

bank should actually be formed these percentages might be changed. It is clear that the existing shipowners' companies can hardly finance the building of new ships, whereas it cannot be expected that private investors outside the industry will make any considerable investments in this field.

It is not the intention here to present a gloomy picture of the condition of the fishing fleet in the Netherlands. It should be remembered that war and occupation wrought destruction among the Dutch fishing fleets, from which the industry has now largely recovered through the efforts of the Netherlands people.

In the face of the present problems we in the Netherlands will not fail to reorganize our fishing fleets in time, and thus see to it that the fishing industry will remain to be one of the most flourishing in our country. The Government and private enterprise will no doubt work together to achieve the replacing of part of the fleet by new ships. Government's assistance, if necessary, will be a temporary one, until the fishing industry will be able to state that it has fully overcome the effects of the war, and, as in former years, will have a fleet worthy of the position which the Netherlands as a fishing nation has occupied through the ages.

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### **Financing of Fishing Vessels In Denmark**

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Before approaching the subject of the financing of fishing vessels, it would be useful to give a brief description of how the Danish fishing fleet is built up, and how a fishing vessel may serve as security for a loan in Denmark.

In 1952 there were 2878 fishing vessels in Denmark ranging from five to 19.9 gross tons and 758 fishing vessels of 20 gross tons or more. The present tendency is towards building strong and seaworthy wooden vessels of 30 to 40 gross tons, with diesel engines of about 100 HP, whose purchase value may be estimated at approximately \$20,000. Just as in the Danish farming, fishing in Denmark is also accomplished in small units. As a rule, the skipper entirely or partly owns his ship. There are only a few fishing companies that own more than one or two fishing vessels, and these fishing companies should not be considered as characteristic.

In some cases the skipper's father or his brother is a partner of the ship. The vessel is built and equipped in such a way that it may be used for the fishing of several different species. Fishing vessels especially built for tuna fishing or shrimp fishing alone, do not exist in Denmark.

Every fishing vessel is, of course, registered in a port. Furthermore, all fishing vessels of 20 gross tons or more are listed in a Ship Register. To illustrate the importance of this Ship Register, the writer wants to point out that all land in Denmark is listed in a special Land Register with drawings and measurements of the land concerned. Through this system it is possible to determine who has owned the land concerned for several hundred years, and which buildings have been erected on it. The Land Register also states whether or not an area has served as security for any commitments and to

whose benefit the security has been given; in this way a landowner cannot possibly avoid his financial commitments. The Ship Register works in the same manner as the Land Register, and therefore vessels of 20 gross tons or more are excellent securities for loans. Fishing vessels registered in the Ship Register are subject to laws which are identical with the International Maritime Laws in regard to mortgage-security and commitments made during fishing trips or during the stay in port. However, all vessels of less than 20 gross tons are considered as movables as far as mortgage-security goes. Therefore, if a fisherman raises a loan and a vessel of less than 20 gross tons serves as security, the pledge is registered in the district court where he resides but it is not entered in the Ship Register. As long as the skipper does not move, the boat will be sufficient security for the lender, but if the skipper moves to another district and the lender does not see to it that his pledge is legally notified there, the lender will lose his mortgage-security in case the skipper sells the fishing vessel to a person acting in good faith. An alteration of the law on registration of vessels may change this situation so that vessels ranging from 5 to 19.9 gross tons will also be listed in the Ship Register within a couple of years.

The financing of the Danish fishing fleet is characterized by the fact that the fishing industry is less important than the country's other industries, and therefore there are no loan agencies to meet the special needs of the fishing fleet for capital.

Loans for purchase of new or second-hand fishing vessels were previously given exclusively by commercial banks who knew the local fishermen personally, but as the fishing in Denmark is not concentrated on a limited number of large fishing ports where the commercial banks could acquire a thorough knowledge of the profitableness of the fishing, there is a tendency that loans given through commercial banks are relatively small compared with the purchase value of the fishing vessels. As deposits in the commercial banks may in general be withdrawn on request, the banks are not in a position to give long term credits; therefore it is rather common that the loans must be repaid in the course of 5 to 8 years. Furthermore, the commercial banks must take into consideration that in acute situations they may be forced to supplement their cash balances by securing short term loans in the free money market, and thus their interest rates are in general higher than the interest rates paid on long term loans with security on real estate. However, it should be mentioned that in one particular fishing port it is rather common for fishermen to secure loans for the purchase of fishing vessels in the form of a cash-credit to be repaid over a period of 5 to 10 years. The interest on a cash-credit can be burdensome to a fisherman, but if in periods of good catches he has some spare money, he may pay off his cash-credit loans and then later on withdraw it, in case he needs the money in periods of bad fishing. In this way he has the possibility of reducing his average yearly interest. One commercial bank in Denmark can issue long term bonds for sale on the free money market, but it is not known whether this money has been used for the financing of fishing vessels. What has been mentioned above regarding bank loans for purchase of fishing vessels also goes for purchases of new diesel engines or for example, echo sounders; usually, however, the bank loan must, in such cases, be repaid within five years.

