

DFO - Library / MPO - Bibliothèque



08012927

ACCESS AND ALLOCATION — ISSUES AND PRINCIPLES: AN INDUSTRY PERSPECTIVE

Canning and Pitt Associates

SH
224
A8
T31
1993
no. 11

Prepared for the

Task Force on Incomes and Adjustment in the Atlantic Fishery

Published by:

Communications Directorate
Department of Fisheries and Oceans
Ottawa, Ontario
K1A 0E6

DFO/4949

©Minister of Supply and Services Canada 1993
Cat. No. Fs 41-40/11-1993E
ISBN 0-662-21183-9

Les textes en français sont disponibles sur demande



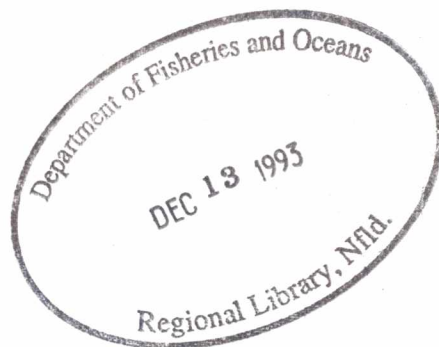
Printed on Recycled Paper

**Access and Allocation - Issues and Principles:
An Industry Perspective**

by

Canning & Pitt Associates

May, 1993



*Mc
communications
directoriate
Ottawa*

The views expressed in this paper are the responsibility of the authors and do not necessarily reflect the views of the Task Force or the Government of Canada.

TABLE OF CONTENTS

Résumé	vi
1. Introduction	1
Study Context	2
Terminology	3
2. Access and Allocation Constructs	4
The ITQ/IQ Fisherman/Businessman	5
The Bonafide Fisherman/Owner-Operator	6
History.	7
The Full-Time/Part-Time Fisherman	9
Offshore Sector	14
Other Processors/Midshore-Offshore Harvesters	16
3. Investigations	19
Literature and Policy Research	19
Consultation With Industry Participants	19
Access Issues	21
Allocation Issues	21
Other Issues and Concerns	22
Newfoundland	23
FFAWU Inshore Council	23
Petty Harbour Fishermen's Producer Co-operative Society Ltd.	27
Fisheries Association of Newfoundland and Labrador	29
Fishery Products International	31
Trinity Bay and Placentia Bay Skippers	36
DFO Newfoundland Region, Allocation and Licensing	44
Maritimes	46
DFO Gulf Region, Resource Allocation, New Brunswick	46
Prince Edward Island Fishermen's Association, PEI	49
Cheticamp Fishermen's Co-Operative, Nova Scotia	54
Fishing Vessel Masters Association, Maritimes	58
Eastern Fishermen's Federation, Maritimes	61
Maritime Fishermen's Union, Maritimes	62
South West Nova Fixed Gear Association, Nova Scotia	64
Nova Scotia Dragger Fishermen's Association, Nova Scotia	66
Guy's County Inshore Fishermen's Association, Nova Scotia	71
Clearwater Fisheries Ltd., Nova Scotia	72
DFO Scotia Fundy Licensing Unit, Nova Scotia	72

Québec	76
Alliance des pêcheurs professionnels du Québec, Québec	76
Association des Capitaines Propriétaires de la Gaspésie	80
4. Areas of Conflict and Consensus	84
Areas of Disagreement	84
The ITQ/IQ System.	84
Technology.	85
Inshore vs Offshore	86
Professionalization.	86
The Future of the Fishery.	87
Areas of Consensus	87
Employer of Last Resort.	87
Unemployment Insurance.	88
A Rationalized Fishery.	88
Laissez-faire Policy.	89
Certification and Licences.	91
Multi-faceted Licensing Policy.	91
Midshore Versus Offshore Technology.	91
Environmental Concerns.	92
Present DFO Regulations.	92
The Need for a Vision.	93
5. Vision and Principles	94
Values and Vision	94
A Vision for the Atlantic Fishery	98
Access.	100
Allocation.	102
Conflicting Visions.	103
Guiding Principles	104
Adjustments	107
6. Industry Issues and Perspectives	109
The Registration and Categorization of Fishermen	109
Entry.	109
Participation.	110
Observations.	111
Species Licensing, Sales and Transfers	112
Licensing.	112
Transfers	112

Banking.	113
Sales.	114
ITQ Fisheries	116
Inshore vs Offshore Perspectives, Allocations and Fleet Separation	116
Observations.	121
Professionalization	122
Professionalization as Certification and Effort Control.	124
Professionalization as Education.	125
Professionalization as Professionalism.	126
Professionalization and Egalitarianism.	127
Professionalization Criteria.	128
Observations.	128
7. Conclusions	130

RÉSUMÉ

L'étude traite de deux grands aspects de la gestion des pêches, soit la gestion de l'accès à la pêche (délivrance de permis) et l'allocation des ressources entre les pêcheurs commerciaux. Elle vise à évaluer l'efficacité et la pertinence des politiques et principes sous-jacents à la délivrance de permis de pêche et à l'allocation des ressources de l'Atlantique, et à proposer des secteurs qui nécessiteraient des améliorations ou des changements majeurs.

Les conclusions de l'étude reposent sur de vastes consultations menées auprès de nombreux représentants du secteur des pêches de l'Atlantique. Ces consultations visaient d'abord à recueillir les points de vue de l'industrie sur l'actuel système de délivrance des permis et d'allocation des ressources, puis à déterminer les points sur lesquels s'entendent ou s'opposent les différents intervenants.

Il ressort de l'étude que la délivrance des permis et l'allocation des ressources suscitent à la fois de profonds désaccords et un consensus. Toutefois, dans l'ensemble, on s'entend peu sur la forme que devraient prendre les pêches dans les eaux canadiennes de l'Atlantique ni sur la politique future en matière d'accès à la pêche et d'allocation des ressources ou sur la façon dont elle pourrait répondre aux besoins des différents secteurs ou groupes d'intérêt. Selon les auteurs, il y aurait peut-être lieu de développer une «vision» de l'avenir qui servirait à élaborer les principes de base du système de délivrance des permis et d'allocation des ressources dans les pêches de l'Atlantique.

1. Introduction

The focus of this study is on the two major areas of fisheries management policy – access and allocation – which are very closely connected with the Task Force’s mandate to explore new income and adjustment policies for the Atlantic fisheries. The issues that fall within these fisheries management policy areas have profound long-term significance for resource utilization, the industry’s economic viability, occupational structures, fishermen’s incomes, corporate earnings and profits, and the social fabric and economic stability of fishing communities and regions.

Our approach to these issues has been to turn first to the fishing industry – harvesters, processors and fisheries managers – to discuss the situation and record their expert opinions. Thus a substantial part of this report is an account of the extensive public and private consultation process we undertook for this study. In these accounts, the issues, the problems and the frustrations with current access and allocation policies are expressed by the people most intimately concerned and affected. So, too, are their thoughts about proposed policy initiatives, their future needs and their expectations for change.

Following this, as our terms of reference request, we step back from established opinions and current thinking, and reflect on aspects of current policies – especially their underlying principles and assumptions – from a variety of perspectives, and comment on their theoretical and practical implications. This study is thus intended to be both realistic and thought provoking, to be concerned with specific needs expressed by the industry as well as with broad principles and constructs, considered within the present policy context, resource conditions and economic realities of the Atlantic Canadian fishery.

Study Context

The last major review of federal licensing policy was undertaken by C.R. Levelton more than ten years ago.¹ Levelton recommended several principles for addressing the problems he identified through his research and consultations. He also set down what he believed were the overall objectives of fisheries licensing. Although not all of his recommendations were acted upon, most of his objectives constitute the basis for current access and licensing policy in Atlantic Canada.

In Levelton's view, the objectives of any licensing system should be (in order of priority)

1. to promote the economic viability of fishing operations
2. to promote the just and equitable distribution of access to fisheries resources
3. to assist in directing fleet development in line with changing conditions in the fishery
4. to aid in fisheries management and the conservation of fisheries resources
5. to facilitate administration, information gathering and enforcement.

The major issues which Levelton identified in 1979 have provided a starting point for our assessment of access and licensing policy, and we have proceeded to examine these issues through our industry consultations. However, considering the significant changes which have occurred in the industry since Levelton released his report, the present crises in several key Atlantic fisheries, and the general uncertainty about the future size and structure of the region's fishery, we also examine several other important issues which Levelton did not raise.

As we illustrate and document through the consultative data and our own assessment of access and allocation policy, there appears to be an urgent need to re-examine and re-think some of Levelton's prescriptions – as well as current policy – in light of changed economic circumstances, current or potential resource conditions and proposed new fisheries management structures.

The following section examines five major access and allocation constructs currently operating in Atlantic Canada. These have evolved, side by side, in response to past policy environments and are thus essential in determining the focus and context of this study.

¹ *Toward an Atlantic Coast Commercial Fisheries Licensing System*, DFO, 1979.

Terminology

One problem that we have encountered in all areas of our investigations is the use of terminology. Sometimes different words are used to refer to the same concept, and sometimes the same words are used to mean very different things. This has frequently increased problems of communication, understanding and conceptualization in the industry.

The term *bonafide fisherman*, for instance, has a very specific meaning in present fisheries policy and regulations (it specifies a unique category of fishermen in the southern Gulf Region), yet many fisheries managers speak or write, for instance, of limiting access in Newfoundland to "bonafide fishermen" – but with no particular intention of invoking the Gulf model. Similarly, in many areas the term *fishing licence* is used when the *registration* (and *categorization*) of individuals is intended, instead of its regulatory meaning of a permit to participate in fishing activities.

The same is true of other words presently used within the regulatory lexicon – such as commercial fishermen, access, allocation, vessel registration and gear licences. Thus, in this report, we have attempted to use these terms according to their definition in present regulations. We have also attempted to be consistent in our use of terminology and, where necessary, offered operational definitions of terms whose usage has been ambiguous or inconsistent.

2. Access and Allocation Constructs

There are at least five very different access and allocation policy constructs or milieus in the Atlantic fishery. Each has its own special features and regulatory framework,² as well as natural differences in the participants' resource bases and economic environment. For the purposes of discussion, and following present designations, we discuss these five constructs as

1. the ITQ/IQ system³
2. the Bonafide/Commercial system
3. the Full-time/Part-time system
4. the offshore sector
5. other processors\midshore-offshore harvesters.

Each of these systems has its own particular social and political environment, resource milieu, technological preferences and economic imperatives, and these differences often lead to competition and conflict. However, all are connected by the fact that they have been created and/or institutionalized (even if inadvertently) by fisheries management policy, and now co-exist within the current DFO regulatory framework. Thus they have all become integral parts of the region's fishing industry using the same common property resource.

Both their differences and commonalities must be important considerations in any analysis or discussion of the prospects for standard, region-wide access and allocation principles and policy framework.

² Two of these – the Bonafide system and the full-time/part-time system – are framed in the DFO licensing regulations, while those dealing with ITQs and Enterprise Allocations are established and described in the various fisheries management plans.

³ Individual Transferable Quotas and Individual Quotas; comments about these systems generally apply to Enterprise Allocations (EAs) as well (IQ and EA are terms which are often used interchangeably).

DFO, reacting to many of these differences during the last two decades, has developed and elaborated a very complex regulatory regime, including an intricate web of regulations and exceptions. In some respects this approach has compounded – if not created – conflict among the systems.

We have also been told that the present policy and regulatory framework has often made it difficult to identify let alone resolve the complex problems of the fishery, since industry groups cannot discern either the general aims of policy or the purpose of various regulations (its "vision"). This is made all the more difficult because regulations are sometimes changed with no warning and with no discernible or explicable rationale. Sometimes, too, present policy and regulations are thwarted – and the situation further confused – because the regulations are not evenly applied.

Part of the dilemma may thus be the result of a failure among policy makers and the industry to have agreed on a larger conception of what fisheries management policy should be doing, and on the guiding principles which should underlie all policy. Given this, both sides may make the mistake of relying on small-scale regulations to fix larger problems. In other instances, policy may be ineffective because it has not kept up with reality – either economic, environmental or social – and has not been supported or accepted by the industry.

The following sections briefly describe the key features and distinguishing characteristics of these groups and the primary policy issues with which each is concerned.

The ITQ/IQ Fisherman/Businessman

This licensing niche has developed from a specific economic concept of the fishery which seeks to redress the problems of the open access fishery, the "race for the fish", and other difficulties inherent in the management of common property resources. This construct has been in the making for 40 years, ever since the initial writings of such economists as H. Scott Gordon;⁴ however, it did not appear as a concrete policy element until the IQ concept was introduced to central Canada in 1972, and then to Atlantic Canada in the mid-1980s. At present, there are ten ITQ, IQ or EA fisheries in the Atlantic region, which account for about 30% of the value of all fish landed. Most are for single species (such as shrimp crab or herring) and the remainder are for several groundfish species. Species ITQs are used to an even wider extent in countries such as Iceland and New Zealand.

The system gives each fisherman or enterprise a specific portion of the Total Allowable Catch (TAC) for a stock, which is then managed and harvested in the most

⁴ "The Economic Theory of Common Property Resource: The Fishery", *Journal of Political Economy*, 1962.

appropriate and efficient manner. This construct views the fisheries participant as a businessman managing his own portion of the TAC – in a rational, efficient, orderly, professional and responsible fashion.⁵

Various means are used to determine what portion of the TAC each fisherman or vessel will receive, but the most important aspect of the ITQ system (and what distinguishes it from an IQ) is that the enterprise is allowed to transfer or sell its "rights" – its share of the resource – to another enterprise. Although this gives each fisherman a very valuable asset, it can also mean that a large enterprise could buy up all the ITQs in a community or region, and effectively shut them down, unless prohibited by other regulations.

This construct has strong support within both the academic community and in DFO.⁶ Its application in Atlantic Canada has met with varying degrees of success, though its advocates – playing down its potential negative effects – claim it has significant benefits.

TAC reductions have probably hurt ITQ-based vessels more than those in the Bonafide system, for example, because most ITQ participants have only single species licences and larger vessels with relatively high operating costs. These vessels are very sensitive to changes in their revenues and do not have the flexibility to switch to other fisheries. (Bonafide operators have weathered poor resource conditions because of their multi-species portfolio and the high incomes generated in their core fishery – lobster.)

If resource levels continue to decline, the sale of retired and/or exiting ITQs may become less lucrative as their perceived market value drops in direct response to TAC cuts.

The Bonafide Fisherman/Owner-Operator

This construct views the fisherman/entrepreneur as a committed, full-time professional who is economically-dependent on fishing. The Bonafide fisherman is an owner-operator/skipper with a multi-species licence portfolio. He is generally regarded as an effective and astute businessman as well. In many parts of Atlantic Canada, the Bonafide construct has evolved into a very solid and viable fleet sector – the envy of many fishermen in other licensing niches.⁷ Associated with Bonafide fisherman is the Commercial registrant

⁵ Average gross income for fishermen in the Gaspé Québec region where there is a significant use of ITQs is \$31,000 (*Survey of Atlantic Fishermen*, 1988).

⁶ In 1990, for instance, a DFO working group (chaired by Paul Sutherland) recommended that the ITQ system be considerably expanded in all areas of the Atlantic fishery.

⁷ As we have reported, the Bonafide fishermen, having managed to survive and prosper, now sees himself under direct attack by a new DFO licensing initiative, designed, from his perspective at least, to disenfranchise his established fishing privileges through the recall of his groundfish licence, and to transfer his share of the common property resource to other fleet sectors, ie. the ITQ single-species cod fishermen.

who may fish independently for a few limited species, but who is usually employed as crew by a Bonafide fishermen, who alone may hold the major species licences.⁸

There are no major differences between the way a Bonafide fisherman and an ITQ enterprise regard their right to sell a retired position if they exit the fishery. Both see this as a legitimate "retirement package" which allows them to recapture some of their investment in the fishery. Though this practice is not technically permitted under current Bonafide policy, it appears to be condoned by fishermen and DFO, and various informal procedures exist to get around the regulations.

*History.*⁹ This registration and licensing construct originated in the 1980s as the result of a joint DFO-fishermen's initiative to establish a new category of fishermen. It was initiated to address long-standing resource access problems, including the need for a formal registration system to distinguish between people with different economic dependencies on fishing as a livelihood, and also as a way of limiting entrants and preventing dissipation of resource income (problems which are yet to be solved in most of Newfoundland, for instance).

During the early 1980s, southern Gulf fishermen were categorized as full-time or part-time based on their fishing activities over the preceding two years. During this period, DFO limited the number of entry permits, controlled the size of participating vessels and the registration of new vessels. However, because the number of full-time participants was not restricted, any part-time fisherman who could demonstrate a commitment to the fishery (by fishing the required time for two seasons) was automatically upgraded to full-time and thus became eligible for the same departmental programs available to full-time participants.

In 1982, under the leadership of the Maritimes Fishermen's Union, a group of fishermen in the Southern Gulf of St. Lawrence submitted a proposal for a new licensing system to DFO. They felt that fishermen fished more to reach and retain full-time status because they had no faith in the Department's assurance that licences would not be taken away from part-timers. At the request of fishermen, DFO implemented a three-year pilot project called the Bonafide Licensing Program.

The objectives of this program were to ensure access to the benefits of the fishery to those who depended primarily on fishing for a livelihood, provide as many licences for as

⁸ Recorded average gross income in Bonafide areas (including the Commercial category) ranges from \$19,000 to \$23,000, though we have been told that the real value of incomes in these areas are considerably higher.

⁹ The following summary of this system was provided by DFO Gulf Region.

many fishermen as possible, and to stop the increase in the number of people relying on the fishery. The principle elements of the program were as follows:

- qualified fishermen were categorized as Bonafide
- the number of Bonafide licence holders was frozen at 1983 levels; the number could not increase
- the transfer of limited fishery licences as packages or individually to Bonafide fishermen was permitted
- the transfer of "Bonafide designation" to fishermen who had served a qualifying period in the fishery was permitted only if all associated fishing licences were also transferred
- licences would be kept in abeyance for up to five (5) years while fishermen attempted other employment options;
- to permit fleet diversification whereby Bonafide fishermen would hold as many licences as possible.

The program was initially designed for application to Northumberland Strait, Prince Edward Island and Gulf Cape Breton communities, for all vessels less than 50' in length. Following the first pilot year, coverage was extended to include Northern New Brunswick.

Although the initial three year pilot stage of the program was completed in 1985, a final decision on its permanent application was only made in 1989. Extensive consultations were held with those affected by the pilot program. These consultations indicated a high degree of satisfaction with the intent of the program.

Categorization Process for Bonafide Participants. When it was first established in 1983 and 1984, the new licensing policy used several criteria to identify which fishermen should be categorized as Bonafide. These were participants who in 1983, fished in Lobster Fishing Areas 24, 25, 26A, 26B or in the Gulf portion of 27 or those who, in 1984, fished in Lobster Fishing Area 23, was a registered Commercial fisherman, and the holder of limited fishery licence, subject to meeting one of the following three conditions:

1. he was the holder of a Category A lobster fishing licence;
2. could demonstrate that 75 percent or more of his income came from fishing during the previous calendar year using his own boat and/or equipment, except for fisheries in which a boat and/or equipment was not required; and

3. had fishing sales in excess of \$15,000 in the previous calendar year, using his own boat and/or equipment, except for fisheries in which a boat and/or equipment was not required.

Since the categorization of Bonafide fishermen was completed in 1983, the number of Bonafide fishermen has been permanently capped at its initial level of 3479 participants.

Categorization of Commercial Participants. In the Southern Gulf of St. Lawrence, all other fishermen or fisherwomen participating in fisheries where vessels less than 50' are used, who are not categorized as Bonafide, are automatically categorized as "Commercial".

Access to the Bonafide Category. A person in the Commercial category may only become Bonafide by acquiring all the licences (as a package) from a Bonafide participant, and only if he/she qualifies as a "new entrant". To qualify as a new entrant, a person must meet the following three conditions

1. be registered as a Commercial participant for the previous two years
2. be recognized as a Commercial fisherman within his or her local community, and
3. has fished during the preceding two years for a minimum of 10 weeks each year.

The Full-Time/Part-Time Fisherman

This system applies mainly to Newfoundland and Québec inshore/midshore fishermen, though it also predominates in some other areas, such as southeastern Nova Scotia. There are many ways to describe the characteristics and features of this licensing construct, though any definition of the typical fisherman could be challenged, given the numerous exceptions to the norm, and the varying social, cultural, biological, technological and political milieus in which it predominates, particularly in Newfoundland.

In Québec, the full-time/part-time system seems to operate much more effectively than it has in Newfoundland, for example, though this may be due, in part, to the fact that inshore/midshore fishermen in that province rely on different high-value species, such as lobster and crab. In any case, there does not appear to be a need for a significant rationalization of the overall harvesting sector in Québec.¹⁰

¹⁰ This observation is based on our consultations with the Alliance des pêcheurs professionnels du Québec.

But, in Newfoundland, the inshore harvesting sector has been described variously as the "employer of last resort", an economic "sanctuary" and UI "haven" in troubled economic times, and as an ideal, noble and even sacred "way of life". Reality, of course, is much more complex than any of these extreme representations, but today, the Newfoundland fisherman has, in general, a very poor public image, much of it based on misinformation, or on reports about the apparent extravagant subsidies which the entire industry has received to survive.

However one characterizes the industry in Newfoundland, the typical fisherman may be viewed as a traditionally-minded, subsistence-level, economically-marginal, hunter-gatherer of the common property resource. He is usually, of necessity, an adaptable and skilled small-boat operator.¹¹ Like many Atlantic Canadian fishermen, the Newfoundland fisherman is typically involved in fishing only on a seasonal basis, and 20 weeks fishing would class him as a full-time operator.¹²

The most significant problems associated with this construct are overdependence on a single species, the side-by-side presence of full-time and casual fishermen, an overcrowding of participants, a high reliance on social support mechanisms and low incomes for most participants.

Unlike the Bonafide fishery in the Gulf Region, the Newfoundland inshore fishery has yet to resolve some fundamental access-related problems associated with registration and professionalization, and these are probably the most significant ones facing that industry today.¹³ New policies are needed to facilitate the exit of significant numbers of fishermen and to establish appropriate certification and professionalization programs for those who remain. Some of these issues are now being addressed through various FFAWU and DFO initiatives, but much remains to be accomplished. However, these problems will need to be addressed before new allocation policy and mechanisms can be devised.

¹¹ This brief description does not intend to suggest that many Newfoundland enterprises are not high-technology businesses operated by skilled businessmen who utilize vessels and gears in which they have invested millions of dollars. However, our main objective here is to discuss some key aspects and issues of licensing, access and allocation policy as they pertain specifically to the Newfoundland inshore fisherman, and his counterpart in other areas of Atlantic Canada, and the licensing and access problems which this construct presents for the policy system.

¹² Average gross fishing incomes in Newfoundland range from \$9,000 to \$14,000, significantly below those in the rest of Atlantic Canada (Task Force data).

¹³ This is not to say that the province has no urgent allocation problems; indeed there are several key ones, including the division of common property resources between offshore and non-offshore fleets, ongoing conflicts between non-offshore segments – similar to those in other parts of Atlantic Canada – such as those between larger (65') otter trawlers and fixed gear fishermen in the Gulf. But these are, relatively speaking, minor problems compared to its fundamental and deeply-entrenched access problems.

Several key factors that affect any approach to solving these problems and establishing new access policy for the Newfoundland inshore fishery are

- The province's very high dependency on a single species – namely cod – and the way that licensing policy has evolved in response to this economic dependency.¹⁴
- The significant blurring in the definition of a fishermen, particularly between full-time and part-time. There are obvious reasons for this widespread certification-related problem, such as the fact that in many areas the season is so limited that there may be little difference in the actual time full-time and "casual" fishermen fish, and the failure of policy to make a clear distinction between "professional" fishermen and those who are not fully dedicated to the industry. This access-related problem has also reduced the status and public esteem of the "genuine" fishermen. Even more importantly, it has facilitated a process of enterprise splitting in which part-time permit holders can eventually qualify for species and vessel licences.¹⁵ The lack of a "bonafide" distinction for full-time vessel operators, and the fact that part-timers are able to gain enough fishing time to qualify for a full-time designation, means that many part-timers are given equal status with the "real" full-timer, at least in DFO regulations.

Established fishermen we have consulted now say only they can identify who is a full-time (ie. a professional) fishermen and who is not (ie. a "casual" participant who is not dependent on fishing income). Even this distinction is blurred since many part-timers do nothing but fish and some make just as much money as those in the full-time category. Even where part-timers are working as crewmen, the potential exists for former part-time, "non-professionals" to acquire their own enterprise, further dissipating the resource income. This is a major concern for fishermen who fear current competition with part-timers in the sale of fish, and who are very annoyed that the part-timer is accorded equal status. Thus in Newfoundland, in contrast to the Bonafide area, there is no clear distinction between the full-time skipper/owner-operator and the part-timer, and no effective impediment to mobility between the two categories. The shop is wide open.

¹⁴ The ubiquitous "groundfish licence" has functioned as a very large and open front door into the province's fishery resources. In the past twenty years this has allowed a significant part of the province's excess labour to enter the fishery, and to participate in the harvest of such species as capelin, mackerel, herring and squid. None of these species alone are lucrative, but the general result has been to create a defacto multi-species license niche.

¹⁵ Though, in fact, the data show that there has actually been a drop in the recorded number of part-time registrants in recent years, and DFO estimates that landings by fishing enterprises skippered by part-time permit holders is only about 3% – 4% of the total inshore landings.

Given a number of traditional cultural mind-sets – the Newfoundlander's inclination towards egalitarianism for example – this blurring is likely to be a major problem for current certification and professionalization initiatives. The strong egalitarian ethic will likely operate as a major constraint to a rational certification process which seeks to distinguish "bonafide" from other fishermen – an issue which PEI fishermen settled years ago.

- The social benefits system. Fuelling the province's access and certification problems has been the UI system of fishermen's benefits. All fishermen – both full-time and part-time permit holders – make full use of the system and UI is often the core of their annual income. Many – and probably most – marginal fishermen participate only to access these benefits. The result has been to entrench large numbers of people in the industry who will not easily be persuaded to leave, even though their departure is needed to accommodate present and future resource conditions.
- Overcrowding of the fishery. This is in many ways a product of the previous two problems and the shortage of alternative employment opportunities in the province. Not only does the province need a real and effective freeze on registrants and licensing, but it also needs to shed many of those who now consume and dissipate the resource income.

The differences between Bonafide and full-time/part-time systems are summarized in the following table.¹⁶

Bonafide System	Full-Time/Part-Time System
The number of Bonafide participants is frozen at the 1983 and 1984 levels.	The number of full-time participants can be increased from year to year. Any part-time fisherman who fishes consistently on a commercial basis for the required period of time in his area for the previous two years will be automatically upgraded to full-time.

¹⁶ The information in this table was supplied by DFO Gulf Region.

Bonafide System	Full-Time/Part-Time System
Bonafide participants are not downgraded if they do not fish for a certain period of time.	Full-time participants may be downgraded if they do not meet the requirements for full-time status for two consecutive years.
Bonafide participants only have to fish the licences they want or need to fish in order to make their livelihood.	Full-time participants have to fish all their licences in order to maintain their full-time status. For example, in certain areas, a full-time fisherman with lobster and groundfish licences would have no choice but to fish groundfish since the lobster fishery alone does not last long enough to enable him to remain full-time.
Bonafide participants who wish to pursue other employment outside the fishery are allowed to hold (bank) their licences for a maximum of five years without having to participate in the fishery.	Full-time fishermen are not permitted to bank their licences.
Under the Bonafide policy, limited entry fishing licences may only be reissued individually to Bonafide fishermen. Since the number of Bonafide participants does not increase, the number of licences held by Bonafide fishermen continues to increase, thus ensuring their use only by participants whose livelihood depends on the fishery.	In this system, limited entry licences may only be reissued to full-time fishermen who hold certain specific licences such as groundfish, lobster, or scallop. A full-time participant who does not hold one of these licences can only obtain the licence as a single unit. Although this is somewhat similar to the Bonafide system, it may still result in more full-time fishermen holding fewer licences.

Bonafide System	Full-Time/Part-Time System
<p>Since the Bonafide policy was first implemented, it has always been a requirement that licence holders operate their vessels and fish their licences personally.</p>	<p>In some areas where the full-time system applies, licence holders were permitted to designate operators to fish some of their licences thereby permitting two or more licences to be fished at the same time. This practice was eliminated in 1989, however, licence holders who previously designated operators were permitted to continue doing so through a grandfather provision.</p>

Offshore Sector

Participants in this licensing construct are large, vertically-integrated harvesting and processing firms involved in the harvest of various groundfish and shellfish resources in deep-water, offshore fishing zones, and the onshore production of a wide range of secondary and tertiary fish products. While there are several companies in this industry group, the two most prominent are Fishery Products International (FPI) and National Sea Products Ltd. (National Sea), with headquarters in Newfoundland and Nova Scotia respectively.

These offshore firms operate sophisticated, onshore processing facilities year-round and, as such, are major employers of plant workers. Most companies also purchase significant quantities of fish landed by independent inshore and midshore vessels. Both FPI and National Sea also own major down-stream processing and marketing operations in counties such as the United States.

These two fishing companies own and operate their own fleet of offshore trawlers which are licensed to fish a specific share of the overall TAC – their Enterprise Allocation. This resource allocation mechanism was created in the mid-1980s to allow offshore fishing firms to harvest fish in a more rational and efficient manner in accord with the annual and seasonal raw material requirements of their onshore processing facilities.

Policy and regulations governing licensing and allocation aspects of the offshore sector are contained primarily in the various Management Plans for the specific stocks and species they are permitted to harvest. DFO has also developed additional regulations for this fleet sector dealing with such elements as vessel replacement and licence transfers, for example. Their harvesting activities are also subject to DFO's general policy guidelines dealing with "fleet separation" generally directed at maintaining a clear separation of inshore

fleet ownership and the processing sector by preventing any processing company from owning vessels less than 65'.

The entire offshore sector has been in a constant state of change, adjustment and rationalization since the early 1980s in response to a variety of interrelated resource, economic and market factors. In the last several years, the pace of this rationalization has increased significantly primarily as a result of the major downturn in nearly all of the region's groundfish stocks. Companies such as FPI and National Sea have lost the lion's share of their allocated resources because of overall TAC reductions: FPI has seen its raw material supply decline by about 75%, and National Sea has lost 80%. National Sea's Lunenburg plant is now operating at 50% capacity and its trawler fleet has been reduced to 11 vessels from a peak several years ago of about 60. FPI has closed or sold many of its processing facilities and is currently operating with about 8-10 trawlers, down from a 1989 level of 55.

These major events in the offshore sector have had a profound influence on the economic structure of the entire Atlantic Canadian fishing industry but, even more important, they have encouraged a significant rethinking of the established policy environment, and this is likely to have a fundamental influence on all aspects of the current licensing and allocation policy milieu.

Several specific policy issues pertaining to this group are listed below, though it should be noted that these issues also concern participants in other industry sectors:

- changing industry perceptions about the concept, meaning and definition of the "offshore sector" itself – about whether this industry component is still relevant – or desirable – given the major resource changes which have occurred in the industry during the past few years
- the special allocations of fishery resources given to these firms
- fleet separation policy
- the connection between the harvesting of resources and appropriate structure of the onshore processing industry.

Though discussion of these issues are often coloured by the long-standing debate about the economic/social/environmental merits of inshore versus offshore fishing, they will still have to be addressed within any new policy framework.

The inshore harvesting sector would argue, for instance, that it is no longer valid to consider a specific and separate allocation of resources to the offshore sector, especially since these firms no longer have large trawler fleets. Thus, if fish stocks rebuild, offshore firms should not receive their former share of the TAC. Rather, they should concentrate on their

processing activities and allow non-offshore vessels to supply the majority of their raw material requirements. The proponents of this strategy thus favour a phase-out of "offshore technology", especially large wet-fish trawlers licensed and operated by vertically-integrated firms. This would effectively eliminate any problem associated with current fleet separation policy by simply doing away with both licences for processor-owned deep-sea trawlers and Enterprise Allocations.

A second, new perspective on appropriate future management policy is, in essence, the obverse of the above approach, and one which is naturally favoured by the two largest vertically-integrated fishing companies. This strategy would continue to recognize two industry realities: the special role of the "offshore" sector in maintaining and developing the region's fishing industry, and the inherent economic rationality of an "unfettered" approach to the harvest of fishery resources, where firms can harvest their share by the most efficient means possible. The first reality implies that a viable, productive and year-round processing sector is an essential and fundamental requirement for long-term survival and growth of the industry. The second implies the urgent need to free the offshore sector – and indeed perhaps all processing companies – from current fleet separation policy, thereby allowing any company to harvest its resource share using any size vessel.

