

SUBJECT: Non paper on the size, nature and dynamics of the blue economy, 15 September 2015, prepared by DG MARE

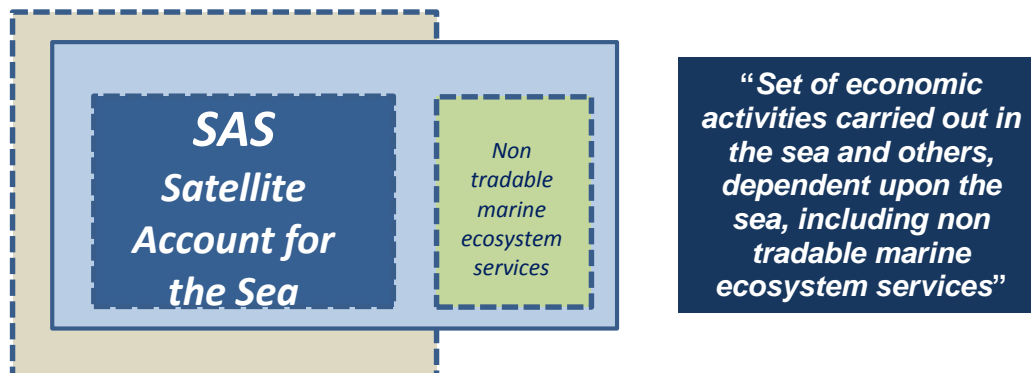
Comments Directorate-General for Maritime Policy (DGPM) and Statistics Portugal (INE)
24th September 2015

We recognize DG MARE technical work and the significant efforts necessary to gather the data and to make its analysis for this non paper. These comments intend to contribute to the document's improvement and to the debate on the next meeting on the 29 September.

Some contributions to the challenged questions made on page 12, follows:

1) the definition of the blue economy (section 2.1)

- Although the Eurostat data for the blue economy activities only covers marketable activities, we propose a broader theoretical definition. Some examples:
 - The one we assumed for the work on going in Portugal for the Satellite Account for the Sea (SAS) is the following:



Source: DGPM/INE (2014)

- In the recent studies made by Park and Kildow, the "ocean economy can be defined as economic activities that take place in the ocean, receive outputs from the ocean, and provide goods and services to the ocean. In other words, ocean economy can be defined as the economic activities that directly or indirectly take place in the ocean and use outputs from the ocean, while incorporating goods and services into the ocean's economic activities." (Source: Park, Dr. Kwang Seo & Kildow, Dr. Judith T. (2014), Rebuilding the Classification System of the Ocean Economy, Journal of Ocean and Coastal Economics, Vol. 2014, Issue 1, Article 4, December 2014)

2) the main sectors identified (has any important contribution been forgotten?)

- We suggest to improve and clarify the definition and scope of the blue economy, namely: which activities are direct and indirect? Which products and services?
- Roughly, the direct activities should be the ones with outputs that meet the final demand for goods and services of the ocean/sea; the indirect activities would be the complementary ones, with outputs to meet the additional demand for intermediate inputs to satisfy the final demand;
- It is not very clear, if some considered activities might be or not direct contributions to the blue economy; some concrete examples ahead:
 - **Transport** (shipbuilding, shipping) – we consider it would be a broader approach to consider Transport (Ports, shipping and logistics); otherwise ports activity would be considered as indirect activities and that does not seem to make sense, as they would not exist if there is no ocean/sea; it does not seem that you are considering the port community as a direct activity and if this is not properly addressed, the main results could be jeopardised, as well as the structure of Gross Value Added (GVA) and employment in the blue economy;

In that context we wonder if “warehousing and support activity for transportation” should be considered a direct activity/product instead of an indirect activity to “Water transport” (see Appendix 2 table, page 19, and Appendix 3, end of page 22);

We would prefer to separate Ports, shipping and logistics from Shipbuilding and repair and maintenance, as they have different policy analysis and also because the activity includes several floating platforms, other than for travelling purposes (such as energy, coastal defence works, etc.).

- **Coastal tourism**

Geographical scope - We did not find a clear option to define “Coastal tourism” in Eurostat; we believe options are open to adopt the concepts of “Coastal regions” or “Coastal areas” to comply with Regulation 692/2011. On page 2, first paragraph of 2.3., precision should be made regarding the concept (“Coastal areas”, in this case) and to the source (Eurostat, Methodological manual for tourism statistics, Version 3.1, 2014 Edition); Regulation 692/2011 only defines “Coastal” as “referring to the location close to the sea of the municipality (or equivalent local administrative unit) where the tourism accommodation establishment are located”; in principle we agree with the adoption of the “Coastal” location criteria similar to that of Eurostat’s “Coastal areas” – “Coastal areas consist of

municipalities (or equivalent local administrative units) that are bordering the sea or close to the sea. Coastal areas and non-coastal areas are classified according to the distance of the municipality to the sea: if a municipality borders the sea, it is by default coastal (and part of a coastal region); if a municipality is not bordering the sea but has 50% of its surface within a distance of 10 km from the sea, it is also considered coastal; all other municipalities are non-coastal.”; nevertheless, the simple application of this concept geographical criterion might raise statistical problems, namely in countries like Portugal, where a huge part of the population lives in coastal areas, due to asymmetrical development of the country;

Activities scope - regarding the activities to consider as tourism, we think they should follow the same criteria as the Tourism Satellite Account, apart from transport and business tourism that should be further discussed; although air transport of passengers is considered as a tourism activity, in what concerns the coastal tourism maybe we should consider it as an indirect activity? Or an extra criterion to narrow down to tourism/sea scope (based, for instance, on other activities, where the link between tourism and sea is more likely or direct, like accommodation activities).

