



Policy Brief 1

Rationalization of the Fishing Industry

KEY MESSAGE

When we asked fish harvesters of Change Islands to tell us what are the key issues facing the inshore fishery today, the term “rationalization” often came up. For Change Islanders the term represents a multifaceted effort to eradicate small-scale fish harvesters in favor of larger, corporate fishing enterprises. Not only are individual livelihoods at stake, but also the traditions that go along with them, the cultural heritage they represent, and even the survival of coastal communities in the province. This policy brief presents our analysis of the issue of rationalization, based on a review of government and other policy documents and various statistical sources, combined with our own field research carried out in the community of Change Islands during the summer of 2009. Achieving a balance between the use and conservation of marine resources and sustaining vulnerable coastal communities over the long term is the aim of all stakeholders and our goal through these briefs is to provide clarity and suggestions for the future.

BACKGROUND

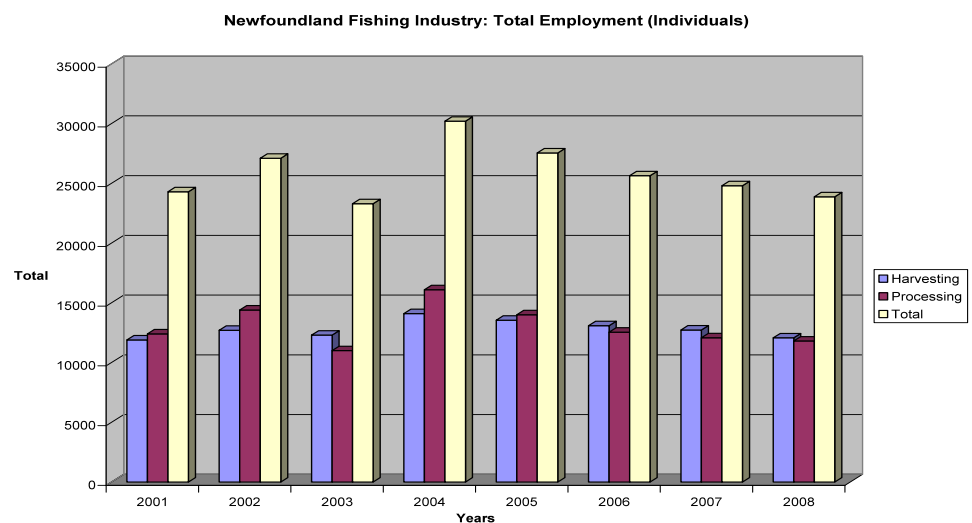
Rationalization is: the application of efficiency or effectiveness measures to an organization. Rationalization can occur at the onset of a downturn in an organization's performance or results. It usually takes the form of cutbacks intended to bring the organization back to profitability and may involve layoffs, plant closures, and cutbacks in supplies and resources. It often involves changes in organization structure, particularly in the form of downsizing. The term is also used in a cynical way as a euphemism for mass layoffs. (BNET Business dictionary)

Overcapacity was raised as an issue in the Atlantic Fishery in each decade since the 1960s, including the Royal Commission on the Economic Prospects of Newfoundland and Labrador in 1969, a provincial study on the future of the fishery published in 1978 (Setting a Course: A Regional Strategy for the Development of Newfoundland Fishery to 1985), and the 1982 Kirby Task Force on the Atlantic Fisheries. Following the cod moratorium and the closure of the cod fishery, the Federal Task Force on Income and Adjustments in the Atlantic Fishery (1993) chaired by Richard Cashin attributed the fundamental problem of the fishery to three issues: overdependence on the fishery, pressure on the resource, and industry overcapacity.

The problem of overcapacity remains the major structural challenge facing the fishing industry in the province. There is no agreement between key stakeholders – the Fish Food and Allied Workers Union (FFAW), the processing sector through the two major producers associations, Association of Seafood Producers of Newfoundland and Labrador (ASPNL) and the Seafood Producers Newfoundland and Labrador (SPNL), and the two levels of government both federal and provincial,

regarding how to manage the overcapacity issue within both the fishing fleet and the processing sector. Strategies used elsewhere to reduce capacity have included government-funded buy-back and retirement programs, and industry self-rationalization approaches such as enterprise combining and transferable quotas.