In this industry management scenario, firms such as FPI or National Sea would continue to have Enterprise Allocations and would also be allowed to harvest their resource allocations using vessels in other fleets. Such a new arrangement between offshore companies and midshore vessel operators would necessitate a change in current fleet separation policy, but not necessarily imply the ownership of 65' vessels or licences by all processing companies or by the established, vertically-integrated offshore firms.

Other Processors/Midshore-Offshore Harvesters

The industry participants included in this "construct" actually belong to several different groups which do not fit comfortably within the current regulatory framework. The licensing and allocation arrangements of some participants are formal and legal components of current fisheries management, but other participants operate in a grey area of DFO's licensing and allocation policy framework. The characteristics and features of such firms include a diverse array of informal and quasi-legal relationships, most of which have been dictated by the pragmatic requirements of industry economics. In a sense this group is the least regulated – and perhaps the least regulatable – of all industry participants.

Included in this group are several different harvesting and processing policy niches: legally-licensed fishing companies who have also evolved their own small-scale processing operations; fishermen's co-operatives; dedicated small-and-medium scale processing firms

which, through previous licensing policy and regulations, are the legal owners of licences for non-offshore vessels; relatively large processing companies which have or control both their own resource allocation – in the form of ITQ quota or EAs for particular species such as scallop or shrimp – and licences for various harvesting technologies – including wet-fish trawlers, offshore scallop draggers or factory-freezer trawlers – but who do not consider themselves part of the established "offshore" sector; firms which own licences for large and sophisticated offshore harvesting technologies but do not have their own processing facilities; and established, dedicated processing firms, of various sizes, which have developed a variety of formal and informal linkages with independent harvesting enterprises as a means of obtaining an assured supply of fish.

Though a few of the firms in this group have one or more Enterprise Allocations, and/or licences for 65' vessels under "grandfathering" provisions, and even though some dedicated harvesting enterprises have acquired their own processing facilities, the majority of processing companies do not have a specific resource allocation nor are they legally permitted to own their own fishing licences. Some of these firms have thus found it necessary to enter into a variety of arrangements with vessel operators in order to satisfy their basic need – an assured supply of raw material. Today, these arrangements include informal agreements with vessels operators based on trust, goodwill, kinship or community ties, as well as formal contracts for the delivery of raw material. Such arrangements between processing companies and licence holders involve a variety of legal and quasi-legal financial linkages, including outfitting assistance, working capital loans or direct investment in a vessel where the processor company is effectively a "silent partner" in the harvesting enterprise.

Though the policy concerns of this group are primarily processor-driven rather than harvester-driven, both access and allocation issues are important to them because of their interdependency. These issues include aspects of current fisheries management policy such as fleet separation, ITQ allocations and the relative distribution of resources between various fleets or industry interest groups. For example, since most processors have only indirect access to fishery resources (via their purchases of fishermen's catches), they are highly vulnerable to any decline in the region's resource base or shifts in the distribution of allocated resources. And, since they have no guaranteed share of the TAC, usually operate on a seasonal basis. Given their situation, they naturally support changes in access policy which would permit them to own their own fishing licences openly; until such changes are made, they have no other option than to maintain their informal arrangements with the harvesters.

Some of the firms in this group would like to see a phase-out of special allocations to offshore firms, while others say that *all* processors should have a specific resource share. Still others have particular concerns about any new harvesting strategy which would

allow an increased role for midshore vessels in catching the "offshore" allocation. Thus non-offshore processors strongly oppose any policy which would maintain fleet separation and special privileges for the offshore sector, such as the Enterprise Allocation. This sector is thus very much an advocate of the "level playing field" with respect to both access and allocation policy, that is of a free-market, laissez faire philosophy within all aspects of the fisheries management system.

The following section presents an account of our investigations, primarily consultations with fishing industry participants and managers in Atlantic Canada, including participants from each of the five access and allocation constructs discussed above.

3. Investigations

Literature and Policy Research

Our background research into recent policy, reports and regulations has led us to examine such reports on these issues as Story and Alexander's *Report of the Committee on Federal Licensing Policy and its Implications for the Newfoundland Fisheries* in 1974, the Levelton study cited above, Paul Sutherland's 1990 report on *Individual Quota management in Canadian Fisheries*, the 1982 report of the Task Force on Atlantic Fisheries (the Kirby Report), theoretical discussions of the rights to the fisheries in common law¹⁷, the FFAWU's 1991 White Paper on professionalization and certification, current DFO commercial fisheries licensing policy, and the recent Scotia-Fundy regional consultations on professionalization and certification for fishermen (1992).

Consultation With Industry Participants

We have held consultations (in person, by telephone and/or questionnaire) with several groups associated with the fisheries in Atlantic Canada, specifically

Alliance des pêcheurs professionnels du Québec, Québec

Association des Capitaines Propriétaires de la Gaspésie, Québec

Bay Bull's Sea Products Ltd.

Cheticamp Fishermen's Co-Operative, Nova Scotia

Clearwater Fisheries, Nova Scotia

DFO Gulf Region, Resource Allocation, New Brunswick

DFO Newfoundland Region, Allocation and Licensing, Newfoundland

DFO Scotia Fundy, Licensing Unit, Nova Scotia

¹⁷ Such as *Uncommon Property: The Fishing and Fish-Processing Industries in British Columbia*, edit. Marchak, Guppy and McMullan, 1987.

Eastern Fishermen's Federation, Nova Scotia
Fisheries Association of Newfoundland and Labrador, Newfoundland
Fishery Products International, Newfoundland
Fishing Vessel Masters Association, Nova Scotia
Fixed Gear Association of Southwest Nova Scotia, Nova Scotia
Guy's County Inshore Fishermen's Association, Nova Scotia
Inshore Council of the FFAWU, Newfoundland
Maritime Fishermen's Union, New Brunswick
National Sea Products Ltd.
Nova Scotia Dragger Fishermen's Association, Yarmouth, Nova Scotia
PEI Fishermen's Association, Prince Edward Island
Petty Harbour Fishermen's Producer Co-operative Society Ltd.
Trinity Bay and Placentia Bay Skippers, Newfoundland

We also contacted several other groups, but they did not respond to our requests for consultations. These were the following:

Association des pêcheurs de la Basse Côte Nord
Association pêcheurs propriétaires des Iles-de-la-Madeleine
Canadian Auto Workers (Nova Scotia)
Grand Manan Fishermen's Association
L'association des pêcheurs professionnels Acadien
Northern Cape Breton Fishing Vessel Association

Several other groups declined to participate in formal consultations but nevertheless provided the consultants with some confidential comments on current policy issues. Comments from several other informal interviews are not presented in this section but have been incorporated in later sections of the report dealing with specific licensing and allocation issues and, where appropriate, are referenced in the text or in relevant footnotes.

Before most of the interviews or focus groups, those participating were provided with a background discussion paper that raised general questions about the issues addressed in this report. These questions and discussion points follow.

Access Issues

1. What are the major problems with the current system of registering and licensing fishermen?
2. What are the flaws in present policy? Are these responsible for any of the current problems in the fishery?
3. How well have the policy and regulations been applied?
4. Ignoring present regulations and policy for the moment, what *should be* the basic objectives of registration and licensing?
5. How would or should new licensing policy and regulations fit with the social and economic factors and conditions in your part of Atlantic Canada?
6. Are there special conditions in some areas which DFO should take into account in designing a new licensing system for our inshore/nearshore fisheries? For example, are there major differences among the five eastern provinces which would make it difficult, or impossible, to devise uniform east coast licensing regulations or policy? What are some of the unique conditions or issues in different areas?
7. Should registration and licences be restricted to "full-time" (or "bonafide") fishermen only? (How should these designations be determined and defined?)
8. Should registration and licensing be tied to a process or level of professionalization? (Are there particular or special activities/programs that might help fishermen become more "professional"?)
9. What should happen to registrations and licences when fishermen leave the industry? (Should they be sold, transferred or retired, for example? Are there general principles which should be applied?)
10. Should all fishermen have access to all species? In other words, should we be moving in the direction of a "multi-species" licence for all professional fishermen? Or should we continue with limited-entry licences for certain species?

Allocation Issues

11. Should the quantity of a fisherman's catch be regulated? (That is, beyond the matter of licensing certain people to fish, should the amount he is permitted to catch be controlled through some means other than a TAC?)

12. By what means should allocation of the resource be controlled, and according to what general principles? (For example, who should get how much of the resource? Could an allocation system be applied on a community basis, rather than on a stock or individual basis?)
13. What has been the experience with ITQ fisheries in different areas? What are both the positive and negative consequences of this allocation system?
14. If the ITQ system was applied throughout the Atlantic region, would it solve any of our fisheries problems? Are there special social, economic or biological conditions or factors in different areas, or in different provinces, which DFO should consider – and take into account – before implementing such a system?

Other Issues and Concerns

15. The future role of fishermen in the fisheries management process
16. New options and alternatives to replace UI, or to provide economic/income support for fishermen
17. Other environmental concerns of fishermen
18. Other essential training policies or programs for fishermen.

The following section presents a summary of substantive comments made to the consultants by representative groups and individuals. However, it should be noted that while most were very willing to discuss what they saw as the fundamental flaws in current policy, or their conclusions about new policy directions and the economic restructuring needed to overcome them, several persons – particularly managers in DFO and with processing companies – did not want us to attribute their comments in our report. We were told that many of these points were not for "public consumption" or even for the Task Force. Several noted, for instance, that while their comments represented their expert, honest and realistic appraisal of the industry's dilemma or situation, it was not yet possible, for a variety of reasons, to make their views public. Still many had strong – and from their perspective, sound and reasonable – suggestions about the fundamental changes required in the overall structure of the Atlantic fishery. Thus we are unable to report the full scope of the findings of our consultations to the Task Force, though we raise many of these points elsewhere in the text without attribution.

Newfoundland

FFAWU Inshore Council (Focus Group). The following points are condensed notes, and in some cases a transcript of the focus group discussion. Thus, in places, they tend to differ in tone from accounts of other groups.

- The main aim of any new fisheries policy should be to create a fishery which can employ the maximum number of people using the right (ie. appropriate) technology, and not primarily to promote the economic viability of fishing operations, even if this meant that everyone received less income. Ottawa's definition of "viability" has usually meant less fish (and earnings) for smaller vessels, because larger vessels need to harvest huge quantities of fish in order to be viable; in other words, they need "too many fish to employ too few people".

Someone has to "lay down the law" about what kind of fishery we are going to have, even before we can talk about who should be participating and who should be licensed.

- There was general agreement that nothing can be done to solve the present problems in the fishery until DFO stops issuing licences. The first step is thus a real freeze on new licences. Given the northern cod moratorium, however, many of the "inactive" species licences will be activated as fishermen try to replace their income through the harvest of other species.
- Even the best, well-designed licensing system will prove unworkable as long as DFO bureaucrats and politicians keep interfering, or keep changing the rules so that anyone can get a registration if he puts enough pressure on the system. Even at the level of the local DFO officer, too, the rules and regulations are often selectively applied, or not enforced at all.
- Because even the existing regulations are not applied properly, we don't really know if they are adequate. Perhaps if the regulations were applied they would go a long way toward eliminating many problems. But they are not. DFO went against its own basic licensing objectives when, some years ago, it issued 1,000 extra cod-trap licences. If a school teacher wanted a licence he only had to put some pressure on the politicians. At present, any rule or regulation can be gotten around, even now when licences are supposed to be frozen. (Here there was a reference to their belief that DFO has issued 1,200 new cod jigging licences since the start of the moratorium.) Part-timers have so many votes that "real" fishermen have lost their political power base, ie. because they are outnumbered, they have no ability to influence policy.

- There are two big problems in Newfoundland with respect to licensing regulations: too many permits (registrations) and too many licences (for gear, vessels and species). Many people with part-time permits are there just for the UI.
- Part-time registrants have helped destroy the fishery, too: they consume resources and reduce the earnings of full-time fishermen through competition on the wharf. Today full-time fishermen are going bankrupt, while you find school teachers going to auctions and buying up their boats.
- One reason there are so many people fishing is because every Newfoundlander, and every politician, believes it's the "God given right" of every Newfoundlander to be able to fish.
- Government should be dealing with owner-operators – not the crewmen who fish with them. DFO gives no more status to the owner-operator than it does to the part-time fisherman. At present, owner-operators are not recognized as a distinct group and are not consulted on policy matters, or about what should happen in the fishery generally.
- Government itself has been mainly responsible for the registration and licensing problems we have now. The only reason government really wants to reduce the number of people in the fishery is because so many people are on social programs, especially UI. Government is more concerned about how much the fishery costs the UI fund than it is about the resource. Now government wants to get a lot of people out of the fishery: but the "real" fishermen, including many owner-operators, will be forced out as well as many of the part-timers or marginal fishermen.
- If government were interested in identifying the real fishermen – those who should be registered as "master" fishermen¹⁸ – it would be no problem to go around the province and identify them through the local Fishermen's Committees. These groups know who is making a "professional" effort to fish, and should have responsibility and authority to decide who gets a licence in any new registration and licensing system.¹⁹

The skipper/owner-operator should also be required to keep a register or a formal list of his crew members, and only these men should be allowed to work as crew, so that

¹⁸ As proposed in the FFAWU's White Paper.

¹⁹ Focus group participants spoke about the wide variation in the skills of different committees, and the fact that many do not have the courage to make the hard-nosed, local level, political decisions or to ignore the pressure to have friends or relatives admitted to the fishery. They concluded that a totally independent body is needed to deal with registration and licensing because DFO will never be able to do it properly.

there would be no more giving away of UI stamps. A skipper who hires someone other than these people should be fined.

- Many licensing issues are part of larger socio-political problems in the industry and continue to exist because local level decision-making structures, eg. Fishermen's Committees, have no acknowledged legal, social or political powers which are needed to make basic decisions about licensing and about their own profession. Thus, although these committees have been around for years, they have never been formally recognized, or consulted, by government (DFO) or politicians.²⁰
- Some objectives that should be part of future fishermen's registration regulations were identified:
 1. doing away with the notion of open registration
 2. DFO dealing only with owner-operators
 3. implementing a professionalization process based on appropriate criteria
 4. preventing processors, or anyone else who is not a fisherman, from holding any licences in their name
 5. having every Fishermen's Committee identify and formally list the owner-operators in their area.

One could not use a person's recent income level as a basis for deciding who is making a genuine professional effort, however, since incomes from northern cod have dropped so much in recent years. Similarly, "level of investment" would not be an appropriate criteria because different technologies are required for different fisheries, and because some part-timers have as much money invested as full-timers.

Council members said fishermen should be required to "punch in" in the same fashion as other employees. Or they should be required to keep a formal daily log of activity, which could be checked by a Harbour Master. Such approaches would monitor closely who is fishing, and this should be checked against the formal list of registered full-time fishermen. Skippers should have to sign a declaration form each year about their crew and their own activities. The group emphasized the need for

²⁰ Though council members noted that, recently, DFO has asked committees to rule on who gets NCARP payments, but suspect that this is because the Department and the politicians are anxious to shift the responsibility – and therefore the blame – to the local committee.

any system to be carefully and formally policed. This would also apply to processors who allow fishermen to sell fish in others' names to qualify for UI payments.²¹

- Several groups are now involved in the fishery who should not be, including
 1. Part-timers fishing resources which should go to full-timers, and then competing with them onshore.
 2. Full-time/non-professional fisherman fishing primarily for available social benefits eg. UI or provincial grants and loans.
 3. People holding a full-time permit who are receiving a pension.
 4. Others, such as spouses of fishermen, who are not really fishing (and therefore not reducing fish stocks) but who register primarily to access UI benefits.
- Although the group agreed that the time has come for fishermen to take control of their industry, they were very pessimistic about the likelihood of the right fundamental changes being made to the licensing system and to existing access policy. They noted these same discussions have been going on for years and still no one listens to what fishermen are saying. There is so much inequity, deception and irregular application of the regulations, and so many people (such as part-timers and politicians) with a vested interest in maintaining the present mess, that it will be almost impossible to fix the system.
- The general consensus of the Council was that most Newfoundland fishermen do not want to see any form of IQs or ITQs in the inshore fishery. A participant from the Gulf Region noted that in his area there are about 15 vessels (out of about 100) who don't fish any more; instead they just rent out their quota. Each season these fishermen "shop around" to obtain the highest price for their quota; this, in turn, places more economic pressure on the resource as the lessee must recoup the cost of the lease as well as his other expenses.

Participants felt that if ITQs were adopted generally, it would not be long before a processor took over an area's entire fishery. They also believe it could lead to "quota

²¹ These ideas are in sharp contrast to the PEI view that fishermen are businessmen, not labourers; this illustrates one of the basic problems in the Newfoundland inshore fishery, namely that most crewmen, though they hold a fishing permit, are really co-adventurer deckhands. This points to another problem which continues to distort the Newfoundland inshore fishery: the notion that part-time permit holders/crewmen are "equal to" or the "same as" the professional fisherman, ie. the full-time owner-operator skipper. This derives from two social traditions in Newfoundland's cultural and economic history: one is an egalitarian ethic which dictates that "we are all equal" and that anyone thinking otherwise is being pretentious, arrogant or even anti-social. This mentality, coupled with the notion that everyone has the "right to fish", has led to major problems for the genuine fishermen. Both attitudes will be difficult to overcome in any new access and allocation system.

Kings" and to the diversion of fish into foreign markets, by-passing local communities. It was also stated that the ITQ system has been largely responsible for destroying Gulf cod resources. Under the ITQ system there have been high levels of catch misreporting, discards at sea and other high-grading – in collusion with some fish plants.

- An ITQ system (and even the offshore EA) could only work if it were heavily policed with observers, dockside monitors etc. And this might require close monitoring in every community and landing point, which would need to be done by people from outside the community (as is the case with RCMP officers).

Petty Harbour Fishermen's Producer Co-operative Society Ltd. (Written submission).²²

The Petty Harbour Fishermen's Producer Co-operative Society represents about 120 inshore fishermen in the community of Petty Harbour as well as employees in the community's processing operation it owns.

- To the Co-op, the system of registering and licensing fishermen is too open-ended, non-consistent, political and drenched with loop-holes. There is no firm policy or mechanism for screening out non-legitimate participants and, rather than decreasing the number of fishermen to a core of legitimate, "bonafide" fisherpeople, current policy is doing the opposite. New doors and loopholes – for example the issue of part-time licences for sealers' helpers – are constantly opening which allow new entrants to the industry. Then, by various means, many of these "non-legitimate" individuals are allowed to obtain full-time status.
- This kind of licensing policy has been, and continues to be, a major contributor to current problems in the fishery. Political interference and inconsistent policy have created serious shortfalls in the enforcement of regulations.
- The basic objectives of registration and licensing should be to screen out non-legitimate fisherpeople while allowing for legitimate apprenticeship to the fishery and to identify a legitimate core of "bonafide" fisherpeople. Guidelines need to be developed to allow and facilitate the legitimate internal transfer of licences and opting out of the fishery, especially in situations where there are no government programs to encourage exit from the fishery.

²² Tom Best, who made this submission, is President of the Petty Harbour Fishermen's Producer Co-operative Society Ltd. and also of the Newfoundland and Labrador Fisheries Co-operatives. Mr. Best completed the study questionnaire as a representative of the Petty Harbour Co-operative, but noted that his general comments "also echo the sentiments of a vast number of fisherpeople I have personal contact with." (The questionnaire was also sent to the Fogo Island Co-operative and the Torngat Co-operative; however, to date, these groups have not provided comments.)

- New access and allocation policy should also embody several new principles or priorities. These should include ones which allocate resources to specific coastal communities on the basis of adjacency and historic dependency in order to protect and preserve their fishing activities, new principles for conserving and sustaining fisheries resources and for the designation of specific, restricted fisheries where resource conditions warrant such action.
- In developing new licensing policy, DFO should take into account special conditions and factors in different areas. These would include, for example, an understanding of the impact various harvesting technologies can have on specific areas of the ocean bottom and terrain. This issue has been grossly overlooked in the past, and it is essential not to forget the lesson which has (hopefully) been learned by past policies which allowed an un-controlled flood of mobile, multi-purpose inshore vessels into the 3L during the last few years. In this respect, new policy should pay attention to the approach the fishermen of Petty Harbour used to restrict specific harvesting technologies in specific areas through having such regulations gazetted in the Fisheries Act of Canada.
- Registration and licenses should be restricted to full-time fisherpeople. Clearly defined mechanisms are also needed to allow for legitimate apprenticeship into the fishery. Licensing should also be linked to a professionalization program designed to create a core of professional fisherpeople as well as "a clear position on the fishery of the future." It is essential for fishermen, and the FFAWU, to make a clear statement of the urgent need for "sustainable fisheries"; anything less than this will make "all efforts towards a professional core of fisherpeople futile."
- With respect to the sale, transfer or retirement of licences when people leave the industry, the co-operative notes that any of these options is acceptable and appropriate, once licensing and registration policy has defined and created a professional core of fisherpeople. However, given the current state of the province's fisheries resources, "it does not seem logical at this time to talk about multi-species licenses for all professional fisherpersons." Thus, for the present, DFO should continue with its limited-entry licensing approach.
- The co-operative has serious reservations and questions about the use of Individual Transferable Quotas. It is concerned about who will end up with quotas and where they might go. "Given the less than precise science of the fishery, the transferring of quotas from less than effective operations to very efficient and effective operations would not be a good resource management conscious policy and, no doubt, the allocated TAC would be taken whether the numbers were right or wrong." It was

noted that "this type of thinking, knowing that the science was not precise, has got us where we are today." Community allocations make no sense either.

- Adoption of the ITQ system will not solve the problems of the fishery in Atlantic Canada, unless there is a clear consensus on how and where this concept could possibly be applied. If not, the potential exists to create additional problems and to place "control of the fisheries in the hands of the careless few."
- Though ITQs might be an appropriate way to manage the activities of vessels in the mobile fleet, they have little or no application in the traditional inshore fisheries. Before we can assess the merits of ITQs, we need a redefinition of our traditional inshore fisheries and a better understanding of which harvesting technologies support sustainable fisheries.

Fisheries Association of Newfoundland and Labrador (Telephone interview). The Association is a non-profit trade organization which assists and promotes the interests of the province's commercial fishing industry. Currently it represents 33 members which collectively account for about 90% of the province's fish and seafood production valued at over \$6,000,000 and employing more than 10,000 people.

- Now more than ever it is important to consider what our industry objectives are or should be; seasonality and income stability are key issues, but "stability" of incomes is just as important for onshore processing plants as it is for fishermen.
- It is also time to recognize that access and allocation policy is not just about harvesting; it is also very closely connected to broader questions and issues about the structure of the entire industry, about new arrangements for allocating resources to various fleet segments, and about whether we should enhance the concept of vertical-integration.
- Within the industry, there are new perspectives concerning the most efficient fleet configuration for the harvest of fishery resources. There is some opinion that, given the changes in resource conditions and cost structures, the wet fish trawler may no longer be an cost-efficient way to harvest certain species. Thus it may be time to consider whether other vessels, of various sizes, should also be involved in the harvest of offshore species. The most efficient and appropriate mix of vessels should be determined on a stock by stock basis.
- Established offshore firms are very concerned about their future capability to access enough resources to sustain their onshore processing operations. These firms are facing a dilemma brought on by the resource crisis: it has radically altered the economics of wet fish trawling; in addition, their guaranteed share of the TAC (their

Enterprise Allocation), has shrunk considerably, and their quota for some species, such as cod, has disappeared altogether. In future, even if they continue to receive their former share of the TAC, the amount of raw material they are able to access will be much smaller.

- The offshore companies say they must have a guaranteed allocation of resources because their operations are the ones which keep Canada's fish markets supplied, and in the process they provide income stability for fisheries workers. But any processing operation needs an adequate, predictable and continuous supply of raw material in order to invest in sophisticated technology, supply their product markets and offer stable employment. In this respect, firms which do not have a guaranteed, year-round supply of fish are operating at a disadvantage, compared to companies with Enterprise Allocations.
- Any firm with an Enterprise Allocation or an ITQ should be allowed to use a variety of different size vessels, if such technology is a more efficient way to harvest their share of the resource. At present, fleet separation policy does not permit vertically-integrated companies to own or operate licences for midshore vessels. If we continue to insist that offshore firms can only use wet fish trawlers to catch their allocation, the costs of supplying this raw material will be very high. At the same time, policy has allowed the 65' fleet to intrude into the territory of the offshore fleet, and this segment has done very well. In Newfoundland, the midshore/middle-distance fleet has also been catching a share of the inshore allowance. However, in future, faced with its own raw material shortages, the inshore sector may not look very favourably on this arrangement.
- The midshore fleet would like to get a larger share of the offshore fleet's allocation, and offshore companies would like to be able to access more midshore landings. If large offshore processors cannot persuade 65' vessel operators to provide them with a dedicated supply, then logically they would want the right either to own midshore licences or to buy some of their quota on the open market.
- All processors have to have direct links with dedicated fleets: if the wet fish trawler is no longer a cost-effective way to catch certain species, then these links have to be provided by 65' vessels. Any large plant, especially established offshore companies, needs more than 20 weeks supply of raw material, and this cannot be achieved with smaller inshore vessels.
- The Association thus believes that it is time to unfetter the links between "fleet" and "plant". New allocation policy should therefore consider giving a resource share to all processors. Firms such as FPI or National Sea Products Ltd., for example, would continue to have EAs by virtue of their status as a company. This would provide for

the continuation of a stable industrial structure onshore. Even though a number of processing firms have a variety of formal and informal agreements with 65' vessel operators, this is not the same thing as having their own fleet: these firms do not have any direct control over key elements such as product quality or the timing of landings.

- Thus we may well be talking about a new fleet configuration and different allocation arrangements. The Association agrees that it is appropriate to continue an inshore allowance in order to maintain the traditional small-boat fleet, but suggests that it may be useful to draw the line at the 45' vessel class. Then it might be appropriate to create company EAs and vessel sector quotas from the remaining portion of the TAC.
- Thus, ideally, fish processing companies — offshore firms as well as smaller companies — should be permitted to have licenses for 65' vessels. For example, in Newfoundland, firms such as Quinlan's or P. Janes and Sons Ltd. should be allowed to purchase perhaps six or eight vessel licences, to rationalize this small fleet and then enter into a joint venture with professional skippers to operate them. In this way, these plants would have a guaranteed supply of raw material and the fishermen would have a guaranteed market for their catches.
- But the Association does not support the idea of an allocation of resource share to a specific processing community, that is the notion of a "community quota". This would be too inflexible and would not allow for the operation of free markets. The notion of a regional quota may have some merit: this might involve the allocation of a resource share to specific regions, such as the Northeast coast of Newfoundland, based on an "adjacency" principle.

Fishery Products International (Meeting and interview). Fishery Products International is the largest fishing and processing company in Newfoundland and Labrador. It was formed in the early 1980's following the "restructuring" of the entire, vertically-integrated offshore sector in Atlantic Canada. Since then the company has undertaken a major rationalization of both its offshore trawler fleet and its onshore processing facilities. In the past few years, especially since 1989, FPI has undergone further, and significant, internal rationalization in response to drastic reductions in its raw material supplies following major cuts in groundfish TACs. Despite a more than 75% decline in its allocation, FPI continues to operate an efficient, though radically-downsized, offshore trawler fleet, and major processing operations in various communities on the Great Northern, Burin and Bonavista Peninsulas and the South Coast of Newfoundland. The company also relies extensively on raw material supplied by inshore and nearshore vessels across the province.

The following discussion of FPI's perspectives on current licensing and allocation policy are based on an interview with Mr. Vic Young, President and CEO of FPI, supplemented with comments contained in a speech Mr. Young presented to the St. John's Board of Trade in April, 1993.

- It is FPI's view that current policy discussions, societal issues associated with the future structure of the fishing industry and basic questions about resource allocation to various fleet sectors, while complex on their own, have been further obscured by the continuing, and as yet unresolved, debate over several related issues such as the merits of inshore versus offshore harvesting or various technologies, seals or foreign fishing. However, before this province can begin to develop new policies for its fishing industry, it must first address a much more important and fundamental issue: the way that the government and the fishing industry want the Newfoundland fishery to unfold in the future. If this province is to survive its current fisheries crisis, and rebuild its fishing industry, it will be necessary for government, the industry and the people of the province to face up to several realities.
- The first that must be recognized is that the province as a whole is attempting to deal with a calamity of its own making, "brought on by the fact that we have received poor scientific advice, caught and discarded too many fish and because we have been unable to prevent foreign overfishing". Fish stocks have also been weakened by severe environmental and oceanographic conditions.
- A second reality is that the industry can only be rebuilt if stocks recover. However, even if they do, the province has to recognize that, in the future, the fishing industry can never return to past levels of harvesting and processing.
- A third reality is that it will take time for fish stocks to recover; FPI believes that key fish stocks will not show significant signs of recovery for at least five years.
- A fourth reality is that the fishery of the future must be a self-sustaining one. This means "we have to ask critical questions such as which people and which communities should be involved in the fishery, what markets and which processing plants." As yet, no one has the answers to many of these questions. Many will "be answered by market force as fish plant operations close due to bankruptcy".

Though it is likely that "government will not allow market forces alone to determine where jobs will be provided [thus] market reality will be altered by some kind of constructive intervention by government. Nevertheless future development of the fishing industry, involving a "competitive restructuring", must seek to produce a "balanced" approach between regions, inshore and offshore sectors and between people and technology. FPI believes that "the issue of balance should not be in

question." The ultimate aim should be a competitive fishery capable of sustaining itself without continuing support. The industry needs to move away from the view that government will always be there to rescue it.

- Finally, governments and the industry must accept the reality that the required restructuring of the fishing industry will produce "an enormous social fallout." It may have to shed some 15,000 people and an estimated 80 processing plants. These will be "the victims of a downsized industry."
- The current crisis demonstrates how badly we have managed the fishing industry, using it as "an employer of last resort" in conjunction with the unemployment insurance system. In the past two decades, fishery development policies "have created a false economy and obscured the real economic situation in the province. Thus our problems have been caused by too much fishing, trying to create too many jobs to sustain too many communities. But despite the severe problems which it has produced, the crisis also offers the opportunity to revitalize and rejuvenate the entire provincial economy".
- The fundamental question is whether there will be enough fish for all fleets to operate effectively. But many people continue to see wet-fish technology as the main issue. FPI believes that it is time we got over the view that offshore trawlers are "raping" the sea-bed – a conclusion which is totally unproven scientifically. No one gear or fishing technology is blameless: the amount of fish caught by traps, gill nets and otter trawls has been more than the resource could sustain. Even the cod trap is a problem given its capability to catch small fish. In other words, FPI suggests, all harvesting technologies have their pros and cons: the basic problem is that all sectors, and all gears – otter trawls as well as cod traps – have caught too much fish. Therefore, "perhaps it is time that we started accepting the fact that, as a society, we have managed our resources very badly."
- FPI has always sought to run its affairs in a sound, efficient and business-like manner. Though it has had to undergo a major rationalization in the past few years, it has also continued to pay good wages, create pension plans, develop training programs and treat its workers in a professional manner. But "it has survived a 76% decline in its resources primarily by running the firm like a business".
- It is FPI's view that overall provincial economic policy, including programs which gave grants or loans to build new plant capacity, that has created the fishery which now exists. In 1972 our unemployment rate was about 9%, but today it is over 20%. Thus the province's overall situation has deteriorated, mainly because policy has allowed so many people to enter both the harvesting and processing sectors. The

province has only been able to maintain employment levels by making the fishery an "employer of last resort".

- Another question which FPI says it is necessary to debate and resolve is whether the province wants to have a seasonal or a year-round processing sector. Do we want to have just "stamp" factories, or do we want to have a viable, well-financed and competitive processing industry? The province cannot expect to maintain a productive and viable fishery based on current development policies "since it is now clear that a significant part of the fishing industry, and the entire Newfoundland economy, has only been kept alive through the vast amounts which have been provided through the UI system".
- Thus any discussion about the most appropriate structure for the industry, or decisions to support particular onshore plants, must separate the key future issues from old questions such as the merits of one harvesting technology versus another. Many people believe that large offshore processing plants are not as good as small-scale operations in terms of their ability to create onshore jobs and to support local economies. Many people say that the province does need and cannot afford to have big plants and big vessels. But FPI believes that large-scale processing operations have a key role to play in maximizing year-round employment in the fishery.
- A case in point is FPI's processing operations on the Bonavista Peninsula where it operates plants at both Bonavista and Catalina. The latter is the heart of FPI's operations in this area; it employs hundreds of people, from all over the Peninsula, provides well-paying jobs for most of the year and is a major hub of economic activity. Thus the Catalina plant is the equivalent of a "paper mill" for this region, and the jobs it provides to people in communities all over this part of the province make a significant contribution to the survival and maintenance of traditional economies all over the Peninsula.
- With respect to the issue of using 65' vessels to harvest offshore allocations, FPI notes that it does not necessarily need wet-fish trawlers: they are very efficient, but they are also a very capital intensive method of harvesting resources. FPI could supply its plants using 65' technology, but under existing policy it is not permitted to do so – though National Sea Products is allowed to make use of these vessels to catch part of its allocated quota. Thus there is a double standard in the current regulations.
- FPI agrees that the debate about whether it and other offshore companies should be allowed to harvest their allocation with 65' technology is a new issue, and one that needs to be resolved. The company's view is that its offshore allocation was never an allocation to a *fleet*, but rather to a *company*. FPI has received a share of the

fishery resource because government recognized that the company had a special role to play in the development and maintenance of the province's fishing industry. FPI has demonstrated its ability to make effective use of its allocation to create jobs, good products and to capture and develop markets for Newfoundland as a whole.