Other issues that should be further discussed are business tourism, whose primary motivation is not the sea; nautical activities should be individualized, if possible, considering other tourism activities from the Tourism Satellite Account; and also part of cruise and sightseeing boats considered in transports (mentioned in page 24) as being direct activities.

We congratulate DGMARE and Eurostat for the work ongoing to improve tourism data (page 3, (1) to (4)); we agree that numbers should be presented both including and not including business travel and we suggest the same can be done for transport.

- **Fishing and aquaculture and processing and preserving of fish, crustaceans and molluscs** – wholesale and retail trade of fish, crustaceans and molluscs should be included as direct activities;
- **Energy** – it would be important to separate offshore renewable energies and offshore oil and gas;
- **Shipbuilding** – as already said, maybe it would be better to separate this activity as it includes several floating platforms for travelling purposes, energy, coastal defence works, etc., and because public policies are specific for this sector;

- **Coastal defence works and maritime infrastructures** – should be important to consider, namely given climate change;
 - **New emergent activities (such as blue biotechnology, sea mining and earth observation)** – it would be important to start considering how to measure that;
 - **Education and R&D for the ocean and seas** – it would be important to measure.
- In general terms the main groups of activities are being considered in the present time. Nevertheless it will be important to include a table with the NACE codes considered.

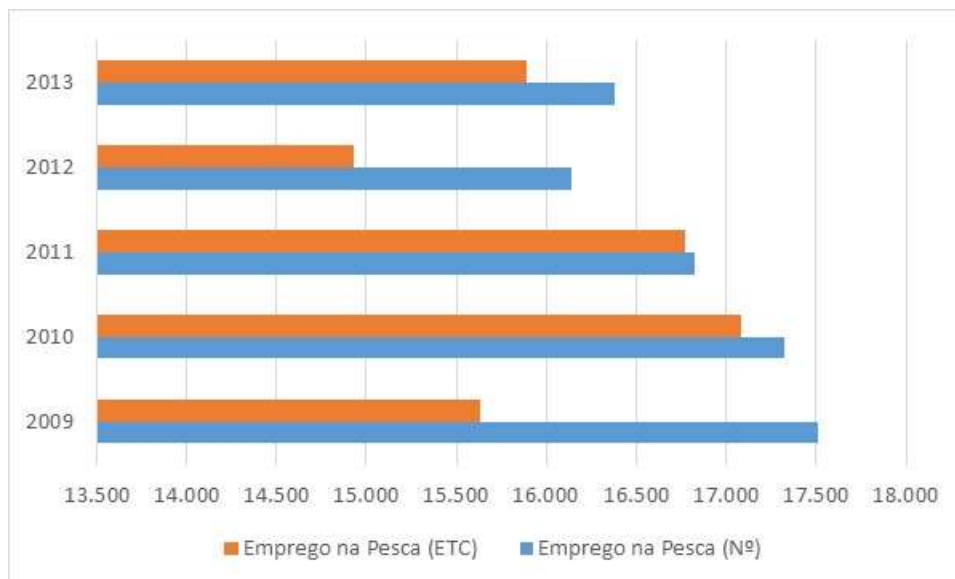
3) the assumptions made (focus on market economy, neglecting business travel or day trips, etc);

- The approach of this document is mainly based on data sources from the business activity (Structural Business Statistics). The main problem with this source of information is that other important institutional sectors are neglected, such as the public administration or non-profit institutions, namely public research centres and universities that highly contribute to the blue growth and to its present and future nature and dynamics;
- That is one of the reasons because we would prefer to follow a Satellite Account for the Sea approach, within the National Accounts system framework, or any other approach that relies on the National Accounts; that would allow comparability between countries and also a more coherent and reliable approach; it would allow to evaluate the direct contribution of the blue economy to GDP as well as the direct GVA, Production and Employment (Full-Time Employment) for each group of activities of the blue economy; the consequent supply and use tables for the sea would allow to establish the indirect GVA and Employment, induced by the final demand of the goods and services of the sea;
- Regarding, in particular, the Coastal Tourism activity, we would agree, in a first thought, to neglect business travel, as the primary motivation is not the sea; in what concerns day trips we think there is no reason to neglect them.

