

Fisheries Policies and Rural Revitalization

- Déjà vu : Panel discussion not out of place **30** years ago
- Fisheries policies (extension of coastal waters to 200 mile economic zone) were the **cornerstone** of rural revitalization.
 - This policy was complemented by the 1971 reforms to UI
 - Fisheries policies during the 1970s represented a repudiation of the growth-centre development policies of Smallwood. “Burn your boats and move to growth centres.”
 - Supported by the rural romantic academics at Memorial who saw the Smallwood policies as destruction of traditional Newfoundland culture and promoting resettlement from small fishing communities.

That generation in their 30’s-50’s who did resettle often made very great personal sacrifices for their children and parents.

- The fisheries policies of the 70s and very early 80s involved an expansion of the harvesting sector even though it had been characterized by many observers as having a great deal of excess capacity. Harvesting sector was accompanied by an accommodating expansion of the processing sector. A heavy dose of both federal and provincial government funding supported a rapid expansion of the fishing industry from the latter part of the 1970’s until the industry collapse/restructuring of the early 1980’s.
- Processing sector development was tied to community development and then community survival. Play on *Field of Dreams* theme “Build it and they shall allocate you some resource.”

- Given the **expected** size of the biomass there was not seen to be a trade-off between social community economic development and market forces leading to growth.
- **Trade-offs: Jobs (social fishery) vs market forces** (economic efficiency). What's being traded-off
 - More harvesters and more plant workers living in larger rural communities. Promoted demographic sustainability.
 - Lower number of hours worked for people in the industry.
 - Stagnating or declining real wages for plant workers.
 - Lower incomes and less economic self-reliance particularly in the processing sector after the late 1990's.
 - Greater strain on the fisheries resources because of political pressures.
 - Less investment in human capital (lower levels of formal education)
 - Less of an ability for those in remote rural communities to adapt to change if the tide of market forces prevailed.
 - Overcapacity in the harvesting and processing sectors..
 - Greater seasonality.
 - Less short-term uncertainty.
 - Less profitability for processors (also boat owners)
 - Increasingly less competitive and lower productivity levels.
 - Lower quality of catch.

Bottom line: Short term gains in terms of immediate demographic sustainability but the prime age population

caught in a human cod-trap: dependent on government EI with lower levels of formal education and with investments in housing with potentially low resale value. Very difficult time adjusting to any negative shocks to the industry.

- **Trade-off might be a short-term issue BUT may not be sustainable in the long-run!**
 - Social, short-term economic and political forces may guide annual resource allocations beyond long term sustainable levels!
 - As the biomass falters we will witness greater long term instability in the economy with increasingly more dramatic busts over time.
 - Technological changes as well as emerging competitive forces (i.e. China) make the processing sector's viability questionable even if resource were available which probably will not be.

Bottom line: Fishing sector is not sustainable in its present form in the long term. The long term population will be smaller than might have been possible if short-term excess capacity had been removed.

The problem is a political one and inherent in a democracy.

- **Growth Centres and Plant Quotas**

The whole concept gives rise to many questions?

- Are the quotas transferable??
 - **Yes:** transitional income gain for existing plant owners. Processors who buy quota will do so from either income going to harvesters or plant workers.

- **No.** Prices will have to be able to sustain the most inefficient plant in the sector. Harvesters lose. More efficient plant owners will win.
 - How many regional growth centres? **10?**
 - How many workers in each plant
 - How many weeks do they work per year?
- **Caution: Really know very little about the quantitative magnitude of trade-off even at a point in time.**
 - What are the scale economies?
 - How competitive are we?
 - What **is** the level of profitability in the sector?
 - Why maintain inefficient excess capacity?
 - The process of innovation and growth requires “creative-destruction” new businesses are formed and others downsize or disappear.
 - If quotas work then lets apply it to other businesses such as Tim Hortons or Wal Mart stores?
- **Conclusions**
 - Non-transferable plant quotas are not a new concept but simply a codification of a 30 year-old policy.
 - Transferable plant quotas are regionalized free markets with windfall gains to processors.
 - According to economists government intervention is justified IF market failures exist or if gross inequities prevail. **Where are the failures?** Why is government better at establishing allocating resource quotas than the market? But wait quotas would be based on historical production. Is this cryogenic policy?
 - Plant quotas are an understandable political reaction to perceived rural survival in a democratic society. **BUT** the devil is in the detail if we move towards consolidation. What plans

are in place for workers and communities that are not growth centres?

- Changing to a more market oriented approach requires policies that carefully support the transition.
- In the long run tidal technological and market forces will prevail. Current industry is probably **non-sustainable** and must contract.
- Politically contraction for other than biological reasons is not an option. Even then there must no medium term hope of recovery.
- If major sectors of industry collapse then the socio-economic elevator will stop at a lower floor than was anticipated or would have been produced by market forces. It's a gamble!

Bottom line: I would not support plant quotas at the present time!

- **What to do?**

- Gather much more accounting evidence on the profitability throughout the harvesting and processing sectors.
- In the absence of hard evidence of market failures, do not implement a quota system.
- Work out a transition plan that lets us scrap the FPI Act.
- Invest in training, education and general skills development.
- Policy-makers: Dust out those files dealing with guaranteed income and early retirement packages.
- Develop policies **looking to the future** e.g. Humber Valley Resorts and not maintaining the past.