- In this sense, the decision to create FPI and to grant the company a specific share of the resource was essentially a "societal" decision. For essentially the same reason, government created the Enterprise Allocation system because it recognized that FPI needed "guaranteed" supplies of raw material in order to be able to invest millions of dollars needed to create sophisticated, year-round processing facilities. Thus both FPI and National Sea Products were and are "special cases": FPI required a guaranteed share of the TAC to invest in plants such as Marystown, and National Sea needed the same assurance in order to develop its Lunenburg plant.
- Smaller processing companies have never been granted the same privilege or right, but neither have they had the same role in and responsibility for industry development. In short, if government wants FPI to continue to play a major part in the industry, then it will have to let it know that, if fishery resources rebound, the company will continue to receive its former share. That, too, may have to be a "societal" decision.
- FPI has a continuing role in maintaining a strong Newfoundland presence in established fish product markets, and small plants will never be able to supply the range and quality of products that a company like FPI can do. It will not be possible to have a prosperous and viable fishing industry with cod blocks. To maximize employment benefits, the province must be heavily involved in value-added products. But this requires a significant investment (up to \$10 million) in a processing facility. Any company investing this much capital must operate year-round and to do this it must have an assured supply of product.
- As such, FPI should be allowed to decide how best to harvest its share of the TAC. However, FPI feels this will never happen because the issue will be decided through politics, not economics. But FPI believes in a more integrated and balanced approach to the harvesting and processing of fisheries resources and, in future, this could involve harvesting more of its allocation with 65' vessels, though it would still need wet-fish technology to ensure continuity of supply at those times when smaller vessels were unable to fish, and also because some species can only be taken by larger trawlers. But FPI has no interest in owning licences for 65' vessels.
- In the above scenario, FPI would continue to receive its allocated share of the resource, though this would rise or fall according to changes in resource levels. FPI would continue to receive its share predicated on its agreement to manage and use

these resources wisely and efficiently, considering the needs and requirements of its onshore processing operations.

- Thus inshore processing companies should not be concerned if, in future, FPI wants to contract independent 65' vessels to catch its resource allocation. These companies are not, and never have been, in the same situation as FPI. They operated within the inshore allowance, ie. they never had their own, specific share or allocation.
- Nevertheless, FPI understands that inshore-dependent processing firms might be wary of any new arrangements between FPI and operators of 65' vessels. Many would be worried that these fishermen would deliver all of their landings – both their normal inshore catch and fish which came from FPI's company allocation. In other words, inshore plant operators would perceive FPI to be robbing fish from another fleet and starving the inshore processing sector. And offshore fishermen might be concerned because such an arrangement could mean fewer jobs for them. Potential problems associated with the use of 65' vessels to catch a part of FPI's allocation could be resolved through various means, such as strict contractual agreements that these vessels would harvest a specific quantity of FPI's allocation, or with appropriate fines, or sanctions, if one of the parties violated the regulations.

Trinity Bay and Placentia Bay Skippers (Focus Group). Twelve independent, owner-operator fishermen from communities in Trinity and Placentia Bays participated in this day-long workshop. These participants – professional, full-time fishermen – discussed various licensing and access issues and problems as seen from their perspective. All of the participants were either skippers or co-skippers of enterprises, and operate vessels ranging from 30' to 38'. Five of the fishermen were Chairmen of their local Fishermen's Committee and most of the rest have been members of such Committees within the past several years.

- One skipper opened the discussion with the following statement: "We have to start by admitting we have a major problem. We need to decide who is a "bonafide" fisherman and who is simply a "half-assed" fisherman. How do we do it?"
- In our Fishermen's Committee we have a real problem. It's run by part-timers, moonlighters and half-assed fishermen. Because of this we can't get good fishermen out to meetings, and a Chairman may face real personal danger if he tries to make decisions which favour "bonafide" operators and not the interests of others – "abusers and infiltrators".
- A large part of the problem is the fact that "non-bonafide" fishermen have "official" recognition, eg. licences from DFO. "The real power should be with the Committee: anyone can get a fishing permit or a T4F from a plant: just because someone has a

T4F doesn't make him a fisherman". A general comment was that, one of the reasons why there is so much confusion about who is a "bonafide" fisherman and who is not, is because there are so many different legal definitions or official documents which a person could use to "prove" he or she is a fisherman. For example, any of the following would seem to be enough to qualify someone as being a "fisherman": a full-time or part-time permit, a groundfish licence, a CFV registration number, a T4F from a fish plant, the recipient of fishermen's UI, having one's name on the Union's list, or even an NCARP check.

- The group went on to discuss the fact that Committees have no real legal authority to deal with local-level licensing issues and the problems, yet they frequently have to deal with a variety of "forged documents" from people who claim to be genuine fishermen; many of these people have full-time licences, fishermen's UI and T4Fs etc., but some have never even been on a boat. Most Chairmen or Committee members are out fishing all day long, and thus cannot say to a fisheries officer that so and so is not really a fisherman. One Chairman noted: "It's putting too much weight on me to have to make those decisions. We need stronger licensing controls and regulations." Another person noted: "Local Committee decisions are often not backed up by the Union or DFO. For example, we were not asked about who should be on the NCARP".
- Several people stated that many Fishermen's Committees are unable to operate effectively because they have been infiltrated by "non-bonafides", and some hard political decisions are needed if they are to resolve some basic problems. "It's going to have to come down to being bad friends and neighbours with people who say they are fishermen but are not really. Committees have to declare and establish who is a bonafide fisherman. They have to take a strong stand on this issue".
- Because it has been so easy for a person to obtain a permit, and eventually a groundfish licence, local committees have been acting as the only control over entry into a local fishery. Thus, in some communities at least, even if a person has a licence they must be recognized by the committee before they are able to sell any fish. Several cases were noted in which a permit holder initiated court proceedings against a committee because it refused to recognize that person as a "bonafide" participant. This case involved a woman in the community which the committee felt was simply trying to access UI via entry to the fishery. The Union representative was supporting her application, and she was about to take the committee to court. However, the committee held its ground and the case was eventually dropped. The Chairman of this Committee explained: "what we were trying to do was keep the "lid on it", trying to keep the door locked. We didn't have anything against this person,

but we saw it as the 'thin edge of the wedge'. If we recognized one non-bonafide, the door would be open for many more. We saw it as a way to prevent non-fishermen from 'chopping' away at our livelihood. If we let her in, others would surely follow. We were trying to keep our 'selling quota' large enough so that everyone could make a decent living. That's why it was such an important issue".

- There was a consensus that Fishermen's Committees need more legal powers and authority, and a recognized role in the fisheries management process, if they are to deal effectively with the many problems of licensing and access issues at the local level. It was noted that committees need more and better information to make better decisions: DFO should be providing information about which people in a community have permits, licences or CFV's.
- The problems facing local Fishermen's Committees is thus directly related to the large number of people in the industry. When asked if most of the problems "bonafide" fishermen face today are mainly due to too many part-timers, "moonlighters", or even too many fishermen, and what can be done about this, participants offered the following comments.
- "We don't really have too many moonlighters in the system today (as we had in 1979). Our real problem is with people who are abusing the system, eg. fishermen's wives, part-timers and poor [unskilled] fishermen who are in it for the UI. We have a lot of these "infiltrators" on the Union list right now, because they have "by-passed" the Union, and the Committees, and gotten in through the back door – via DFO. Many Committees are now run by full-time, but non-bonafide, fishermen. The Union list and the Committees need to be given legal recognition; we now have a number of abusers who are "certified" Union members but they are not bonafide fishermen".
- Another fisherman noted: "in 1979, the moonlighters took over the fishery (and they are now still part of the problem). But we don't call them moonlighters any more, ie. many now have full-time permits".
- Another put it this way: "DFO regulations were okay for handling moonlighter problems. But today they are not up to the job of handling the details of normal affairs of real fishermen and their family enterprise needs – such as the transfer of a licence transfers to sons." He went on to describe his experience some years ago as a member of a DFO licence appeal committee: "We went through a number of meetings deciding whether part-time permit holders, who could fish with a jigger or a seine, should get a full-time permit and of course, once they got that, they were eligible for a groundfish licence. We reviewed hundreds of cases and eventually recommended that most should not get full-time status. But, some time later, when

we got the written report of our meeting, DFO had given nearly everyone a full-time permit. All our work was for nothing, so how can you fight that?"

- The part-time fishing permit has been used as the chief means into the groundfish industry and eventually status as a skipper. One participant said: "The part-time licence (ie. permit) has to go. Several years ago I had two crewmen on my vessel with part-time permits; now both of these people have their own enterprise. DFO keeps changing the rules. Over the past 10 years there have been licence freezes, then they open it up, then freeze it again."
- This person went on to say that the skipper of the vessel should have more control: "Under NCARP, they have apparently identified about 6,000 bonafide enterprises each of which will have a "credit card" with a certified number that must be used when any fish is sold. Only skippers should be allowed to sell fish. We should have to identify the skipper and crew of every vessel and, if one of our crew drops out, we should not be permitted to take on just anyone, ie. our next door neighbour. I wouldn't mind if there was a Union list of (certified) crewmen. If I had to go to another community to hire him, that would be okay."
- But another skipper did not like the idea that he should have to hire *only* a Union-certified crewman. "He should be able to hire his neighbour if he wanted too: but these crewmen should have to work their way up. They should not be eligible for the same benefits as the skipper or anyone, such as a senior crewman, who has been in the industry for 10 years or more."
- Another agreed with this idea: "There has to be a system to protect the long-time crewman, eg. UI benefits should not just go to the guy who's in the fishery just to get 10 weeks work."
- In response, another skipper said: "Yes, the fishery (with its UI) is the best LIP project government ever came up with. There should be different benefits for the 15 week crewman versus the guy who just comes in to get say 3 or 4 stamps." There was general agreement that it was not fair that a crewman (or a woman on fishermen's UI) should have the same level of benefits as a skipper.
- Fishermen see a direct connection between licensing policy, their ability to control who sells fish and the problems associated with the fact that many fishermen are in the industry simply to cash in on UI benefits. Comments on these policy aspects are noted below in point form.
 1. Licenses should be attached to a boat or enterprise, not too a person.
 2. There should be an "enterprise" licence which would contain a "bundle" of fishing licences. Thus every enterprise would be allowed to fish all available species.

3. Skippers should have to provide DFO with their crew sharing arrangement. Though crewmen might still get their own T4Fs, it is necessary to move away from the practice of sharing and/or trading of stamps. The ID number of the vessel or the skipper should be on every T4F and sales slip. This would prevent or control the sale of "illegal" fish.

4. All plants and buyers should also be required to use this system. If they were only allowed to buy fish from licensed or registered sellers (ie. only from "bonafide" fishing enterprises), this would eliminate many problems, such as those which occurred in the 1979 squid fishery when "bonafide" sellers had to line up for hours because there were so many "moonlighters" selling squid ahead of him. As a result many "bonafide" fishermen had to dump their catch.

5. Licensing the enterprise, not just the skipper, might be useful if the owner-operator was unable to fish for one reason or another. Another partner should be allowed to operate the vessel, and abuse of this system could be prevented by having Fishermen's Committees involved in the licensing regulations. "A local committee could easily rule on whether my partner should be able to operate the boat temporarily. Eighty percent of the licensing regulations should be under the Committee's jurisdiction."

- Participants were asked what criteria should be used to identify "bonafide" participants.
- There was some concern about using income levels as a basis for deciding who was a genuine participant. For example it was suggested that perhaps only about 20% of fishermen make more than \$15,000. If this is the case, then out of 30,000 fishermen, there might only really be 6,000 or 7,000 "bonafide" enterprises. However, fishermen said it was essential to identify who the "bonafide" operators are. But policy should also take vessel and gear differences into account. Income criteria alone might not be enough, and perhaps it is necessary to use a combination of different criteria. Policy should also account for the fact that some fishermen don't fish all their gear in any one year. Another person said that the criteria should favour only those fishermen who are fully dependent on fishing for most or all of their income. He noted: "If you are a real fisherman, you don't have to work outside the fishery."
- Some of the criteria, or the factors which they should consider, were noted as follows.
 1. A percent of total income from the fishery.
 2. A person who fishes the whole season, though it was noted this is now in the regulations but it is not enforced.

3. Seniority, and a demonstrated level of investment, in the industry. Level of investment, rather than income, was suggested as a more appropriate measure of commitment or attachment to the industry "because income is a delicate matter."
 4. There should be a "bonafide" category and a "commercial" category of fishermen.
 5. The problem of two or three person partnerships was also something that had to be considered in the process of identifying "bonafide" fishermen and was discussed in some detail. Any new regulations would have to take account of the fact, even though the licence may be in the name of the skipper, in actual fact the enterprise (boat, gear and licence) is owned by all three on an equal basis. Thus it was felt that partnerships have to have a special place in licensing policy. (Others suggested that this issue was a business-related problem not one of licensing; these matters would be resolved by identifying "bonafide" enterprises, rather than "bonafide" fishermen.) However, with respect to the partnership question, it was noted that the basic licensing principle should be: "no enterprise splits are allowed."
- It was agreed that licensing policy has to deal with several different "too many" problems: too many people in the fishery, too many groundfish licences and too many vessels. It is likely that there are also too many "bonafide" enterprises.
 - The above led to a general discussion of what to do with excess effort, licences and enterprises, and that the root of the resource problem, and the reason why so many stocks have been ruined, was the fact that there are too many "bonafide" fishing enterprises. However, there was general agreement that, if new licensing policy could identify the real "bonafide" enterprises, the problem of there being "too many" of these should be resolved by "economics", ie. market forces, and not by more regulations.
 - The idea that government, or licensing policy, should not attempt to regulate fishermen's income levels was brought up several times during the workshop, sometimes in connection with the problems caused by the UI system. It was generally agreed that UI was responsible for attracting so many people into the inshore fishery. But, if licensing policy was eventually able to get the number of fishermen and enterprises down to a reasonable level, once that was achieved then all fishermen should be on an equal footing. Most of the participants agreed that a competitive fishery – that is the "race for the fish" – was a key and exciting part of their profession. Thus "economics" should determine who can survive in the fishery.
 - Using a hypothetical example, one skipper made the following suggestion. If a proper identification of "bonafide" enterprises found that there were 1,500 in Trinity Bay when there should really only be around 1,000, then "natural economic" forces

should be relied on to reduce the number to say 1,000. The 500 "excess" licences (ie. licence held by "bonafide" enterprises) should be torn up. They should not be banked or re-sold but "once we got down to 1,000 or so, then it might be okay to allow a trading on transfer of the remaining licences." However, it was suggested that lobster licences should be banked – for future disposition to "bonafide" enterprises with a "multi-species" licence portfolio.

- There were also several comments about what to do with excess gear, and licences to fish certain species. This was discussed in connection with the idea of creating a "multi-species" enterprise licence system in this province.
- For example, one person noted: "We should not allow use of capelin traps because this gear is very destructive of young cod. However, it was noted that some enterprises are highly dependent on food chain fish for their income, and thus it would be unfair to ban this technology outright. (There was general agreement that capelin fishing should continue only if it is determined that it does not hurt cod stocks.)"
- But the question of which gear should be allowed in a particular area is an issue which should be dealt with mainly by Fishermen's Committees. Each Committee should be allowed to decide what type of gear can be used in its local area – in much the same way that the Petty Harbour regulations do not permit fishing with gillnets in fall handlining grounds.
- At the end of this discussion one fisherman noted: "there is no point in talking about these kinds of "professionalization" issues, if DFO is not going to listen to fishermen". Another person said: "If we get new regulations, there should be no more politics."
- General comments on the merits of the "multi-species" enterprise licence are presented below in point form. Most participants agreed that such a licence was a very good idea.
 1. Any "bonafide" operator should be permitted to fish any locally-available species –if he is prepared to invest in the gear. All "bonafide" operators should have the same licence portfolio. This would add flexibility to each enterprise. It was noted that fishermen "need all species to make a decent living", and that only vessels <35' should be permitted to hold a lobster or a lumpfish licences.
 2. Earlier in the workshop, there was a discussion of the Bonafide system which has been established in the Gulf region. Participants at the meeting were very interested in this approach to the licensing and felt that it had potential application in this province. The creation of a "multi-species" licence, as well as their desire to have

a clear definition of "bonafide" enterprises in this province, would effectively lead towards the same concept for this province, and it was said that DFO should be moving in this direction. With respect to the 65' fleet, it was noted that " DFO should put a "bonafide-type fence" around these vessels too, and that no new entrants should be allowed into this sector.

3. But, they were asked, if DFO created a "bonafide-type" system for fishermen in vessels below 35' and one for larger vessels, would this not effectively "freeze" all <35' operators forever into the small-boat class? In response, participants felt there should be no minimum size vessel for "bonafide" fishermen, ie. an 18' vessel could be a legitimate, "bonafide" enterprise. But there should also be room for such a person to move up to a 35' boat. However, if a (<35') fisherman wanted to have a larger vessel, "he should have to buy out an existing (45' or 65') enterprise. Thus no new effort should be created.

4. One person suggested that, if a new "bonafide" licensing category was created, the number of gillnets and traps such an operator could use should be limited. But not all participants agreed with this: indeed some felt that licensing policy should be to allow a fisherman to use as many traps etc. as he felt necessary thus recognizing that some fishermen had invested a lot of money into their enterprise. However, others felt that it would be "disrespectful" of one crew to use a large number of traps (more than 12) in an area, and that most fishermen would agree with the idea that there should be maximum limits on amount of gear used by an enterprise.

5. When asked whether 65' vessel operators, for example those who now hold dual licences, eg. cod and shrimp or cod and crab, should be allowed to have a "multi-species" portfolio as well, it was noted that such vessels should not be considered inshore. But even so, one cannot make a distinction between inshore/midshore based solely on the size of the vessel. However, in general, all vessels >45' should fish outside a 12 mile limit, though it was acknowledged that there are differences between bays; in Placentia Bay, for example, some 45' vessels fish lobster.

6. The general consensus was that vessels fishing outside of 12 miles should not be permitted to hold a "multi-species" licence, but that inside a twelve mile zone there should be "one licence for all."

7. Large, company-owned vessels catching capelin inside 12 miles would need to have their own bay quota, and outside 12 miles these vessels should have their own quota – though this should come from the offshore allocation, not from the inshore allowance.

8. There was unanimous agreement that there should be no more offshore trawlers, and that very great care should be taken with the use of offshore gillnets. It was stated that "they are killing off the breeding stock." One person said that "gillnetters should be put on ITQs."

- Nearly all participants felt the ITQs to be very "risky and dangerous". They would end up destroying the community's resource base, that quota would eventually be owned by companies or that one enterprise would be able to hold a "sackful" of licences.
- In general, participants felt that enterprise catches should be controlled or restricted by gear limits rather than with ITQs.

DFO Newfoundland Region, Allocation and Licensing (Meeting and interview.) The Department is currently involved in several initiatives which will contribute to the creation of a *de facto* bonafide registration/permit system in this province, and indeed there may be a bonafide designation in 1994.

- **Licensing and Access Policy:** In future, only "bonafide" fishermen will be allowed to hold species licences and it is also likely that only they will be able to sell fish in their own name.
- Fishermen's registration and licensing policy will play a role in industry rationalization. The Department, the FFAWU and fishermen will establish the criteria to define "attachment" to the industry through an appropriate consultation process.
- The Department's licensing policy has been gradually moving in the direction of a "multi-species" licence concept. Some consolidation of existing limited-entry licences may be required to facilitate progress towards a multi-species licence concept within a "bonafide-type" system.
- The Department anticipates that the FFAWU's professionalization program will be linked to its licensing policy. Any participant who has completed Level I and II of this program, thus reaching the level of "Master fisherman", will be eligible to hold a species licence – though it will be difficult for anyone to obtain a licence, because DFO will not be able to issue any new licences.
- **Part-time Personal Fishing Registrations:** Despite what some people have said, DFO does not have an open-door policy on the issuance of new part-time personal fishing registrations. DFO lifted its freeze on new part-time entrants in 1992 in response to requests from the industry. Partly as a result of the NCARP clawback provisions, vessel operators were finding it very difficult to find crewmen. In addition, it was

necessary to issue about 1,400 new part-time registrations following changes in licensing policy for the seal fishery.

- Though the Department allows part-time participants to handline or jig fish in vessels <22 feet, this policy is being reviewed and will likely change. Currently, an applicant needs a letter from the skipper of the vessel stating that he will be fishing with that enterprise. There will always be a need for new part-time entrants, so that the harvesting sector can respond to changes in the economy and onshore employment opportunities.
- Inactive Licences: Effort control will occur through such mechanisms as the freeze on inactive licences, the current buy-back initiative, voluntary licence retirement and through professionalization. In the latter case, participants who do not meet professional criteria will have to turn in their licences. But even after this there may still be too many people and enterprises (inshore, midshore and offshore) in the industry. Logically, resource conditions will, or should, dictate what the number of enterprises should be.
- Licence Transfers: The Department intends to undertake a major review of its policy regarding the transfer and sale of licences.
- Exit and Entry: The development of a registration and licensing system for "bonafide" fishermen will help to avoid or reduce current problems such as inactive licences and participation criteria. For example, new policy might not require a fisherman to fish all his licences, and allow him to enter and exit the industry if he so chooses.
- Standardization of Licensing Policy: There is really only one basic policy for Atlantic Canada, namely limited-entry licensing. However, in future, there will need to be a clearer distinction made between "policy" and "regulations."
- Individual Transferable Quotas: DFO does not see ITQs as the salvation of the Newfoundland fishery, and there are a lot of policy issues to be considered before we can be sure of the merits of this approach.
- The ITQ concept looks reasonable "on paper", but it also raises new issues and problems. For example, it is obviously harder and costlier to monitor the activities of 1,000 vessels than 10: will ITQ operators be willing to pay the costs of such enforcement? The permanent transferability of EA or ITQ quota, is another major question, and all aspects of allocation policy will need to be closely linked to overall policy for the processing sector in the province.
- New Fisheries Management Board: This new Board will have a mandate for three basic policy areas: allocation, licensing and sanctions. There will be a seven member

Board for all of Atlantic Canada, though there may also be regional "panels" in recognition of the different situations and problems in the region.

Because the Board will be responsible for the day to day administration of licensing regulations, DFO will have more time for policy development. There will have to be a major consolidation of licensing and access policy so that the Board will be able to carry out its mandate in an effective manner.

Maritimes

DFO Gulf Region, Resource Allocation, New Brunswick (Meeting/interview).

The Department is currently involved in several initiatives designed to fine tune and strengthen its Bonafide licensing policy. Fisheries managers note that these "adjustments" are intended to address several developments which run counter to the spirit of the Bonafide concept, and also to deal with overcapacity in groundfish effort resulting from the decline in resources.

- These initiatives involve the recall of inactive licences from some Bonafide fishermen, though the initial approach was modified by the Minister (on February 17, 1993) following complaints from fishermen that this recall was a contradiction of the Department's Bonafide policy. The Department realizes that it is difficult to distinguish whether licences were inactive because fishermen deliberately choose not to fish groundfish species or because they were "back-pocket" licences which some fishermen may have acquired with the expectation that they might later barter, trade or sell them for cash.
- Though it may be a problem to distinguish between these two different groups of licence holders, the Department has been getting a clear message that the Bonafide system needs to be strengthened. The original concept, and essential spirit, of the Bonafide system was (and is) the accumulation of licences. Thus, over time, the idea was that fishermen should be allowed to increase and diversify their "licence portfolio"²³ in order to enhance and strengthen their harvesting capability, and thus their economic viability. But, as noted, from the Department's perspective, the accumulation of licences only for the purpose of trading and selling goes against the initial concept and philosophy of the Bonafide system. In other words, by selling or trading their licences, some Bonafide operators have effectively undermined their "multi-species/multi-purpose" capability.

²³ This is our term for the multi-species licensing feature of the Bonafide system.

- To date, DFO has managed the TAC primarily by controlling the level of effort: when the TAC is taken, all fishing must cease. But the f.01 strategy has to be matched or balanced with the level of effort. Therefore, a decline in the resource base implies the need to reduce fishing effort (since with additional technology the same number of enterprises could actually double their effort). Hence the Department's current desire to reduce the number of groundfish licences (since, under the Bonafide system, it is not possible to reduce the number of fishermen).
- As noted, the Minister has modified his December 18, 1992, policy. Instead, a recent statement says, inactive licences "will be frozen and not renewed in 1993.... DFO will advise all those affected by the licence freeze that they will be on an equal footing for licence renewal next year with holders of active licences in 1993 and [will] have their licences reactivated if they meet professional fishermen criteria."²⁴ Thus the initiative is not strictly speaking a "recall" but rather a policy about not reissuing inactive licenses, and is regarded as part of a larger attempt to move towards a system "in which only professional fishermen with a genuine attachment to the fishery will be eligible for [groundfish] licences in 1994." This measure is designed to support the Bonafide system, not to "deny a livelihood to multi-licensed professional fishermen who earn their primary income from the fishery."
- In 1993, licensing policy will be revamped and fine tuned. New criteria will be developed through consultation with the industry. Professional fishermen – those with a genuine attachment to the industry – will be re-issued their frozen groundfish licences, and the Department will be able to make a clearer distinction between licences which are inactive for conservation reasons and those which are simply "back-pocket" licences being held for speculative purposes. (There may also be a need to resolve some of the confusion with the meaning of the term "professional", especially as it might be applied to Bonafide fishermen in the Gulf region, to ascertain whether this means "full-time", "trained" or "certified.")
- With respect to DFO's ITQ policy as it applies in the Gulf Region, fisheries managers note that many people oversimplify the issues associated with this aspect of management policy. The creation of an ITQ sector was part of a broad licensing and allocation policy initiative to cope with several problems arising from the traditional migration pattern of Gulf cod. At the beginning of the season, the stock moves into the region from the east, and are first taken in the Cheticamp area. They gradually migrate north to the Gaspé region as the season advances, and are caught by fishermen all along this route. Largely because of the decline in Gulf cod stocks,

²⁴ News Release, Minister of Fisheries, February 17, 1993.

a situation developed in which a large portion of the TAC was being landed in the eastern part of the region, leaving fewer resources available for fishermen who could only fish Gulf cod later in the season, as it migrated past their communities.

- During the past few years, DFO's management strategy has attempted to ameliorate this problem and to produce a more equitable sharing of this resource among different communities and fleet sectors. ITQs have played a part in this strategy.
- Initially, DFO tried to resolve this allocation problem through a variety of mechanisms, such as weekly and seasonal catch limits. But these "indirect" resource allocation methods did not work very well. Thus the Department decided to tackle the problem directly and specifically through the use of ITQs by splitting the overall groundfish TAC four ways: into a north and south allocation, and also between Bonafide fishermen and the new ITQ sector.
- However, some Bonafide fishermen now find themselves in a situation similar to the one that single-species vessels faced before the ITQ system was established. Some Bonafide fishermen, though they may hold licences for lobster, crab and groundfish, are heavily income-dependent on groundfish and, given the decline in resources, are not able to catch enough cod to make a reasonable income.²⁵
- The Department realizes that every access and allocation system has its inherent weaknesses and limitations, and it would be unrealistic to expect one system to address all fisheries management problems. Thus the Department believes there is room for both ITQ and Bonafide systems in its management structure. The Bonafide system has worked very well, despite the fine tuning it now requires, and the ITQ system, too, has both positive and negative features.
- DFO Gulf region recognizes that the transferability of quota which the ITQ system permits can help facilitate the process of fleet rationalization. The Department also suggests that ITQs are a useful way to maintain raw material supplies to groundfish processing plants, especially during times when, because lobster prices are high, Bonafide operators might not be inclined to catch groundfish.
- The negative aspects of the ITQ system which the Department feels must be addressed include the fact that they have created *de facto* property rights, and there are also some unresolved problems with respect to the leasing of quotas.

²⁵ According to the Department, this situation is one of the factors which has encouraged DFO to fine tune its Bonafide policy. Thus the underlying rationale of the recall of inactive licences in the Gulf region is to address the problem facing groundfish-dependent Bonafide fishermen; it is not an attempt to transfer a share of available groundfish resources to the ITQ sector, as several fishermen's groups suggested during our consultations with them.

- Other policy questions also remain to be answered. These include what percentage share of the TAC should be allocated to the ITQ sector, and how to avoid potentially significant problems related to the concentration of quota in a smaller number of enterprises or its transfer out of a region. DFO Gulf Region has so far managed to avoid such problems through various rules and regulations. For example, the inter-provincial transfer of groundfish quota is not permitted and, within its ITQ fleet, the amount of quota an individual can acquire is capped.
- DFO officials also noted several other licensing-related issues which need to be addressed within its area. One is the problems associated with "under-the-table" deals between fishermen and processors, in which a processing plant is the real owner, or majority partner, of a fishing vessel and hence of the fishing licence. But, DFO notes, problems of this nature are not confined to the ITQ system and, in general, DFO Gulf region has no major problems with such arrangements, especially if they allow resources to be harvested more economically. Its primary concern is that such arrangements have the potential to multiply enforcement problems.
- Another issue which must be resolved is the competition for resources between the fixed and mobile gear sectors. Mobile gear has been allowed to interpret migrating fish, and, because of changes in gear size regulations, the mobile gear fleet has been catching smaller and smaller fish.

Prince Edward Island Fishermen's Association, PEI (Meeting/interview). The Association represents 700 of the province's 1,453 fishermen. All vessels are owner-operated and between 40' and 45' in length, and most have no crew other than the skipper. All of the 1,453 vessel operators in PEI are licensed, Bonafide fishermen, as defined in regulations, and most hold a multi-species licence portfolio – a key feature of the Bonafide registration system. The PEI registration and classification program was introduced through an inshore fisheries rationalization process in 1987 (it was instituted in other areas of the Gulf several years earlier). Through this process, PEI fishermen who met specific criteria²⁶ could qualify for the Bonafide category, though the initial certification process also included a "grandfather" clause which allowed some operators to qualify even though they did not meet all of the criteria.

There are also about 3,000 Commercial category fishermen on PEI, also defined in the regulations. They are registered fishermen who do not meet the requirements of a

²⁶ In current regulations the Bonafide fisherman is defined as one who, in 1983, 1. was the holder of a Class A lobster licence, 2. had earned 75% of his total income fishing from his own boat, or 3. had sales of over \$15,000 from his own vessel.

Bonafide, full-time or part-time fisherman. These fishermen generally participate in the fishery as crew on licensed vessels, and serve as a dedicated labour pool, though some also fish species not restricted to Bonafide fishermen. Thus most Commercial fishermen act as the employed workers and/or temporary helpers for Bonafide operators. Although one must have at least Commercial status to fish at all (as crew), gaining it is only a matter of applying; however, a person in this category cannot hold a licence for most species, or fish at all for most species, except with a Bonafide fisherman.

- In general, the Association notes, most Bonafide fishermen in the province have adopted the view that fishermen are essentially businessmen and not labourers. In the initial certification program the criteria, such as the 75% income dependency requirement, were rigidly applied and the process identified the majority of those who would become Bonafide fishermen. An appeals and review process later permitted the creation of a few additional Bonafide positions in special circumstances.
- While the number of Bonafide fishermen is fixed by regulation, there is no limit placed on the number of people who can hold a Commercial registration. But, though there is no specific rule which restricts the number of people in this category, in practice the demand for crewmen is limited by the needs of the Bonafide skippers.²⁷
- In effect, Commercial fishermen have a limited permit to fish; the distinction between Bonafide and Commercial fishermen is more akin to that between doctors and nurses than the difference between doctors and interns, or master electricians and journeymen. It is a clearly defined two-tiered system category, and a Commercial fishermen can become a Bonafide fisherman only if an opening occurs and he has two years fishing experience. However, except in the case of inheritance, this is unlikely since the cost (\$100,000 – \$150,000) of purchasing a Bonafide registration and the associated fishing licences is usually beyond the means of most Commercial fishermen, who typically earn \$300 a week during the fishing season.
- Thus most Commercial fishermen do not enter the industry expecting to become Bonafide fishermen: most regard their work as their own professional niche in the fishery. However, a son who expects to inherit the family enterprise, including his father's Bonafide registration, licences, vessel and gear, may decide to enter the industry as a Commercial fisherman and after two years can take over the entire enterprise. For the same reason, a person having the means and desire to buy a Bonafide enterprise must still become involved in the industry as an "apprentice"

²⁷ UI policy also tends to limit the number of Commercial fishermen: although a skipper might like to have several crew members recorded on his vessel, CEIC might suspect him of trying to "load up" the UI rolls.