Statistics presented in the annual reports of the Provincial Department of Fisheries and Aquaculture for the fish harvesting and processing sector provide a picture of the industry from 2001 to 2008 for the province as a whole. The same data for Fogo Island and Change Islands are not available but census data from 1996 to 2006 from the community accounts for these locations demonstrate that the number of people employed in the harvesters and processing sector on the two Islands decreased by 21% (harvesters) and 27% (processors) whereas in the province as a whole the decrease in the same period was 2.8% (harvesters) and 1.3% (processors). Capacity in these two locations has already occurred and statistics hide important differences occurring in smaller communities. Rationalization as *another word for mass layoffs* appears to be applied inequitably in these two rural Island communities.



Source: Annual Reports Fisheries and Aquaculture Province of Newfoundland and Labrador (Figures prior to 2001 are less consistent and difficult to use for comparative purposes.)

Federal and Provincial Government Perspectives

KEY CONCERNS RELATED TO RATIONALIZATION

“The goal of the Fishing Industry Renewal initiative is to develop an integrated “Ocean to Plate” policy framework and industry restructuring strategy to support the industry “to adapt to changing resource and market conditions; extract optimal value from world markets; provide an economic driver for communities in vibrant rural regions; provide attractive incomes to industry participants; and attract and retain skilled workers.” (Canada-Newfoundland Fishing Industry Renewal Strategy (FIR) announced April 12, 2007)

In October 2006, the federal and provincial governments released a discussion paper on Fishing Industry Renewal. The report outlines the external and internal challenges to the industry. External challenges included the increased value of the Canadian dollar; greater competition; unstable market prices; and tariffs and other market barriers. Among the internal or domestic challenges, the report highlighted problems with resource fluctuations and decline; the seasonality of employment; lack of dependability and the timing of supply; and marketing problems including distress selling. Overcapacity in the harvesting and processing sectors was also highlighted. Based on a consensus reached by the federal, provincial and industry representatives for the renewal initiative, four industry/government working committees were set up:

- Harvesting – Policy Renewal and Self-Rationalization
- Processing – Policy Renewal and Restructuring
- Collaborative Marketing
- Technology and New Opportunities

No official report was published or available from these committees but in April 2007, a joint Ministerial press release from the Federal Minister Loyola Hearn and the Provincial Minister Tom Rideout announced the outcomes of the fishing industry renewal strategy with a number of policy changes and new investments for the industry.

The commitment to the preservation the inshore fishery of both Ministers responsible led to the implementation of these measures such as enterprise combining, allowances for larger vessel length, workforce adjustment measures, improved access to financing and capital gains exemptions allowed the fleet to rationalize itself, leading to the exit of 400 fishing enterprises or 5% of the total fleet. Other measures targeted the elimination of trust agreements to enhance the independence of the inshore fleet. The provincial government also set up a special review to consider ways in which a seafood marketing council could help address the key marketing challenges faced by the Newfoundland and Labrador fishing industry (aquaculture excluded). The Seafood Marketing Review Panel Report of the Chair released in February 2008 recommended the establishment of a Seafood Marketing Council for the province since there were too many processors, too much dependence on brokers and inadequate promotion and positioning of the products. Results from a mail in vote during the month of January 2009 were released on 14 February 2009 revealed that the industry did not accept the proposal and the province has not acted unilaterally on the recommendation.

In July of 2009, in response to a crisis in the price of shrimp resulting from oversupply, the province signed a Memorandum of Understanding (MOU) with the FFAW and the Association of Seafood Producers (ASP) regarding the long-term development of the fishing industry in the province. In referring to the renewal strategy, the provincial Minister of DFA stated:

“This MOU builds significantly on the work that we started with the Fishing Industry Renewal Strategy. A great deal of work has already been done and a lot of investment has been made. A number of good policy initiatives have been

put in place. However, we also need the Federal Government to step up and address fishing industry restructuring as much of this industry is in their area of jurisdiction.” (DFA News Release 14 July 2010)

A steering committee was set up consisting of two representatives from each of the FFAW, ASPNL, and the Department of Fisheries and Aquaculture and an independent chair, Thomas Clift, Associate Dean (Academic) at the Faculty of Business Administration, Memorial University was selected. A facilitator from the Department of Fisheries and Aquaculture of the provincial government will provide assistance to the committee. The federal government is not a partner in the MOU but an observer in the process. It is expected that the committee will recommend measures to reduce the number of people in both the harvesting and processing sector in the province

At the federal level, the Fisheries Renewal Strategy states the department will support new policies, tools and mechanisms that sustain a diverse fisheries sector. Measures announced in the 2007 joint Ministerial Press Release referred to above (such as, enterprise combining and vessel length) provide the federal government with the tools to further reduce or rationalize the industry. However, the lack of an integrated agreement balancing the measures to rationalize the harvesting and the processing sector make a coordinated strategy to preserve the industry difficult. Further, despite reference to the need for “regional balance” little agreement exists on the meaning of this concept or how it may be put into action, particularly under a self-rationalization approach.

