Memorial Presents:
Fisheries Policy and Rural Revitalization, An Integrated Approach

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Three Challenges

1. Demographics

   Aging, declining rural population

2. Public Sector Finances

   Government battling:

   – Widespread infrastructure challenges
   – Unsatisfactory service levels in health and education programs
   – Serious deficit and debt problems

3. Fishery

   Facing critical labour shortages & intense global competition

The Importance of our Rural Communities

According to the Royal Commission on Renewing and Strengthening our Place in Canada:

"…the most significant social and economic challenge facing the province today is the survival of rural Newfoundland and Labrador" (*Our Place in Canada*, p. 28).

One Practical Approach to Meeting All Three Challenges

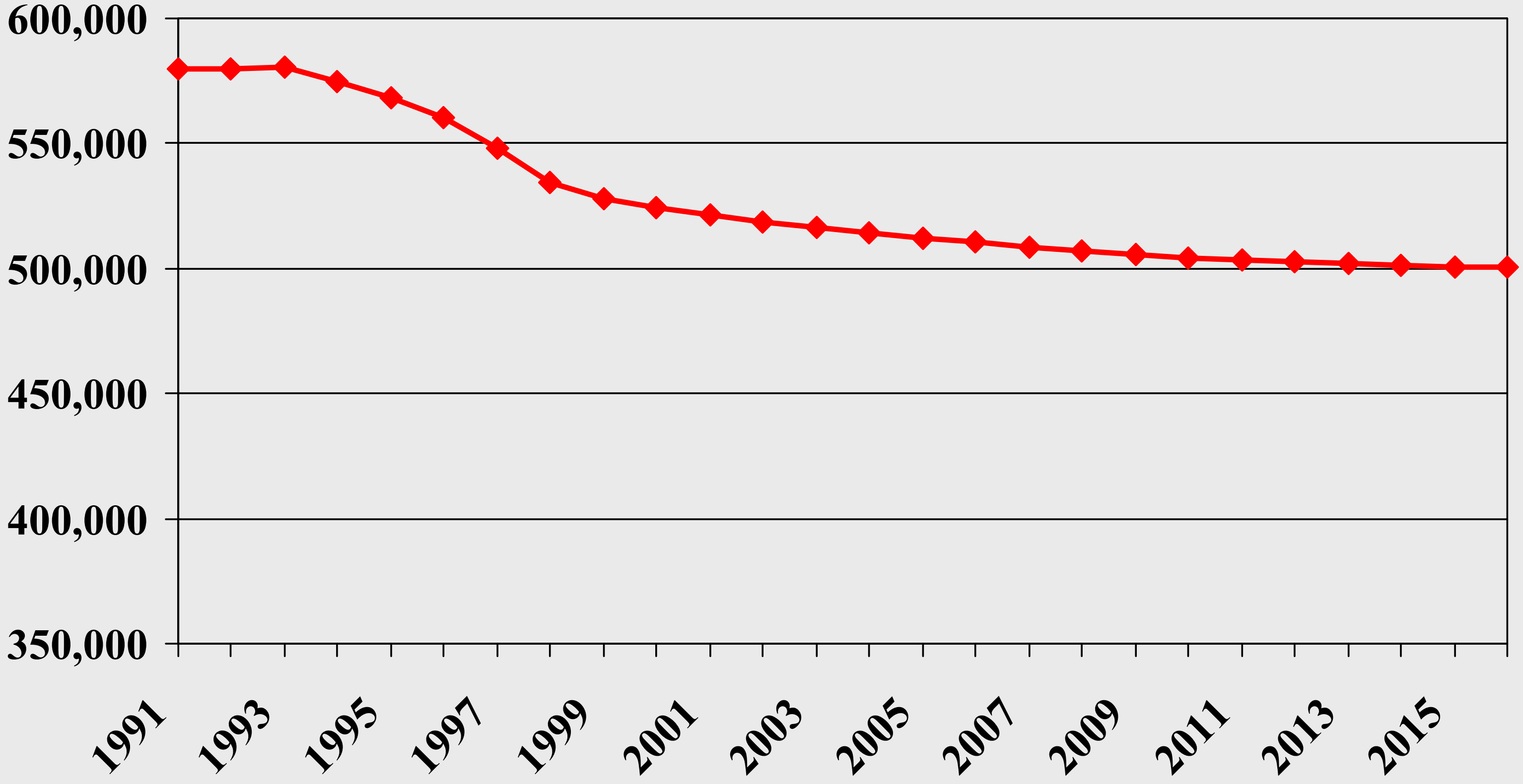
Growth Centres – Based on the Fishery

- To Make Rural Areas Viable Economically & Socially
- To Help Put Province's Fiscal House in Order
- To Respond to the Fishery's Structural Issues and the Global Competitive Environment

1. Rural Decline

- Population in decline:
  - Projection for 2018 : 500,000
- Population aging:
  - By 2018: 54% will be age 45 or older (In 1991: less than 27% of larger population was in that age group)
- Rural areas affected the most

Total Provincial Population, 1991-2016



Source: Department of Finance.
Note: Based on Medium Forecast

Prepared by: DFA

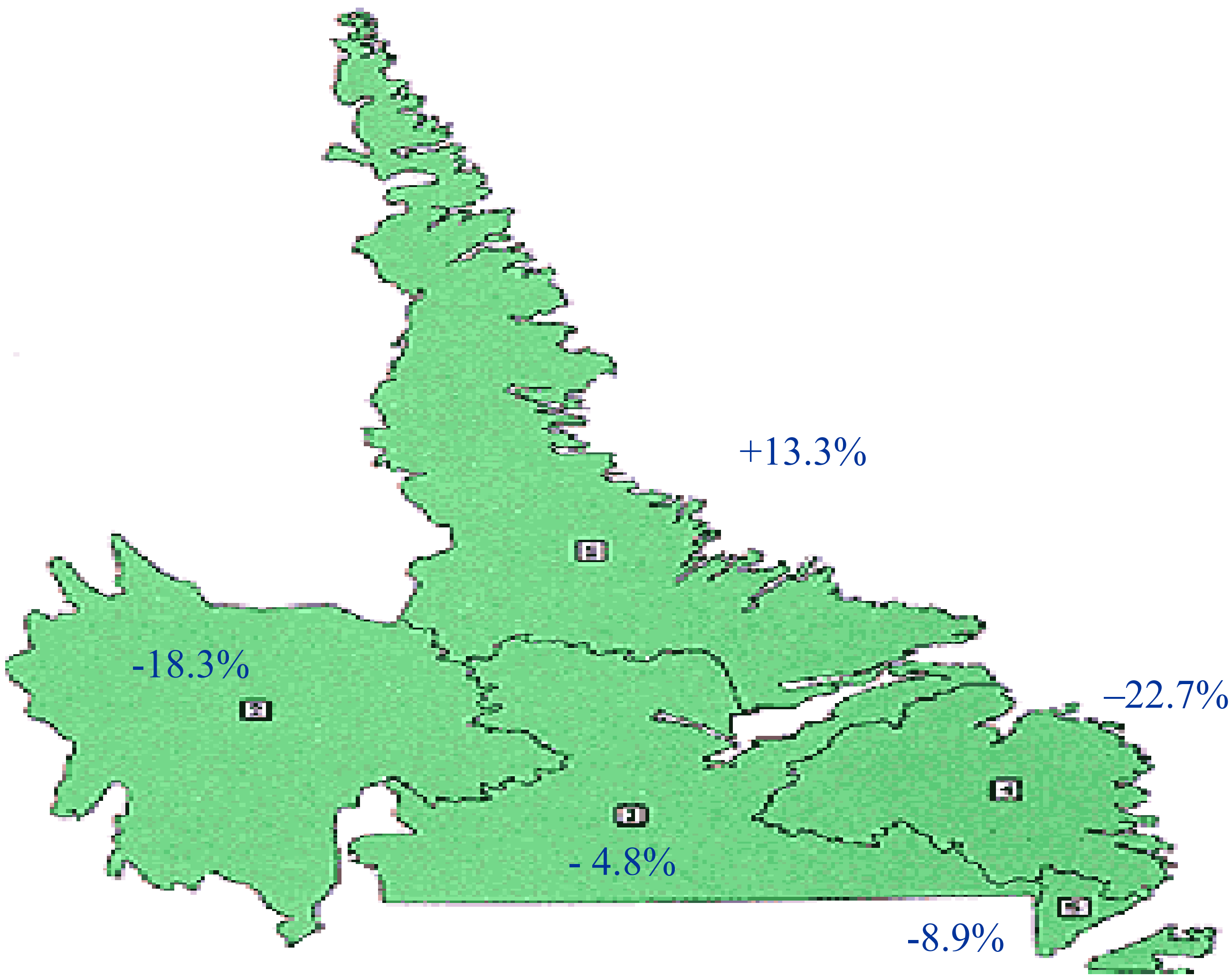
Population Change by Economic Zone 1991-2018, Medium Scenario