Commercial fisherman (usually on the vessel of a Bonafide fisherman) before he is permitted to hold a Bonafide registration.

- In other words, when any individual in the Commercial fisherman's category has completed the necessary qualification period he is eligible to become a Bonafide fisherman – but he must still wait until there is an opening in the system – an opening which can only result from the death, retirement or buy-out of a Bonafide fisherman. To alert potential buyers, and give them time to make the necessary arrangements – including a Commercial permit and a bank loan, the Bonafide who wishes to leave or retire will usually give two-years notice of his intention to sell his vessel.²⁸
- In the case where a person has acquired a Bonafide registration (and usually a licence), but is unable to get a boat, he is permitted to bank the purchased licence for a period of five years until he can obtain a vessel. In any case, however, obtaining the Bonafide status is the key first step towards entry into the "profession".
- This system is a "closed shop" composed of a fixed number of Bonafide owner-operators and a much larger pool of Commercial fishermen, within a formally-recognized licensing structure which distinguishes between categories of participation. This system does not perpetuate a myth or illusion of continual upward mobility or an egalitarian right to the resource; rather it has a clearly defined, and accepted, floor and ceiling.²⁹ This arrangement also appears to have mitigated some of the problems associated with the "race for the fish".
- In this manner the PEI inshore fishery seems to have become rational, lucrative and stable. Any disputes, such as those about transfers or purchases, are handled by "Port Committees" which were initially set up to establish the Bonafide certification system. The Bonafide system has also done much to resolve traditional problems such as gear overcrowding. There is an effective freeze on new gear, and if a Bonafide fisherman wants to obtain additional technology, it must come from the "pool" of existing gear.

²⁸ The banks do not like to lend cash to someone who wants to buy into a Bonafide registration because it is not considered a tangible (ie. re-possessable) asset. This problem is generally circumvented by a mutually-acceptable over-valuing of the vessel involved in the purchase, and accompanied by the licence and registration. In other words, a \$40,000 vessel may be valued at \$100,000 and the buyer borrows this amount, using the vessel as collateral, in order to buy the registration and/or licence. The new or potential entrant clearly understands he is buying the "registered" position, or the "privilege" to hold a fishing licence. Thus the new Bonafide – usually – actually buys a business, in effect a Bonafide registration, a licence or licences to fish particular species, and often the vessel.

²⁹ This is in sharp contrast to the situation in Newfoundland, where every participant's desire to become a full-time fishermen has resulted in a downward mobility for all. Because there is no ceiling there is also no floor. Movement into the sector is further induced by social benefits, rather than by the economic rewards that attach to the "professionals".

Nor can there be a crowding of the Bonafide ranks because the door has been closed and locked. New licences cannot be created and in any transfer or sale of a Bonafide's enterprise *all* licences have to be sold, ie. they are not allowed to "split" the enterprise. The Bonafide fishermen, at least, are quite happy with this system and are economically stable.

- Unlike in Newfoundland, where a part-time fisherman can fish on his own and earn any amount of money, a PEI Commercial fisherman – except in specially designated fisheries – cannot fish on his own. PEI has none of the problems associated with part-time or casual fishermen, and the concept of the "moonlighter" is unknown.
- PEI fishermen, who can hold licences for several species licences,³⁰ also make a point of obtaining new species licences (such as for swordfish) when they are offered by DFO. This provides the Bonafide with even more real or potential income security – even if he does not immediately exercise his right to fish these species. In fact, they are not required to do so in order to maintain their licence, at least not until recently.
- The Association and its members consider the multi-species licence portfolio to be a key component of the overall viability of their multi-purpose fleet. For most PEI fishermen, lobster is the core component of their annual income, but the availability of other licences has allowed them additional capability to establish a diversified income base. Many fishermen also consider this multi-species licence arrangement to be an implicit resource conservation mechanism, in effect many choose to temporarily cache, ie. not utilize, some of their licences since they are not obliged to fish all species to make a good living. The multi-species licence arrangement is therefore considered a kind of insurance and trust fund by the Bonafide operator.
- Hence, many Bonafide fishermen in the province, and in other areas where this system exists, are currently very concerned about the new DFO recall of "unused" groundfish licences. There is great unhappiness and a high level of uncertainty and confusion about this initiative. Many PEI fishermen see it as a threat to their multi-species licence portfolio and to the economic niche they have established through rationalization and the creation of an appropriate Bonafide registration and licensing system.
- DFO's recall of groundfish licences is being accomplished through participation requirements. DFO intends to take back licences from vessels with no landings for groundfish species in 1990 or 1991. The Association says this will not only

³⁰ What we refer to in this report as the "multi-species licence portfolio".

undermine the established multi-species licence concept, it will also effectively increase fishing effort on stocks which are already in trouble, as fishermen exercise their licences against their will. Fishermen say that although DFO's purpose seems to be to reduce cod fishing especially, in order to hold onto their groundfish licences they will have to put all their gear into use. Of the 900 groundfish licences on PEI, only about 500 are actively used, for reasons noted above.

- Bonafide fishermen operating in the western Northumberland Strait area of PEI (as well as their colleagues in several communities across this Strait on the New Brunswick side), have told us that DFO's groundfish licence recall will likely produce other unintended negative effects throughout the fishery in this area of the Gulf Region. It has already increased uncertainty among fishermen who have not actively fished their scallop licences during the past few years. Thus, in 1993, there will likely be a major increase in scallop fishing effort because fishermen will want to demonstrate active use of their licences for this particular species. Since scallop resources in this area are already heavily exploited, fishermen believe this will lead to further overfishing of this species.³¹
- The Association noted three related access and allocation issues: professionalization, the ITQ system and fishermen's UI benefits.
- Professionalization is an issue which has produced a great deal of confusion, concern and uncertainty among many Bonafide fishermen in both PEI and New Brunswick.³² Simply put, these fishermen do not make any distinction between "bonafide" and "professional", and consider that they have been both since the Bonafide policy was first introduced in 1983. They therefore regard DFO's professionalization initiative as a threat to their already-established status as "professionals" which they say is embodied in, and protected by, the definition of the Bonafide Category in Gulf Region 4T.

They see the "professionalization" issue as one which has "spilled over" into their area from the problems DFO faces in the Full-time/Part-time system. Their primary concern is that the Department will impose new criteria to deal with inactive licence holders in other areas, and that they will get caught in the "cross-fire". Though the

³¹ Assessment is based on detailed analysis of DFO data in area 4T, extensive field consultations with about 200 fishermen from twelve communities in the Northumberland Strait area and interviews with fisheries managers from both DFO Gulf Region and the PEI Department of Fisheries, Aquaculture and Agriculture. This research was undertaken between February and April, 1993, and is part of an ongoing analysis we are undertaking for the Fisheries Liaison Committee of the Northumberland Strait Crossing Project (the Fixed Link).

³² We have discussed this topic at length with Bonafide fishermen based in the twelve Northumberland Strait communities affected by the proposed Fixed Link noted above.

Bonafide Policy permits and indeed encourages these fishermen to recess their licences as a conservation measure, they fear that any of their licences which have been "frozen" will not be reissued in 1994, even if they meet any new DFO criteria for "bonafide professional" fishermen which the Department expects to develop in consultation with the industry.

- With respect to ITQs, the Association says that their existence complicates the whole licensing system. As they see it, if an operator enters into an ITQ arrangement he is "beyond" the regulations – in effect, he has opted out of the Bonafide classification licensing system and its regulations. There are about 14 ITQ-based vessels – "super" 45'ers – massively subsidized. Their ITQ is for cod only, and they are not permitted to hold any other species licences.³³ These ITQ levels were established through a relatively complicated formula, but the enterprises appear to be in trouble in light of declining cod resources, and the Association says that some ITQ vessel operators now want to re-enter the Bonafide system.
- Overall, the Association feels it would be ludicrous for DFO to impose or overlay an ITQ scheme on top of, or instead of, the Bonafide system. This would go against the successful niche they have worked very hard to establish and, considering the size of the TAC for cod (15,000 tonnes), a full-blown ITQ system would do very little to increase landings of cod in PEI. This stock is on a downward trend and there are many other ITQ vessels in the Gulf who would lobby against an increased share for PEI vessels.
- In general, PEI fishermen are content with the present system of fishermen's UI. Occasionally, a Bonafide operator may need to fish a species of marginal value for several weeks in order to complete the UI eligibility requirements. But, in general, because most fishermen make a good return from their core fishery – lobster – most do not find it difficult to obtain the right number of weeks. They point out that one of the dangers of UI is that it does tend to encourage the harvest of marginal and sometimes depleted species.³⁴

Cheticamp Fishermen's Co-Operative, Nova Scotia (Telephone interview). The Co-op has 130 members (skippers plus crew) and about 150 processing employees are members. Most vessels 35-44' use fixed gear to fish a combination of lobster, crab and cod; the Co-op has

³³ Association officials believe that the creation of a PEI ITQ scheme was the result of provincial political pressure designed to allow the province to gain a bigger share of Gulf cod resources.

³⁴ But this is less of a problem in PEI than in Newfoundland where, they say, the industry has not made up its mind whether it is a social welfare device or a business.

20 such vessels but there are about another 10 or so similar vessels in the area. Five of the 35-44' vessels are on ITQs and nearly all vessels >45' are on ITQs and seven (of a total of nine) are Co-op members. Most local vessels fish exclusively in 4T, and the 35-44' non-ITQ vessels generally fish from early/mid May to November. There are no significant herring or mackerel resources available in this area.

Most local vessels no longer have the traditional "skipper and shareman" arrangement. Crewmen are considered to be simply employees and most receive regular UI, or "land stamps". Given the resource situation many receive low wages and some find it difficult to obtain enough fishing-related income to qualify for UI.³⁵

- All members, except those in ITQ vessels (45-65), are professional fishermen. Most Bonafide operators are very happy with their licensing system and, in general, affairs between locally-based ITQ and fixed-gear vessels are relatively harmonious. (However, as we discuss below, in the last few years activities of larger mobile vessels from outside the Cheticamp area have eroded the confidence of local Bonafide fishermen in the stability of their licensing and allocation system.)
- Most of the non-ITQ vessels fish a combination of lobster, crab and cod with the best ones earning an annual gross of about \$100,000; other vessels have only cod to rely on, and need more resources, or other licences, to maintain their incomes in light of resource declines. Thus the Co-op is lobbying for additional (supplementary) crab licences for fishermen, and are also seeking to develop under-utilized species such as dog fish.

³⁵ The topic of fishermen's incomes – and the importance of UI as a key component of that income – is one we have addressed in greater detail in our other study for the Task Force. However, several aspects of the relationship between fishing income and UI have come to light since we completed this study, and might be usefully noted here to further illustrate our earlier findings and conclusions.

Consultations with several hundred Bonafide fishermen in the Northumberland Strait area of PEI and New Brunswick, during February to April 1993, provided further insights into the employer-employee relationships between Bonafide operators and their Commercial category "helpers". This assessment indicated that most Commercials are usually employed for only the minimum UI qualifying period, primarily because this is as long as they are needed to assist in the busy part of the fishing season. However, the minimum period differs significantly from area to area. For example, on the PEI side of the Strait, Commercial helpers need only ten weeks fishing-related income to access UI benefits, whereas on the New Brunswick side they must obtain twenty weeks because these communities fall within the Moncton region labour market where unemployment levels are higher than those in PEI.

Most of the Bonafide fishermen from both areas now pay their helpers a salary and the necessary paper work is undertaken for them by processors and buyers. The income differential between Bonafide fishermen and their helpers is also significant: while most Commercial fishermen are paid just enough to allow them to qualify for the "maximum stamp" – in the vicinity of \$8,000 to \$10,000 for the season. In sharp contrast, Bonafide operators estimated their fishing income ranged between \$25,000 to \$150,000 plus. Within the Gulf Region, in 1991, there were 2.9 Commercial category fishermen for every one Bonafide fisherman. Thus, regardless of how Statistics Canada or Revenue Canada record data on fishermen's incomes for this area of Atlantic Canada, there is likely a significant skewing of the real income situation of the 13,714 participants in the 4T Gulf inshore fishery.

- TAC reductions have produced a situation where the area's fishery is now somewhat "over-subscribed". There now seems to be (or DFO seems to be saying) too many vessels, licences and effort. Where once access and allocation issues between both fleets were relatively settled, declining resources in combination with DFO policy have generated brand new access and allocation issues and conflicts.
- Though the Co-op does not believe that the recall of inactive licences is intended to transfer quota to the ITQ vessels, it does regard this new initiative as an attempt to solve these problems arbitrarily. Further, the Co-op wonders where DFO thinks all these "unused" licences have suddenly come from. In their view, these licences have been "inactive" simply because fishermen have recognized there is no fish and thus the futility of putting out any gear. In short, fishermen have had no choice but to "bank" their licences voluntarily.
- The Co-op suggests that perhaps they should be officially "banked", for example through a voluntary buy-back scheme; however, they should not be taken back arbitrarily. The licence recall is the Department's solution to the problem of scarce resources and too much effort. But this policy will only destabilize the situation further by making it more difficult for fishermen, and the Co-op, to plan their mutual fishing and processing activities.³⁶
- It is thus clear to the Co-op that what will happen in 1993 is that many fishermen will re-activate their groundfish licences. Fishermen recognize that DFO has a major complex problem on its hands, but say that the best solution is a buy-out of specific individual enterprises, not an arbitrary, wholesale recall of groundfish licences from the entire fleet.
- Meanwhile the ITQ vessels, realizing there is not enough resources for them or for other fleet segments, propose an overall moratorium as the solution – not one which involves them trying to remain viable with 30% less allocation. The Co-op says that only four of its the nine ITQ operators will or can survive a 30% reduction in the TAC, and its solution would be to have government buy out (ie. compensate) the other five ITQ vessels (and presumably re-distribute the remaining ITQ quota to the remaining four).
- While these local-level allocation issues are important and need to be resolved, they are only a small part of the area's overall resource problem, especially since local

³⁶ The recall is of particular concern and interest to the Co-op because it may jeopardize its plans to establish a dogfish fishery for members this fall. The specific problem is that this new fishery will likely involve a by-catch of cod and other groundfish species, which members with "frozen" licences will not be permitted to catch. The Co-op thus regards this as another unforeseen, negative effect of the recall initiative.

vessels do not catch a significant amount of the TAC for Gulf cod. However, Cheticamp's resource problems have been exacerbated by the activities of a large number (90-100) of mobile gear vessels from other fishing communities in the Gulf, including some from western Newfoundland. These vessels exploit fishing grounds off Cheticamp in both the spring and fall (but mainly the latter as the Gulf cod begin to move out of the area for their winter grounds). Almost 70% of the mobile fleet allocation is caught on grounds adjacent to Cheticamp and much of this is landed in the community.³⁷

- Though in the past there has not been any major conflict between local and outside mobile gear vessels, local fishermen now feel threatened by the mobile fleet and regard their fishery in Cheticamp waters as a challenge to the principle of "adjacency", ie. the incursion of the mobile fleet undermines that concept. The perspective of local fishermen is that they have no say in how "their" fish is harvested or where it goes. They are also concerned about overfishing of Gulf cod in their area, especially since some DFO scientists have suggested that these grounds may be the main nursery area for this stock.
- The Co-op's fixed-gear fishermen say there is something fundamentally wrong with the principle implicit within the ITQ concept that a "quota" is a "right". They say any licence and/or quota is a "privilege" not a "right" – a right which could and should be taken away if it is abused.
- Several years ago, the Co-op made a presentation to a Senate Fisheries Committee and suggested the idea of having EAs "tagged" (ie. tied) to a particular community or area, noting that, if properly designed, this concept could produce a better-managed fishery – and an area management system or framework would involve not only fishermen but processors and other local interests as well. If such a system existed, the Co-op feels that an area could resolve most of its local allocation problems on its own.
- If stocks are declining, and continue to do so, perhaps it is time to do away with the offshore fishery. Thus the Co-op believes that many of the area's economic and resource problems are connected to the fact that fish stocks migrate out to 4Vn where they are caught by offshore firms.

³⁷ According to Co-op management, many fishermen in the New Brunswick mobile fleet over-winter their vessels in Cheticamp so that they can make an early start at cod fishery. Normally, there is a fairly large glut in the spring which generally lasts about four weeks. Daily total landings into Cheticamp have been as high as 3.0 million lbs and this level can be maintained for the entire four weeks of the glut. At times the Co-op processing plant has had to stop buying from all vessels, and to transport some raw material to other plants as far away as the Gaspé or even to western and southwestern Newfoundland.

- Local fishermen, and the Co-op, have only recently (1992) heard about the notion of professionalization, and because they are not sure of what it means or what its objectives are, they do not really understand its function or its relevance. Indeed, many fishermen are somewhat puzzled, if not sceptical, about the ultimate objective of professionalization: is it intended to address the "too many fishermen problem", or simply a way to provide education and training for new entrants? Many fishermen in this area certainly want to develop or improve their business management skills for example; but they would not be very happy with a any professionalization process which said essentially that "if you don't pass the test(s) or meet the standards, then you are out of the fishery".

Fishing Vessel Masters Association, Maritimes (Telephone interview). The Association consists of fully-qualified professional trawler captains who operate large wet-fish trawlers for companies such as National Sea Products. Some of these captains were formerly owner-operators of inshore vessels. Current membership is about 20, down from a peak of 45. Membership is at a low level because there is very little activity in the offshore sector, ie. many are currently unemployed. The Association has made an effort to keep in contact with their Newfoundland counterparts (on FPI trawlers). More recently it has considered the idea of a region-wide federation of professional trawler captains.³⁸

- The Association's has a 15 year perspective on the Atlantic fishery, the changes which have occurred in the industry's structure and the issues associated with the allocation of resources between inshore and offshore sectors. In 1979 (when the Hon. James McGrath was Minister for a brief period) DFO allocated the offshore sector a relatively small share of the TAC. Members felt that their allocation was too small to make fishing worthwhile. In believing this, however, they were not being greedy. They did not have any interest in fighting with their inshore colleagues, or in getting caught up in any dispute over the allocation of the TAC between Newfoundland and Nova Scotia offshore companies: their only concern was for a "fair" allocation between inshore and offshore sectors.
- Offshore participants (captains and trawlermen) are well aware that successive governments have used the inshore fishery as an employer of last resort for many

³⁸ The Association spokesperson provided a general comment about the notion of professionalization as it applies to offshore fishermen. Most offshore fishermen consider themselves "professionals"; as such they recognize that only so much fish can be harvested and that, as skilled professional fishermen, they are just as concerned about the state of the resource as inshore fishermen. It was further noted that "our loyalty is to our careers, not to the companies": as such most trawler captains would recognize that it was wrong to overfish their allocation even if the vessel owners told them they should do so.

rural communities, despite the fact that, during the past two decades, numerous studies and Royal Commissions have documented that the fishery can only support a certain number of people at decent income levels. Such policies have encouraged too many people into the industry and, coupled with industry income support mechanisms such as UI, the overall result is an inshore sector which many offshore participants regard as a "welfare sink". Hence, trawler captains, for example, are somewhat sceptical and resentful that political pressure has resulted in an "unfair" allocation to the offshore sector.

- Given the structural changes which have occurred as a result of policy and the significant decline in the region's resources, it is appropriate to reconsider our "vision" of this industry, that is to decide what kind of fishery we should have, and what kind of industry is possible. We can no longer afford to have it operate as a welfare "sink hole".
- In the past decade, the offshore sector has undergone a significant rationalization largely in response to economic factors and "bottom line" considerations. Thus the Association thinks the time has come for a "reasonable and fair" amount of inshore rationalization. This should be based on a new "vision" for the industry – especially one "built on what the TAC can support". If this were the case, the Association says that offshore fishermen would be prepared to go along with an appropriate and fair allocation of resources to each sector.
- Thus the non-offshore industry must bite the bullet and self-rationalize, and recognize that the industry cannot be viable with so many people involved. It is particularly essential to cut out participants who are not fully committed to the industry: licence holders with full-time, non-fishing jobs will have to choose between pursuing the fishery full-time or giving up their fishing privileges. Their licences should be taken back and given to those people who are really dependent on the fishery, the much smaller core of inshore fishermen who are 100% reliant on this industry.
- But the Association recognizes that one cannot use just a strict "bottom line" approach to decide who should be in the industry. Community and social aspects must also be considered as well as the differences between various inshore areas in the region. For example, policy would have to account for the fact that parts of Nova Scotia do not have the same strong egalitarian ethic or "right to fish" mentality one finds in Newfoundland. And decisions about how and who to rationalize can only be made by the people who are part of the fishing society: only they can work out who is "bonafide" participant.
- Thus "rationalization" criteria in Newfoundland would need to be different than those in Nova Scotia, especially in the southwest area of Nova Scotia where participants

are fiercely independent, highly skilled fish killers and perhaps the richest fishermen in eastern Canada. Up until about five years ago, fishermen in this part of the region were strongly resisted the concept of rationalization, but now conclude it is essential. According to the Association spokesman, these fishermen also realize that they should not be too greedy in their desire to obtain a larger share of the offshore allocation.

- But, even if such changes are possible within a new vision for the industry, it is still not certain whether the fishery will continue to have an offshore sector. Future resource conditions may well dictate a "new construct for the industry". Despite the fact that many inshore fishermen regard the trawler as an "evil" technology, the offshore industry is a very efficient way of using our fishery resources and is still a significant generator of onshore employment. However, perhaps it is an industry whose "time has come", and thus it may be necessary to rethink our concept of offshore fishing firms. Perhaps they should evolve into onshore processing companies which simply buy their raw material from a new fleet structure – one comprised of the very efficient, independent, owner-operated 65' vessels.
- But even this scenario would require some amount of inshore rationalization, and a resolution of the current allocation conflicts between fixed gear and ITQ vessels in southwest Nova Scotia where, the Association says, there is room for two different kinds of fleets to "live together". The fisheries management problems there are primarily about allocation of resources (in contrast to Newfoundland where allocation and access issues are mixed together). If the innate common sense of fishermen can be reflected in new policy principles, the Association is confident that participants will be able to resolve their conflicts and problems. As for the continuing resource allocation debate between offshore and non-offshore sectors, perhaps this can only be answered by "natural" economics, ie. given future resource levels, trawlers may not be a profitable way to harvest fish.
- In this respect, however, whether there is a role for an offshore sector in a future fishery and, if so, what its share or allocation might be, are issues which need to be addressed at higher political-economic levels. But the Association suggests that, if the offshore sector receives a fair share of the TAC, business and market forces should be permitted to determine how and where that fish is caught. The Enterprise Allocation system has largely resolved most of the allocation and "race for the fish" problems of a decade ago: they have stabilized and levelled out those problems in the offshore sector.

Eastern Fishermen's Federation, Maritimes (Telephone interview and questionnaire). The Eastern Fishermen's Federation (EFF) represents about 3,750 fishermen and 350 plant workers throughout Atlantic Canada. Most of these fishermen operate 45' – 65' vessels, but 300 members fish in vessels over 65' in length. The EFF membership includes a number of fishermen's associations.

- The EFF noted that one of the main problems with the current licensing system is that it is not restricted to full-time, professional fishermen. The lack of an appeals process, and the fact that the system is controlled exclusively by government, is also a problem. This latter situation – the lack of industry representation – means that many licensing decisions are "politically" motivated, and not always in the larger interests of the region. The EFF notes that problems such as these may be resolved through proposed new Fisheries Boards, but these boards must have a fair representation of all fleet sectors.
- All licences should be restricted to full-time professional fishermen, as in the Bonafide system. Transfers of licences should only be permitted between such licence holders, and only within the same fleet sector: for example, inshore fixed gear licences should only be transferred to other vessel operators in the same fleet category. The EFF believes that vessels should have a multi-species licence system and that there should be no vessel with a licence for only one species.
- Common property fishery resources should continue to belong to the state only, and fishermen using these resources should be paid for effort only: they should not be allowed to benefit from the sale of their allocated portion of the resource.
- With respect to the use of ITQs, the EFF stated that they are the "ruination" of the fishery primarily because they pit one group of fishermen against another and fleet sector against fleet sector. Furthermore, they do not conserve the resource.
- The EFF highly recommends the concept of a Fisheries Resource Conservation Council, but once again new management agencies such as this should have fishermen's representatives from all fleet sectors. The Federation also says that the Panel on Foreign Fishing is an excellent idea, but since it has no real power it may prove ineffective. At the same time, the EFF is very pleased with the new (1993) Groundfish Management Plan. In future, the management process will likely benefit through input from stronger fishermen's associations and organization. The EFF believes that one way to strengthen such organizations is through the use of mandatory membership and dues check-off mechanisms.

Maritime Fishermen's Union, Maritimes (Telephone interview). The MFU represents about 6800 fishermen and their crewmembers. Their members include both Bonafide fishermen in the Gulf Region and their equivalents in the Scotia Fundy Region. Most of their members are not significantly dependent on cod or the groundfisheries in general, as lobster remains the core of their income base. This primary dependency on lobster is a key aspect of their concern with new DFO licensing initiatives, as it is in PEI.

- The MFU is concerned that current problems in Atlantic cod resources (specifically the moratorium in 2J,3KL), the emphasis on professionalization and on Newfoundland's licensing and access problems, have overshadowed other important events and issues in the region's fishery. Policy makers, and perhaps the Task Force, also need to pay attention to other issues such as the effects of ongoing structural changes within the industry or the potential long-term impacts of several recent DFO policy initiatives.
- In general, the MFU is quite content with the established Bonafide system and say that it has worked very well ever since its creation. It has resolved and stabilized most of the access issues – particularly those concerning who should be fishing – and demonstrated the economic and social benefits of the "multi-purpose, multi-species, small-boat fishery". It has also produced a clearly-defined, well-organized and recognized class of professional fishermen. and resolved most of the basic access and licensing issues. Consequently, new policies must recognize and support those vessels and fishermen which are at the core of the Gulf fishery, that is the <45', multi-purpose, multi-species licence, lobster-dependent, owner-operated vessel.
- They see many potential problems arising as a result of proposed changes to the current system, primarily new regulations and participation criteria concerning the use of fishing licences.
- The MFU contends that, in 1981, when the Bonafide multi-purpose "class" was established, DFO did not expect this fleet to survive, believing perhaps that the coastal, small-scale inshore fisherman was a dying breed who would soon succumb to natural economic forces, to be replaced by the larger 65' and offshore vessels. DFO accepted the concept of a multi-species licence portfolio with little thought about its long-term implications for licensing policy, because it did not expect that the fleet would be viable and profitable in the long run. However, the tripling of lobster stocks in the last decade has played a major role in stabilizing and strengthening vessel earnings.
- The multi-purpose fleet is now solidly entrenched as a clearly-defined and profitable fleet sector. One of its special strengths is the operators' multi-licence portfolio, since this gives fishermen both a reliable income base (lobster), and the flexibility to

respond to changing resource conditions by pursuing other species during different times of the year, if they choose or need to do so.

Many Bonafide fishermen also regard their multi-purpose licence portfolio as both income security and an implicit conservation mechanism: a fisherman will only use it if necessary but it is always there as a hedge against a crisis in some other stock. The uncaught fish are "banked" for the future.

- However, for a variety of reasons – though likely in response to the major decrease in Gulf groundfish resources (primarily cod) – DFO now appears determined to take away the benefits which the multi-purpose system has produced by reclaiming inactive groundfish licences. The Department is presently recalling some of the fleets' groundfish licences, because many (approximately 1,000) licence holders in the MFU area made no groundfish landings at all in 1990 and 1991. But the MFU believes that there are many other licences which are threatened by DFO's new policy. Some of these are held by Bonafide fishermen, and others by their equivalent, ie. the small-boat, fixed-gear vessel operators in the Scotia-Fundy area who hold multi-species licences but who are not in the Bonafide region.

Union officials note many of their members believe DFO's new position will undermine the success of the Bonafide system in order to effect a transfer of this "unused" groundfish quota to the larger (65') vessels, most of which operate under ITQ systems.

Though this licence recall may not have an immediate or direct impact on the earnings of the Bonafide fleet, it is an obvious reversal of established policy which has facilitated, perhaps unwittingly or inadvertently, the creation of a very viable fleet segment.³⁹ But even a partial deconstruction of the established Bonafide system could eventually have serious consequences for fishermen since it could (a) force them to increase their harvest of lobster resources, (b) decrease their overall income-earning flexibility and diversity, and (c) perhaps, ultimately, undermine the economic viability of the communities from which they operate.

- The Union's view is that DFO's new initiative is an attempt to resolve the area's latest resource crisis by "robbing Peter to pay Paul", one which is destined to create new conflicts and competition between two very different fleets and licensing systems – both of which the Department has engendered – the Bonafide system on the one hand, and the ITQ on the other. The MFU believes that this solution is yet another attempt by DFO to shift the burden of responsibility and to solve major resource

³⁹ The MFU's concern about such a transfer of "unused" quota is supported by other interview data; see, for instance, interviews with PEIFA and Association des Capitaines Propriétaires de la Gaspésie.

problems on the backs of the small-boat fishermen – on the assumption that the larger vessels are economically and politically more important while smaller-scale fishermen are more dispersed, independent and less powerful.

- The Union membership believe that the "multi-purpose construct" should and must play a key role in the future economic and social revival, and longer-term survival, of coastal fishing communities in the Gulf.⁴⁰

They are firm in their belief that they have the diversity and flexibility to survive current problems or new resource and market circumstances, and may be the main beneficiaries of any real or *de facto* bankruptcy of the larger (65') fleet segment, many of which are on the ITQ system.

Nevertheless, it seems to the MFU that DFO is determined to impose its ITQ system throughout Atlantic Canada, even within the fixed gear and Bonafide fisheries where it does not seem to make any logical economic, biological or social sense. According to the MFU, DFO has determined that ITQs are the "wave of the future" and note that the concept is well-entrenched in current policy.

South West Nova Fixed Gear Association, Nova Scotia (Telephone interview and questionnaire). The Association represents about 2,300 participants (550 skippers and 1,800 crew) in the area from Halifax west to Yarmouth, but is currently gaining new members through an organizing drive. It also represents about 4,000 plant workers.⁴¹ The association members operate 10 vessels < 35', 500 between 35' – 44' and 40 vessels in the 45' – 65' class. The area has, in total, 1,055 vessels, the majority of which are 35' – 44'. Members are directly involved in the groundfisheries and pay dues to the Association.

- A serious problem with current registration and licensing is that DFO does not always apply existing policy and regulations equally in all areas, and in the past regulations were not strictly enforced, thus providing honest fishermen with an incentive to cheat on the rules.

⁴⁰ The MFU thus suggest that DFO's policy does not recognize the essential difference between the protection, maintenance and survival of "the fishing community" and the protection of "economic viability". The first is oriented towards the sustenance of community, society and resources; the other is oriented towards the maintenance of "profitable businesses". The MFU note that while it is always difficult to judge which system, or which kind of fisherman, is best or most appropriate, the fact that the community-oriented sector has survived and prospered better than some others, offers some evidence that their social and economic objectives have value and viability – a fact which DFO does not seem to acknowledge. The multi-purpose small-vessel fishery has, for example, managed to survive where others, such as the single-species herring fleet, have not. Many Bonafide fishermen believe that events will soon demonstrate that it is the offshore sector, and not theirs, which is the white elephant, the dead-end fishing technology.

⁴¹ There are a total of 10,000 fishermen and 8,000 plant workers in the region.

Further, current licensing regulations are frequently amended and this has produced confusion among fishermen. Only fishermen, for instance, should be licensed owner-operators, and not processors: "fishermen should catch fish and processors should process".

- The key objective of licensing policy should be to provide a good registration system. This would identify how many people are really involved in the fishery and would allow fishermen in this area to assess how changes in the resource base have affected local community economies.

The Association stated that only genuine fishermen – not "moonlighters" – should be allowed to hold licences, though anyone retiring from the fishery should be able to transfer his licence to a family member. The Association noted that many of its members are concerned about the cost of licence transfers and also that, in their area, there are many cases where the concept of a multi-species licence would not be an appropriate arrangement since many fishermen may hold only single-species licences, eg. for lobster, scallops or herring.

- While overall catches have to be regulated, better science is needed to assess resource levels, and fishermen and DFO should be involved in a joint management process. Penalties and fines for fishermen who violate the rules, overfish their quota or misreport their catch should be severe enough to be a deterrent, and a floor should be established for all such fines.
- The Association noted that it has always had concerns about the ITQ concept, noting that "they do nothing but wipe out communities", especially those dependent on inshore vessels using fixed gear. In their area, quota has been bought up by several companies and concentrated in a few communities. Another significant issue and concern is that several ITQ enterprises which sold their quota have since been allowed to re-enter the fixed gear fishery.
- Some members of the Association have recently been to Norway and Iceland to assess the fisheries in those countries. There they observed that Norwegian and Icelandic fishermen exercise a great deal of control over the use and transfer of resources in their community or area. From the experience there they have concluded that if ITQs were to be introduced in their area, then any quotas sold should remain in the community, and that any ITQ vessels which retire or are purchased after selling or transferring their quota should not be permitted to re-enter the fishery.
- The Association also noted a final point which it says applies to all areas in the Atlantic inshore fishing industry, one which needs urgent attention before the northern cod fishery is re-opened. This is the need for management policy to

recognize that some fishing technologies have destructive effects on fishery resources and the marine environment. If the industry is to have a future, new fisheries management policy must include appropriate measures to address such problems.