Industry Players – Association of Seafood Producers of Newfoundland and Labrador (ASP) and Seafood Producers of Newfoundland and Labrador (SPNL)

The Association of Seafood Producers is a not-for-profit corporation established in 2004 that represents the interests of seafood producers in the province. ASP includes over 70% of the provinces’ 110 processing plants and 100% of the inshore shrimp production, 90% plus of the crab production and almost half of the cod production.

The Seafood Producers of Newfoundland and Labrador came into existence in 2005, and represents 16 processing plants, as well as buyers and brokers mainly on the west coast of the Island.

Both ASP and SPNL are concerned about the Standing Fish Price Setting Panel established based on a recommendation from the Report of the Chairman of the Raw Material Sharing Committee released in November 2005. The processor organizations feel the panel ignores market realities in setting its price for raw material. The 2010 price for crab over 4” carpace is \$1.35 and under 4” carpace is \$1.04. Derek Butler, the Executive Director of ASP claims this is not feasible for the processing sector given the rise in the Canadian dollar in relation to the US dollar and the decrease in the crab prices in the US (\$1.10 in Alaska). A further complication in reaching an agreement is that the FFAW submitted a proposal to the Minister of Fisheries and Aquaculture to allow Newfoundland crab to leave the

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province unprocessed. This proposal is in violation of a long-standing provincial policy to build up the processing sector.

Fish Food and Allied Workers Union (FFAW)

“For the first time in a long time, we seem to have at least some collective vision for what needs to be done if the fishery is going to continue to fuel the economic fortunes of Newfoundland and Labrador... One of the key points in the plan is the restructuring facet, which will look to address the need to rationalize the fishery in the province” (Decker, Dave ‘Finding a silver lining’ in The Union Forum Fall 2009 P. 5)

The FFAW Union represents approximately 10,000 harvesters and an equal number of processor workers employed in the fishing industry (about 1000 other members are in related manufacturing, retail, food, and hospitality sectors). The union has three sectors and each has its own specific interests and affiliations:

- Inshore (boat owners, operators and crew members who work in boats under 65’),
- Offshore (deep-sea harvesters, employed on boats over 65 feet as well as crew members on a variety of offshore vessels, including oil tankers and tug boats), and
- Industrial/Retail Sector (fish processing workers, as well as workers employed in the brewing, manufacturing, hotel, hospitality and other retail workplaces).⁹

The union actively participates in all issues related to the fishing industry and responds to issues as they arise. From the above statement by David Decker, Secretary-Treasurer, the union understands the importance of industry wide rationalization. In a presentation to the Provincial Minister of Fisheries and Aquaculture, union President Earle McCurdy clarified that for the union rationalizing means not only downsizing but also other ways to improve profitability in the industry. The union feels that a retirement program in the processing industry would help to improve the incomes of those who remain.

As a representative of both harvesters and processing workers, the union is often in conflict. Pushing higher prices for harvesters may in turn involve processing reductions but if prices are not above cost recovery levels harvesters will not be able to operate. Recommending that the harvesters be allowed to sell their product out of the province puts the processing workers and the union represents in jeopardy.

Change Islands Harvesters

“I think they are trying to force people out of the fishery. It is hard to make a living as a fisherman, we are kept at poverty level – I lost one of my crew to Alberta. I am 40 years old and the last generation of fishers.... Coastal communities

are coming to an end.” Core fisherman, Change Islands, interviewed August 2009

An announcement of government rationalization, renewal or restructuring of the fishing industry to improve its efficiency is rarely a positive one for fishers. It signals another regulation designed to frustrate them and to eventually get rid of them. As of the summer of 2009, there were 34 fishers in Change Islands (23 core and 11 additional level 1 or Level 2 workers), who act as crew on a fishing boat. The Change Islands fish plant was leased for a three-year period (2008-2010) to Seabay Fisheries but operations were limited in the summer of 2009. Rationalization, renewal or restructuring of the fishing industry (interchangeable terms for harvesters) was mentioned by those interviewed as being one of the major concerns in the inshore fishery. Fishers on mid-sized boats in Change Islands considered themselves to be part of the inshore fishery since they live in and fish from the community. Most felt that renewal not only implied more downsizing efforts on the part of governments but also a plot to destroy their communities. Further, fishers felt that each new policy or regulation is tagged onto previous ones without any vision of the future of the fishery and fishing communities.

