percent investment allowance which has been proposed in Canada. Both accelerated depreciation and the 160-percent investment allowance which allows using depreciation in the amount of 160 percent of the total cost are useful only when relatively large profits are being made in the fishery. As this is not true in many of the United States fisheries, these programs would provide no assistance to those fisheries at this time. Basically, if a fishery is operating in a sufficiently profitable manner to be able to effectively use these two plans as a means of effective assistance, the fisheries are probably in sufficiently good financial condition as not to need governmental assistance.

#### TYPES OF AID FOR UNITED STATES FISHERIES

In the United States the fisheries loan fund is administered by the Secretary of the Interior through the Bureau of Commercial Fisheries. The program provides for loans for financing and refinancing operations, maintenance, repair, replacement and equipment of fishing vessels and research into the basic problems of the fisheries. Applications cannot be considered if the required credit is obtainable from any other source on reasonable terms.

The maximum period of a loan is 10 years and the present interest rate is 5 percent. There is no provision for loans to shore installations.

A loan and mortgage insurance program to aid in the construction, reconstruction, or reconditioning of fishing vessels is also administered through the Bureau. This provides for insuring loans and mortgages in amounts of not more than 75 percent of the actual cost of construction, reconstruction, or reconditioning of the vessel. The loan must be obtained from non-public funds. Credit requirements for this program are higher than for the fisheries loan fund. The advantage of an insured loan is generally the use of a longer maturity period and a larger loan on a given amount of collateral.

The only subsidy available to the United States fishing industry is a fishing vessel construction differential subsidy administered through the Bureau of Commercial Fisheries. Under certain restrictive conditions, this provides for payments equal to the difference in the cost of construction of the fishing vessel in a domestic shipyard and a foreign yard with a maximum of 33 $\frac{1}{3}$  percent. This subsidy is only available to vessels designed to fish in a fishery which has obtained a finding of injury or threat of injury caused by increased imports. This finding must be made by the U. S. Tariff Commission or the Secretary of the Interior, depending on the tariff classification of the species involved. The plans for the vessel must be approved by the Maritime Administration and the Secretary of Defense, and the vessel must be built by the lowest competitive bidder under the supervision of the Maritime Administration.

The depressed condition of most of the fisheries of the United States at this time has been well documented. In connection with these, questions on the degree of assistance to be provided have been raised.

Basically, one of the questions regarding the fisheries loan fund in the United States is whether keeping the marginal operators in business is actually helping the industry as a whole. The good operator frequently can obtain credit elsewhere although at a higher interest rate and thus is not eligible for a fisheries loan. His competitor who may be a poorer operator is unable to obtain credit elsewhere and so becomes eligible for a loan from the Government at a lower interest rate. Would it be better for the industry to allow the poorer or marginal operator to go out of business and extend the assistance to the good operator? The question is whether it is advisable to make loans which admittedly only keep the vessel operating for an additional year or two, without doing something to improve the over-all condition of the fishery. If the over-all condition of the fishery does not improve, the fisherman is unable to pay the loan and he is no better off than he was prior to receiving the loan.

What can be done to help a fishery get back on its feet to a point where its operations are profitable? Research has been proposed as a means of assisting the various fisheries and the fishing industry as a whole. At the present time there is a question regarding how research can be of much lasting benefit to the industry because as quickly as a more efficient way of doing something is discovered or a new product developed which should increase the market, other countries producing fish for export to the United States can use the improved methods or produce the new product. But their cost advantage plus lower labor costs are usually retained. Certain technological advantages, particularly those provided by mechanization, may reduce the amount of labor required and thus somewhat reduce the total cost differential, but a certain amount of labor is always required and this will still be available at a lower cost in many foreign countries.

Currently, the fisheries loan fund in the United States is being administered so as to provide financing for anyone eligible to receive assistance who has the ability and resources to reasonably assure repayment. The more marginal operators generally cannot meet the latter requirement.

The mortgage insurance program provides assistance in obtaining long-term financing for the construction or reconstruction of vessels by the better operators who are able to obtain credit from commercial sources.

The construction differential subsidy program provides assistance in constructing vessels to be used in fisheries which have been found to be suffering injury or threat of injury because of increased imports. This program has had very little acceptance by the industry for two reasons: (1) vessel owners in eligible fisheries maintain that the amount of the subsidy is not large enough to enable them to compete with vessels built at lower cost in foreign yards under present conditions, and (2) fisheries which are in a sufficiently healthy condition to compete successfully are not eligible for the subsidy. As a result, current aid to United States fishermen is largely limited to credit assistance.



### HUNTING ARCTIC WHALES WITH HYPODERMIC NEEDLE

A Maryland scientist hunted Arctic whales with a hypodermic needle the summer of 1961, according to the Director of the Natural Resources Institute of the University of Maryland.

The senior biologist for inland research of the Institute spent 3 or 4 weeks at the mouth of the Mackenzie River in Canada's Arctic Northwest Territories. During his stay he killed and retrieved white whales by using an ordinary hunting bow and arrows tipped with a special hypodermic cartridge.

Though not the largest of whales, the white whale attains 14-16 feet in length and weighs over 800 pounds as an adult. Their appearance in the relatively shallow water at the mouth of the Mackenzie is part of an annual mating migration.

The specially-designed needle for whale use measures nearly  $5\frac{1}{4}$  inches long and is equipped with three sharp barbs to hold it in the whale. When the needle-tipped arrow hits the target, a small explosive charge forces a special drug into the body of the whale to kill it. A small balloon on a line is attached to the arrow to follow the whale. It was expected that only one-tenth gram of the drug, succinylcholine chloride, would be needed to kill a one-ton whale, assuming that they are as sensitive to it as are white-tailed deer.

If this test and subsequent trials on larger species of whales show that they can be killed and retrieved in this manner, it will have a decided effect on the world's whaling industry. The standard means of taking commercial whales is by use of an explosive harpoon. In over 90 percent of the cases this method renders whale meat unfit for human consumption as food, and tons of meat are wasted each year for human consumption. The pelagic whaling industry, now facing near extinction, could use any economic gains from meat taken in good condition. The drug to be used in the new hypo-arrow would not be dangerous to humans or animals later consuming the meat, and little damage will be done by the needle.