Nova Scotia Dragger Fishermen's Association, Nova Scotia (Telephone interview). The Association represents about 80 of the 120 vessels in this fleet, all of which are on the ITQ system. The fleet is diverse, spread out and generally not well organized. Vessels range from 40' to 65'. The bulk of the Association members are located in south western Nova Scotia and others in southern New Brunswick. Perhaps about half of these operators have formed limited liability fishing companies, but the owner/fisherman usually has at least 51% ownership. They operate under the full-time/part-time designation; full-time registrants are those who fish more than 8 months a year, and crewmen may be either full-time or part-time. The fleet has 9 separate groundfish quotas on 7 different fishing zones. Vessels are only allowed to fish one zone at a time.

This is the only fleet in which ITQs are legally allowed to be transferred permanently and temporarily (ie. transfer of quota is also permitted during the season.) The fact that these ITQs are multi-species makes transferability essential – ie. during the season, if a fisherman catches too much of one species as a by-catch he is able to transfer some of this to the ITQ of another vessel.

- The Association has what they regard as a relatively strident "right-wing" view of the fishery and where the industry should, and must, be heading given the major changes in the resource base and the urgent need for a more rational, smaller and business-minded fishing industry. The association wants to "unfetter" the entire industry from the controls which have been imposed and get back to basic "business principles".

Thus its primary focus and concern is the overall policy for allocating resources to various fleet segments, the need for a more honest, objective and reality-based analysis of the economic forces in the industry – forces which dictate the need for a downsizing, rationalization or restructuring of the industry and, considering the reality of the industry, a determined policy effort to create a system of "percentage shares" – ie. an appropriate allocation of the TAC to each fleet sector based on a sound assessment of the resource. (They distinguish between a TAC share and an ITQ.) Having gotten its "share" of the TAC, each user group would be free to work out on its own, how this should be harvested in the most effective, efficient and profitable manner. A system of percentage shares would stabilize the industry. If the TAC has to drop, each group's share would need to decrease but it would be up to each group how best to respond.

- Members do not see their ITQ as their own private property; the fishery is still seen as a common property resource – "we just have a licensed, guaranteed use of these resources".
- No one wants to face reality, especially the urgent need for all fleets and sectors to downsize, and for the industry as a whole to extricate itself from the UI/subsidization mentality and, instead, move towards a less subsidized, business-oriented, profitable/viable and quality-driven industry. Government should not bail out anyone in the fishery.
- Most people in the industry recognize that UI is driving many industry sectors. But the "writing is on the wall": the fundamentals of UI are being shaken, it is only a matter of time before it goes, – how much longer will other Canadians be willing to keep subsidizing the fishing industry with UI?
- We would only be "cheating our children" if we say that we are satisfied with the present system, ie. thousands of fishermen on UI in winter – even though the Association recognizes that weather and ice conditions and fish migration patterns do not allow everyone to fish year-round.
- But in areas where year-round fishing is possible, government should be encouraging fishing enterprises to operate in a "business-like" way. Many people in other sectors (store keepers, taxi drivers, etc.) have asked, "What is it about the fishery that it can get UI when we can't? Does it have some special status?"
- In 1989, the ITQ concept was virtually imposed by Cabinet decree ("we were forced to accept ITQ by Cabinet") and very few operators wanted it. It was "new territory" and many operators hated it at first.
- At this time, there were 436 licensed vessels capable of participating in the system. ITQs were distributed based on historical landings and other criteria; an equal distribution of the allocation would have meant bankruptcy for all. This first round resulted in only about 200 vessels getting an adequate quota; the other 50% or so had been inactive or only involved in the fishery on a limited scale.
- In the past four years, the fleet has downsized through an ongoing market-driven process of bankruptcy of some vessels, buy-outs and quota transfer, and there are only about 120 vessels in the fleet. Vessels have also utilized a variety of other mechanisms in this downsizing process such as doubling up or joining into a single company.
- Vessel ITQs range from those with 400 tonnes to boats with only 7 tonnes. Vessels with a minimum groundfish ITQ are more likely to be those <45' who also fish lobster. Cod and haddock are the key species within the current overall fleet

allocation of about 50,000 tonnes (details of TAC and individual species make up are contained in the Management Plan).

- Some of the redundant vessel operators have sold out, some have switched to scallop fishing or shrimp (which now has a 2,300 tonne TAC). Other vessels went to other parts of Canada; ie. "we transferred some of our problem (over-capacity) to Newfoundland". Still other vessels have re-entered the fixed gear sector.
- The Association says the "transferability" part of the ITQ is essential; without it the entire concept cannot work. It is needed for two key reasons:
 1. Given the multi-species mix of most ITQs, it is needed to allow fishermen to make a temporary transfer of any over-catch to another vessel's ITQ. (Both permanent and temporary transfers are permitted.)
 2. Second, it is an essential part of economic rationalization; it allows inefficient operators, or vessels whose ITQ does not allow them to operate at a profit, to sell off and get out of the "trap"; if a vessel operator could not transfer, he would continue to fish on a marginal basis. In the same way, it allows a progressive fisherman to build up his operation (by buying up quota from other operators).
- Some fishermen have also used the system to become upwardly mobile into other industry sectors allowing them to diversify into the processing industry. People who have built up the business in this way still see themselves as fishermen.
- They see nothing wrong with a fisherman diversifying into the processing sector. Indeed, a 1979 grandfather clause allowed a number of licensed vessels owned by processing firms to enter the fleet. Some of these firms have continued to buy quota and to build up a very dynamic and profitable fishing/processing enterprise, and to expand the number of people employed. The ITQ system allows such firms to plan their production system more efficiently. (Thus, the ITQ system/mechanism is closely linked to improving the structure and efficiency of the region's processing sector as well).
- But fishermen do not believe that the fishery should be a "derby" as it is in many B.C. fisheries. They do not want to go back to a competitive "race for the fish".
- Though they were forced to accept ITQs, and even though many fishermen initially hated the concept, the system has instilled a more cautious and conservation-minded attitude among fishermen. They recognize that if the TAC goes down (because of over-fishing, misreporting, etc.) then everyone's investment value goes down.

- The ITQ system has reduced all of the negative aspects of the race for the fish and operators can now plan their business more effectively. Older fishermen can also plan their lives, by making better decisions about when they can or should retire.
- The ITQ system is now well-established and accepted. It has changed the attitudes and thinking of fishermen – changed them from being "gangsters" to "resource husbands", or at least to "careful businessmen".
- The "Transferable" part of the system is what has made it work so well. And this, the Association says, is what has made the IQ system in the Gulf otter trawl fleet such a disaster. This was the first attempt at setting up this system in the Atlantic fishery and it has never been properly organized or monitored.
- Some member vessels have established agreements with offshore companies to supply their plants with raw material. They believe their vessels should be allocated more of the offshore quota; there are only a few months of the year in which the larger trawlers can fish while they cannot and, in general, they say the midshore vessels can deliver a lower cost and better quality product.
- Thus their general view is that the ITQ fleet should or could gradually take over a larger share of the offshore allocation. But in saying this, they recognize the need for an offshore sector; it is a very efficient and stable employer and producer of complex and diversified fish products for world markets.
- The Association is not overly concerned about processing companies owning or buying up quota. Many non-ITQ vessels are already "de facto" owned or controlled by such companies through their contractual agreements to supply raw material. We are "fooling ourselves to pretend that this does not already exist." Given the high cost of vessels (\$250,000+) it is necessary for operators to have access to investment capital and processing firms are an obvious source.
- They do not see investment by non-fishing firms or non-Canadian investors as a problem or a danger. The offshore sector has U.S. shareholders for example. Ideally quota should be owned by Canadian firms: "but you can't blame a fisherman for wanting to sell his enterprise to the highest bidder."
- The ITQ system has benefited the region by allowing fishermen to become upwardly mobile and to diversify into small scale vertically-integrated, harvesting and processing entities. As noted, some operators have bought up quota as the basis for new, very profitable and efficient processing plants. But, such people still see themselves as "fishermen". This evolution is not a bad thing, ie. processors owning and utilizing quota, nor does it mean they will eventually sell out to a foreign

investor. Such firms have a strong allegiance to their community economy and a vested interest in keeping their quota in the region.

- Neither do they go along with the view that only owner-operators should be the sole owners and users of the vessel, ie. with no outside corporate investment and control. Thus they do not support a recent recommendation in British Columbia that fishermen should have only ten years to amortize any loans or investment processing firms have made in a vessel; this ten year limit is too rigid and would need to be longer, especially if ITQ levels decrease.
- But if government felt it was necessary to protect an ITQ fishery from foreign control or take over, it would be relatively easy to put the necessary mechanisms and controls in place to prevent that, just like the U.S. – one of the world's biggest supporters of the free market concept – has done in its Alaskan fishing industry, for example.
- Misreporting of catches and high grading etc. are always a problem, and some vessels ship their product directly to market (by-passing the Nova Scotia processing sector), though this is permitted in this province. To prevent cheating, the Association has established a number of mechanisms. Legislation is in place to prevent the use of diamond mesh and fishermen who do not abide by this regulation are easily identified. They have also established "anti-dumping" criteria and anyone who is caught doing this could be taken out of the fleet. But "you can't have a cop on board every boat". There is a significant amount of self-policing, and many vessel operators do not feel shy about reporting operators who they think are cheating the system.⁴² The dockside monitoring system has worked very well to reduce misreporting of catches.
- Fishermen now feel very protective of their ITQ system. They are willing to pay for dockside monitoring, which currently costs one cent per pound of a vessel's ITQ.
- Given the very different social, economic and resource conditions in Atlantic Canada, it is not appropriate to have a standard licensing policy, especially one which is created or imposed from Ottawa. There has to be a movement towards more control over management policy by different areas, ie. there is a need for a co-managed approach.

⁴² The Association spokesperson noted that sometimes there are "fist-fights on the wharf" ie. between cheaters and those who are abiding by the regulations.

- Southwest Nova Scotia needs a different approach than say the Newfoundland inshore fishery, where, for example, the "inshore allowance" should be preserved for the use of coastal communities.

Guy's County Inshore Fishermen's Association, Nova Scotia (Telephone interview and questionnaire). The Association represents 60 of the 400 inshore fishermen in the area, and in their area of jurisdiction there are also an additional 403 offshore fishermen and about 800 fish plant workers. Association members operate 33 vessels <35' and one in the 35-45' range. The Guy's County area has a total of 392 vessels the majority (76%) of which are <35'; there are also 75 vessels 35-44', seven 45-65' and ten >65'. Members of the Association have to be an inshore fisherman from the area.

- The Association has no major problems with current registration and licensing policy in the Scotia Fundy region; and their only comment was that, at times, existing regulations could be better enforced.
- The basic objectives of licensing should be to provide a professionalization program for fishermen. Given the social and economic factors in the region, policy should allow professional fishermen to leave and re-enter the industry, as an appropriate response to stock decline. The Association also stated that, given the diversity of the fishery in the region, it would not be appropriate to have a uniform or standard licensing policy.
- Licences should be restricted to full-time fishermen, established and identified through the professionalization process already available in the province. Fishermen should be allowed to transfer and/or sell their licences, but limited entry licences, controlled by quotas, should continue (versus a move towards a "multi-species" licence concept).
- Catches should be regulated, but only through the TAC, and allocations should be set and controlled based on the state of fish stocks.
- The Association says that, as a result of using ITQs, some communities "have been shut down", and further use of this allocation system would do only more harm – to communities and to fish stocks. In fact, they suggest that "current ITQs should be changed [back] to IQs."
- Finally the Association noted that fishermen should be more involved in the fisheries management process, particularly the scientific aspects, and efforts should be made to make all fishermen more aware of the effects of discarding non-biodegradable products into the ocean.

Clearwater Fisheries Ltd., Nova Scotia (Telephone interview). Clearwater Fisheries is a major player in the fish processing sector of Nova Scotia. It does not consider itself to be one of the "established vertically-integrated processing companies", though it does have an Enterprise Allocations for various species. However, most of its raw material supply has had to be secured on the open market. It operates and owns licences for both offshore and inshore vessels.

- A lot of fisheries regulations and policy have very little to do with the resource, only the economics of the industry: "It may be that we need to rationalize the fleet vis-a-vis ownership of the fleet. But it's adjustment policy in any event."
- Current policy on fleet ownership, and for resource allocation, are bad policies: they guarantee that fish resources will not be landed by the most efficient vessels. Clearwater presently obtains most of its raw material with smaller vessels (<65'). And the company had "to buy all of its current quota, to purchase it with cold hard cash; it was not given to us as it was to FPI and National Sea, who got their (offshore) allocation based on history."
- The industry needs to get rid of individual vessel licences completely, and make the allocation totally transferable; in other words to use only ITQs – the vessel itself would not need a licence: "Why should we have to describe what type of vessel we are going to use to fish our allocation? This only creates unnecessary paperwork (by DFO). It's too time-consuming and slow. There are no major objections to this concept in Nova Scotia. There may be in Newfoundland, but that's just fear of change. The issue of more foreign control with ITQs is not a serious problem; you could have rules to exclude foreigners. But that is a different question than having quota transferred out of the region to another. Why not let someone in Bonavista Bay buy up quota in Scotia Fundy?"
- Government should let the fish be harvested and processed in the most efficient way: "let the market place determine that. We should not have allocations artificially tied to a community. A corporate entity with an allocation should be allowed to take it with them, otherwise you will have a 'social' fishery."

DFO Scotia Fundy Licensing Unit, Nova Scotia (Meeting/interview). In general, it was felt that the region does not have any major licensing problems, though there are several new or emerging access and allocation issues which will likely need to be addressed.

- Scotia Fundy has several different licence categories. There are pre-1979 company-owned fishing licences, and there is another group of licence holders which, under the 1979-1989 regulations, were allowed to develop their fishing enterprises over time into small to medium scale vertically-integrated harvesting/processing operations. Some of these licence holders are still meeting all of the criteria, even though they may not have very much actual involvement in the catching sector.
- A third group (formed under post-1979 regulations) are legitimate licence holders, but they are not allowed to form new (catching-processing) companies if they want to transfer their licences to another enterprise. In other words, a company which now holds a licence(s) cannot transfer that to another new company: the licence has to revert back to a specified, named individual who then becomes the legal holder of the licence. But in such cases, even if an individual's name is specified on the transfer documents, the Department still cannot know whether the new permit holder is involved with a silent partner, either a processing company or simply a person who may be putting up the cash so that the new licence holder to purchase the enterprise.
- DFO is now considering several options for finding out more about third party ownership of fishing licences: one of these might involve a declaration from licence holders stating if any "silent partners" are involved in licence ownership or any transfer transactions. The Department recognizes third party involvement as a problem but does not condone such agreements and is in no way a party to them. In other words, existing policy on fleet separation as described in Section 14 of the regulations remains unchanged.
- Not all of the of the 1979-1989 group of company licence holders are within the ITQ sector, and some of these vessels are operated directly by a company while others use "designated operators", though this arrangement applies only within specific fisheries. Thus the regulations do not allow any full-time fishermen to designate another person to operate his licence.
- In this province, part-time fishermen can only hold fishing licences if they were "grandfathered" in initially (in 1977). DFO does not issue any new licences to part-time fishermen except in special cases such as those for new "exploratory" fisheries eg. sea-urchins; but even in such cases, these new licences are only available to part-time participants only after they have been offered to full-time fishermen.
- The full-time/part-time categorization was introduced in Scotia Fundy around 1977. When it was initially introduced, part-time fishermen were allowed to retain any of the fishing licences they already held. Permits for "new entrants" are specifically a Commercial Fisherman's Registration, and a new licence holder must be "eligible"

before fishing licences are reissued to him; whether or not this licence has been "bought" is of no concern to the Department.

- Indeed, all of the Department's policy is now geared towards full-time fishermen: thus it may be said that the Scotia Fundy full-time category is, de facto, the equivalent of the Bonafide classification system in other regions of Atlantic Canada. They are essentially the "same animal", even though there are some basic differences eg. with respect to the licence transfer arrangements permitted in the latter. And in this region, DFO still allows a licence holder to designate another operator to utilize his licence, such as the case of a former fishermen, who still holds a licence, but who is now fully involved in the processing side of his enterprise.
- While there is no limit on the number of full-time fishermen in the system, no new fishing licences are being issued, so a new entrant has to buy an existing licence. Thus, in the Scotia Fundy region, DFO has created, or is attempting to create, a de facto Bonafide fishermen's category.
- The sale of licences, which is not strictly permitted under existing regulations, is accomplished through the mechanisms associated with the transfer of licences from one fishermen or licensed enterprise to another. Though the new Boards currently being established may wish to set more formal policy for the sale, transfer, banking or re-issue of fishing licences. But until that happens the Department will continue to accommodate the de facto sale of fishing licences by considering such transactions to be simply licence "transfers" (not a sale).
- The Department considers such aspects as the sale of licences or the actual ownership of licences somewhat beyond its mandate or jurisdiction. Thus considerations such as who actually operates the fishing licence, who really owns it, whether a portion of the fleet is not really owner-operated, or whether licences are actually sold or merely "transferred" for cash are perhaps economic considerations which lie beyond the concern of the Department.

But some problems have arisen in the ITQ sector which run contrary to overall licensing policy. One is the ownership and/or control of ITQ vessels and quota by third parties. Licences are in the name of the owner-operator but third parties/silent partners can dictate what happens to catches. There are "shades of grey" with respect to control of licences, and such problems make it difficult for DFO to apply existing policies or to make policy changes.

- However, the Department is aware that some people suspect that this "fractionalization" of ownership in the ITQ sector has had an impact on the pattern of landings and hence on the processing sector. For example, some suggest that the ITQ system,

as well as third party involvement in the ownership of non-ITQ vessels, has encouraged some "migration" of catches away from their traditional landing sites. The view is that, because a vessel is partly owned by a third party, the owner-operator named on the actual licence has less control over where he is permitted to land his catch, eg. in his home community. Thus licensing policy, and allocation policy as it applies to the ITQ fleet, has a direct connection to the issues associated with the structure of the onshore processing sector, and to the debate about the merits of small-scale versus large-scale, or year-round versus seasonal, processing operations.

- The fleet ownership situation also presents some problems in the area of resource management and conservation. This is the case for example in the lobster fishery and to some extent in the groundfishery. There is some amount of "under the table" sales leading to unreported catches. Fishermen tell DFO that, because vessel operators are simply "paid help" ie. hired help of the real licence holder, they are not really very concerned about abusing the resource. In other words, other "real" fishermen perceive these people have no vested interest in resource husbandry.
- In general DFO is pleased with the fact that the ITQ system has achieved some degree of rationalization, and the ITQ policy was promoted very strongly by the Department. But although fewer vessels means the available quota can be caught more economically, this does not necessarily equate with less effort. But there is some concern among established processing plants and their employees about the concentration of quota and landings at fewer ports.
- Further rationalization of the non-ITQ sector will be accomplished through professionalization, and related DFO initiatives such as the recall, or freeze, of groundfish licences. The Department will continue the process of identifying the "real" fishermen, and will continue to control the issuance of fishing licences to part-time fishermen. But in general Nova Scotia's licensing problems are different than those in Newfoundland.
- Section 10 (3) of the existing regulations allow the Department to undertake a variety of initiatives to reduce effort. In addition to further ITQ quota consolidation and strict controls on the issue of fishing licences (especially in such areas as eastern Nova Scotia where declining TACs may additional effort reduction), DFO is considering several measures. These might include allowing a licence to die with the death of the holder (so that it would not be transferable even to the holder's child), the recall of "inactive" licences and/or not re-issuing such licences. However, at present, the Department only has the latter policy in place, and the objective or underlying assumption of this initiative is clearly effort reduction. Control of effort simply

through stricter control of the part-time versus full-time permit system is not considered to be an effective effort-control device since it is recognized that a part-time fisherman can be just as efficient a fish killer as a full-time participant.

- The Department has no major problems with 65' vessels taking and landing part of the allocation to companies such as Clearwater and National Sea Products. But there is a temporary replacement policy which requires such vessels to bank their inshore licences when they are involved in this fishery. DFO insists on this in order to monitor catches and maintain its statistics; it also wants to ensure that these vessels do not transfer their catches from one sector to the other. This temporary policy is subject to an annual review and approval.
- Over and above the policy and regulatory issues and priorities discussed above, the Scotia Fundy region recognizes the need for modifications to existing non-ITQ licensing policy. These will probably include new policies to deal with fleet overcapacity, inactive licences and sanction mechanisms, other than fines, to address or control resource abuse. With respect to policy for the ITQ fleet sector, the region feels that, at present, this aspect of its management system is well-managed and controlled.

Québec

Alliance des pêcheurs professionnels du Québec, Québec (Telephone interview). The Alliance is a confederation of five regional fishermen's associations, and represents about 85% of all fishermen in Québec. Members include vessel operators with ITQs as well as fishermen in the full-time/part-time competitive fishery. The main fisheries are for lobster and crab which together represent about 60% of total landings. There is roughly a 50:50 split of crab between inshore and midshore vessels. Shrimp is another key species, but cod makes up only about 10% of the total catch, down from about 18% last year. A 70% decline in the TAC for cod has had a significant impact on ITQ vessels involved in this fishery, but ITQ vessels fishing crab and shrimp are doing well. The decline in cod resources has also had an impact on traditional fisheries for this species in areas such as the Lower North Shore where it has increased the marginality of some small-boat fishermen.

In general, however, given the reliance on high-valued species such as lobster and crab, most Québec fishermen have relatively good incomes. There is an active trade in fishing licences and the industry recognizes this "as a fact of life".⁴³ However, in general, there is no significant amount of involvement of processors, as silent partners, in the

⁴³ In the Magdalene Islands, for example, the current selling price of a lobster licence is about \$50,000.

ownership of vessels, though a small number of vessel owners involved in the crab fishery are also co-owners of processing facilities.

- In this province, there is no such thing as company resource allocations. All landings are by independent boat owners, either by fishermen with ITQs or full-time operators engaged in the competitive fishery. Though processors are naturally very interested in security of supply, fishermen and the Alliance have made it clear that plants should not receive a specific resource share. Such a policy would destroy the traditional structure of the fishery, and the philosophy and concept of the independent owner-operator.
- Though there has already been some amount of plant rationalization, and although government has placed strict controls on new entrants, there are still too many firms in the processing sector.
- Québec has a specific mechanism, a fisheries marketing board for each species, the purpose of which is to manage the interface between fishermen and plant operators. This organization allows collective bargaining of fish prices between fishermen and processors.
- In many respects, the Alliance suggests, fishermen are better organized than the processing sector. Changes in industry economics and the need to respond to the requirements of the global marketplace will mean changes for all segments of Québec's fishing industry. But there is still some resistance on the part of some processing firms to regroup and establish joint marketing structures.
- The Alliance does not believe there is a need for a significant, overall rationalization of fishermen in Québec's harvesting sector. In most areas of the province there is an equilibrium between resources and fishermen's earnings, and perhaps about 70% of all fishermen make adequate incomes, including UI. There are several pockets where there may be a need for some rationalization of participants, such as older fishermen who may be involved in the industry in order to obtain a supplementary income. However, any such localized oversubscription will probably be taken care of by natural attrition, ie. by the gradual retirement or exit of such fishermen.
- Fishing licences have been strictly frozen for the past five years. The Alliance also supports DFO's policy on the recall of inactive licences and it has been agreed that, in future, only professional fishermen will be allowed to hold fishing licences.
- Professionalization is a key issue for the Alliance, even though it was first proposed in Newfoundland. But most Québec fishermen now agree that it should be the basis for future licensing policy. However, the Alliance regards professionalization as more

than just a process of training and education, even though these aspects will be an important element of any future fishery.

- The Alliance regards professionalization as one means for establishing a more profitable and viable fishery. But even more important, it will be the basis for building a new philosophy for the entire industry – as a primary vehicle for developing a professional, rational and co-managed industry. In this respect, the Alliance believes very strongly that fishermen should and will have a much more significant and formal role in industry management. This would also include a much closer working relationship between fishermen and processing firms as a means to develop a more viable industry overall. Thus the Alliance anticipates the need to build a consensus between harvesters and processors based on pragmatic, and mutually beneficial, economic needs. Such a new relationship between the two sectors might involve an agreement that fishermen would agree to supply raw material to only the most efficient plants. This would achieve the common objectives of both interest groups, and would avoid any need for vertical integration, that is the ownership of fishing licences by processing firms.
- The Alliance has agreed on a vision for the Québec fishing industry and is working logically towards building this vision through four specific means:
 1. Through fishermen's professionalization, which will ultimately allow participants to take control of their industry
 2. Through the creation of the joint fisheries marketing boards, as the chief means of securing and maintaining fishermen's incomes by controlling prices
 3. Through the development of appropriate income stabilization programs for its membership
 4. Through the provision of mechanisms which will allow fishermen improved access to sources for financing and developing their enterprises.
- Significant progress has been made in the first three elements, and this is expected to provide the foundation for the last one – improving the ability of fishermen to access the necessary financial and development assistance they will require to build a viable sector.
- The Alliance has played a part in developing and endorsing the new income stabilization proposals recently outlined by the Task Force. Both DFO and CEIC will pay close attention to these recommendations as they consider new policies and programs for the stabilization of fishermen's incomes.

- The Alliance believes that its vision of a future fishery will help its members participate more effectively in the new fisheries allocation, conservation and human resources policy structures which have been proposed by the Minister of Fisheries and Oceans. These new proposals imply a new, less paternalistic approach to overall fisheries management in which fishermen, and other participants, will have a greater say in the decisions which affect their industry. And the professionalization initiative will help Québec fishermen prepare for and respond to the many changes which will be taking place in the next five years or so. The proposed new policy structures will radically alter the way the industry is managed. They likely imply a reduced role for DFO and an emphasis on co-management. These changes will bring new players into the management system and all participants, as well as fisheries managers, will have to adjust to these new realities.
- In future, the entire fishing industry will need to be much more aware of and responsive to the needs of the market and other global economic realities. These factors, coupled with a new environment for fisheries management, will make it even more essential for fishermen to have strong organizational support systems, and closer alliances with other industry sectors.
- With respect to the necessity for and desirability of a uniform or standard policy for fishermen's licensing in the region, the Alliance believes that it is appropriate to have overall standards, but that policy has to take into account the need for differentiation in approaches for specific areas, such as coastal Labrador or the Québec North Shore, given their particular fisheries environments and social structures. However, it firmly believes in the need for policy to embody overall principles. This would not negate the possibility of having special regulations for certain fisheries or of attaching different terms and conditions to a particular licence. Future licensing policy must include the potential for flexibility and adjustment within a policy based on larger, region-wide access and allocation principles.
- But the Alliance believes that overall management policy must adhere to at least one basic principle of fisheries access: that there should be no more entrants into the fishery. This would apply throughout the region. In Québec, the inshore and midshore harvesting sector has largely achieved the required amount of rationalization. Professionalization will help ensure that it remains rational and viable, in particular by requiring that only professional fishermen will be able to hold fishing privileges and that all participants will have an appropriate amount of formal education and practical experience. The licensing system will continue to improve through a process of self-regulation, professionalization and self-rationalization involving, among other procedures, an active trade in licences between professional

full-time fishermen only. This overall process will be fostered and supported by the "closed door" philosophy towards new entrants. The result will be a viable and rational fisheries registration and licensing system very similar to the one which now exists in the Bonafide area of DFO's Gulf Region.

Association des Capitaines Propriétaires de la Gaspésie (Telephone interview).

The Association was formed in 1980 and represents 51 vessel operators, all of whom are on an ITQ system, based in Rivière au Rénard within the Gaspésie area. All vessels are over 15m and together fish a combination of cod, redfish, flounder and shrimp mostly with otter trawls. The Association's resource allocation is currently 13,000 tonnes including 6,000 tonnes of groundfish.

The members consider themselves to be businessmen and stress the importance of being entrepreneurs rather than "fishermen"; essentially the Association is a "closed shop" and the ITQ system is the way they have, in their words, "closed the door".

- ITQs were established based on the number of vessels in the fleet at the beginning of the program, and the whole fleet received an initial TAC of 54,000 tonnes. This was then allocated to give each operator a minimum ITQ based on the earnings each vessel needed to operate profitably. Vessels with a higher demonstrated level of landings then received additional quota.
- The Association's fleet has been reduced by about 25% since 1989, primarily as a consequence of declining profitability due to cuts in the TAC. As it stands, members can now catch their quota easily and quickly but these catches are not enough to cover costs or generate profits.

However, the Association is not actively pursuing further, self-imposed rationalization, and does not see this as an appropriate solution to their problems. But neither do they want rationalization imposed upon them as a result of resource shortages. Indeed, they have argued for a halt in TAC reductions by DFO and increased assistance (loan moratoria, etc.) from the province. Thus, they say, rationalization should be the logical result of better management and conservation initiatives.

- All members, and the Association, are keenly aware of the need for their geographic area to hold on to their overall quota. This is important for each enterprise, as well as for the plants they supply. Thus, there has been no significant transfer of quota from local vessels to outside operators or investors, although one enterprise has sold its quota out of the region.

The Association does all it can to prevent a transfer of quota to other regions. This is accomplished by an informal consensus among member vessels, and also adherence to the guidelines laid down by DFO. Thus, when a vessel retires, the owner must give other operators in the area the first opportunity to purchase his ITQ. An informal auction then follows in which a local fisherman will attempt to pay the desired price.

- The one instance where quota was transferred outside the area occurred because a Nova Scotia company bid a higher price than could be afforded locally. But since the program began, local ITQ operators have also brought quota, and several new licences (eg. for shrimp) *into* the area.⁴⁴
- Some operators lease their quota. As a general rule of thumb, leasing rates are 20% of the market price of fish per pound of ITQ.
- The Association members view their right to sell their quota as a retirement fund.⁴⁵ Thus, when retiring, an operator will sell out to another member (if possible) and retire with the proceeds. The going price is calculated in much the same way as the quota lease price, ie. it is considered to be the price of purchasing a long-term lease of quota. They use a 10 year horizon (since this was the initial period which DFO established for their ITQ system).⁴⁶
- Though Québec has no Bonafide system, they do like the idea of the multi-species licence arrangement that system affords. They have, in fact, suggested that their members also be permitted to have a multi-species licence portfolio, but remain within the ITQ system.
- While not all operators play by the rules of the game, there is in general a good understanding among them of the need to abide by the rules. They recognize that proper use of their ITQ and reporting members who break the rules are important to their own economic welfare. To encourage better adherence to the regulations, they suggest that DFO should establish some measures to reward "responsible" skippers. The vessels pay for dockside monitoring, and have suggested that, in order to conserve stocks, DFO should ban winter fishing on spawning grounds in 4Vn.

⁴⁴ These have come from other areas in Québec, and the shrimp licence was bought out of Blanc Sablon.

⁴⁵ This attitude prevails in most other areas, as well, including those where there are no ITQs; there the registration and/or licences are regarded as saleable assets.

⁴⁶ The cost of purchasing a retiring ITQ would thus be Annual ITQ in lbs x 20% market price per pound x 10 years. At current fish prices the going rate for an ITQ is thus 100,000 lbs x 10¢ x 10 years = \$100,000.

- While all members are very satisfied with the way ITQs have worked, in the last few years they have encountered significant problems resulting from reductions in their fleet TAC; their initial TAC was 54,000 tonnes but has been since cut by 70%, to just 13,000 tonnes. At the start of the program all operators were doing very well with their initial ITQ of about 500,000 lbs/vessel (though there is some variation between each ITQ). Now the average is only 100,000 lbs/vessel, even though all vessels have the same costs.
- The Association says that DFO cut the TAC primarily because catches by fixed gear fishermen have declined significantly in recent years. Fixed gear operators also say ITQ vessels have damaged their nets, and consequently the Association members do not generally have a good public image. The Association has suggested to DFO that fixed gear fishermen should be permitted to fish other species (to improve their catches and income levels), but the Department continues to press for changes in the mesh size of their otter trawls as a more appropriate conservation measure.
- TAC cuts have had severe effects on vessel earnings. In 1992 the owners went on strike and later occupied DFO offices in Moncton to protest the cuts. More recently the Association has been involved with DFO in detailed discussions about a new management plan.
- DFO's new management plan proposes major changes in gear mesh size (increasing it to 140-145 mm), but the Association finds it difficult to explain to members why DFO wants to regulate their gear. From their viewpoint, the ITQ system should ensure the freedom to use any gear which is most efficient in terms of the cost and earnings needs of individual vessels. Members feel that the ITQ system granted them the "right" to make their own internal economic decisions, and DFO should not be concerned about how or when vessels earn their income.
- They have coped with smaller cuts in TACs by negotiating higher prices from the plant operators. Facing decreased ITQs and earnings, but greater costs than most other fishermen, they were able to argue a case for higher prices, especially for raw material of higher quality. The Association notes that the businessman/ fisherman operating in an ITQ system has a great incentive to improve the quality of his landings, especially if quantity falls.⁴⁷

⁴⁷ By keeping their plants informed and aware of their situation they were able to increase fish prices over the last few years from 18¢ a lb to as high as 53¢ a lb in the summer of 1992. They have also had good discussions with plants about how their members can assist processors through better scheduling of landings and how they can best meet quality standards.