Besides the commercial banks Denmark has a rather large number of well founded savings companies which, to a certain extent, are organized as non-profit organizations. Their activities are limited to the amounts that private persons deposit in savings accounts. The deposits may be withdrawn on request or in three or six months terms, but these savings companies permanently dispose of such large sums that they can give credits for fairly long terms. The savings companies give loans to the local population against mortgage-security and guarantee, and their means have been employed on a limited scale for the financing of purchases of fishing vessels. The rate of interest of the savings companies is often a little lower than that of the commercial banks. Whether the fisherman secures a loan in a commercial bank or in a savings company, the loan generally is not given for more than approximately half of the value of the fishing vessel. If the fisherman can give further security in the form of real estate or guarantors, the loan usually may be somewhat increased, but no fixed lines can be given in such cases.

However, to a fisherman loans raised in a bank or in a savings company can be burdensome, because the rate of interest is nearly always higher and the term of the credit shorter than in the case of loans given against security in land, buildings or factories. To meet the fishing industry's needs for credits, a bill was passed in 1932 under which a Bank for Fisheries was established for the financing of purchases of fishing vessels and, on a limited scale, for the building of industrial plants within the fishing industry. The working capital of the Bank for Fisheries was granted by the Government and consisted of funds from a pool created during World War I. This starting capital amounted to D. Cr. 5,000,000, or a little over \$700,000 at the present rate of exchange. Furthermore, the Bank for Fisheries was authorized to issue governmentally guaranteed bonds so that the total working capital of the Bank for Fisheries amounts to about D. Cr. 15,000,000. or about \$2,200,000.

As the bonds of the Bank for Fisheries are governmentally guaranteed, they can be sold on the money market at a very favorable rate of exchange, and therefore the interest on loans given by the Bank for Fisheries is, as a rule, nearly as low as credits made against security in real estate. The administrative expenses of the Bank for Fisheries, which at the moment amount to about \$14,000 yearly, are covered by the Government. Nevertheless, on all the credits of the Bank for Fisheries one must, in addition to the interest, pay an amount of one quarter per cent every six months of the debt for the reserve fund, but this amount is added to the working capital of the Bank for Fisheries and is thus the basis for increased credits.

Loans in the Bank for Fisheries are the cheapest form of financing within the fishing industry and it is therefore a matter of course that most fishermen primarily try to secure a loan in the Bank for Fisheries. The rate of interest of the Bank for Fisheries is for the time being five per cent, as compared with four and a half per cent on an ordinary loan against first mortgage security on real estate.

In the year of 1952 the Bank for Fisheries filed 181 applications for loans. In the same year the Bank for Fisheries made 48 loans at a total amount of approximately D. Cr. 1,460,000, or a little over \$200,000, for purchases of fishing vessels, and 68 loans at a total amount of D. Cr. 500,000, or a little

over \$70,000, for purchases of new diesel engines or echo sounders for fishing vessels. In 1952 the Bank for Fisheries furthermore issued eight loans at a total of D. Cr. 547,600, or about \$80,000, for canneries, processors, etc.

The total credits of the Bank for Fisheries amounted to D. Cr. 12,944,000, or about \$1,875,000, on January 1, 1953. The Board of Directors of the Bank for Fisheries consists of a representative of the Ministry for Fisheries, a representative of the fishing industry and a representative of the Ministry of Finance. According to the statutes of the Bank for Fisheries, loans are issued exclusively on a purely objective basis, and where the security given may be considered safe from a banker's point of view. Administrative considerations as to whether a loan for one purpose or another would be most appropriate, never occur. It must be added that the Bank for Fisheries has in certain periods been unable to meet the requirements of credits.