	1991-2004		2004-2018		1991-2018
Island Portion	Actual		Projected		Total
Nordic	-3528	-26.7%	-1,333	-13.8%	-36.8%
Red Ochre	-2,603	-21.5%	- 369	-3.8%	-24.5%
Humber	-5,409	-11.7%	-1,022	-2.5%	-13.9%
Long Range	-5,007	-17.9%	-1,944	-8.5%	-24.9%
Marine & Mountain	-3,434	-26.9%	-1,706	-18.3%	-40.3%
Emerald	-4,405	-21.8%	-1,778	-11.3%	-30.6%
Exploits Valley	-3632	-11.6%	+ 573	+ 2.0%	- 9.8%
Coast of Bays	-1,821	-17.8%	- 435	-5.1%	-22.0%
Kittiwake	-9,544	-16.4%	-4,271	-8.7%	-23.8%
Discovery	-5,605	-15.8%	-2,714	-9.1%	-23.5%
Schooner	-5,880	-20.3%	-3,894	-16.9%	-33.8%
Mariner	-5,848	-12.8%	-6,907	-17.3%	-27.8%
Avalon Gateway	-2,626	-24.0%	-1,558	-18.7%	-38.2%
Irish Loop	-2,141	-19.2%	+ 662	+7.4%	-13.3%
Capital Coast	+2,683	+ 1.4%	+6,868	+3.7%	+ 5.2%

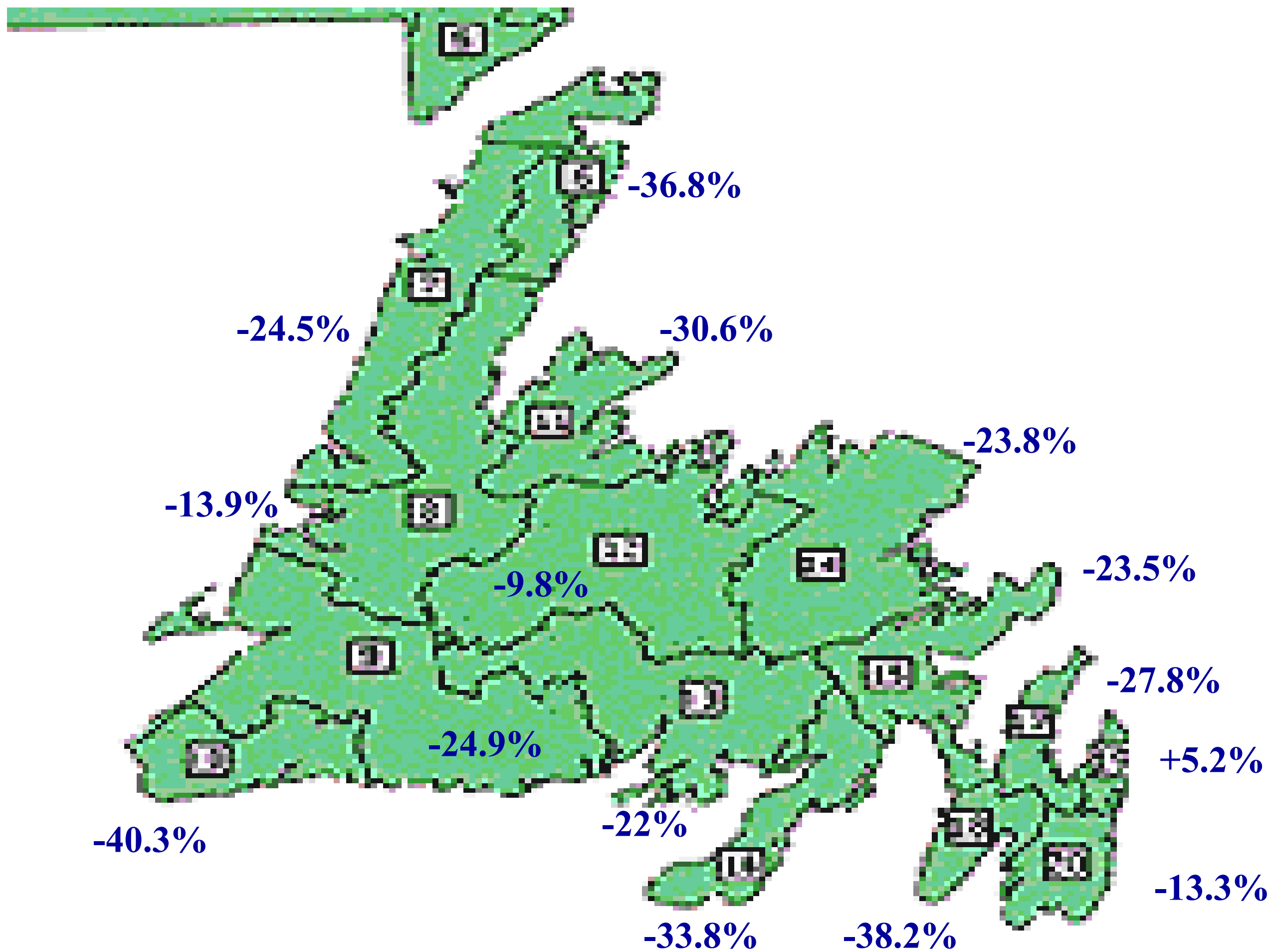
Population Change by Economic Zone 1991-2018, Medium Scenario

Labrador	1991-2004 Actual		2004-2018 Projected		1991-2018	
Inukshuk	108	3.5%	302	9.4%	13.3%	
Hyron	-2,270	-18.3%	8	0.08%	-18.3%	
Central Labrador	-797	-7.7%	300	3.2%	-4.8%	
Southeastern Aurora	-461	-15.2%	- 227	-8.8%	-22.7%	
Labrador Straits	-260	-11.6%	61	3.0%	- 8.9%	
• **Total Province**	**-62,491**	**-10.8%**	**-19,775**	**-3.8%**	**-82,266**	**-14.2%**