- Despite the TAC cuts and income problems, individual operators are pleased with their ITQ system, especially the flexibility it allows them to respond to changes in demand or resource levels. It also places greater responsibility on each operator to manage his quota and his fishing business in an efficient manner. Given the current resource crisis, they have urged their members to improve their business skills and their management system even more, through such practices as determining the needs of a fish plant before they go out to fish. They have therefore told their members to "arrange your sales before you harvest your ITQ".

4. Areas of Conflict and Consensus

Based on our consultations and our review of recent literature and policy documents, we are able to distinguish several areas of disagreement about policies and practices (both current and proposed) among various sectors, groups and agencies within the Atlantic fishery. However, there is a greater number of areas where there is a significant degree of common ground and consensus. Both are discussed in this section.

Areas of Disagreement

There are a number of policy and economic issues on which there is as yet no agreement and consensus. Many of these concerns are interconnected and will need to be resolved; otherwise they may pose significant barriers to the establishment of policy to satisfy the needs or wishes of all the sectors and all industry participants.

The ITQ/IQ System. As we have seen in the previous section, there is general disagreement about the merits of the ITQ concept and about its impact on specific fisheries which are presently under an ITQ regime. While the concept has sometimes been held up as a solution to many of the current problems, most fishermen not under such a system want no part of it and see the system itself as undesirable. In the Gulf Region, for instance, inshore groups in both PEI and Newfoundland told us that the ITQ fleet is inimical to their concept of the fishery and to the proper and environmentally sound use of their common resources. This view was also expressed by some currently engaged in ITQ fisheries themselves, though most who now have ITQs see the system as the only means of rationalizing the industry and allowing them to operate in a business-like manner.

In the Gulf Region, which has both ITQs and the Bonafide system, DFO managers also noted that they do not consider ITQs to be *the* ideal solution, but rather one part of a broad licensing and allocation policy, where all elements have their flaws and weaknesses.

Technology. In Newfoundland, concerns about the ITQ system are connected to the technology used by the otter trawl fleet. On the West Coast of Newfoundland we heard⁴⁸ many complaints from fixed-gear fishermen about the use of this technology by the mobile fleet (100 or so vessels using 55-65-foot boats equipped with otter trawls and sophisticated electronic equipment), because they take an unfair share of the resource,⁴⁹ because the trawl technology is thought to damage the environment, and because they put too much demand on fish stocks (Gulf cod).⁵⁰ Indeed, for many in this area, the practices of the mobile fleet and the winter fishery are considered significant impediments to the development or redevelopment of the industry. It was observed that several years ago government policy encouraged fishermen to enter this technology-intensive, high-capacity fishery, and now fishermen who invested a great deal of money in otter trawlers feel they cannot stop, because they have to make their loan payments, even though some have stated that they, too, believe the technology to be harmful.

Typically, however, different sectors tend to defend the particular technology they use, and mobile-gear users point out the ecological danger of "ghost" gillnets in the fixed-gear sector. Whatever the actual impact of otter trawling or any other gear type on an area's fisheries resources, the attitudes of industry participants reflect a basic rivalry between the fleets that use them.

Other industry managers say that the debate over the merits of one technology versus another have "cluttered up" and obscured the discussion of more important fisheries policy issues, such as questions about the future structure of the industry or basic questions about resource allocation. Thus whereas many people continue to see the supposed evils of wet-fish technology as the main issue to be tackled in the fishery, others say we need to get over the belief that offshore trawlers are "raping" the sea-bed. The latter point out that inshore cod traps have also caught significant quantities of undersized fish, and that all harvesting technologies have their virtues and vices.

⁴⁸ During recent area-wide focus groups held in connection with another study conducted by our firm (Assessment of the Downturn in the Fisheries on the Great Northern Peninsula, 1992).

⁴⁹ Although only 7% of the Peninsula's vessels are 35 feet or greater, they account for more than half of the area's landings.

⁵⁰ A 1991 report claimed, for instance, that over the previous 12 years the winter fishery off Port aux Basques has been treated like a "Klondike" by many of the vessels involved. There have been numerous reports, according to this document, of vessels "exceeding the TAC, fishing around the F_{max} level, misreporting of catches, and significant discards at sea of small fish". TAVEL Ltd, "Considerations for the Southwest Coast Fishery", Dartmouth, Nova Scotia, 1991.

Inshore vs Offshore. Within the inshore sector there remains a strong conviction that offshore fishing – particularly for cod – has had a significant impact on the ability of fishermen to maintain their livelihoods. Because these two sectors fish some of the same stocks, there is a significant resentment among inshore fishermen that the highly-efficient offshore vessels are taking their allocations at the expense of the inshore allowance, and that this sector prevents a fair share of the fish from coming inshore. There is thus a feeling that "the few" (the large processing/harvesting firms with Eas) have been prospering at the expense of "the many" (the thousands of inshore fixed-gear participants). Conversely, there is some feeling among offshore interests that the inshore fishery is inefficient, over-subsidized (eg. by the UI system) and creates a demand for equally inefficient small, seasonal fish processing plants, which in turn detracts from the economic efficiency and stability of the entire industry.

Professionalization. Our consultations with the industry have not indicated any consensus on the concept of professionalization, its underlying rationale and purpose or its implications for licensing policy. This may be due, in part, to the fact that it probably means different things for fishermen within each of the region's licensing systems, or because many fishermen in the Maritimes still perceive it to be an issue which has "spilled over" into their area from Newfoundland, and that it is something which is being "rammed down their throats". Thus many fishermen in the Bonafide area, or those who work in an ITQ construct, believe that professionalization is something which applies to other fishermen, but not to them.

As such there is some a confusion, and an element of uncertainty, about the exact meaning of a "professional" fisherman.⁵¹ Bonafide fishermen, and owner-operators of ITQ vessels, have no difficulty describing themselves as "professionals", but full-time, "genuine" inshore fishermen in Newfoundland acknowledge the difficulty which various government agencies appear to have in trying to make a distinction between themselves and all of the "others". Thus, given the different criteria which various agencies use to identify or define legitimate participants in their sector, they recognize that, today, there is a significant blurring between the terms professional, full-time, part-time or moonlighter fisherman. But they are also aware that most of their licensing problems exist because a significant number of fishing licences are held, not by moonlighters, but rather by so-called "bonafide"

⁵¹ This confusion has also spread to some provincial governments. For example, a recent Green Paper about the Newfoundland fishing industry details its version of a new licensing policy for provincial inshore fishermen. On one page, the authors use three different terms for "real" fishermen: Master fisherman, "bonafide" fisherman and professional fisherman. See *Changing Tides: A Consultative Document on the Fishery of the Future*, Government of Newfoundland and Labrador, March, 1993, p. 52.

fishermen. These are people who, according to full-time fishermen, have infiltrated or crept into the licensing system through policy "loop-holes and regulatory back doors" and who now have as much legal status within the DFO system as they do. Indeed, most "professional" fishermen in the province now feel they are outnumbered by these infiltrators and are consequently not very optimistic that this situation can be fixed. Quite apart from this very basic problem, they are also concerned about the difficulties of establishing appropriate and practical criteria for identifying genuine – that is "professional" – fishermen.

The Future of the Fishery. As these areas of dispute indicate, there is little consensus on what the fishery in Atlantic Canada should look like in the future, or about what future access and allocation policy should do, or how it might accommodate the needs of the different interest groups or sectors. Most significant is the fact that conflicting views about different systems, different technologies, or the role of inshore and offshore sectors imply different and competing visions of the fishery. For many this is primarily about whether there should be a few fishermen catching a large quantity of fish in a technology-intensive fishery or many participants catching smaller amounts in a labour-intensive industry; and in the same vein, there are divergent views on the merits of small-scale, seasonal processing facilities versus large-scale, year-round ones. In any case, these different visions would translate into fundamentally different access and allocation policies and issues.

Areas of Consensus

Despite these significant areas of disagreement, most sectors of the fishing industry in Atlantic Canada appear to be agreed on several issues.

Employer of Last Resort. Many of those consulted from several different sectors expressed a desire to see the status and role of the fishery rehabilitated, especially in Newfoundland. They believe that the fishing industry can no longer afford to be operated and managed as "an employer of last resort" – an industry where the excess rural workforce goes to access the UI system and other social programs. The fishing profession must be seen as that – a profession – with much more control in the hands of the professionals – including the admission of practitioners. Although this does not necessarily imply a very strong belief in the inherent value of "professionalization" training programs, or agreement on what it means to be a professional fisherman, it does imply a growing desire to see the same kinds of standards, professional ethics and professionalism in the fishery as in most other professions.

Unemployment Insurance. The current UI system is very closely related to the present low status of the fishery, especially in areas where it tends to act as an employer of last resort. For most who regard themselves as having a committed, professional attachment to the industry, the UI system as it presently operates (including its open abuses) undermines both the profession and its resources and, in many areas, has transformed the industry into a "stamp fishery". Thus most fishermen we consulted have said there must be fundamental changes in the fishermen's UI system if the fishery is to survive as a viable economic sector. Indeed, it is generally held that this system must change if the UI concept itself is to survive – in a more appropriate form – for those who genuinely need it.

A Rationalized Fishery. Following these last two points is the general belief that the fishing industry must be "rationalized"⁵² if it is to prosper, or if it is even to survive. Although there are many different views about how it should be made rational, all want it to become a strong, productive and contributing sector of the region's economy and believe that one of the best ways to do this is through strong access controls.

We have also been told that fishing must become an occupation where dedicated professionals using appropriate technology have a fair chance of turning a profit, where access is strictly controlled, and where UI is "insurance" rather than the primary catch.

In addition to rationalizing access, we were told that fleet and technology rationalization will also be needed to ensure an economically viable industry – though again this means different things to different sectors and groups.

There is a consensus that there are too many participants in the fishing industry in Atlantic Canada, in both harvesting and processing sectors, and this is felt to be more acute in some areas than in others where only fine tuning may be needed. Within the Gulf region's Bonafide and ITQ fisheries, for instance, the rationalization of the harvesting sector during the last decade has been quite successful: the number of participants has been reduced and is now strictly controlled. In Newfoundland, however, – the area with the most significant "overcrowding" (either because of inadequate regulations, or economic conditions) – all acknowledge that rationalization has yet to begin. In other areas, such as southwest Nova Scotia, we were told that a start has been made but the process must be continued for some time yet.

⁵² By a "rational" fishery we mean one which has the potential to be economically viable, socially appropriate and sustainable, and in harmony with an agreed vision of the fishery. This is discussed in more detail in the following chapter.

Offshore participants note that they have already undergone a major rationalization and that the time has now come for the inshore sector – both harvesters and processors – to do the same thing. Several noted the urgent need for a "reasonable and fair" rationalization of the inshore industry, that it was time for that sector to "bite the bullet and self-rationalize." We were told that it has not yet done so because this sector "has been insulated from market forces and economic realities". Nevertheless, participants from both inshore and offshore sectors admitted that "rationalization criteria" should be different for different parts of the region and, in this respect, it was generally acknowledged that Newfoundland had the most severe problems.

For all parts of the region where rationalization was considered an urgent priority, it was also acknowledged that the process would generate a significant amount of "social fallout", and that government should be prepared to develop appropriate adjustment measures to ease and facilitate the exit of excess labour and capital from the inshore sector.

Coupled with the overcrowding by participants have been the major declines in key stocks. Though, in other industries, declining raw material supplies would normally result in decreased participation of enterprises because of much lower profits, in the fishing industry the UI system has ensured that all are retained. Indeed, in recessionary times this "last resort" industry has attracted even more participants because of the special social benefits it offers.

There was also widespread agreement that government policy was primarily responsible for the "irrationality" within the industry and that as long as it continues to offer the promise of a bail out – no matter how bad the situation becomes – most people will stay in the fishery. Thus government should establish innovative mechanisms to permit and encourage marginal participants to "gracefully exit" the industry.

Laissez-faire Policy. We heard over and over again – in many different contexts – that there should be much more reliance placed on "natural" economic forces to regulate the industry and much less on government regulations: that the market place itself has the potential to achieve a more rational industry – if allowed. Indeed, many argued that the industry's problems should be addressed and resolved by such natural economic forces, and not through the imposition of more government policy, regulations and management controls.

As might be expected, opinion on *how* free market forces or normal business practices should be used or permitted to make the necessary internal "adjustments", to rationalize different sectors, to determine the most efficient fleet or technology, the appropriate number of harvesting and processing enterprises, or indeed to re-shape the entire

structure of the industry, varies within and between various sectors and participants. And, indeed, there may well be a need for different approaches in each area or sector.

It appears, though, that the government regulations themselves have become the rallying point for much of the cross-sectoral consensus we observed: although there is disagreement about exactly what should be deregulated, or who or when, the point of strongest consensus is that the industry is presently over-regulated and that current regulations have done more harm than good. We were told further that many fisheries regulations deal only with the economics of the industry and have only a remote connection to the proper management of the resource.

Interestingly, some participants in the Newfoundland inshore fishery suggest that deregulation should ideally follow the rationalization (ie. reduction) of registrants and licence holders. That is, after the industry has established and fixed the "right" number of participants, it was suggested that those remaining would want a relatively un-regulated competitive fishery – still based on the traditional "race for the fish" – and that economics and market forces – not regulations – should dictate who can survive in the fishery. In other words, fishermen would want to be involved in a "professional horse race" rather than "an open marathon".

Some of the different suggestions we heard about de-regulating the industry follow:

- We need to get rid of individual vessel licences completely, and make any allocation totally transferable. In other words we only need ITQs – the vessel itself does not need to be licensed: "Why should we have to describe what type of vessel we are going to use to fish our allocation? This only creates unnecessary paperwork".
- We should let the marketplace determine the most efficient way to harvest and process fish. Allocations should not be artificially tied to a community. A corporate entity with an allocation should be allowed to "take it with them", and decide for itself how best to operate its businesses, otherwise the result will be an uneconomic fishery. (However, there was also a sentiment that this will never happen because the issue will be decided through politics not economics.)
- If UI and other government subsidies were removed, this would very quickly produce a rationalized fishing industry – one with the right number of plants and fishermen in balance with the available resources. We must move towards a business-oriented, profitable and viable industry. Government should not bail out anyone, or any sector, in the industry.
- The industry must be given more power to regulate itself, to make its own decisions about its future development.

- We need a more business-minded fishing industry "unfettered" from all of the controls which DFO has imposed.
- The industry needs to get back to basic principles, to take a more honest, reality-based look at industry economics – a reality that no one wants to face because for so long we have tried to manage the fishing industry as a social, rather than an economic, sector.

Certification and Licences. Among inshore fishermen, there is a widespread consensus that only "certified", full-time, "bonafide" or "professional" fishermen should hold fishing licences, however those classifications are defined in different areas within the region. For fishermen who have already resolved basic registration problems and issues of professionalization (such as those in areas with well-established Bonafide or ITQ systems) certification is not a significant issue. In Newfoundland, even though fishermen we consulted found it difficult to agree on what criteria should be used to identify and certify those participants eligible for licences, there was general agreement on several key aspects of licensing policy, such as the merits of a multi-species licence portfolio for all "bonafide" enterprises and the notion that, in future, there could be two different licence categories for fishermen (or enterprises). These might be a "bonafide" group operating vessels less than 35', and an ITQ-type category for those in 45-65' vessels.

Multi-faceted Licensing Policy. Because of the diversity within the fisheries of Atlantic Canada, and because some areas have a more rationalized certification and licensing system compared to others, it was generally agreed that it would be very difficult to establish an Atlantic-wide licensing policy. For example, given its very different licensing principles, regulations governing inactive licences in the Bonafide area must of necessity be different than those for Newfoundland's full-time/part-time system. Similarly, there are significant differences between the concept and meaning of a "professional fisherman", and "professionalization", in these two areas.

Midshore Versus Offshore Technology. Among participants in both of these fleet sectors, there is general agreement that, from a pure economic perspective, "midshore" harvesting technology, for example 65' (midshore) vessels, is a more cost-effective way to harvest resources, at least compared to the conventional wet-fish trawler technology. But vessel owners in both sectors acknowledge that the latter will still have a role in the fishery of the future, and both also agree that there is a need for a more balanced and integrated harvesting strategy, using an appropriate mix of diverse technologies. (Though it should be

noted that non-offshore processing companies are still very wary and concerned about any increased participation by midshore vessels in the harvest of "offshore" allocations.)

Environmental Concerns. Although there is disagreement about the right kind of technology required to harvest fishery resources in an "environmentally-friendly" manner, there is general agreement that the merits and appropriateness of different harvesting technologies need to be objectively and rationally examined and assessed. However, this does not mean that there is a consensus that certain kinds of gears are more suited to harvest fishery resources than others. Opinions vary about whether one gear type versus another is inherently more "evil", or more destructive of fish stocks or habitats.

The common ground is that the issue of what is an "appropriate" harvesting technology must be settled. If not, the industry will continue to debate this issue and, in doing so, may neglect more important and critical aspects of fisheries management and industry economic policy.

Present DFO Regulations. Considering the preceding views about the regulation of the fishery, it is not surprising that a further point of consensus was about present DFO policy and the application of regulations. Most expressed strong views that present policy has no overall vision and is more motivated by politics than by economics or science. Present regulations were described as irrelevant, "a mess" and contrary to sound fisheries policy.

We were told that all sectors suffer under the weight of regulations, many of which they say bear little or no connection to current reality and imply no consistent management philosophy. One company manager noted, for instance, that they are constantly running into the wall of over-regulation: "we have a problem, which DFO solves with another regulation. Then that regulation creates two more problems, and then we get two more regulations."

Others stated that it is impossible to judge the value of present regulations in any case since they have never been fully or fairly applied. They noted that, too often, individuals are allowed to circumvent the regulations by going "the political route"; others made statements about preferential and unfair enforcement of regulations by DFO representatives at the local level. Thus several said that it would be a futile exercise and a waste of time to establish improved and appropriate regulations as they would never be even-handedly applied in any case.

We were also told that present regulations, for example those governing IQ vessels, are not properly or adequately enforced and policed because there are too few people to observe the infractions.

The Need for a Vision. Although there is significant disagreement between different sectors and interests about what the Atlantic fishery of the future should look like, industry participants in all sectors have said a vision is urgently needed, and that it is clearly lacking in present government policy. We have been told that the objectives of current access policy are vague and inadequate for the needs of both fisheries managers and fishermen, and thus there is a near unanimous feeling that the time has come for a major overhaul of the way that decisions about the economic affairs of the industry are made.

There is also a consensus that the fishery can and indeed must be an integral part of Atlantic Canada's society and economy. Most sectors of the industry also recognize and acknowledge that the current crisis (ie. the critical situation in the industry's resource base and economic structure), offers a significant opportunity to debate and hopefully create a "new kind of fishing industry". There is a desire to have an open and thorough debate of all the issues and to reach a consensus on what is needed. Despite this, perhaps because the industry is in such a state of flux and uncertainty, many government and industry managers, though not fishermen, are very hesitant of speaking out.⁵³

⁵³ As we have mentioned previously, several people we consulted, having reviewed our interview write-up, said the transcript was correct, but that they could not afford to have their views made public, even to the Task Force, given the highly-charged political content of many policy issues.

5. Vision and Principles

As we have indicated, there is a critical need for a clear vision for the Atlantic fishery, with well-defined and pragmatic objectives about what it should be and do – for fishermen, processors and society as whole.

The objectives for licensing policy now contained in DFO's *Commercial Fisheries Licensing Policy for Eastern Canada* (1992) – essentially those recommended by Levelton in his 1979 report – are no longer adequate or entirely relevant, for the reasons we have discussed above. However, a guiding vision – and sound principles – are essential before any new solutions can be suggested or new regulations promulgated. New regulations should be designed to reflect these principles and objectives, and incompatible regulations dropped.

Values and Vision

There are two primary considerations that should inform decision-making about the kind of registration, licensing, allocation systems needed in the Atlantic region. These are 1. the amount of resources that may be caught while maintaining fish stocks and 2. the *kind* of fishery that is most appropriate for an area.

These two considerations also parallel the two kinds of objectives implicit in current DFO fisheries regulation policy (and in Levelton) – conservation and economics – although as we have discussed elsewhere there is much less concern with the wider implications of the latter in current regulations. By the *kind* of fishery, we mean its means and objectives – how it is prosecuted and, in particular, to what ends, both economic and social. In this report we have used the rather vague adjective *appropriate* as there may be many kinds of fisheries, depending on the social and economic considerations and priorities that are most important or of greatest value society.

The first is a scientific issue and must be settled empirically, rationally and apolitically: the likelihood is that the overall TAC, or the actual allowable catch for each species, will have to vary from year to year (unlike the *kind* of fishery). Nevertheless, the scientific principles (such as the level of recruitment needed to sustain a viable commercial stock) do not vary, unless new knowledge (such as new scientific evidence or better techniques) becomes available.

However, the second consideration – the kind of fishery we may want – is both a social and an economic issue, and both aspects must be considered when defining the kind of fishery we want and need. Ideally, within a policy framework that considers both social and economic realities and imperatives, both of these considerations should be in balance. (It is not an environmental or resource issue once the TAC has been set, though the kind of gear permitted in licensing policy could have other kinds of environmental impacts.) Figure 1 suggests the relationship and interaction among resources, the industry and fisheries policy.

From the perspective of economics alone (or rather from one economic extreme, with the sole aim of maximizing net return on investment) the kind of fishery might be determined with cash flow statements – that is, by looking at the economies of scale, at minimizing the investment of capital and manpower while maximizing the gross (and therefore the net) take from the fishery. This kind of analysis might tell us that using a thousand highly sophisticated vessels might be the best way of maximizing (in the aggregate) net return on investment. However, this *economic fishery*, while rationalizing the industry purely as a profit-oriented investment would have obvious and grave social consequences.⁵⁴

At the other extreme, a predominantly *social fishery* might be desired. In this case, one would look at maximizing the number of people who could participate at an acceptable level of net return (or profit).⁵⁵ That is, it would be a clear policy goal to distribute total fishing income so as to employ the greatest number of people. Although, in the aggregate, this kind of fishery (with a lower individual capital investment but a much higher aggregate investment of capital and manpower) would be much less profitable than the former, it would employ and therefore satisfy a much larger part of society.⁵⁶

⁵⁴ Such as allowing a few large operators to buy up all of the ITQ and concentrating it in a few geographical centres.

⁵⁵ The actual amount needed to ensure such an income might not be easy to calculate, though similar calculations are presently made within ITQ systems.

⁵⁶ At a recent conference on the future of the Newfoundland fishery (St. John's, March 1993), Dr. Douglas House, head of the province's Economic Recovery Commission, made the point that "an economic fishery must be a social fishery", too – that the real "economy" of the province's fishery is more than the dollar value of the fish caught or the profit turned.

Interaction of the Resource, the Industry and Policy

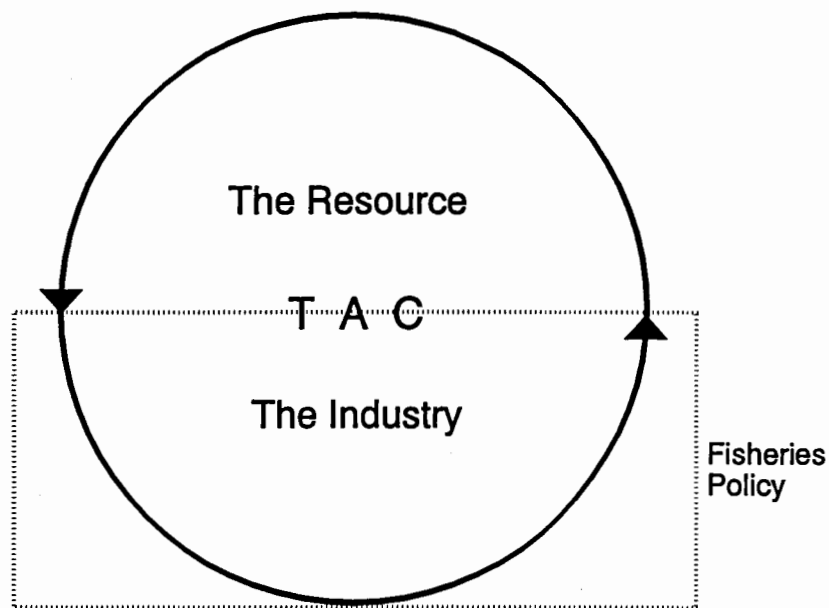


Figure 1

In either case, choosing one of these two kinds of fisheries (or any kind) should profoundly effect the registration, licensing and allocation principles and policy regulations government puts in place.

The point of discussing these extremes is to illustrate clearly our basic point: that certain primary principles must be decided and established *first*, before the guiding or instrumental principles (and eventually regulations) are formulated. Thus larger vision must precede detailed planning. Logically, then, the policy and regulations governing the registration of fishermen, the issuing of species licences and the size and types of gear and vessels – as well as their absolute numbers – should be formulated to establish and efficiently perpetuate the kind of fishery that is needed.⁵⁷

If a Bonafide-type, small-boat, relatively labour-intensive fishery producing high-quality fish products and a reasonable expectation of a fair income for all involved were the kind of fishery desired, for instance, this should be clear in policy and supported by regulations – by registration, species licences and other permits – and these policies and regulations would need to be applied scrupulously.

⁵⁷ These are distinct from regulations required for conservation and environmental protection, such as seasons, areas, mesh size, etc, although these, too, should be cognizant of the overall vision for the fishery.

It seems clear, too, that other related issues such as professionalization and training should be tailored to the larger vision, and to the policy that is based on this vision. If, for example, we had the second kind of fishery described above, the professionalization process would probably involve training in small-craft navigation, traditional gears, and product quality and handling. However, if the more capital-intensive, larger-vessel, high-technology industry for fewer participants were to prevail, much of the training offered would be considerably different.

One of the chief underlying problems with current registration and licensing policy is that there is no apparent vision of what the fishery should be as a social and economic institution.⁵⁸ But without such a vision it is not likely that the fishery can ever become coherent, rational or viable as an economic sector. The flow has been too often the reverse of that indicated in Figure 2: fisheries policy has been shaped by the regulations (sometimes themselves the response to arbitrary, ephemeral or unsystematic demands of fishermen and politicians) – rather than *vice versa*.

The result – as a perusal of the regulations shows – has been a patchwork of regional regulations, exceptions and technical minutiae, without apparent system or strategy. And, we have been told frequently, there is little apparent will to apply even those regulations in either a systematic, uniform or equitable manner. Even though DFO's *Commercial Fisheries Licensing Policy for Eastern Canada*, is the nearest thing to a statement of licensing policy available to fishermen, it notes in its opening pages, "All persons making use of this document are reminded that it has no official sanction and its content may change without prior notice." One fisherman we consulted remarked that the fishery "is the only industry where you have to turn on the radio in the morning to find out what the policy is for the day".

The consequences of this are seen perhaps most dramatically in the "economics" of the Newfoundland fishery. Here the registration system is a kind of economic "musical chairs": there are more people in the fishery than the maximum harvestable resource would allow to make a reasonable living.⁵⁹ If all registered fishermen in Newfoundland managed to take enough fish to make a reasonable living, the TAC would be exceeded by a considerable margin. If all succeeded, the resource would be wiped out. Thus the present system *depends on* the economic failure of many of the fishermen that it has registered and licensed.

Such an oversubscribed fishery is inherently irrational: it requires failure to succeed.

⁵⁸ This might be contrasted with the profusion of principles which stand behind the scientific research used to calculate the TAC and to approach other resource-related issues.

⁵⁹ They only survive now because of the social support systems, such as UI.

Evolution of a Policy Framework

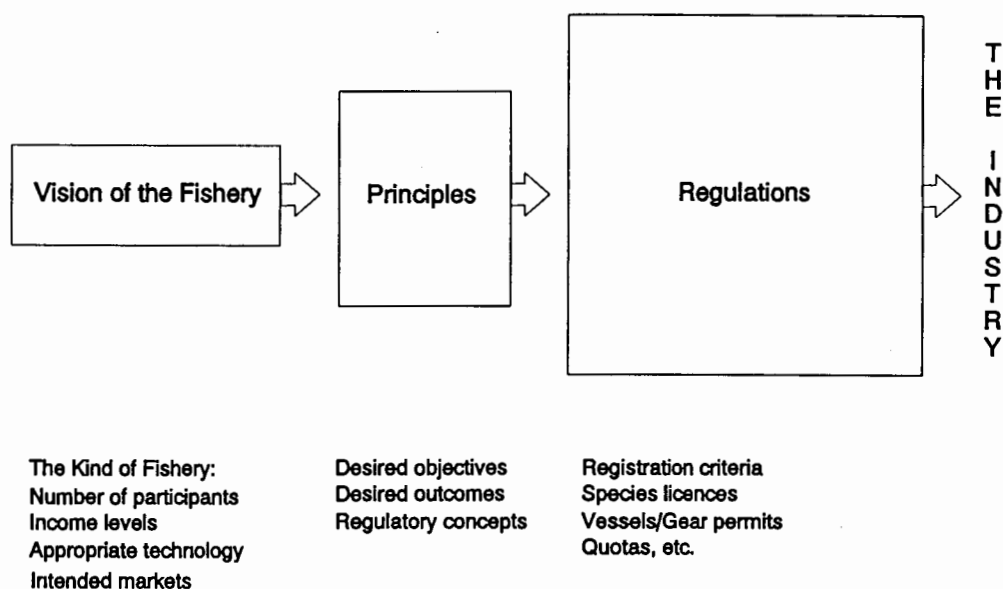


Figure 2

A Vision for the Atlantic Fishery

While we summarize some of the major problems and policy issues within the fishery elsewhere in the report, this section reflects on considerations for the formulation of new access and allocation policy and how the implementation of such policy might be approached. Although it is not our purpose to recommend new fisheries access and allocation regulations, we were invited to discuss principles which might guide their formulation and to reflect on significant issues that any new overall policy would have to consider, address and integrate.

As we have suggested, the initial – and fundamental – requirement for any new policy is a consensus about a "vision" for the fishing industry: about what the industry should do for its participants, the environment and society in general.

Such a vision must consider what is a desirable and equitable income level for fishermen, what is an appropriate return for fish processors, how the industry should fit into the larger economy, and what resources are available. Agreement on these issues will determine the kind and magnitude of the industry that can be supported and will ensure that the industry is rational. And it will determine the principles that must guide the creation of fisheries regulations. The rationality of specific regulations can only be tested against this vision and the principles it implies.

Only with a vision in place is it possible to formulate principles and make even basic access and allocation decisions.

Because it is necessary to establish such a vision in order to frame access and allocation principles, in the following discussion we describe our ideal vision of the fishery in Atlantic Canada. These suggestions are also based on our consultations with the industry and our own assessment of current problems, and possible future requirements, of the Atlantic fishery.

Our vision of the Atlantic fishery is of an industry that maximizes the number of people who can participate in it at an acceptable level of income, one which distributes the economic return so as to employ the greatest number of people without undue reliance on the social support system. It is one where the number of professional participants has been established and access is strictly limited to this corps of professionals, who are full and equal co-managers of the resource with which they have been entrusted. It is also a vision of an industry that – once it has been well defined – can pursue its business free from unnecessary regulation and external interference.

Policy should thus provide the basis for establishing a professional, rational, sustainable and environmentally-aware fishery, one which can offer a reasonable income for all participants and one based on the concept that the fishing industry must operate efficiently and effectively, respond appropriately to changing social, economic and market circumstances and survive without significant government support. Yet it should recognize that fisheries policy must manage the resource — the common property of the whole society — so as to maximize and distribute the benefits for that society, and not merely to maximize profits. As Cruickshank noted in his recent assessment of West Coast licensing policy, "the ultimate objective of any economic activity is the maximum common welfare to be derived from it... . Today's fishermen are the stewards of the resource: mere trustees, not owners. It is their duty and obligation to hand over a healthy resource industry, not to the highest bidder, but to the next generation of fishermen".⁶⁰

In Newfoundland, for instance, implementing this vision would first necessitate a substantial reduction in the number of registered fishermen, to the level where all who are registered have a rational chance of earning an adequate income, and where social support mechanisms (such as UI) are not a primary purpose for participation in the industry. This would still see a strong inshore sector around the province, fishing with traditional technology, and probably with a much greater emphasis on the quality of their product.