Harvesters suggested that government policy favors larger vessels. A disproportionate reduction in the number of inshore fishers, without measures to restrict further capitalization among those remaining, may have significant impacts on employment and the viability of fishery-dependent coastal communities without corresponding reductions in industry capacity. Various studies of rationalization policies and programs demonstrate that the equity implications are often not taken into account, highlighting the importance of considering how different groups will be affected (i.e. who wins and who loses) by rationalization policies and measures in Newfoundland and Labrador.

Harvesters interviewed were concerned about the union and many felt that it no longer represented the inshore fishers – FFAW’s interests are now focused on fishers in larger vessels and the ‘big time’ processors. The inshore fishers who gave life to the union, they suggest, no longer have a voice within it. The youngest core fishers on Change Islands are 40 years of age, and they see themselves as the end of the line. The future of the fishery and community are uncertain.

POLICY SUGGESTIONS

- (1) **Develop a vision for the fishery of the future** – It has been 18 years since the Northern Cod Moratorium. If all parties involved do not develop a common vision for the industry’s future the demographics of the industry will solve the problem. Whether the type of fishery is industrial, small scale/artisanal, commercial, or traditional/subsistence, managed through total allowable catches, using individual transferable or community based quotas, or days at sea, a discussion and presentation of the framework in which the fishery is managed is advisable to ensure the management objectives support the vision.
- (2) **Regional balance** – Any efforts to downsize should balance the demographics of those in the fishery, including harvesters and processors, and plants in each NAFO region in the province, with due

concern for regional equity. The provincial government recognizes the notion of regional balance but presents no statement of how to put into action. Concepts such as regional fish plants and regional quotas such as the St. Anthony Basin Resources Inc (SABRI) should be examined.

- (3) **Co-management mechanisms** – DFO has been criticized for its top-down management style. Its commitment to co-management is clearly stated but what this means in terms of fisheries is far from clear. If harvesters want to play an active role in how the fishery is managed, how can this be done while respecting the vision chosen for the future fishery? It is time that DFO passed some of its responsibilities and authority to people involved in the (local) industry as well as rural communities who depend on it. There will be some mistakes but there may also be new ideas that enable the fishery to have a future. However, the science decisions regarding species status and conservation measures are critical and must remain the foundation for a future management framework.
- (4) **Inclusive process** – Some mechanisms have to be put in place to ensure that all stakeholders at both government and regional levels are involved. It is difficult to see how the process can be successful without federal government participation but also the voice of the communities, independent processors and inshore fishers must be included. If there is to be a future for the fishery, youth participation is also critical.
- (5) **Innovation** – Rules and regulations are inflexible and allow no room for innovation – more partnerships with governments and more creativity within both the inshore/community fishery and the offshore fishery are needed. More local involvement would permit the fishery to evolve and adapt to local conditions. This may be the last opportunity to redefine a fishery that respects not only its attachment to community but also the chance for a livelihood for those who remain in the industry. The fishery remains the key to the survival of much of outport Newfoundland and Labrador!

ADDITIONAL READINGS

1. Task Force on Incomes and Adjustment in the Atlantic Fishery, 1993. *Charting a New Course: Towards the Fishery of the Future* (Final Report). Communications Directorate, Fisheries and Oceans Canada, Ottawa, ON.
2. Department of Fisheries and Aquaculture, 2006. Canada - Newfoundland and Labrador. Fishing Industry Renewal Initiative: A Discussion Paper. Province of Newfoundland and Labrador, St John's, NL. (Available at: <http://www.fishaq.gov.nl.ca/publications/index.html>).
3. Fisheries and Oceans Canada, 2007. Renewing the Newfoundland and Labrador Fishing Industry. News release, 12 April 2007. Available at: <http://www.dfo-mpo.gc.ca/media/npress-communique/2007/nl-tn112-eng.htm>.
4. Other news releases and links to reports from the Province of Newfoundland and Labrador on