Population Change by Economic Zone
1991-2018, Medium Scenario

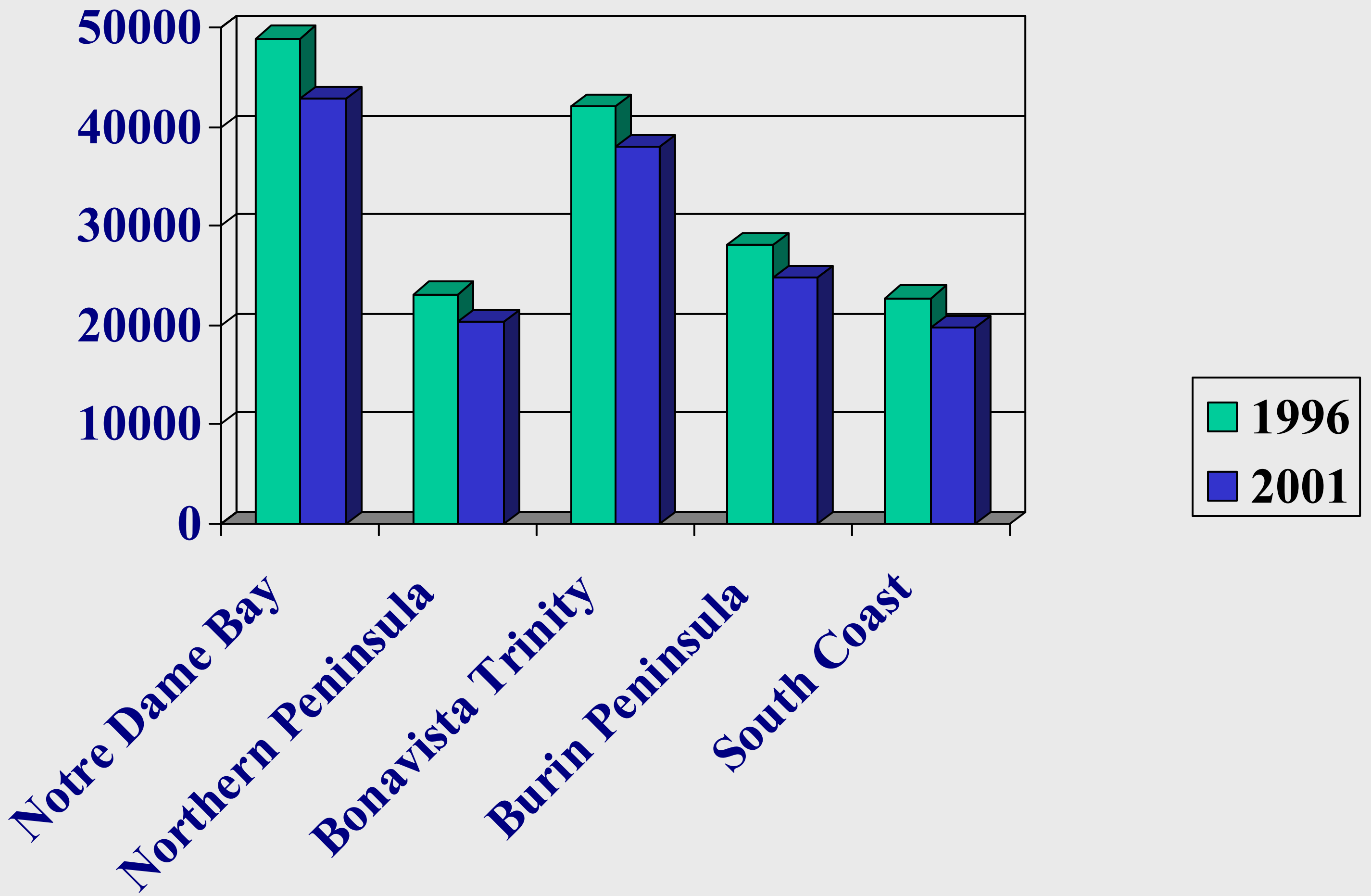


Population Change by Economic Zone 1991-2018, Medium Scenario, 1996-2018

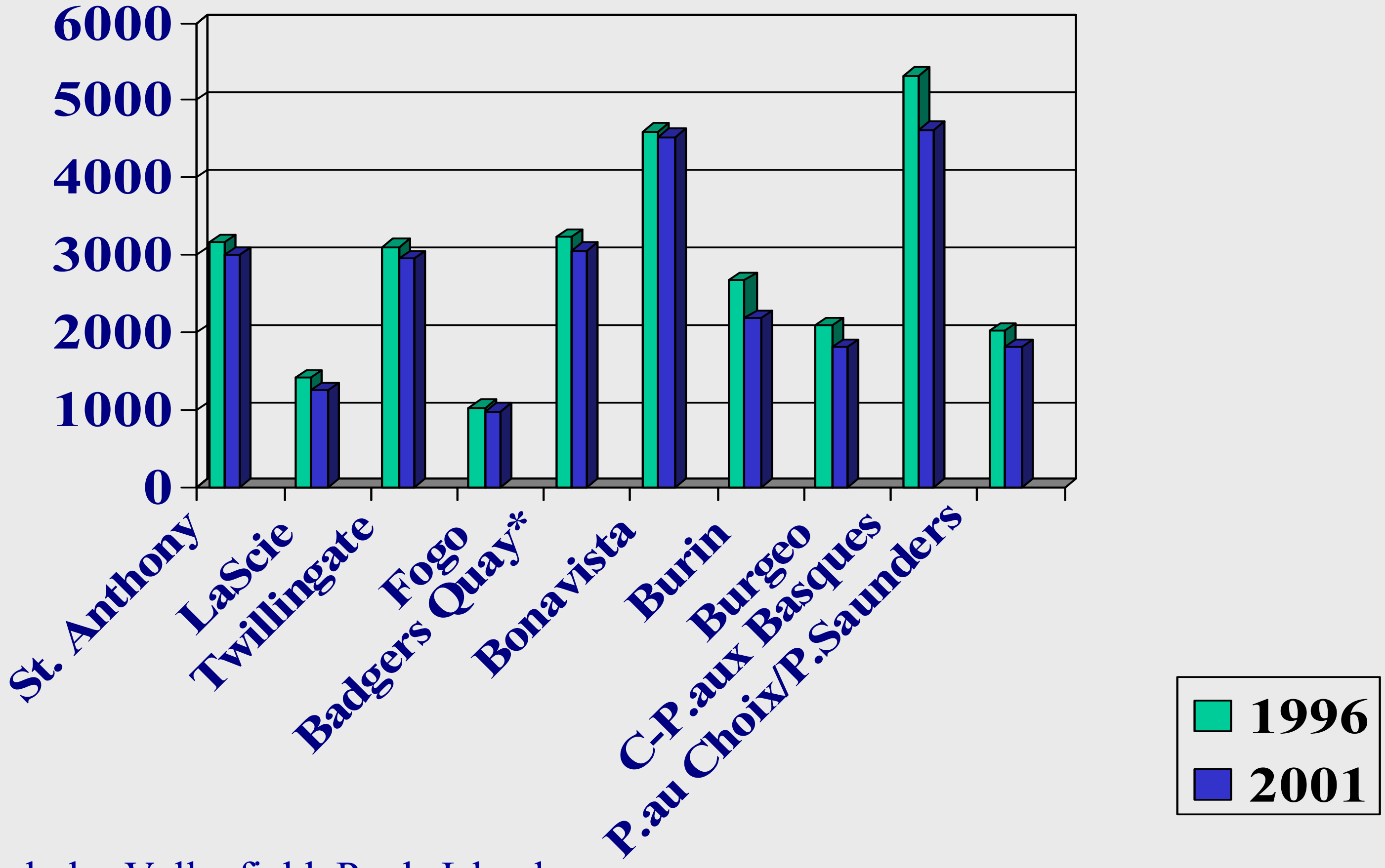


Total Change, Newfoundland and Labrador: -14.2% (-82,266)