⁶⁰ Cruickshank, pp. 100-108.

In the southern Gulf and much of Québec, part of this vision has already been implemented (such as the identification and recognition of the professional participants), so that the industry would immediately begin to establish mechanisms for co-management and self-regulation.

Given such regional differences – and the diversity of the five different access and allocation constructs – it is evident that different areas and sectors within the Atlantic fishery will need different strategies or approaches to allow them to implement and integrate any new access and allocation policy framework for the whole region.

Access. Although several issues (such as resource conservation, the need for an identified and limited corps of professional fishermen, the need for more control in the hands of the profession, and DFO's inequitable, arbitrary or contradictory application of its own regulations) were raised by nearly all those we consulted, different groups have different priorities among these issues. Outside of Newfoundland, many groups of fishermen have resolved basic access issues – registration, professional status, species licensing – and are now more concerned with unresolved or new allocation issues, with environmental and conservation aspects of fisheries management or with their future role in a co-managed and self-regulated industry. Because there is still such disagreement and confusion about access issues in Newfoundland, fishermen there have yet to articulate specific views or needs about allocation policy or, if they have, no one has listened to them.

Thus DFO and the industry will need different approaches to address the diverse access problems which now exist in different areas of the Atlantic inshore fisheries, even if the ultimate goal is a uniform vision and a standard policy for the whole region.

One example, from Newfoundland, perhaps illustrates the need for such differentiated approaches. In this province, resource levels will likely require the exit of significant numbers of participants. But given the high income dependency of all fishermen (full-time and part-time), the blurring between who is a "real" fisherman and who isn't, the egalitarian ethic and the lack of alternative employment for redundant workers, it is evident that the exodus will not be easily achieved. At present these factors are compounded by the fact that NCARP payments discourage rather than encourage marginal fishermen to leave the industry.

In Newfoundland and eastern Nova Scotia most professional fishermen want a new registration and licensing policy which establishes and defines "bonafide" participants, gets rid of excess participants and implements a rational licensing system, among other expectations. Thus in these areas new policy will have to address several difficult problems. For example, how does one determine who should remain in the fishery and what will

become of the "excess" labour? And how does one distinguish skippers (bonafide) from crew (commercial) – to adopt the southern Gulf classifications?

These are critical questions in any rationalization process, but ones which at present are more relevant to Newfoundland than to other areas, such as DFO area 4T or Québec.

In addition, certain social attitudes – such as the strong egalitarian ethic among many fishermen, and the long-established opinion of many Newfoundlanders that all citizens have a "right to fish" – will generate resistance to many possible approaches. The egalitarian and "right to fish" traditions might say it is unfair to create two classes of fishermen, and the general public may interpret a Commercial category as being "second class" citizenship. Although this distinction did not produce any public or industry outcry in PEI when the Bonafide system was created, we have observed that today there is a significant difference in attitude about these groups within the industry.

Thus, in Newfoundland, there may be local and provincial political pressure to give all fishermen (perhaps even all current fishermen) the same status. If this pressure prevails, it will have a direct impact on any new licensing policy, particularly one supporting the concept of banking. If all inshore fishermen have equal status, it will encourage the view that part-time fishermen (if they continue to exist), too, should one day be permitted to have their own enterprise – to be granted a licence and a vessel permit.

Below we suggest several principles which might allow policy-makers and fishermen to begin resolving some of these long-standing access and allocation problems. However, as we suggested, new access and licensing policies for Newfoundland may need a very different implementation strategy and schedule – since most other parts of Atlantic Canada do not have such a large number of casual and part-time participants involved in the inshore fishery. Thus regulations designed to establish a Bonafide category in Newfoundland would clearly not be applicable to the Gulf Region or most of Québec, for example.

Different parts of the region thus need very different instrumental strategies or approaches as well, even though the ultimate objective might be to have region-wide principles and regulations once circumstances have been equalized or stabilized. As we have suggested, strategies for Newfoundland will first need to focus on solving the problems of access, through such measures as certification and strictly enforced limits on effort, whereas in the Bonafide area, fishermen want immediate protection of their multi-species license portfolios.⁶¹

⁶¹ Based on our consultations with Newfoundland inshore fishermen, this system – especially the "multi-species" licence portfolio – may have applicability in that province.

Allocation. Various aspects of fisheries allocation policy were also of concern to most of the groups we consulted. As with access issues, it is evident that there is presently a lack of vision and formal principles to resolve a variety of allocation conflicts. In the absence of such clear principles, important issues have generally been addressed through the political process – one in which more powerful groups appear to have the advantage.

While DFO's *Commercial Fisheries Licensing Policy for Eastern Canada* concerns access policy and regulations,⁶² we have been told that many groups also desire a clear statement of allocation principles, especially when they see their allocation structures changing, presumably in response to a change in policy. Lacking discernable allocation principles, government policy-makers often turn to access regulations to address their problems. This practice has resulted in various initiatives which seem to annul – or counter – established and successful licensing principles and objectives.

The current recall of "inactive" groundfish licences by DFO throughout the region illustrates this problem. We have been told that the Department has justified this initiative because it fears that, if these "unused" licences are activated, the current groundfish resource crisis will deepen. Some Bonafide fishermen, however, maintain that this new regulation – which they say embodies a new allocation policy principle – would contravene their established access principles, dismantle their multi-species licence portfolios and disrupt the management and planning of their businesses. Further, they feel that this initiative is part of a larger policy to transfer this "unused" quota to the ITQ sector.⁶³ As we have noted, the result of this initiative, however, will probably be the opposite of that intended by DFO, as we have been told that fishermen in the Bonafide area, and likely throughout the region, will likely respond by activating all their species licences to make sure that they cannot be recalled. The potential long-term implications of this new licensing regulation is already a serious concern to fishermen in the Northumberland Strait scallop fishery, for instance, where we have been told that many fishermen who have not fished this species lately are now gearing up to fish this resource, which they already believe to be over-exploited.

⁶² Regulations for ITQs and EAs, for example, are set out in fisheries management plans.

⁶³ They feel that, in the absence of formal allocation principles and mechanisms such as consultation or arbitration by an independent agency, this issue has been resolved through the political process, by the fleet segment that musters the most political clout.

In any case, Bonafide fishermen find this kind of policy turn-around quite unacceptable, since they consider their licensing principles to be guaranteed by current policy and this stability to be essential for the rational operation of their businesses.⁶⁴

Using access mechanisms in this way – to resolve allocation problems – is clearly inappropriate and perhaps even damaging; it has also confused and angered fishermen, especially since they perceive DFO to be creating or revoking regulations at will.⁶⁵

Conflicting Visions. During our consultations we heard different groups and individuals express views that would lead to conflicting visions of the fishery for Atlantic Canada, particularly in Newfoundland. These different views were often expressed in terms of specific access or allocation issues. Although both access and allocation have to be addressed in tandem since they are interdependent, opinions about which principles should take precedence seem to be determined by the different perspectives within the industry.

From the perspective of the independent inshore harvesting sector (such as non-ITQ skippers), the defining issue is access – who should be permitted to fish and with which licences. Although this issue is certainly influenced by the amount of fish allocated to the inshore sector, there is less concern about how much should be caught (especially since the entire inshore allowance is not usually caught), as there is about by whom it should be taken. There is also very little declared concern about onshore structures, such as the location, size and operating seasons of fish plants, probably because there has usually been more than enough firms to buy all available fish. Where there is concern, it is about the fact that offshore trawlers or other fleet segments are catching their allocation before it reaches the bays of Newfoundland and Nova Scotia or the near-shore areas of the Gulf of St. Lawrence. Their solution to this problem would be fewer offshore (or midshore) vessels, a smaller (or no) offshore allocation and thus a stronger small-vessel inshore fleet.

However, from the processors point of view, it matters very little how many individuals are fishing, whether they are Bonafide or Commercial, or whether they are full-time or part-time, as long as there is an adequate supply of fish to process. The harvesting

⁶⁴ It appears that at least two principles assumed by Bonafide fishermen are threatened: the concept of the right to a multi-species licence portfolio and the assumption that they are not required to use their licences every season in order to maintain them.

⁶⁵ The reality may be that, given the morass of regulations, new initiatives can be justified under a variety of existing regulations. For example, Regulation 14 3(e) states that Bonafide fishermen can "hold their licences for a maximum of five (5) years without having to participate in the fishery; while Regulation 23(1) states that species management plans can introduce participation requirements "to ensure the full development of a specific fishery". Though Regulation 23(1) would appear to justify the groundfish licence recall initiative with the reference to the notion of full development of a fishery, it likely rests on rather shaky ground, considering the current state of groundfish resources in 4T.

sector is, in effect, simply the "vehicle" for the supply of raw materials to the plant, and its role is to service the needs of that plant.

Nevertheless, some participants in this sector have taken a position concerning access, too. At its extreme, this would see fewer inshore fishermen in generally more sophisticated vessels landing only at a relatively few large, year-round "regional" plants. This position may result from the desire 1. to concentrate their capital and other expenses in fewer, more cost-efficient plants (eg. one at Catalina and none at Bonavista) 2. to dispense with competing smaller, seasonal plants serving the widely dispersed harvesting sector, and 3. to ensure supplies of the resource by concentrating them in the hands of fewer dedicated harvesters and therefore of fewer processors.

Thus, from the perspective of the former – the harvester-centred fishery – rationalization is an issue which involves limiting the number of fishermen to a full-time, professional group and ensuring that those who remain in the industry have a reasonable chance to earn an adequate income from the fish they catch. From the latter perspective – the processing-centred fishery – rationalization is primarily about the number of fish plants, about enterprise allocations, fleet separation policy and efficiently-delivered and assured supplies of fish.

Not surprisingly, given these distinct and potentially exclusive perspectives, conflicting visions of the fishery – and therefore guiding principles – could result, even though both sectors are to a significant extent mutually dependent.

Thus the ideal vision held by the inshore sector in Newfoundland might well be that of a relatively labour-intensive small-boat fishery employing 10,000 or 12,000 "bonafide" fishermen landing their catch in their traditional home communities, scattered around the shores of each bay. But the ideal fishery envisioned by processors (or more particularly by the larger processors with offshore allocations) might involve a thousand or fewer sophisticated vessels – both inshore and offshore – dedicated to a small number of year-round plants.

Processors dependent on inshore landings would probably subscribe to yet another vision of the fishery best suited to their needs.

Guiding Principles

The guiding principles for any vision (and the vision itself) will have to be developed consensually, with the full participation of all sectors and jurisdictions. In this section, however, we offer our suggestions for new guiding principles for both access and allocation policy based on the vision we have described. These should be seen simply as a starting

point, or as illustrations of the kind of foundation that must be laid before new policy and effective regulations can be realized.

While we recognize that it is not possible to satisfy everyone's interests – because some groups want different and mutually-exclusive solutions – our aim has been to suggest principles that address as many of these as possible, and to consider what is needed to satisfy the basic expectation of all participants: to have a rational, viable and productive fishery while protecting the resources upon which all depend.

1. The fishing industry must allow all eligible participants the opportunity to earn a reasonable living; thus the fishery must be economically rational, where all can succeed. In some areas – such as Newfoundland – this will require reduction in the number of participants (registrations) and licences.
2. While offering all who participate a reasonable income, the industry must also distribute the benefits of the common property resource to as much of society as possible by employing a maximum number within the industry.
3. Policy should ensure an appropriate and equitable sharing of fishery resources among participants with a historic and genuine attachment and economic dependency on the region's common property resources.
4. Effort rationalization should be accomplished by limiting the number of participants rather than the number of species or vessel licences.
5. In addition to rationalizing access, fleets and technology must also be rationally regulated according to sound economic and environmental principles.
6. The fishing industry should not be operated and managed as "an employer of last resort", as the place where the excess rural workforce goes to access the UI system and other social programs.
7. All sectors of the industry should operate their affairs based on sound enterprise management practices and principles, like any other industry or business sector.
8. Free market principles should be followed to the fullest extent possible, once the industry has been "rationalized" so that it contains the appropriate number of participants. Policy should ensure the opportunity for the operation of more natural economic forces to regulate the industry by minimizing government regulations and management controls.
9. To facilitate both the operation of the fishery within a natural economic environment and the professional and business-like conduct of the industry, more control must be placed in the hands of participants. Through a genuine system of co-management, the industry must be given more power to regulate itself and to make

its own decisions about its future development, including such issues as the admission of practitioners.

10. Policy should recognize the inter-connection of resource conditions, access, licensing and allocation policy, and the inherent irrationality of any attempt to deal with one aspect of fisheries management policy in isolation from all others.

11. The fishery must be managed as an integral part of the region's overall economy and as an important component of society. Fisheries economic policy should thus encompass a renewed commitment to the appropriate economic and social maintenance of the region's coastal fishing communities.

12. Like all industries, the fishery will still require support structures for "genuine" participants. These should include practical and appropriate mechanisms, such as income-averaging, employment adjustment or catch-failure insurance. Such measures will be especially important during the transition to a new policy framework.⁶⁶

13. Professionalization should be the basis for building a new philosophy among fishermen, one based on and in harmony with the principles embodied in the overall vision of the fishery and specific educational requirements that it implies. This should include such general concepts as co-management, self regulation, resource husbandry and business management. Professionalization should not be simply "adult education" or as a device to jettison excess effort.

14. Although uniform licensing policy is desirable, overall policy should recognize the diversity within the fisheries of Atlantic Canada, especially with respect to the access and allocation systems now in place in different areas. Adjustments in different areas will therefore need to take these realities into account.

15. All principles and regulations must be applied fairly, consistently and equitably in the overall best interests of the industry and society, under the review of professional industry boards. This will also require adequate policing of regulations. Politically-motivated bending of regulations and arbitrary exercise or change of policy must not occur.

These proposed "guiding principles" should, in turn, give rise to appropriate "operational principles", such as whether or not resources should be allocated to companies rather than fleets, whether companies should be allowed to determine their own fleet structure, who should hold licences, or whether licences should be transferable.

⁶⁶ Though it is not likely that the industry could make the transition to a self-sustaining sector without "bridging support" from government, it is suggested that appropriate support systems are more effectively delivered indirectly through general taxation policy, as they are for many other industries, rather than directly through fisheries management policy.

The application of such principles would help to create the regulatory environment needed to achieve and facilitate a vision for the fishery in Atlantic Canada. Once effort rationalization (participation, gear and fleet) has been achieved, regulations should only be instituted to the extent that they may be required to ensure a rational, viable and resource-healthy harvesting sector. In this new management environment, government's primary role would thus be to create and maintain a management milieu which facilitates the process of continuing "self-rationalization". This implies the requirement to place responsibility for many aspects of economic regulation in the hands of the professional industry participants and, in general, to move towards a self-regulated, market-driven industry, managed by both government and the industry – one which is not burdened by excessive regulation or by political influence.

Adjustments

As we have suggested, any new policy framework must be rooted within a clear and well articulated vision of the fishery. Establishing the destination – determining where the fishery should go – must logically precede any choice of vehicle and any attempt to get there.

As we have suggested, to achieve the vision of the Atlantic fishery we propose in this document, one important step must be taken first in Newfoundland and in some other areas: adjusting the number of participants now engaged in the fishery to equal the "right" number, rationalized on the basis of both economic and social considerations.⁶⁷ It is only after this rational level of participation is achieved, and the door on admissions is shut, that other new policy objectives and principles can be met.

Present federal initiatives, such as the NCARP, are currently attempting to move in this direction by such means as retraining, retirement and professionalization requirements. Whether these measures are entirely appropriate or adequate remains to be seen.

Whatever the specific means, we see two opposite approaches to this primary issue of rationalizing fishing effort in those areas where this is necessary.

At one extreme, the system might be thrown open to the full and unmitigated forces of natural economic selection, letting normal economic forces determine the demand for labour and investment. This could only be accomplished by first eliminating subsidies, make-work programs, special fishermen's UI and other social programs which now work diametrically against the natural consequences of an oversubscribed workforce and a depleted

⁶⁷ As we have contended throughout this document, some areas, such as the southern Gulf Region, have already gotten this far towards effort rationalization.

resource base. Under such circumstances, most of the necessary rationalization would probably occur very quickly – though associated with a good deal measure of economic pain.

At the other extreme, the system would be changed by fiat of government regulation, immediately limiting and eliminating the excess work force (probably with some sort of direct compensation for those summarily forced from the fishery) based on whatever criteria is necessary to achieve the "right" number of participants. As in the other extreme approach, rationalization would also be achieved quickly, though probably with considerable political pain.

But both approaches to rationalization would require governments to create a variety of non-fisheries-related economic and/or employment development programs to take care of the social "fall-out" resulting from either rationalization initiative – those participants made redundant by such a fisheries management policy.

6. Industry Issues and Perspectives

Whatever the vision and principles, several of the issues raised in our consultations must be addressed and resolved and will have to be principal considerations in the formulation of a new vision of the fishery.

Several of the most prominent issues — the entry and exit of fishermen, transfer and sale of licences, ITQs, inshore vs offshore, fleet separation and professionalization — are discussed in this section. In addition, as we were requested by the Task Force, we reflect on some of the ways these issues might be resolved within a new fisheries management framework.

The Registration and Categorization of Fishermen

Registration may address two different areas of access policy. One is the admission of individuals to the profession, and the other is the regulation of participants who have already been admitted.

Entry. The entry of participants to the fishery is essentially the basic question of who should be granted the "privilege" to harvest fishery resources. Only after this question has been answered is it possible to establish appropriate registration and participation criteria and to design a specific licensing system. Further, this system must be in harmony with an agreed set of principles for access policy – one based on an overall social and economic vision of the fishery.

Entry control may serve to achieve resource conservation objectives and to maintain acceptable income levels (ensuring that the resources are not too widely dispersed) by using registration and certification to control the number of enterprises and individuals involved in the fishery.

In a "rational" fishery, basic access decisions, such as which participants, and how many, should have access rights, must be based on a realistic appraisal of the available resource. In trying to calculate or decide the "right" number of participants, it is necessary to consider several key, interrelated factors: the appropriate type and mix of harvesting technologies, how much effort the resource can withstand and sustain with these technologies, and the desired socio-economic structure — especially what society deems to be a reasonable income for each participant. For example, should the fishery have 20,000 people making \$15,000, or 10,000 making \$30,000?

Another essential aspect of entry control is control. Once the right number has been set, the door should only be opened to admit more, if it is necessary, provided this is in accord with overall policy and vision. Admissions must not be influenced by politics or be counter to accepted policy.

In the present Bonafide system, for instance, a new fishermen can enter the fishery only if an opening has been created when a Bonafide participant dies, retires or sells his enterprise. This system has achieved its rationalization through an initial certification and registration process, and it maintains that rationality because the system has very strict, "closed-door" entry regulations.

Participation. The other important aspect of registration policy, the regulation of those within the industry, is concerned with professionalization (discussed later in this report), participation levels and with the exit and re-entry of participants.

In certain areas, fisheries policy now regulates levels of participation.⁶⁸ However, if participation were limited to a rational number of people and enterprises, it would not matter if these participants came and went as they pleased, or if they chose to fish their licences or to lease them out to other eligible fishermen. If a person made a permanent exit, logically he should forfeit his access rights, and some other person should be allowed in to take his place. Thus there would need to be formal criteria concerning permanent exits to ensure that dormant licences were not held in perpetuity.

However, the underlying rationale of participation criteria assumes that a personal registration and fishing licences are temporary "privileges", not permanent "rights". It further assumes that other people are queued up waiting for the privilege to obtain income from the common property resource. Thus, if a fisherman does not fully exercise his right

⁶⁸ For instance, full-time status may be lost if full-time participation requirements are not met for two consecutive years (*Commercial Fisheries Licensing Policy for Eastern Canada*, DFO, 1992, page 8; see also pages 27 and 55 on licence participation). In addition, further participation requirements are established in specific management plans.

to fish, income from the harvest of resources will be "lost", or at least will not be equitably distributed among all members of society.

But, in reality, whether a participant chooses to use, lease or temporarily bank his access privilege is of no consequence from the perspective of resource conservation. Indeed, in a period of resource decline, it may be very useful and appropriate to permit temporary exits, as both an economic safety valve and a resource conservation mechanism.⁶⁹

The temporary exit and subsequent re-entry of participants is only an important question from the perspective of social equity or from certain principles of economic justice.

Observations. A further observation on entry and exit policy is that access policy does not need to be concerned with restricting or controlling the entry, exit and re-entry of participants who are not permitted to hold licences, such as Commercial crewmen or "helpers". Recruitment to this industry category will be determined by the natural market forces of supply and demand; as in any industry, the fishery requires a reasonable amount of occupational and labour mobility. Such "fishermen" are workers like blue collar workers in any other industry, on land or on sea.

Fisheries management policy should only be concerned with the initial entry of part-time, or Commercial-category fishermen, if there is a connection between entry criteria, certification and the issue of licences. If all of these entrants might eventually be eligible to hold species licences and own their own fishing enterprise, then there is an evident need to control the number of people entering the fishery at this level, too.

Since they do not hold fishing privileges (ie. licences), the temporary entry and exit of such fishermen is not really an issue with which fisheries management policy needs to be concerned, though it may be one for government agencies such as CEIC.⁷⁰

Another observation is that *any* form of access policy or licensing system whose purpose it is to grant some individuals the "right" to harvest a common property fishery resource and to exclude others, is inherently and inevitably a policy for regulating fishermen's incomes. This means that a clear economic - and social - policy must be established first.

⁶⁹ Without such flexibility, we will continue to face situations such as those now occurring in the Northumberland Strait, where, we have been told, fear of continuing government seizures of inactive licences will result in overfishing of threatened resources (such as scallops) as all licence holders feel compelled "to use them or lose them".

⁷⁰ For example, in Newfoundland, the high cost of fishermen's UI appears to be one of the factors behind the desire to reduce the number of part-time fishermen in the inshore fishery. And, in PEI, consultations with Bonafide fishermen indicate that CEIC may investigate an operator who appears to have more than the normal number of Commercial fishermen on his vessel, suspecting him of trying to "load up" the UI ranks.

Finally, as we have implied, the most basic issues associated with registration and participation criteria are not those which can be addressed merely through the application of some universal principle or objective standard: they can only be judged right or wrong, logical or irrational, appropriate or unsuitable, in the context of an agreed, consensual vision of the fishery.

Species Licensing, Sales and Transfers

Licensing. Once a rational registration policy has been established and implemented, the granting of fishing privileges – species licences – should have been rationalized as well. The rationalization of effort should be accomplished through the registration of participants: the number of licences, like the number of participants, would then be determined by the amount of the resource available and the economic policy and income objectives of the industry. The main consideration would be to decide an appropriate mix of licences which produce the desired level of income for each enterprise.

Although current policy implies that limited entry licensing is the best means of avoiding the problem of an over-subscribed fishery, controlling the number of registrants may be a more rational approach, since it avoids the basic problem of the dissipation of licences, and hence of income. Once the number of participants has been fixed, the licences they have, how they share them and when they use them should not be a problem. As we have observed in the Southern Gulf area, most fishermen regulate their own use of licences according to good – professional – business practices.

We believe that policy must "fix" effort by other means than the control of fishing licences. In fact, the Bonafide system's essential rationale is to accumulate licences to prevent resource "dissipation" rather than increase it. Perhaps the reason for this is because, within a closed system, there is a much stronger sense of resource ownership and therefore of resource husbandry – the "tragedy of the commons" is not perpetuated because the property has become less "common".

Transfers. Under present policy, licences are not technically transferable, but they may be "reissued" at the discretion of the Minister, and within specific conditions set out in legislation. In practice, the transfer of licences occurs quite regularly in most fisheries and as a matter of course, to the person "recommended" by the current holder.

Within a registration and licensing system which grants access rights to a limited number of people and enterprises, there appears to be no reason why transfers might not be openly permitted as long the transfer was between certified fishermen only. The guiding principle underlying this would be that all licences are transferable provided a transaction

does not create a new "certified" position (fisherman). Thus, in Bonafide area of the Southern Gulf of St. Lawrence, fishermen transfer (and, de facto, sell) individual species licences, but the number of Bonafide participants, and hence enterprises, is fixed so that the changing disposition of licences has a neutral effect on the resource and the overall industry economics.

Further, if all fishermen in a closed-access registration system were given the same licence portfolio (if all had equal, multi-species fishing privileges) there would actually be no point in transferring licences.

If resource conditions did dictate a significant effort reduction in this kind of system, a rational fishery should be maintained through the elimination of enterprises rather than licences, perhaps through the buy-out of a registrant. This is because such a system would have been rationalized initially based on the assumption that all licences in the portfolio are necessary components of an individual, rational business, and that registrants and licences are essentially in a state of equilibrium. Removing licences only would eventually lead to reduced incomes and, effectively, an oversubscribed fishery. Eliminated positions, including their licence portfolio, would be kept out of the system until resource conditions improved. At this point they might be sold back, to recoup the buy-out amount.

Licence transfer to a direct family member is almost a separate issue, and one which, under the closed system envisioned, becomes essentially a matter of transferring an enterprise – registration (the Bonafide status and privileges), licences and probably the vessel. The underlying rationale of such transfers between family members is that the right to fish may be a legitimate part of a fisherman's legacy to his family, and that many fishing enterprises are family-based businesses. In many instances, the son(s) has been working in the business with the expectation that some day he will become its legitimate head, and is usually a certified fisherman in his own right.

In such a system, a fisherman's son or daughter would only be eligible to receive the transfer if that person were a certified fisherman or if the registration went with the licence. A special exemption might be made to hold the licence in the new holder's name until he or she met the full registration criteria, or might be permitted to act as licensee until this was achieved. Conversely, we do not see any reason why a non-fishing son/daughter should be automatically entitled to a licence, and regulations covering transfer should not override the basic underlying integrity/principles of the system, namely that the issuing of a fishing licence should not be allowed to create a new "certified" berth.

Banking. Present regulations define licence banking as "the period of time following the sale, loss or removal of a fishing vessel during which all licences issued in respect of that

vessel will be reserved for the licence holder".⁷¹ Bonafide fishermen are permitted to "bank" their own licences for a maximum of five years and are not required to actively fish them, while others are allowed only a two-year recess. Certain species licences have their own banking restrictions: in the Scotia Fundy lobster fishery, for instance, a fisherman is allowed to recess his licence for only a one year period.⁷²

Again, as with the transfer and sale of licences, within a rationalized fishery, licence banking should not be problematic, especially if all have a similar portfolio. Indeed, it might make more sense to limit registration banking, than licence banking, to ensure that benefits were not lost to society.

Generally, in the inshore sector, the term "licence banking" is used to refer to the practice of voluntarily keeping a licence inactive for various reasons. Within the Bonafide system, decisions to bank a particular licence are made according to an individual enterprise's business needs or the need to conserve a particular resource. Thus a fisherman will decide to fish herring instead of scallops if the resource has had too much pressure, or if one fishery has lower prices. Thus, within such a closed system, the choice to activate a licence or to let it lie fallow is an essential part of the internal management of the business and hence of the fishery – determined by "natural" environmental or economic forces.

Indeed, as we have recently seen, DFO's recall of inactive groundfish licences has (inadvertently) created a situation where pressure on a scarce resource will increase rather than decrease, as fishermen respond by using *all* their species licences to make sure that they cannot be recalled.

Allowed to operate freely and without threat of recall, such banking practices are a powerful conservation and management tool, and also a rational business strategy on the part of fishing enterprises.

Sales. Government should acknowledge the fact that fisheries licensing policy has created *de facto* property rights in the fishery. Current regulations state that "a licence confers

⁷¹ Section 35(2).

⁷² See *Commercial Fisheries Licensing Policy*, "Special Employment Criteria for Fishermen", Section 14, 21 and Annex IV. There are no similar, specific participation criteria for the Newfoundland groundfisheries and the Gulf lobster fishery in Western Newfoundland. The regulations simply state: "Licences may only be issued to those persons who are not employed in full-time or seasonal recurring jobs outside the commercial fishery", although Annex IV states that part-time fishermen must show proof of commercial fishing activity to retain or renew their registered status. In the Scotia-Fundy fixed-gear inshore fishery fishermen must participate in commercial fishing activities during any three year period. However, under Section 10(1) all full-time fishermen will be downgraded if they fail to meet full-time status requirements for two consecutive years. Full-time status, in turn, requires that a fisherman fish for a "required period of time" for the two previous years (9(1)).

neither property nor any proprietary or contractual rights which can be legally sold, bartered or bequeathed". But in Atlantic Canada, as on the Pacific coast, the sale of licences is a fact and a well-established practice, as is their transfer. The most explicit example of this is the establishment of ITQs, an allocation device which has, as one of its explicit objectives and functions, to facilitate the transfer and re-distribution of privately-held shares (quota) of the common property resource through sale on the open market. But there is also an extensive, relatively formalized and established practice for the sale (and hence the transfer) of limited entry fishing licences in both the Bonafide and the full-time/part-time systems.

On Canada's West Coast, a recent report concludes that, "after 20 years of buying and selling of licences, licences have been established irrevocably as transferable. To consider otherwise would be the prescription of a cure that is worse than the disease."⁷³ In both fishing regions, fishermen regard it as their right to sell their fishing licences as a way to exit the industry with some form of "severance pay" (if their business fails) or as their "retirement fund." Indeed, most regard the profits as a reward for their years of effort and investment in the industry.

However, while we see no inherent problem in the open and direct transfer of licences (or registration) within a closed, rationalized system, we are not convinced that individuals who have been granted a fishing privilege by the state should be permitted to capture all of the value bound up in that privilege, especially as considerable "rewards" come in the form of income and profits which a fishing privilege generates each year. If licence sales are permitted, society in general should have some way of capturing at least some of the "economic rent" of those sales since fish remain a publicly-owned resource, and since public taxes help pay for the management and administration of this natural asset, as well as a large number of industry support programs and subsidies.⁷⁴

We thus see the need for either a gradual phase-out of the current tacit permission to sell licences, or else the phase-in of a system whereby public benefit is restored, perhaps through a levy on the sale and/or transfer of licences, to off-set the costs of social benefits or for resource enhancement projects, industry development programs, or a Fisheries Bank to provide low-cost loans or working capital to fishing enterprises. Or, since, many fishermen view the money from a licence sale as their retirement fund, some of it might be used to build a retirement fund for professional fishermen.

⁷³ *A Commission of Inquiry into Licensing and Related Policies of the Department of Fisheries and Oceans. The Fisherman's Report.* Don Cruickshank, Commissioner, 1991, p. 17.

⁷⁴ Some fishermen also share this view, especially those in areas where there is little or no possibility of a private benefit from a licence sale. They see a fisherman in PEI being permitted to sell his "enterprise" for \$120,000 to \$150,000 while a "colleague" on the northeast coast of Newfoundland has no such market and therefore fewer (or apparently different) privileges.

The basic problem with introducing such changes is that many fishermen have already paid dearly for their fishing privileges and their expectation is they too will eventually be able sell out and "recapture" the initial purchase cost. Thus it would be an extremely unpopular decision if the Government of Canada were to declare (and enforce) that, henceforth, no fishermen may benefit from the sale or transfer of a licence. Even if it said that this practice would only be allowed for another five years, fishermen would not be able to recover their investments, since the immediate effect of such a policy would be to decrease its value as an "asset".

ITQ Fisheries

Although our review of policy documents and our consultations suggest that some policy-makers see the ITQ system as a solution to most of the region's fishing problems, it is more reasonable to recognize it simply as a means of allocating a specific share of the resource to distinct enterprise groups so that they can better control their cash flow, plan their businesses and land their catches in a rational and scheduled manner. It has not been instituted as the expression of new principles for the fishery nor the embodiment of a new theoretical construct concerning private ownership of common property resources.

Based on our industry consultations we must conclude that the ITQ system has only limited applicability within Atlantic Canada and that its imposition on a broad scale would be inappropriate, both environmentally and socially, especially in Newfoundland.

Despite this conclusion, it is evident that in several areas where the ITQ system is in place, there is a consensus that it has resulted in concrete benefits for most participating enterprises. But, we suggest, the juxtaposition of the ITQ system with other allocation systems could (and has) exacerbate resource and economic conflicts, or generate new ones, especially if resource levels continue to deteriorate.

Such a dual or two-tiered allocation system has the potential to generate fleet competition, for example because of the different harvesting capacities and fishing patterns of large *versus* small vessels. But perhaps a more important difference between the two systems is that they embody fundamentally different visions of what the fishery is and what it should do.

Inshore vs Offshore Perspectives, Allocations and Fleet Separation

Our consultations with the industry have led us to what might be a rather obvious conclusion: that it is extremely difficult to compartmentalize different aspects and elements of fisheries management policy. This is no better illustrated than by examining current views

and perceptions of the related conflicts between the inshore and the offshore sectors of the industry – about fleet separation and resource allocation policy – particularly those concerning the sharing of fishery resources between these sectors.

