

Memorial Presents: Can the Fishery Save Rural Newfoundland and Labrador?

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Outline of Presentation

- Challenges in demography, public finance and fisheries
- Policy failure and need for reform
- The way ahead through policy renewal
- Alternative to resettlement
- The verdict on the future of the fishery and what it can do for rural Newfoundland and Labrador

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 debt problems

3. Fishery

- Facing resource crisis & intense global competition
- Managing concentration so as to keep regions alive

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).

Can regional economies be sustained in the face of the challenges:

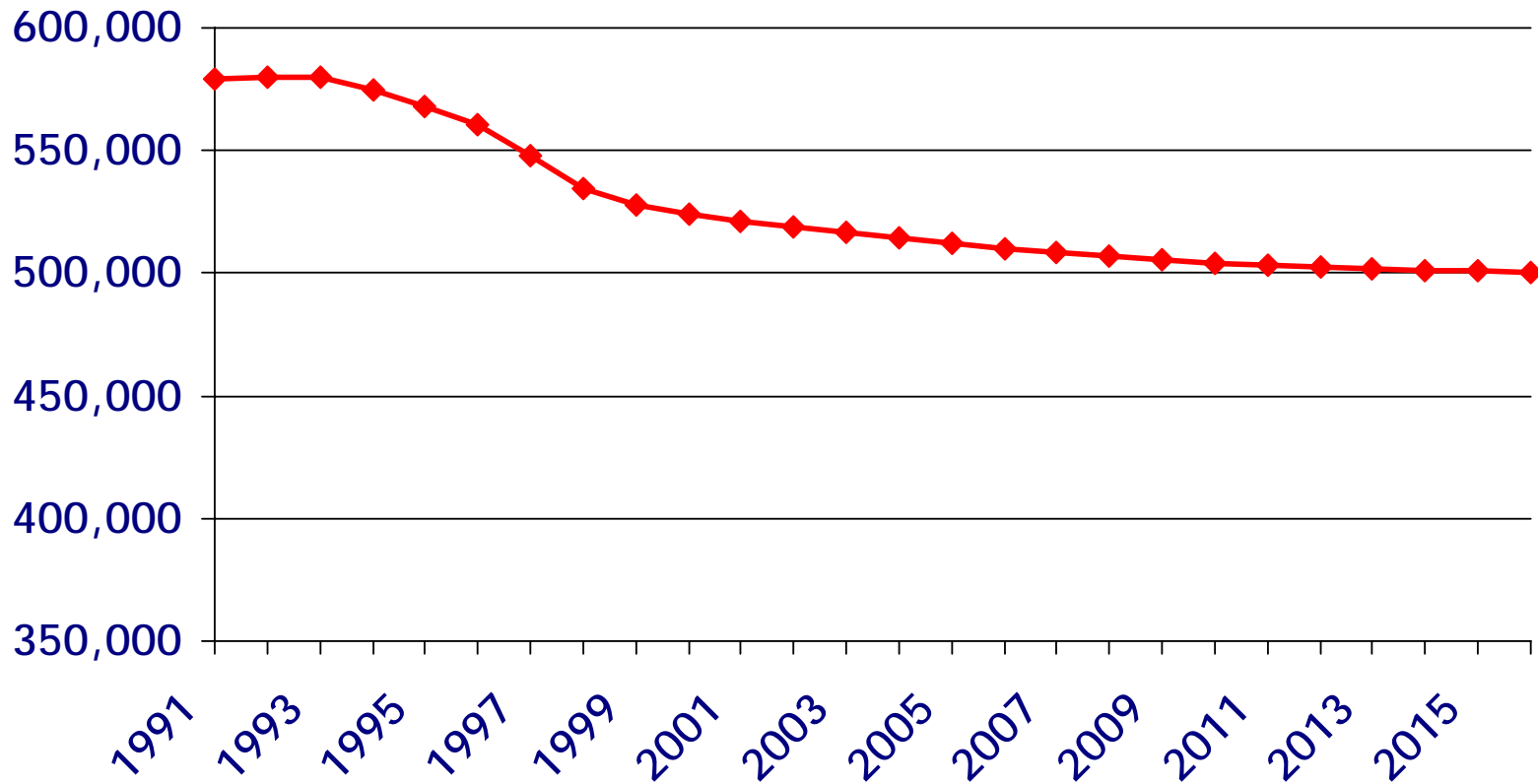
- To make rural areas viable economically & socially
- To help put province's fiscal house in order
- To respond to the fishery's structural issues within the global competitive environment
- To achieve sustainability through local decisions