Population in Sample Census Districts

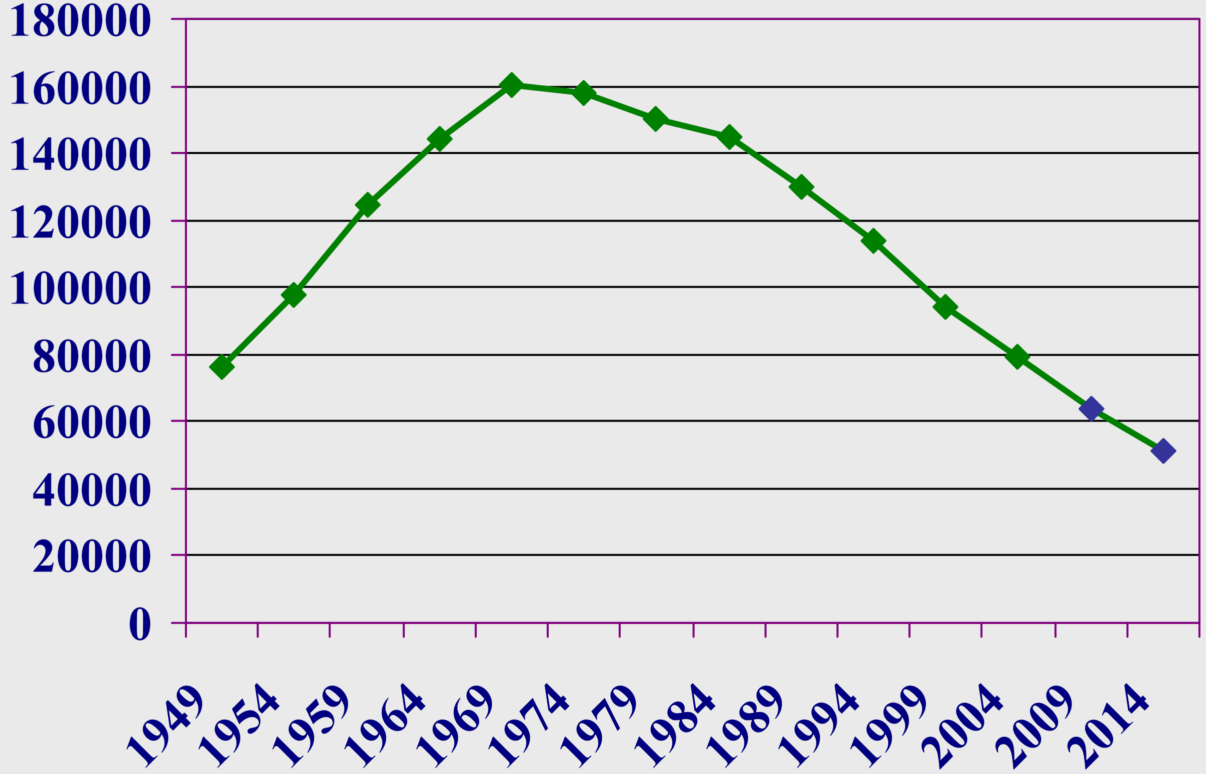


Population in Major Centres



*Badgers Quay includes Valleyfield, Pools Island, Wesleyville & Newtown

Enrolment, All Grades, 1948-49 to 2014-15



Source: Data from Departments of Education and Finance.

Note: The provincial population, 1951: 361,416; 2004 (est.): 517,027

2. Government’s Fiscal Challenges

- Price Waterhouse Coopers’ Report, 2004:
  - $826.2 M accrual deficit in 2003-2004
  - Cash deficit projection of $710.8 M & net debt of $15.8 Billion by 2007-08 (approximately $30,500 per person)
  - Health costs: 44.5% of program funding (11% higher than Canadian average)
  - School enrolment down by 26% since 95-96, funding up by 38.9% per student
  - 78% of transportation infrastructure amortized

Government's Challenge

2005-2006 Budget

The Good News

- New Atlantic Accord Arrangement
- Improvements to the Equalization Program
- Higher Offshore Royalties
- Expanded Canada Health Transfers

The Bad News

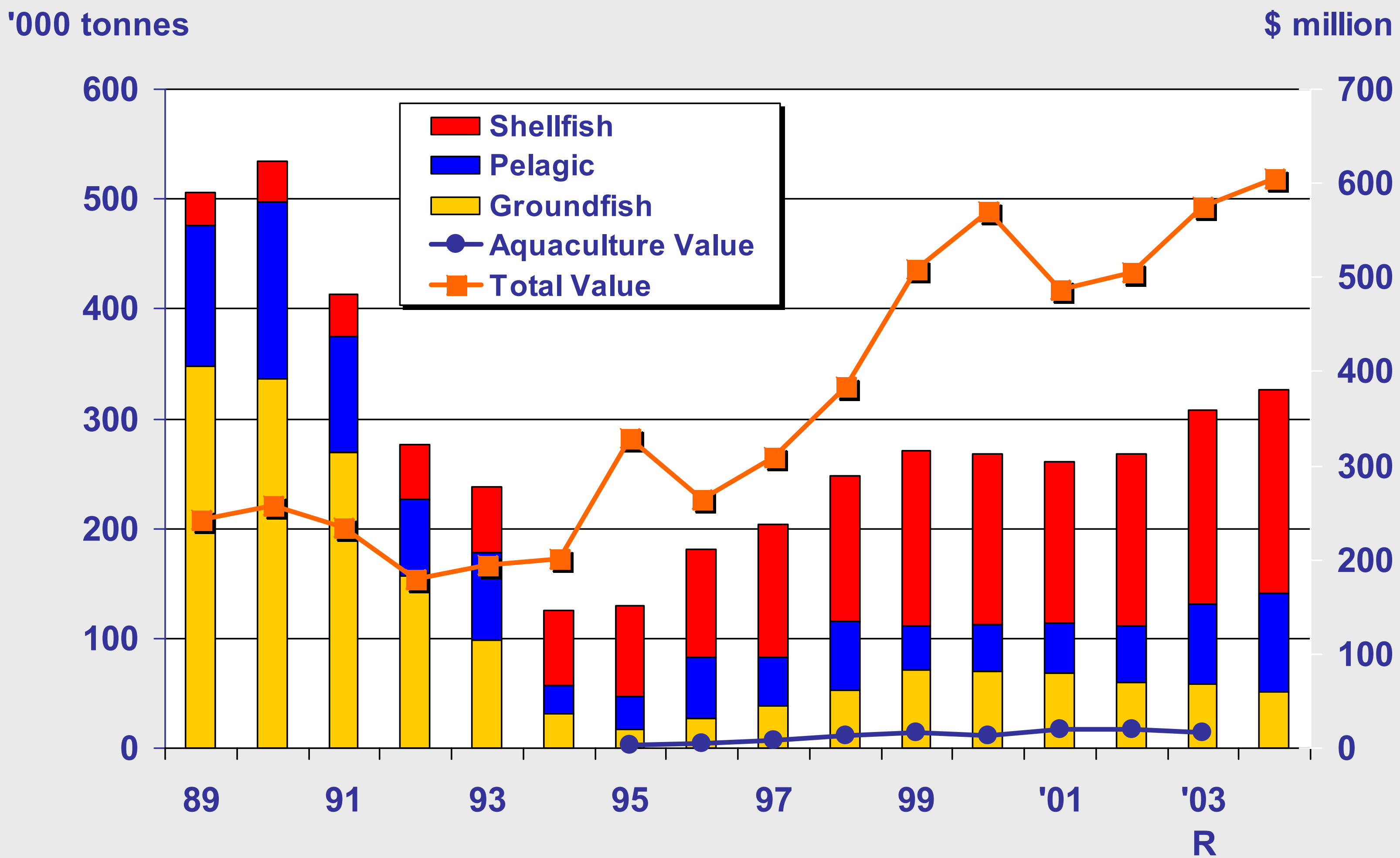
- $492.5 M Accrual Deficit in 2005-2006
- Cash Shortfall Projection of $62 M

3. The Fishery:
The Engine of Rural Economy

Dramatic expansion since 1997

- 5-year export growth of 157% to $937 million in 2002, three times Canadian average
- 63% increase in Real GDP
- 49% boost in processing employment
- $300 million in private investment