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- various aspects of the fish processing industry dating back to 1996 are available online at: <http://www.releases.gov.nl.ca/releases/>.
5. Numerous recent and archived reports published by the Department of Fisheries and Aquaculture of the Province of Newfoundland and Labrador that deal with issues raised in this policy brief are available at <http://www.fishaq.gov.nl.ca/publications/>. Some of the key reports include:
 - a. Seafood Marketing Review Panel Report of the Chairman (Alexander Roche, 2008)
 - b. Report of the Chairman RMS Review Committee (Richard Cashin, 2005)
 - c. Final Report of the Fish Processing Policy Review (Eric Dunne, 2003)
 - d. Report of the Special Panel on Corporate Concentration in the Newfoundland and Labrador Fishing Industry (Leslie Dean, 2002)
 - e. New Beginnings: Bringing Stability and Structure to Price Determination in the Fishing Industry. Report of the Task Force on Fish/Crab Price Settlement Mechanisms in the Fishing Industry Collective Bargaining Act (1998).
 6. Fisheries and Oceans Canada news releases and Ministerial Statements dating back to 2003 are available at: <http://www.dfo-mpo.gc.ca/media/news-presse-eng.htm>. Some key
 - a. #3 above.... and associated backgrounders on Canada-Newfoundland and Labrador Fishing Industry Renewal Changes to DFO Vessel Replacement Policy and Canada and Canada-Newfoundland and Labrador Fishing Industry Renewal – Fleet Self-Rationalization Enterprise Combining.
 - b. [Implications of the Saulnier decision for DFO Licensing Policies](#) (December 2009).
 7. Annual statistics on the number of fishing licenses and species quotas, catches, and landed value for the commercial fishery for Newfoundland and Labrador and other provinces are available dating back in some cases to the 1980s from the Department of Fisheries and Oceans website at <http://www.dfo-mpo.gc.ca/stats/commercial-eng.htm>.
 8. Newfoundland and Labrador News Releases
 - a. Media Advisory: Ministers Hearn and Rideout to Announce Outcomes of the Fishing Industry Renewal Initiative
[Renewing the Newfoundland and Labrador Fishing Industry](#) April 2007 see : http://www.releases.gov.nl.ca/releases/2007/faq_n2007.htm
 - b. Agreement Reached on Long term Development of the Fishing Industry 14 July 2009 see: www.releases.gov.nl.ca/releases/2009/fishaq/0714n06.htm
 - c. http://www.fishaq.gov.nl.ca/publications/annual_report08_09.pdf
 - d. http://www.fishaq.gov.nl.ca/publications/annual_report_2007_08.pdf
 - e. http://www.fishaq.gov.nl.ca/publications/archives/annual_report06_07.pdf
 - f. <http://www.fishaq.gov.nl.ca/publications/archives/finalannualreport05.pdf>
 - g. <http://www.fishaq.gov.nl.ca/publications/archives/finalannualreport04.pdf>
 - h. http://www.fishaq.gov.nl.ca/publications/archives/annual_report03.pdf
 - i. http://www.fishaq.gov.nl.ca/publications/archives/annual_report02.pdf
 9. Newfoundland and Labrador Community Accounts www.communityaccounts.ca
 10. FFAW www.ffaw.nl.ca
 - a. Decker, Dave 'Finding a silver lining' in [The Union Forum](#) Fall 2009 P. 5.
 - b. Union Accuses ASP of "Union Busting".
 - c. Rationalization of the Harvesting Sector: An Investment in Rural Newfoundland and Labrador-Presentation to Honorable Clyde Jackman by the FFAW 14 July 2009.

ABOUT THIS POLICY BRIEF

This policy brief on Rationalization of the Fishing Industry is part of a larger SSHRC funded project that aims to address vulnerability in Change Islands and other coastal fishing communities in Newfoundland and Labrador. The Principal Investigator Dr. Derek Smith (Carleton University) and Co-investigators Dr. Maureen Woodrow (University of Ottawa) and Dr. Kelly Vodden (Memorial University) have been working with Change Islanders to build adaptive capacity for fishing livelihoods that are viable and resilient to global markets and uncertain futures. This initiative seeks to build upon community knowledge to mobilize and improve management measures for local inshore fisheries. This series of policy briefs is intended to provide policy inputs and knowledge dissemination on aspects of fisheries and coastal community viability outlined below. The briefs are based on a series of interviews and report-back meetings with Change Islands' harvesters, Fishermen's Improvement Committee members and municipal representatives, discussions with fishing industry stakeholders and a thorough review of relevant policy documents. The briefs will be made available through a project website designed to promote a distinct heritage and fishing culture that spans three centuries.

Policy Brief No. 1 Fisheries Rationalization

Policy Brief No. 2 Seafood Prices and Market Access

Policy Brief No. 3 Fisheries Regulations that Work

Policy Brief No. 4 The Viability of Coastal and Small Island Communities: The Case of Change Islands, Newfoundland

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