As a rule, the Bank for Fisheries gives loans against a first mortgage security on fishing vessels, and generally these loans are given for approximately half of the value of the fishing vessel; as a rule, the term of repayment is 10 years for purchases of fishing vessels and about five years for purchases of new diesel engines and echo sounders.

However advantageous a loan in the Bank for Fisheries may be to a fisherman, it must be admitted that there are few fishermen who are in a position to finance the second half of the purchase value of the vessel themselves. A fisherman may be able to secure a private bank loan insofar as he can give security in the form of real estate, or if he can provide guarantors, but generally such credits will be very expensive. Therefore, various laws were passed securing additional means of credits for active fishermen for the purchase of new fishing vessels. These loans were made for approximately 20 per cent of the purchase value of the fishing vessel, so that the total credit amounted to approximately 70 per cent of the purchase value of the fishing vessel. The loans were issued against second mortgage security on the vessel and usually had to be repaid within 10 years. The rate of interest has varied according to the conditions on the money market at the time when the loan was raised. None of these laws is in force any more.

At the beginning of World War II a form of loans was adopted for purchases of fishing vessels, which should be mentioned. At that time food was scarce, and in order to increase fishing for fish for human consumption a bill was passed providing means for active fishermen, who could show personal savings out of their income from fishing, to purchase new fishing vessels. The loans were to be repaid over a period of 10 years, and the rate of interest was rather low. The loans were made for approximately 10 per cent of the purchase value of the vessel, and in connection with credits from the Bank for Fisheries or a commercial bank and the aforementioned government credits the fisherman could thus secure a loan covering 80 per cent of the purchase value of the fishing vessel. This 10 per cent law has also expired and the last loans will be repaid in about one year from now. The interesting point about this 10 per cent law, however, was that at that time everybody believed that the price level was going to be lowered after the end of the war and in order to increase the fishermen's interest in this

kind of loan it was decided that one per cent of the loan was to be disregarded each year, so that totally 10 per cent of the loan given according to this law, equal to one per cent of the purchase value of the vessel, should not be repaid if the fisherman would strictly observe the conditions of repayment and keep his vessel in good repair.

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### **Financing Fishing Vessels In Sweden**

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In Sweden sea-going wooden fishing boats 70 to 80 feet long cost about \$40,000 to \$50,000. A Government loan-fund was established in 1932 to provide loans for the procurement of boats, engines or other mechanical equipment, gear, fish-transport vehicles, small boats and other transport facilities, small fish plants and for fish farming. Each year a sum of Kr. 2,000,000 (\$400,000) is being loaned. The maximum value for each loan was increased in 1943 to \$24,000. Unfortunately, the number of applications is so large that the available amount is usually insufficient. It frequently happens, therefore, that the amount requested has to be reduced. The government requires the first mortgage on the vessel, and for some responsible person to stand security. For the first two years no payments of principal or interest are required. Thereafter principal and interest have to be paid by equal instalments over a period of a maximum of 10 years. The interest is 3.6 per cent and the penalty interest six per cent.

For 1954 the Government estimates that they will receive from fishermen Kr. 1,300,000 (\$260,000) in repayments on old loans. Accordingly the Government is going to increase the loan fund by Kr. 700,000 (\$140,000) to make loans possible up to a total value of \$400,000 in 1954.

In order to obtain a loan, the fisherman sends an application to the Agricultural Society in his part of Sweden or, if he is living in West Sweden, to the County Council. This body scrutinizes the application and, in the case of an Agricultural Society, it has to make an additional endorsement. The loan application is then sent to the Board of Fisheries for approval or possible adjustment of the sum. If approved, the Board informs the Treasury which then pays the loan sum by cheque to the Agricultural Society or the County Council for payment to the fisherman, once he has produced the necessary guarantees.

In addition to the Government loans, the fishermen frequently use the credit facilities provided by the Provincial Savings Banks or Commercial Banks, and usually a fisherman can buy a new boat without contributing more than 20-25 per cent of the cost himself. The savings banks charge an interest of about four per cent and require that the loan be paid back in 15-20 years. They demand security over and above the mortgage. Some commercial banks also provide similar loans and presently charge four and one-half per cent interest for loans shorter than three months and five per cent for loans longer than this period.

The experience in Sweden is that fishermen are good borrowers and the losses are insignificant.