Fish Landings by Species Group
Newfoundland and Labrador, 1989 - 2004



Source: DFA & DFO

P = Preliminary R = Revised

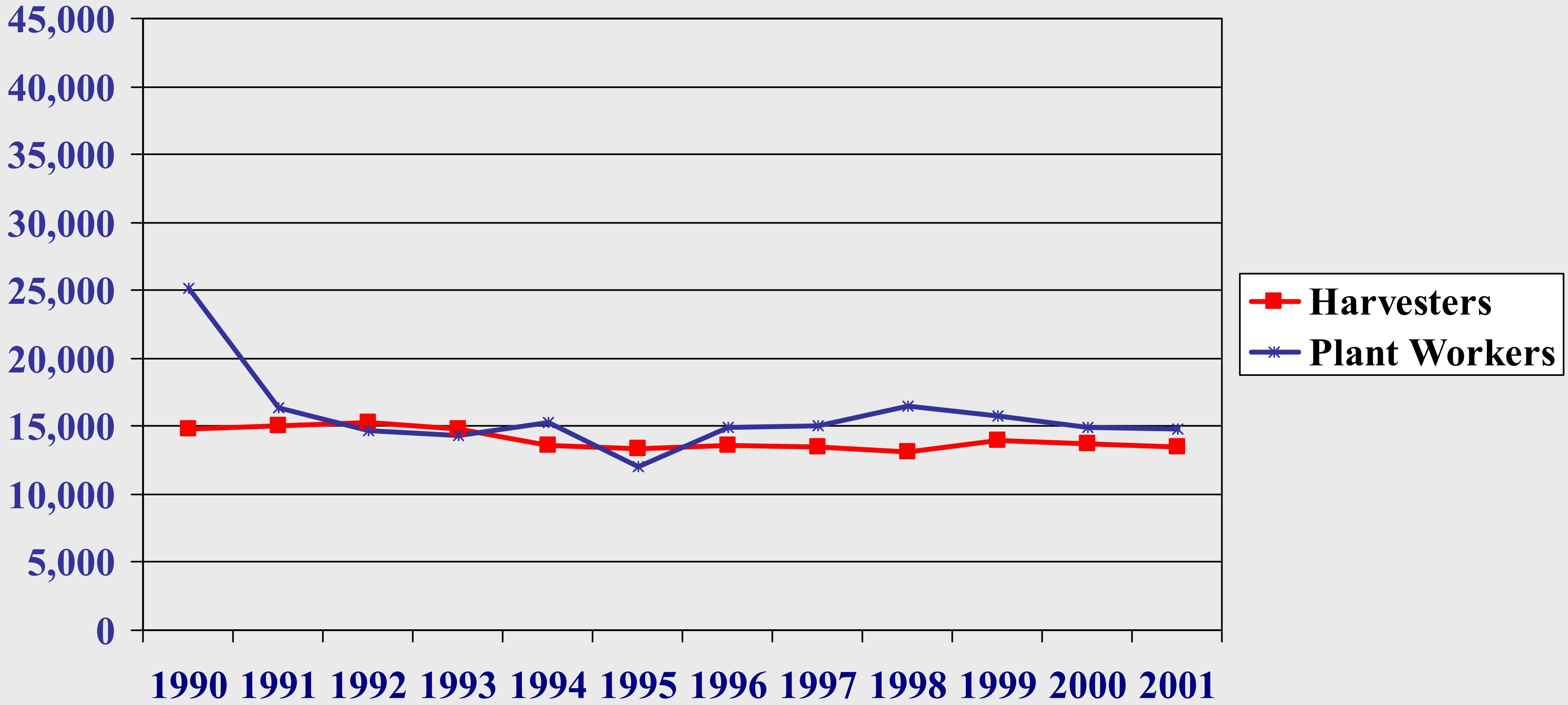
The Fishery's Predicaments

- Human resource crisis
- Uncertain resource picture
- Over-capitalization
- Global competition
- Social dependency
- Subsidy/trade issues

Human Resource Crisis

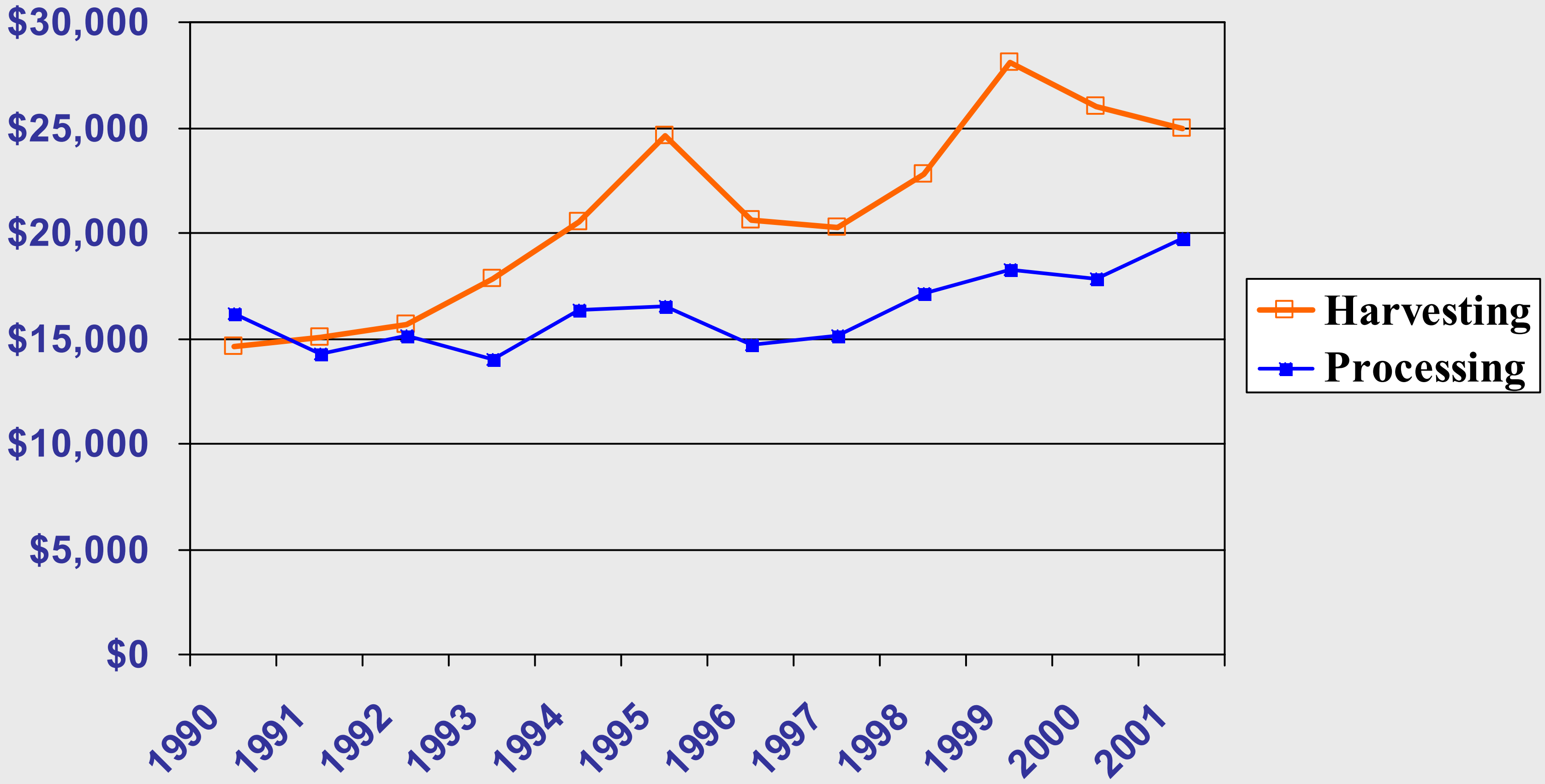
- Plant workers' incomes among lowest in country, despite high wage rates
- Increased reliance on EI
- Limited, short seasonal employment
- Employment marked by uncertainty
- Youth uninterested in processing industry
  - MI unable to offer processing programs for past eight years