Based on what we have heard, we believe that the long-standing debate (and rivalry) concerning the merits of "inshore *versus* offshore" fisheries is currently muddier and more confused than ever before. Rekindling this long-standing conflict are two new factors: the radical change in resource conditions, and the urgent need for a new strategy for the integration of harvesting and processing activities, dictated by economic factors. The latter issue is further complicated by new views about the appropriate structure for the onshore processing sector – essentially the old debate about the relative merits of small-scale versus large-scale fishing enterprises, or seasonal versus year-round fishing and processing of the resource (these also fundamentally relate to the vision of the fishery).⁷⁵

The debate is currently focused on two main policy areas. The first concerns basic allocation policy. Simply stated, the question asked by the inshore sector (non-offshore vessels and the plants they supply) is whether, given the massive decline in offshore landings, the subsequent downsizing of the offshore wet-fish fleet and the possibility that future TACs for key groundfish stocks will be so low that there will not be enough resources to supply all vessels in all fleets, should we continue to make a specific allocation to larger offshore companies? The inshore sector would argue that DFO cannot justify giving a specific resource allocation to offshore companies because their fleet is too small to justify their former shares, and because it is not right to give an EA to a processing company per se. Thus, participants in this sector say, those resources should be re-allocated to their sector.

From its perspective, the offshore sector (the established vertically-integrated harvesting/processing companies) would argue that they were granted a special resource allocation, not simply because they were a distinct fleet segment but because they were, still are and always will be, a strategically important component of the region's overall fisheries, maintaining year-round employment, at sea and in onshore plants, and a strong year-round presence in fish product markets. Thus they would argue that they should continue to receive

⁷⁵ The relevant policy issues, and the larger debate about the merits of inshore versus offshore fishing, are further influenced by the changes which have occurred during the past decade in the cost and efficiency of different harvesting technologies, such as the wet-fish trawler and the midshore vessel. Conflicting viewpoints and research on the environmental effects of different inshore and offshore gears is a side issue that also complicates and exacerbates this problem.

the same (ie. their existing) share of any resource, even though their allowable catch would vary with the TAC, reflecting changes in resource levels.⁷⁶

While this is essentially an allocation issue, it also concerns licensing. Established offshore firms would like to be permitted to harvest their allocations with a variety of harvesting technologies, for example with a combination of conventional wet-fish trawlers and 65' vessels. But current fleet separation policy does not allow this.⁷⁷ According to managers of some processing firms, this is a new issue which can only be addressed through new policy, or at least substantial changes in the existing regulations.

There are at least three different perspectives on this particular issue. Those of processing firms with Enterprise Allocations, processing firms which do not have specific resource shares and those of inshore fishermen.

Established vertically-integrated processing firms, for example Fishery Products International and National Sea Products Ltd., are of the view that a harvesting sector with a flexible or balanced mix of appropriate technologies must be an important element in the future fishery. But they also recognize that, before such an approach can become a reality, a number of factors and policy issues need to be considered and resolved.

They believe that there is an urgent need for a new strategy for harvesting fishery resources, especially those allocated to vertically-integrated fishing companies. Policy should therefore permit and encourage a more balanced and diversified use of harvesting technologies – of trawlers and midshore vessels, or indeed any size vessel with the capability of catching fish in an appropriate and cost-effective manner. Existing companies would continue to use their wet fish trawlers mainly because this technology is still required to

⁷⁶ Supporters of the "offshore view" would also argue that government should be honest and admit that it gave offshore processing firms "custody of a share of the fishery resource" (and, for essentially the same reason, later created the Enterprise Allocation system) because it recognized such companies had a special role to play in the development and maintenance of the region's fishing industry. One proponent of this view suggested that "smaller processing companies have never been granted the same privilege or right, but neither have they had the same role in and responsibility for industry development."

The government was not therefore making a resource allocation decision so much as a "socio-economic" principle about the inherent need and value of large, sophisticated processing companies. Thus it recognized that offshore processors needed "guaranteed" supplies of raw material in order to justify investment in sophisticated, year-round processing facilities. Thus, from this perspective, companies such as FPI and National Sea Products were and are "special cases": FPI required a guaranteed share of the TAC to invest in plants such as Marystown, and National Sea needed the same assurance to develop its Lunenburg plant. Both companies, it might be suggested, have demonstrated their ability to make effective use of their allocations to create jobs and good products, and to capture and develop markets for the Atlantic region as a whole.

⁷⁷ Although some do under previous licensing policy. In Nova Scotia, for example, National Sea Products Ltd. has four 65' vessels as part of its overall fleet (which also has eleven wet-fish trawlers, down from about 55-60 several years ago). These four vessels were "grandfathered" into the firm's fleet under pre-1979 regulations.

ensure continuity of supply when smaller vessels are not able to fish, or because certain species are only accessible to such vessels. But, essentially, these firms want to use any harvesting technology which can catch fish at a lower cost and higher quality or because it might be able to supply specific product markets more effectively.⁷⁸

This does not mean that offshore companies want to own their own fleet of licensed (65') vessels. However, they would like closer, formal (ie. legally-binding) links with independent operators of such vessels to help guarantee a raw material supply delivered as efficiently and reliably as possible.

Offshore companies point out that this is not an entirely new concept for their sector since they have always purchased significant quantities of inshore/midshore landings.⁷⁹ They thus suggest that DFO's fleet separation policy is somewhat inconsistent: in Nova Scotia, for example, there are a number of enterprises operating one or more 65' vessels that have developed into small-scale vertically-integrated harvesting and processing companies. Thus while processors are not permitted to own, or to hold licences, for 65' vessels, fishermen operating such vessels are allowed *to own plants*.

However, non-offshore processing firms are concerned that if offshore firms are allowed to do thus, the 65' vessels – many of which also supply the smaller plants – would deliver *all* of their landings to the offshore firms, both their normal catch (from the inshore allowance) as well as company allocated fish. Some small plant operators have suggested that, in such an arrangement, offshore firms would be "robbing fish" or "siphoning off resources" from the non-offshore sector, and thus would "be starving the inshore processing sector." This perspective is influenced by several factors, including the fact that, in many parts of Atlantic Canada, plant operators and vessel owners have entered into a variety of formal and informal contractual arrangements the express purpose of which is to assure a guaranteed supply of raw material to *their* plants.⁸⁰ Thus it is easy to see why they would

⁷⁸ In Nova Scotia, National Sea Products Ltd.'s own ("grandfathered") midshore vessels are essential in maintaining a supply to their important fresh fish markets, especially during the summer when their trawlers have relatively low catch rates.

⁷⁹ In 1984, for example, FPI purchased close to 40% of its northern cod from inshore vessels, though by 1989 this level had fallen to 27%. Some of its plants, for example its operation at Port aux Choix on the West Coast of Newfoundland, are almost entirely dependent on inshore landings. In 1992, National Sea Products Ltd. supplied nearly all of its fresh fish markets with product from vessels under 65'.

⁸⁰ The existence of a variety of "under-the-table" deals between processing firms and vessel operators is a significant issue for licensing policy, but it is also one that few government and industry managers are willing to discuss. Secret, "under-the-table" deals between harvesters and processors, we have been told, are a widespread practice in the region and are a significant concern for DFO managers and for the Department's licensing system. These arrangements are the result of at least two factors: the desire of non-offshore firms to have an assured supply of fish, and the increased costs associated with purchasing and operating larger inshore vessels. Many processing companies are now silent partners and/or co-owners of many 65' vessels and we have been told that the contractual agreements between such fishermen and plants are very strictly

be concerned if some of "their vessels" decided to contract with an offshore firm instead, taking their allocation with them. Not only would the inshore plants risk losing their assured supply,⁸¹ but their money (their investment in 65' vessels) would be used to catch fish for their competitors.

As might be expected, most inshore vessel operators have a different view of how to tackle the offshore processor supply problem. They believe it should be solved by re-allocating offshore Enterprise Allocations to the inshore sector and making all processing companies – small, medium and large firms – buy directly from them, perhaps through an auction system. However, for offshore trawlermen this would mean lost jobs.

Other processors, especially firms who rely on raw material supplied by inshore fishermen, take a very strong position on this issue, stating that there should no enterprise allocations at all, for any processing firm, since this gives special treatment to a few and puts all others at a competitive disadvantage. They maintain that no firm, large or small, inshore or offshore, has the right to such privileged access to fisheries resources. We were told that future policy should place all firms on an equal footing, with large companies taking their chances and competing for raw material with everyone else: "if DFO wants to have a different allocation policy, then that is just its way of dispatching the rest of us in the industry." ⁸²

In addition, they believe that the large vertically-integrated fishing corporations, and their Enterprise Allocations have depleted the region's resource base through excessive and uncaring exploitation of spawning and nursery areas, especially those of the northern cod.

enforced. Consultation with one Newfoundland processor indicated that the vessel operators which they have invested in would be very reluctant to have such arrangements made public.

In the Scotia Fundy and Gulf regions, the Department is very concerned about the implications of this vessel ownership structure for various aspects of licensing, such as the transfer of licences from "genuine" owner-operators (fishermen who own 100% of their enterprise) to new licence holders who are only minor shareholders in an enterprise, the majority of which is actually owned by a processor. In Nova Scotia, DFO is considering the idea of requiring "full disclosure" of all individuals, companies or non-fishermen shareholders involved in the transfer transaction. In that province, the situation is further complicated by the fact that many processing companies, including National Sea Products and Clearwater Fisheries, are legal licence holders and operators of larger inshore vessels.

⁸¹ Offshore firms suggest that potential problems associated with 65' vessels catching offshore allocations, and neglecting their sales to inshore plants, could be resolved through various means, such as strict contractual agreements stating that a vessel operator could only catch a specific quantity of that fish and that, when the job was completed, the vessel would return to its normal fishery. If a vessel, or an offshore operator, violated this regulation, both might be subject to fines, or other sanctions.

⁸² One plant operator noted: "large companies like FPI and National Sea Products, having destroyed their own fishery, now want to come and pick the bones off what is left in the inshore sector. They now want us (medium-size processing firms) out of the way so they can have absolute control, to dictate the price of fish to fishermen."

In general, this perspective is another variation on a consistent theme raised by nearly all sectors – that it is time to "unfetter" and "deregulate" all sectors of the Atlantic fishing industry and to let market forces decide who survives. This view obviously suggests that the smaller firms do not believe that the large-scale plants are inherently more viable. In the words of one processor: "FPI lost \$50 million last year, so let the balance sheets speak for themselves. Have these larger companies invested any more per tonne of output than other companies?"

Some of the larger, non-offshore processors we consulted also support a free market vision of the Atlantic fishery and the abolition of EAs. They say that many of DFO's regulations have more to do with "the economics of the industry" than with resource conservation. Some processing companies had to "purchase their [groundfish] allocation with cold hard cash", they did not have it handed to them on the basis of history or politics.

However, they agree with the offshore firms that rationalization of fleet ownership structure should also be part of any industry adjustment strategy. They say that current policy on fleet ownership and allocation "guarantees that fish resources will not be landed by the most efficient vessels." These firms thus suggest that the time has come to "get rid of individual vessel licences completely, and make the allocation totally transferable. Why should we have to describe what type of vessel we are going to use to fish our [Enterprise] allocation?" Nor do they believe that allocations should be tied to a community. If it has to close a plant, a company with a resource allocation should be allowed to "take it with them", otherwise you will have a "social" fishery.⁸³

In Nova Scotia, some midshore (65') vessel operators also suggest that there is no further need for either offshore allocations or an offshore trawler fleet. Though many fishermen in this fleet have contracts to supply offshore, or other, processing companies with raw material, they say their fleet should gradually begin catching a larger share of the allocations made to "offshore" processors. They argue that there are only a few months of the year during which they cannot fish as effectively as a wet-fish trawler and that, in most cases, midshore vessels can deliver a less-costly and higher-quality product.⁸⁴

Observations. In our view, any decision to continue making specific allocations to processing companies, such as FPI or National Sea, will have to be determined within the agreed framework of a new vision for the region's fishery.

⁸³ Steven Green, Clearwater Fisheries, Interview.

⁸⁴ But they also recognize that the reality dictates the need for a vertically-integrated "offshore" processing companies noting that they are very efficient and stable employers and producers of diversified fish products for world markets.

However, within any new vision for the fishery, it would be appropriate to consider new terms and conditions for allocation policy, and – as some offshore firms have suggested – to create new guiding principles which establish the terms of a "social contract" for any processing firm granted a specific share of common property resources. These principles might say how that allocation should be used. For example, firms might be explicitly required to use their allocation to maximize onshore processing employment, bearing in mind the need to operate in an economical manner. As such, the use of factory freezer trawlers, for example, would be considered a violation of the "contract" between an offshore company, its onshore workers and government.

Even if there are no longer "company" allocations, it is not realistic to believe that firms such as FPI or National Sea will cease to be major players in a future fishery. Although we cannot recommend whether or not company enterprise allocations should be maintained, we see nothing inherently wrong with those companies being allowed to catch fish with a combination of technologies (ie. vessel classes), especially since some larger companies are already allowed to do so. Similarly, whether one considers present arrangements between some processors and vessel operators to be inappropriate, illegal or undesirable from a public policy perspective, these arrangements are quite rational from the perspective of the economic realities in which the industry operates.

Clearly, any harvesting strategy that enhances the overall viability of the processing sector would be a step towards a more rational industry.

While we recognize that fleet separation is a complicated and contentious policy issue, it obviously requires some sort of rational and uniform policy solution. Many of the problems which now exist are the result of policy inconsistencies, failures to respond to changing realities and the grandfathering of past regulations. This would not only require changes in DFO's fleet separation policy but might also require government and the industry to re-define the conventional definition of an "offshore" company.

In any case, as we have observed, this situation illustrates the problems that can result when the industry fails to establish and apply consistent principles: confusion, intrigue, and eventually deception on the part of enterprises, and excessive reliance on ad hoc regulations by fisheries managers. It also demonstrates why single-purpose, one-dimensional solutions often create even more problems, especially when they are not based on, or are not an integral part of, an overall vision for the fishery.

Professionalization

Though an analysis of fishermen's professionalization is not specifically part of the terms of reference for this study, we believe that it is inextricably linked to most of the

issues associated with resource access and several issues associated with allocation. It is also an important current issue for all those involved in the industry. Thus it would be difficult to discuss access and allocation policy without considering the implications for future fisheries policy of establishing professionalization for fishermen.

Among many fishermen, professionalization has generated a great deal of confusion and uncertainty, possibly because no one has yet defined, in clear terms, its scope, its purpose or its implications for registration and licensing policy. The issue is further obscured because it seems to be interpreted differently in different parts of Atlantic Canada.

At present, in the province of Newfoundland, the issue of professionalization is closely linked with DFO's changing policy milieu, both of which have been precipitated by the northern cod moratorium, the NCARP program and with the FFAWU's certification initiatives. This region is currently struggling to define and identify a "professional" category of fishermen, and one of the main purposes of this exercise appears to be to identify full-time, genuine and committed industry participants (though even within the province DFO and the FFAWU appear to have different objectives). It is also an important issue in much of Québec where it is regarded as the basis for future licensing policy and a significant step towards co-management of the industry.

But in the Southern Gulf of St. Lawrence this is not an issue. Full-time, genuine professionals have been clearly identified within the Bonafide system, and they consider DFO's professionalization initiative as something which applies to other fishermen, not them, since they believe its primary objective is to reduce and rationalize industry participation. In the ITQ system, too, vessel owners and operators do not understand how professionalization – as it is being discussed – applies to them or what relevance it has in their sector since it has also already been fully rationalized.

Part of the confusion about the value and validity of professionalization has undoubtedly arisen because it has different purposes in the thinking of different agencies and individuals. It is clear that the specific aims of this management initiative have not been agreed between agencies.

For instance, it makes an important difference if the primary purpose of professionalization is to make better and more efficient fishermen (by improving their occupational skills and expertise) rather than to teach literacy skills, to raise esteem, or to get rid of a large number of part-time, marginally-attached participants.

In the words of industry participants we have spoken with, is professionalization a plan "to make everyone better fish killers" or a way to "make everyone run a race so that they can get rid of anyone who doesn't finish"?

In addition, whatever the objectives of professionalization, there are major social, economic and regulatory differences to be considered in deciding what might be required to be a "professional" within each of the inshore access and allocation constructs we have examined. Professionalization needs and priorities of fishermen – skippers and crew – in the offshore sector are entirely separate and different matters again.

Thus it is appropriate to reflect on the different aims and concepts of fishermen's professionalization that are currently being discussed (or implemented), to consider what its primary objectives should be and, having done so, to suggest how it might be most appropriately connected to fisheries access and allocation policy.

Professionalization as Certification and Effort Control. From one perspective, fishermen's professionalization is seen as another way to deal with one of the basic problems with the issue of resource access – namely who should be granted the right (or the privilege) to harvest common property fishery resources.

Thus, in Newfoundland, the current emphasis on professionalization can be seen as part of an attempt to address the problems created by previous access policy, namely its failure to control entry into the industry. The conventional, though rather simplistic, analysis of the problems in the province's fishery is stated as "too many fishermen chasing too few fish." In light of current resource crises and severe economic problems among fishermen, the response has been to eliminate, by one means or another, large numbers of participants. This is now being accomplished through a variety of licensing-related initiatives, but the primary vehicle – and hence a major element within current NCARP and FFAWU initiatives – seems to be professionalization.

Thus professionalization, at least in Newfoundland, is seen by many as simply a mechanism to achieve certification, and hence rationalization, an instrument to identify "genuine" fishermen and exclude those who are not. This is what most professional fishermen in the area perceive to be its purpose – and what they believe *should* be its purpose, since it has long been an important goal to identify a corps of full-time, professional inshore fishermen. They see the most important problem to be tackled in this sector as the need to eliminate large numbers of "unprofessional" participants, whoever they may be and however they may be defined.

This basic access problem exists in other parts of the Atlantic region, but nowhere is it more evident than in Newfoundland, where problems with past registration and licensing policies, coupled with a weak overall economy, a high dependency on social benefits and deep-rooted social traditions have made the fishery an "employer of last resort." In the past

two decades especially, the unemployment insurance system has further exacerbated the province's certification and registration problems.⁸⁵

The FFAWU's present professionalization program is expected by some to resolve many of the certification problems which have plagued the Newfoundland inshore fishery for decades.⁸⁶ The underlying rationale is to identify those fishermen who have a historical, genuine and full-time commitment and attachment to the fishery. Implicit in the process is the assumption that the industry presently includes a very large number of "unprofessional" participants which the professionalization process will serve to exclude. These include people with full-time or regular part-time or seasonal jobs in other sectors, a significant number of part-time permit holders who are involved in the industry primarily to access UI benefits, and others who simply have no other employment possibilities.

But, at some point, however, this process of exclusion is likely to encounter the sticky problem of "right to fish" traditions and, perhaps at some point, the strong egalitarian ethic among fishermen which proclaims that "all people – especially fishermen – are equal". Thus there may be some opposition and resentment towards the creation of different classes of fishermen.

DFO's new certification and licensing policy also regards professionalization in Newfoundland as a means of effort control where only "professional" fishermen will be allowed to hold licences. But even after this process there may still be too many people and enterprises in the industry, and even a Level II fisherman (under the FFAWU model) may still not be able to secure species and vessel licences.

Professionalization as Education. Another purpose of professionalization in most people's thinking is education – whether or not it is its primary purpose. In different concepts, this ranges from basic literacy training, through technical courses related to some aspect of navigation or gear repair, fish handling, quality control and harvesting techniques, to resource husbandry and business accounting. One present problem is that many of the

⁸⁵ A recent report documents the increased dependency on fisheries employment in the 1966-1986 period. Thus, though the industry accounted for only 11% of total private sector employment in 1966, between 1966 and 1986 it generated more than 38% of all private sector employment growth. In 1966 the fishing industry represented 22.5% of employment in the Goods Producing Sector; by 1986 it was double that level at 45.3%. See Beverly A. Carter, "Employment in the Newfoundland and Labrador Fishery: A Background Paper", March 1993.

⁸⁶ The program is designed to create a category of Professional Fisherman. To reach this designation, a fisherman will have to complete various academic and apprenticeship requirements to qualify for Level I and II fishermen's categories. But all fishermen we have talked to in Newfoundland have told us that they expect to be granted professional status based on their established fishing record. Others may be granted Master Fishermen status within this system – an honorary designation and achieved through a further "grandfathering" procedure.

educational programs available for fishermen do not fit explicitly into *any* professionalization model. And, in Newfoundland, the myriad of training and educational programs that have sprung up in response to NCARP funding will make it all the more difficult to decide who has what educational qualifications, "credits" or equivalencies for any professionalization syllabus. In that province there is also a very real concern that the whole educational and professionalization drive might make matters worse, leaving the industry with too many highly-efficient *professional* fishermen chasing too few fish, or too few licences.

Another fundamental problem that we see is that the industry still has not decided just what kind of fishery it may be educating them for. As we suggested earlier, training should be tailored to the *kind* of fishery they will be engaged in the future – whether it will be a traditional small-boat inshore fishery or a high-technology, multi-species midshore fishery. In other words, it must be designed in the light of the larger vision of the fishery and the regulations based on that vision.

Professionalization as Professionalism. Some fishermen and fishermen's groups (such as the Alliance des pêcheurs professionnels du Québec) regard professionalization not so much as a process of training or effort reduction, but as a means for establishing a more organized, viable and self-regulated fishery – one that is more "professional" in the way it conducts its business and manages itself. They see it as a new philosophical approach to the fishery, a fishery that must be co-managed by the professionals who are engaged in it. This would imply new and more equal relationships among harvesters, processors, DFO managers and other government agencies.

In this conception, the process of professionalization would help to establish the status and the legitimacy of the professional fishermen, identify the constituency that will be responsible for self-regulation, and ensure that all participants have an appropriate amount of formal education and practical experience. As "professionals", fishermen might also wish to establish their own standards, "code of ethics" – about husbandry, quality or conduct – and disciplinary provisions, as in other professions.⁸⁷

Whereas governments have taken charge of present certification and training initiatives, in the future the profession itself might establish entrance and performance criteria, procedures for peer review and protocols for excluding members who do not live up to the profession's standards and formal procedures for maintaining and upgrading a

⁸⁷ Self-defined standards and criteria are designed to achieve a number of objectives for any profession and its membership, including protection of the public interest, the status and integrity of the general membership within the community, or the income levels of individual practitioners through a "closed shop" or minimum fee levels.

member's professional knowledge and expertise. Thus in this view of professionalization, the profession would be self-defined and self-regulated, as would its initial criteria for admission.

Once policy has identified and certified a professional, "bonafide" corps of fishermen, the development of a variety of industry support mechanisms is also simplified. In other words, once the system has identified "genuine" participants, then appropriate policies and programs can be designed to address their needs as professionals. This might include taxation arrangements, occupational health and safety benefits, financial assistance programs, income or catch insurance mechanisms, education and training programs, among others. And, with professional recognition should automatically come the self-esteem, status and public recognition they deserve as "professionals".

Professionalization and Egalitarianism. Any group attempting to establish professional status – for whatever reasons – is, by the very nature of what it is doing, involved in an act of elitism. It is a process in which, by some means, a specific group excludes or eliminates some group of "others" which they do not regard as professionals, like them. Thus the act or process of professionalization is "exclusionary" by its very nature, and the notion of "unprofessional" is essentially an elitist paradigm.

Participants in ITQ or Bonafide licensing systems would and do accept the concept of "exclusion", since it is an essential ingredient in their status as "professionals"; however, as we have noted above, in Newfoundland the same notion runs counter to long-standing traditions associated with "the right to fish", as well as to other aspects of egalitarianism.

Indeed, in Newfoundland, these social traditions have thwarted most attempts to create a "professional" corps of inshore participants, and prevented rationalization of both registration and licensing policy within the full-time/part-time system. We were told in some of our sessions with fishermen, for instance, that even where fishermen knew very well who the non-professionals were in their own communities, they could probably never bring themselves to tell these people that they didn't have the right to fish, or that they were not "real" fishermen.

Interestingly, however, this egalitarianism seems to have become focused on the fishery itself. For instance, a frequent complaint amongst Newfoundland fishermen is that there are many teachers among the ranks of the "moonlighters". While the extent of this phenomena is not precisely known, fishermen have every right to be offended and annoyed with this situation. For example, many teachers – a group which has laboured for more than a hundred years to establish its professional status in this province – have a double standard when it comes to the fishing profession. While they see nothing wrong with a casual involvement in the fishery, we suspect that they would be more than a little upset if an off-

season fisherman entered the classroom and demanded his "right to teach" – no matter how knowledgeable the fisherman. Similarly, a fisherman who one day decided to hang up his lawyer's shingle, or to begin medical consultations with his neighbours, would face – quite rightly – grave professional resistance, if not a jail sentence.

Professionalization Criteria. It is also essential to define and clarify how "professionalization" applies within the different social and cultural contexts of the region. By whose standards is the level of professionalism to be established? Will it be that same standard (or requirement) in all regions and sectors? And who is to judge or evaluate the level of professionalism attained? Should these standards be defined by fishermen themselves (by the profession), or will they be imposed from outside, by government or independent institutions?

These are fundamental questions, especially if professionalization is used as a means of deciding which people should have the privilege of fishing.

Observations. It is evident that the application of a standard, region-wide professionalization initiative would have very different receptions in different areas of Atlantic Canada. In the southern Gulf, a professionalization program designed to rationalize participation would be pointless and unacceptable.⁸⁸ On the other hand, in Newfoundland and certain areas of Nova Scotia, a professionalization program designed to make existing fishermen better "fish killers" would only serve to exacerbate the current resource crisis.

In general, however, we suggest there are significant problems with using professionalization primarily as a means to control the level of effort (ie. to rationalize the number of participants). To offer such programs under the guise of education and professionalism is to mislead and detain those whom the program never intended to remain in the industry. If used to achieve participation reduction, the process of professionalization will have to continue to raise the hurdle of achievement so that fewer and fewer can jump over it, until the exercise becomes so difficult (or repugnant) that only the desired number can pass. In the meantime, those who were never intended to be admitted (numbers here rather than individuals), will have been detained, misled and frustrated.

A further problem with using professionalization to reduce participation levels is that it places what should be a high-minded ideal in the uncomfortable position, not of

⁸⁸ Indeed many Bonafide fishermen see professionalization as a threat to their Bonafide status and suspect that it is connected with an attempt by DFO to make fundamental changes in the "rules of the game" which they have laboured hard to establish.

determining who should be admitted to the fishery, but of deciding who must be forced out. In other words, such a process of certification is about taking back something rather than granting it, of turning it into a threat rather than an aspiration.

In any case, the process of deciding "who" must be preceded by the question, "how many", which has to consider fundamental questions about resource availability, desired income levels and the most suitable balance between effort and resources. These are issues which would tend to make any professional standards relative rather than absolute, and utilitarian rather than ideal.

7. Conclusions

Our industry consultations have told us that many participants, in all sectors of the Atlantic fishery, believe the industry to be now "on the threshold of major structural and institutional change and reform".⁸⁹ This belief has been engendered primarily by two related factors or events: the fundamental downward shift in the region's resource base, and the dramatic, widespread economic changes which this has produced throughout nearly all parts of the region.

The entire Atlantic fishery is only now beginning to understand the extent of its resource supply and economic problems and it is very uncertain about how it will, or should, cope with the tumultuous changes which have occurred (and are still at work) within its basic industrial fabric. Policy structures have not been able to respond in a comprehensive manner to these new events, and this in itself is a significant contributor to the widespread uncertainty in the industry – and in the fishing communities whose economic future depends on the harvesting or processing of resources.

We have been told that this is because the present system is a managerial framework in which political factors, acting mainly on the regulatory side of the equation, work their way backwards through the management system into policy rather than *vice versa*. Regulations and short-term political decisions have been used as a substitute for good decision-making based on agreed objectives and principles, and this process has not resolved fundamental problems in many areas, nor has it satisfied the desires and expectations of participants in the industry.

At the national level, DFO has initiated a major overhaul of the system,⁹⁰ and managers in each of the Department's offices in the Atlantic region are involved in a review

⁸⁹ As Cruickshank observed of the Pacific fishery, p. 6.

⁹⁰ "A Proposal for Reforming Licensing, Allocation and Sanctions Systems", announced by the Minister in November, 1991.

and assessment, or at least a careful "fine tuning", of licensing policy as it applies within each jurisdiction. Whether these initiatives will succeed in addressing the myriad of issues and concerns that we have heard about from the industry – and many of these managers – remains to be seen.

However, even with a major policy "overhaul", the situation in Newfoundland is much more complicated and uncertain in light of events associated with the closure of the northern cod fishery (the moratorium), significant problems in other groundfish stocks and general economic and social conditions in the province as a whole. In that province, DFO officials say that the Department's registration and licensing system will require major change and that this process will be coordinated with the FFAWU's professionalization program and other NCARP initiatives. Key aspects of allocation policy will also need to be re-assessed in light of current and anticipated resource conditions and the major changes now being considered for the province's processing sector.⁹¹

Thus there is a high level of uncertainty about the future structure of the whole Atlantic fishery, particularly in Newfoundland, as the various sectors wait to see what government will do next. This situation makes it extremely difficult for any report, or the Task Force, to suggest appropriate direction for specific aspects of fisheries licensing and resource allocation. And any direction recommended might be quickly overshadowed or superseded by larger political and economic decisions by government.

Despite the uncertainty about the future, we have also heard the expression of a new spirit of determination that fundamental structural, economic and policy changes can – and must – be accomplished, and that they will result in the creation of a very different kind of industry. Though few are able to articulate in any detail the kind of changes that must take place, most industry participants are clearly aware of two things: first, that it is now an appropriate time to debate and consider "a new vision"; and second, that the future cannot afford to look like the past.

Based on what we heard during our consultations, it is our view that many of the participants in the Atlantic fishery would also share one of the key conclusions of a recent assessment of the Pacific fishing industry which stated that: "reforms, and the decision-making process that leads to reform or change, must be developed with the involvement of the stakeholders whose lives will be affected by those changes. Fishermen ... want to participate in the decision-making process; they want more consultation and they want better consultation."⁹²

⁹¹ The province has indicated that the processing sector will require significant downsizing in the next few years. *Changing Tides*, 1993, states that 80 plants will likely have to go.

⁹² Cruickshank, p.102

The newly-constituted Fisheries Boards are expected to "create a more understandable decision-making system, one that is more open to public view, that gives a more direct voice to those involved in the fishing industry", and to redesign "the relationship between government and the fishing industry".⁹³ Further, these new policy structures are expected to alter significantly the established management framework and bring new players into the decision-making process. Our consultations with industry participants in all sectors suggest they would welcome these changes, especially since most believe there is a critical need for a major consultation-based assessment of the industry's future. However, it should be noted that under this new model, the Department will still be responsible for setting fisheries management policy.

Based on what we have heard, it is evident that all sectors of the industry must begin now to prepare to respond to and participate in these new policy-making structures and any others that will emerge. It is vital and essential that they do so since it is our belief that a new vision for the industry, and the major new policy initiatives needed to transform this vision into a concrete reality, will emerge by default if not by design.

To satisfy its needs we believe the industry requires a comprehensive, appropriate and consensual vision of the fishery, corresponding guiding principles and enabling regulations. Figure 2 shows in graphic form what we believe to be the appropriate relationship between the key elements in the genesis of a fisheries management framework: vision must precede regulations, whether they concern certification, professionalization or allocation. Without such a process and its resulting principles, we will continue to have a fishery driven by raw politics – small-scale, local, provincial, federal, and even international – rather than one guided by economic, environmental or social goals.

Whatever the social and economic expression of one's vision of the fishery, it will have to determine biologically sound, economically efficient and socially appropriate ways of using common property fisheries resources. It will then have to address such questions as who should have the "privilege" or "right" to fish, and how these people are to be identified and defined within the vision. Beyond these larger issues are such considerations as the kind of technology that is most appropriate for the industry to use, and how the resources should be allocated in the most efficient, equitable and appropriate manner. To ensure commitment to the vision and the practical co-operation of the industry, participants must be substantially and formally involved in all phases of the policy-making and regulatory process.

One inevitable result of the interaction between environmental, social, economic and political values embedded in fisheries management policy will be to alter the context in which

⁹³ *Fisheries Management. A Proposal for Reforming Licensing, Allocation and Sanction Systems*, Department of Fisheries and Oceans, 1993, Minister's Foreword, i.

our resources are harvested and used.⁹⁴ This fact, and changing social and economic values, or resource circumstances, will require specific regulations – and even some policies – to be responsive, flexible and adaptable, but the larger guiding principles, once established, should be more durable and thus steadfast guides to rational decision-making in the new Atlantic fishery.

⁹⁴ Since 1974, that is precisely what licensing, access and allocation policy has done. However, because there was no discernable unified vision for the region's fishery, at least five different licensing and allocation constructs evolved, each embodying very different "value constructs" or approaches for utilizing common property resources.