4) the estimate of number of people employed (in EU and Member States);

- As we said in point 2), page 2 of these comments, first of all a better clarification of direct and indirect activities of the sea should be done, and then calculate the direct and indirect employment;
- The different sources used should be analysed more carefully as they might not match (ex: Structural Business Statistics and Labour Force Survey);
- Direct employment - Using data from Structural Business Statistics on the “Number of persons employed” to measure Employment can give over estimated number for the activities which are seasonal and/ or use part-time workers. In the case of Fishing and aquaculture data are obtained from the Data Collection Framework, and so it is measured in Full-Time Equivalent (FTE); anyway it is not technically correct to sum FTE and Number of persons employed;
- In what concerns labour/employment growth rates, they should be considered carefully because the dynamics of the number of jobs could be different from the FTE, for some sectors or for some years; see for example the case of Fishing in Portugal:

Indicador 10.2 - Emprego na Pesca									
Nº		2009	2010	2011	2012	2013	2014	Unidade	Fonte
IND 10.2 a	Emprego na Pesca (Nº)	17.514	17.323	16.822	16.143	16.378		Número (Nº)	DGRM - STECF
IND 10.2 b	Emprego na Pesca (ETC)	15.633	17.080	16.776	14.931	15.890		Equivalente a Tempo Completo (ETC)	DGRM - STECF



Source: DGPM, SEAMind (2015), based on DGPM/STEECF STECF “2014 Annual Economic Report on the EU Fishing Fleet (STECF 14-16)”.

- Indirect employment – we have several reservations regarding the calculations on Appendix 2 table and Appendix 1 table (indirect “Number persons employed”):
 - We did not find Supply and Use tables from Eurostat with the necessary disaggregation of activities, products and countries (Note that more than half of EU countries are missing); which tables did you use? Table in Appendix 2 is for which year?
 - How do you relate the results of Appendix 2 table (pages 17 to 21) with the results presented in Table 1 (page 5) and Appendix 1 table (pages 13 and 14), for the indirect employment? Particularly in “Coastal Tourism”, that doesn’t appear in Appendix 2 table?
 - In Appendix 1 table, page 14, what was the geographical criteria used for the tourism calculations?
 - In Appendix 2 table, apart from the already mentioned concerns regarding the initial definition of direct and indirect activities (for example “warehousing and support services for transportation” for “Water transport”), some results seem strange. Examples: 1) page 19 – “Legal and accounting services; services of head offices; management consultancy services” – is there a reason for the concentration of the number in “Water transport”?; 2) “Legal services” – is there a reason for the concentration of a number in “Extraction of crude petroleum and natural gas”?; 3) “Scientific research and development services” – the higher number is in “Extraction of crude petroleum and natural gas” and “Processing and preserving of fish, crustaceans, molluscs, fruit and vegetables”; it might be expected also in Shipbuilding and water transport; 4) “Employment services” – the figures seem too high, particularly for in “Extraction of crude petroleum and natural gas”, “Processing and preserving of fish, crustaceans, molluscs, fruit and vegetables” and “Water transport”;
- Once more, it would be preferable to consider consistent data within the National Accounts, namely through the design of a Satellite Account for the Sea, or any other approach to the National Accounts.

5) the conclusions regarding growth rate;

- Employment growth rates need to be further investigated, as results presented in point 5.1. , from three data sources, are sometimes contradictory and not conclusive.

6) the most appropriate approach for estimating the contribution to GDP.

- We consider that talking about blue growth at a European level, in a sustainable way, needs to be grounded on a discussion on the methodologies followed by Member States to determine the blue economy contribution to GDP. To consider different variables (turnover, investment, revenues, GVA), and different sources of information, to estimate the contribution to European GDP could be useful to have a quick overview of the importance and structure of the blue economy. Nevertheless, for structural purposes, it might not be the best way to have statistical consistent and sustainable series or to avoid sectorial overlaps. It will be useful to deepen this discussion in conceptual terms to identify possible alternative paths and respective advances or limitations;
- To consider the Structural Business Statistics (SBS) has the advantage of having confident information with a narrow time lag when compared with National Accounts availability. Nevertheless, this source is not exhaustive, namely for activities with a high level of informal activity, that results in an underestimation of the blue economy;
- As already mentioned in point 3), page 4 of this comments, the adoption of data sources from the business activity (Structural Business Statistics) as the main sources for this study, neglects other important institutional sectors, like public administration and non-profit institutions, namely research centres and universities that highly contribute to the blue growth and to its present and future nature and dynamics were not considered;
- Once more, we consider the use of National Accounts GVA the best source to estimate the blue economy contribution to GDP;
- We consider that SBS could be a good source to calculate structures for detailed subsectors and apply it to National Accounts data at a higher sectorial aggregation. They are also important as first proxys, and it is a good way to compare growth rates that arises from different sources of information, as you did.

Information on the Ocean Economy in Portugal is also available on DGPM site:
http://www.dgpm.mam.gov.pt/Pages/ENM_2013_2020.aspx

As a general observation concerning the document (namely annexes), we suggest that all tables and figures should mention the year, the unit and the source.