Number of Harvesters and Processing Workers



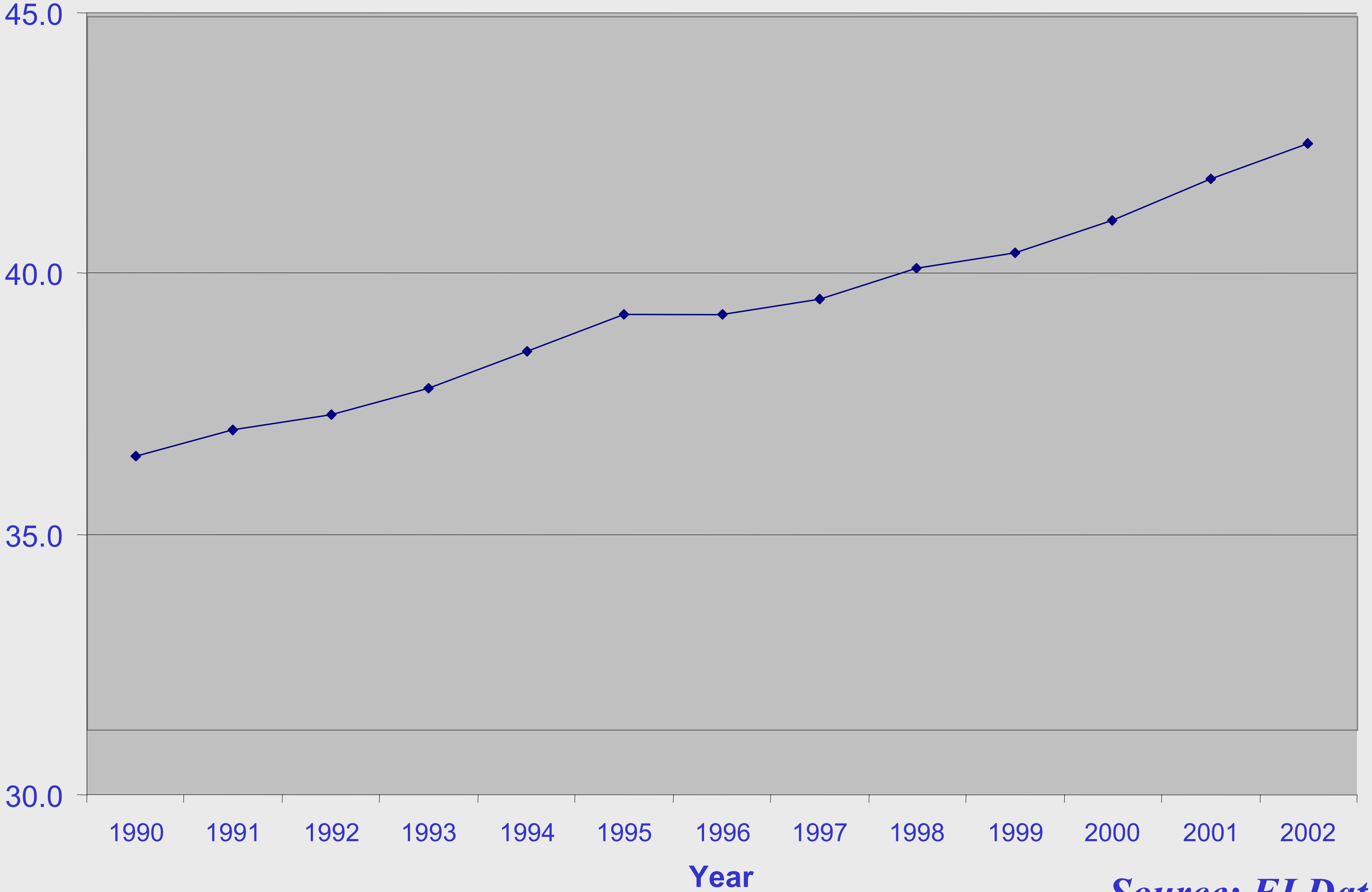
Source: Special Tabulation, Statistics Canada; Newfoundland Statistics Agency; DFA

Average Total Income of Fish Harvesters and Processing Workers



Source: Special Tabulation, Statistics Canada; Newfoundland Statistics Agency; DFA

Average Age of Plant Workers

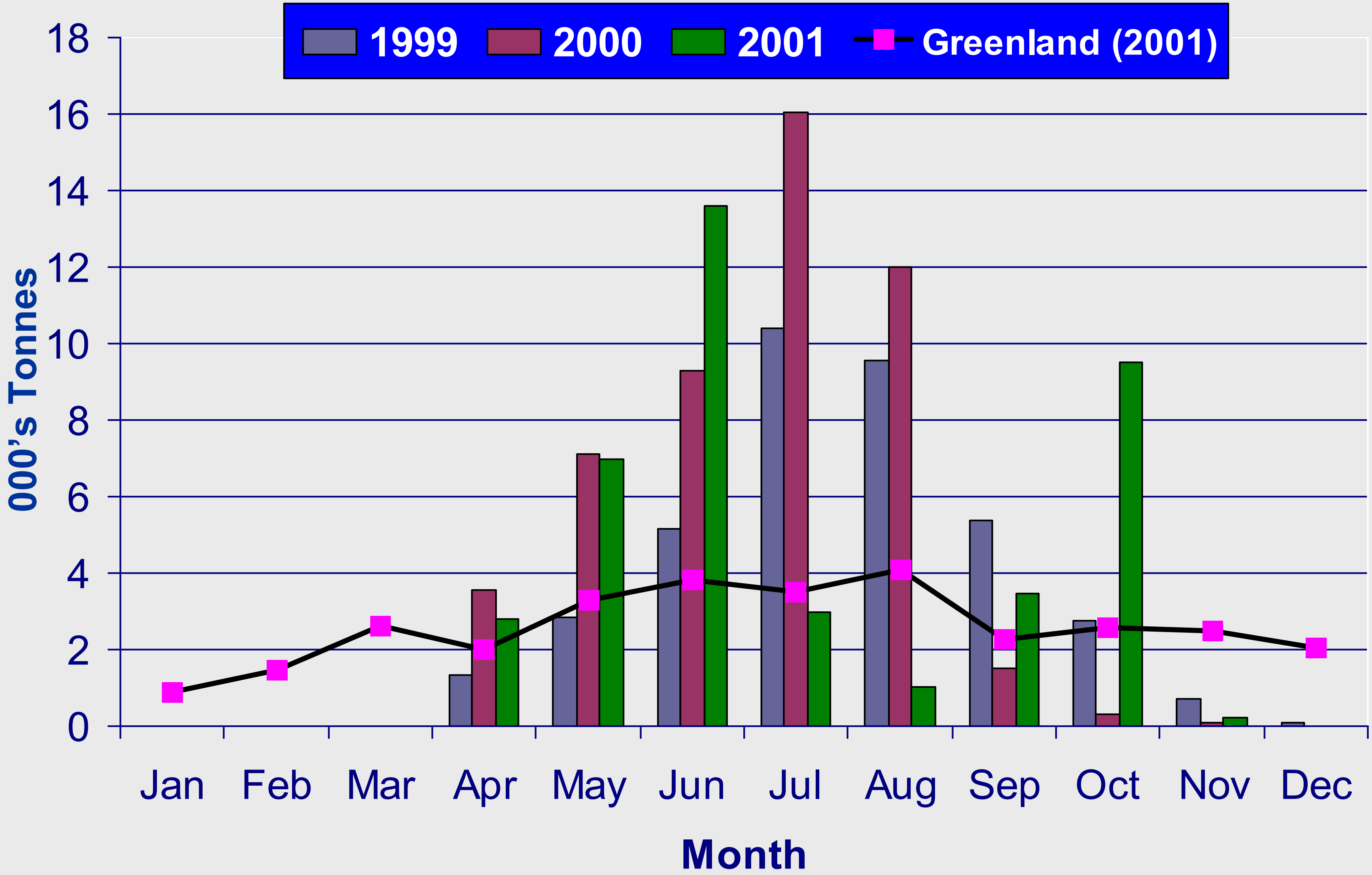


Source: EI Data

Resource Uncertainty

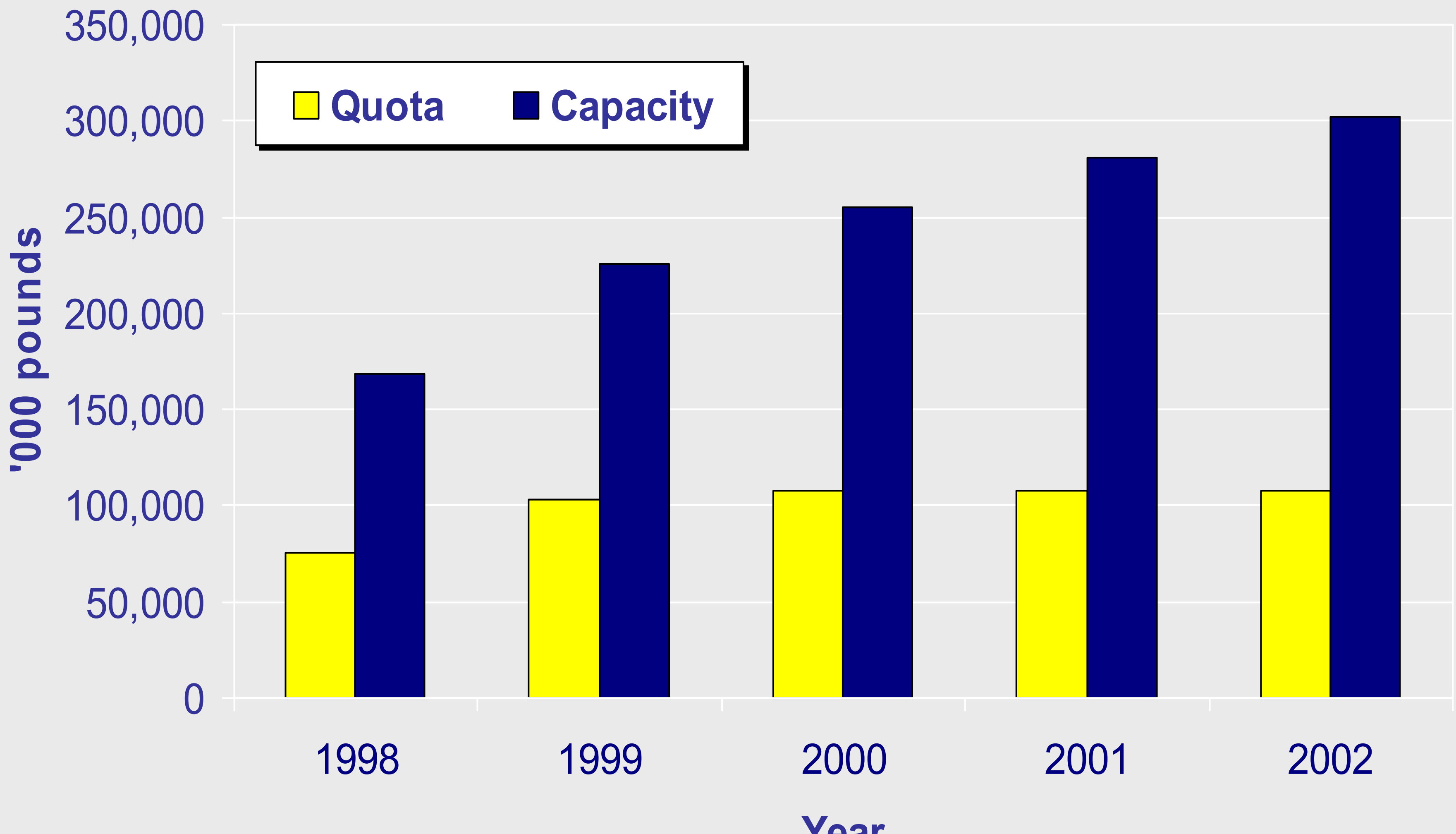
- Crab & shrimp constitute 75% of value
- Probable decline in key crab resource
- No significant improvement in cod stocks
- Shrimp resource strong, but sector plagued by *traditional* structural problems, even though sector has developed since 1997

Landings of Inshore Shrimp



From: *Report of the Inshore Shrimp Panel*; Source: DFO; DFAIT

Shrimp Processing Capacity and Quotas



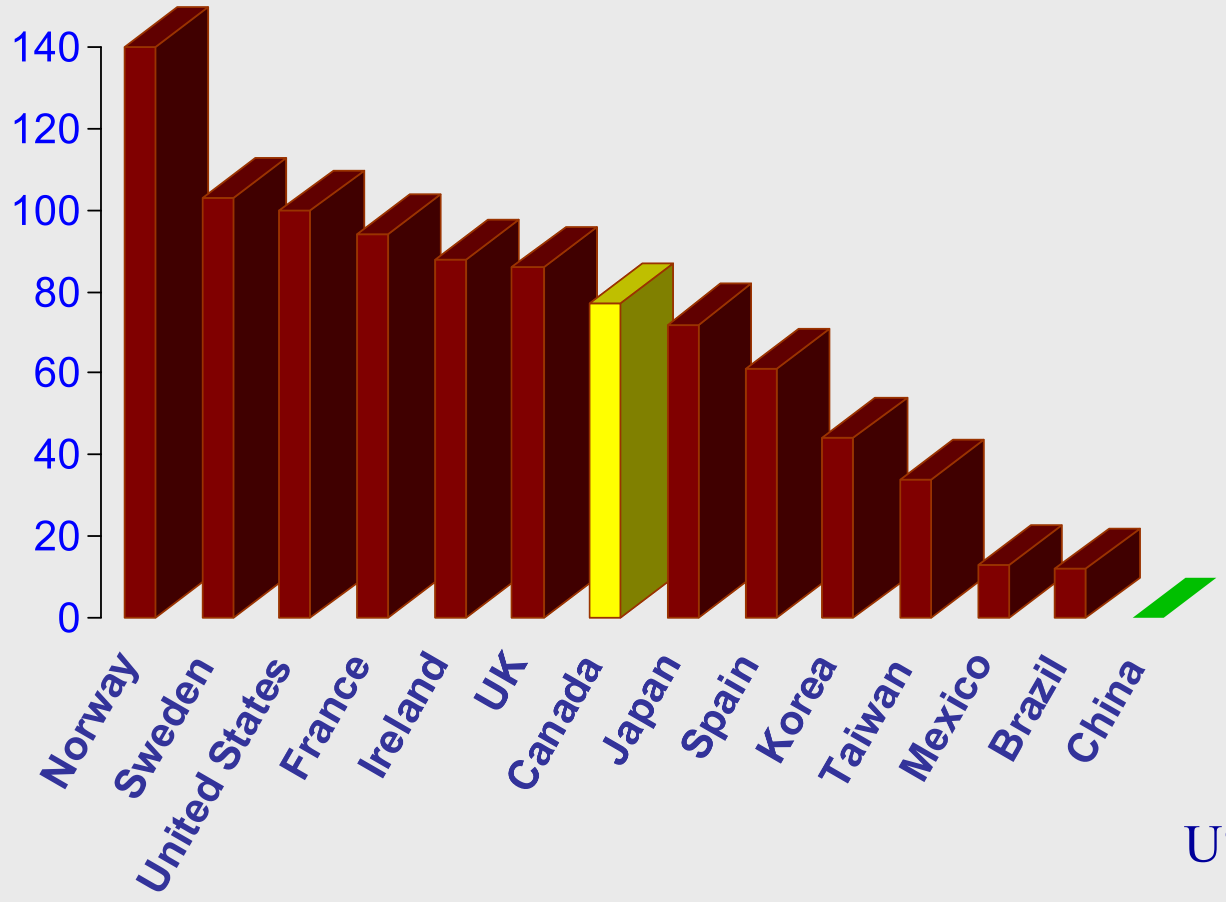
Source: DFO; Inshore Shrimp Panel

Note: Processing capacity is defined as plant rated daily throughput per 10 hour shift operating 2 shifts per day, 6.5 days per week for 33 weeks.

Competitive Threats

- Chinese aggressively entering the markets of Japan, United States and Europe
- Wage rates in Asia: $US .25 per hour
- Global food industry consolidation in US and Europe

Hourly Compensation, Food, Beverages & Tobacco, 2002



USA = 100

Source: US Department of Labor & O'Rielly Pers. information

Present Structure Will Not Last

- Fishery continues to be based on historical seasonal pattern, catching/processing fish at the wrong time from a quality & value perspective. No biological/economic/market reasons why fishery cannot be significantly extended
- Industry structure maintained for social reasons
- Continuing on this path will lead to the demise of the industry
  - Cod and shrimp processing currently marginal; industry dependence on crab will not continue much longer
- Fishing sector's role as "Employer of Last Resort" is over: Rural youth have already made that judgment

Resource Management Challenges

- Monitoring of Landings
  - 200 crab landing stations
  - 323 cod landing locations
  - Seasonal concentration
- Maintenance of Infrastructure
- Implementation of "Fish Landing Stations" Protocol by DFO & DFA

Solution: Growth Centres Based on the Fishery

The Three Main Challenges

- Demographic Decline in Rural Areas
- Public Sector's Escalating Debt & Mounting Pressures
- Fishery's Human Resource & Global Competitiveness Issues

Fishery Growth Centres

- Social & Economic Revitalization of Communities
- Regional Concentration of Government Services
- Industry Consolidation Benefits

Community Revitalization

- Viable Communities
  - Schooling
  - Health & social services
  - Improved community infrastructure
- Retention of Youth
  - Better educational facilities
  - Diverse, enhanced social opportunities
  - Better career options
  - Potential for future growth
  - Recreational choices

Public Sector Benefits

- Reduced EI cost
- Reduced Health, Education and Community Costs
- Reduction of costs and facilitation of resource management or improved services
- Establishment of a tax base
- Provides a platform for other diversified economic growth

Fishing Industry Viability

- Attract young workers
- Target high end of market & compete successfully
  - Superior-quality product
  - Continuity of supply
  - Resource sustainability
  - Food safety and security assurance
  - Niche product & markets
- Improve prices to harvesters

Implementation

- Relocation at discretion of individuals
- Existing service centres independent of process (e.g., Clarenville, Gander, etc.)
- Consideration for aquaculture industry development
- Inclusive, transparent process
- Plant Production Quota System
- Implementation of joint management system

Inclusive Transparent Process

"The people of the province must become engaged in an informed public dialogue on the future of rural Newfoundland and Labrador as preparation for the development of a rural strategy."

The Royal Commission on Renewing and Strengthening our Place in Canada

Plant Production Quota System

To Facilitate and Manage Industry's Consolidation

- Shares allocated for major species groups
- Transfers and consolidations subject to public sector approval to ensure regional balance and concentration in growth areas
- Significant cost reduction, improved incomes and business development prospects for industry
- Similar to current Provincial Raw Material Shares System
    - Strives for Regional Balance
    - Historically derived
    - However, RMS is pilot project, during which shares are non-transferable

Private Sector Benefits/Responsibilities

Upon attainment of appropriate price resolution process:

- Harvesting sector: orientation redirected to resource sustainability & optimizing quality & value of the catch
- Plant workers: Security of employment, extended periods of employment & increased incomes
- Processors: Competitive focus redirected from resource procurement to global market opportunities, through product & process innovations

A more stable & predictable business environment with enhanced ability to compete globally

Joint Fisheries Management

The Royal Commission stated:

“The provincial government must have direct participation in the management of its most important resource. The Commission recommends the negotiation of a new fisheries-management relationship between the two governments, leading to the development of mechanisms for joint management of the fishery, integrated policy development and implementation. Achieving joint management does not require constitutional amendment, and could follow the same route that led to the current joint management regime for offshore oil and gas.”

Bridging the Jurisdictional Divide in Fisheries Management and Development

A joint Federal-Provincial plan for fisheries resource management and development

- Stable foundation for resource management & industry investment
- A fisheries policy will be incorporated in broader economic and social plans
- Potential removed for arbitrary or inconsistent fishery management decisions
- Achieves a management plan that matches vessel size, numbers of vessels, landing locations & plant locations with a publicly designated ‘Growth Centres’ strategy

Further Considerations – Next Steps

- Analysis of costs and benefits
- Time to establish: 5 – 10 years
- Full fishing industry participation
- A comprehensive ‘Marshall Plan’ with federal, provincial & municipal participation

Non-intervention = Benign Neglect

- Tacit acknowledgement of the irreparable decline of rural economy and social structure
- Probable adaptation by the fishing industry
  - Growth in on-board processing
  - Exports of raw material for processing elsewhere
  - Employment of migrant workers
  - Less value-added production
- Deficit & debt burden grows while we continue pursuit of economic diversification

The need for a Harbour Breton 'test case

A three-part Telegram series published on May 12, 13 and 14 showed how the Town of Harbour Breton, a community on the Connaigre Peninsula, is attempting to cope with the closure of its fish plant. There have been several ideas put forward on how the town can be revitalized. This is one of them.

Newfoundland and Labrador's fishing society is in a deep crisis. The prolonged crab dispute has put in jeopardy the livelihood of thousands of plant workers and fishermen and dozens of rural coastal communities. A key industry player, Fishery Products International Ltd. (FPI), has reported dismal financial results and is pursuing a strategy of plant closures. Harbour Breton and the entire Connaigre Peninsula find their future in total disarray, with no plan to revive their economy.

The provincial government seemed ready to challenge the Fish, Food and Allied Workers' union (FFAW) at all costs, including the loss of the entire crab season. Rural out-migration continues unabated. It is hard to make rhyme or reason of this perplexing situation while the future of much of rural Newfoundland and Labrador hangs in the balance.

The situation in Harbour Breton is extremely serious and represents a wake-up call for the entire fishing society. It is also a test of the new provincial government's declared commitment to revitalize and rejuvenate rural Newfoundland and Labrador. This commitment will be off to a very poor start indeed if Harbour Breton and the Connaigre Peninsula are allowed to go down the drain without any serious attempt to find and implement a solution. The critical issue has become whether some kind of community-based strategy can be put together to save Harbour Breton.

Such a strategy would mean that everyone would have to pull together. Unfortunately, this is easier said than done. Based on past experience, the odds are against a community-based solution in Harbour Breton. In particular, fishermen and plant workers have always been at odds and fish has been trucked out of the area to the disadvantage of the community. Nevertheless, in these last-chance-for-survival circumstances, a collective community spirit could be ignited to bring some sanity and unity to the situation. Assuming there is a will, the crucial question becomes is there a way, and what might a community-based strategy look like?

We hope both levels of government embrace Harbour Breton as a test case of rural survival. Otherwise, they will appear to be accepting that the demise of rural Newfoundland and Labrador is inevitable.

First and foremost, it would require a passionate, determined and united response from all concerned. The driving force behind such an effort would be the reality that the alternative is the sudden economic death, not only of Harbour Breton, but of much of the Connaigre Peninsula.

A community-based approach would require: the province investing in the plant; FPI turning over the plant for a dollar, keeping in mind the plant has now been written off; the federal government granting a community-based fish quota with no cost attached; the quota being based on Harbour Breton's historical use of cod, redfish, yellowtail flounder and American plaice; FPI agreeing to a marketing arrangement for the sale of product; inshore fishermen agreeing to sell to the plant 100 per cent of the inshore landings; plant employees agreeing to new wage rates and benefits commensurate with a community-based operation; the union agreeing to a smaller workforce; the feds agreeing to an early retirement pa age for those displaced by this strate and the community attracting a r operator with low taxes and an o philosophy of "making it happen gether."

Without this unprecedented disp of rural teamwork, Harbour Breto in deep and immediate trouble. Its s ation represents a crucial test for province, the federal government, union, the employees, the fishers, company and the community.

Can they really step up to the p together? We hope so. Failure not c means the demise of Harbour Bre but it begins to paint a much clea picture of the very desperate, ind scary, situation facing the ent fishing society in Newfoundland a Labrador.

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Fisheries-based Growth Centres

Retain Traditional Economic Strengths & Improve Diversification Prospects

Safeguard Cultural Values

Maintain Lifestyle in a Unique Natural Environment