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

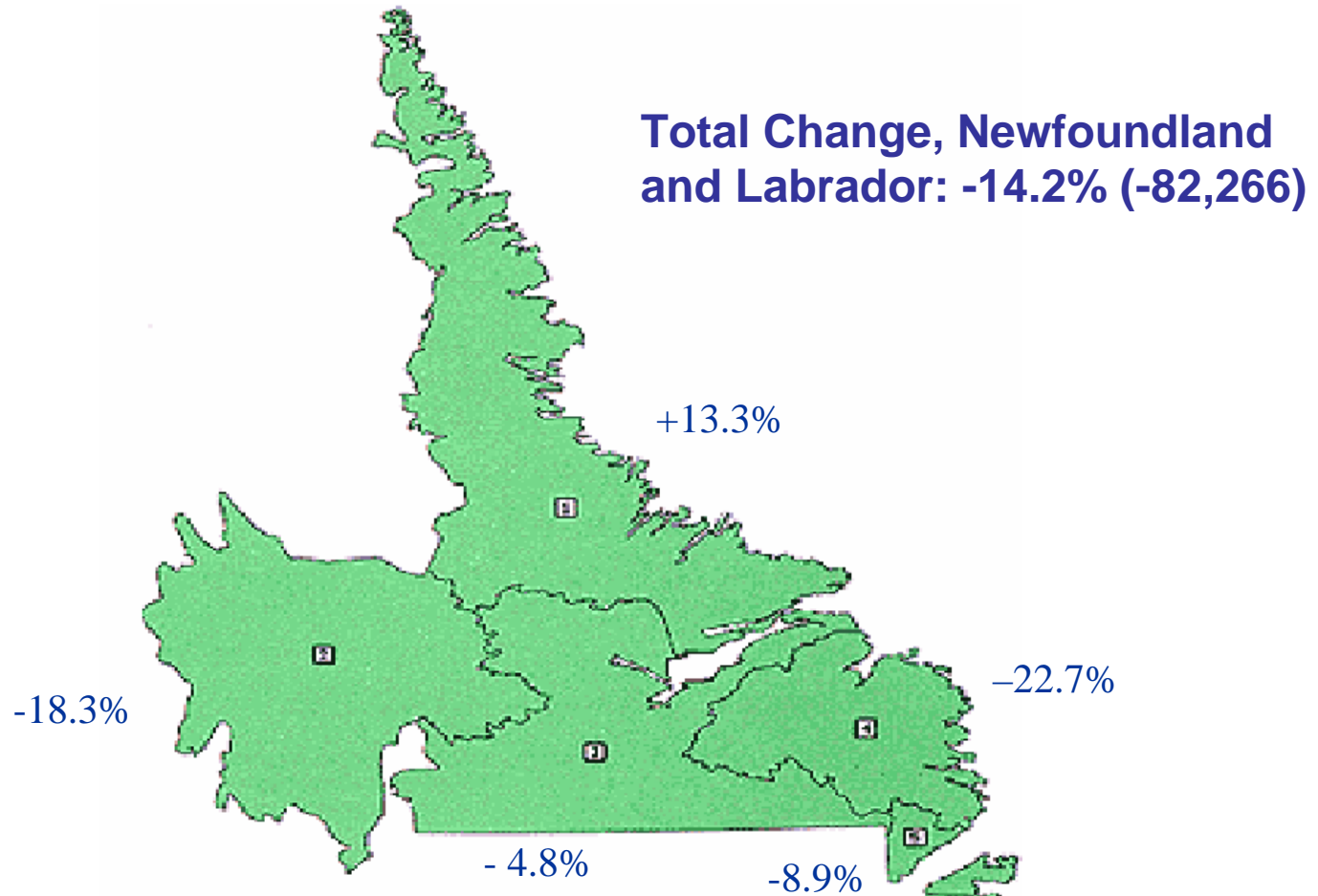
1991-2016



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

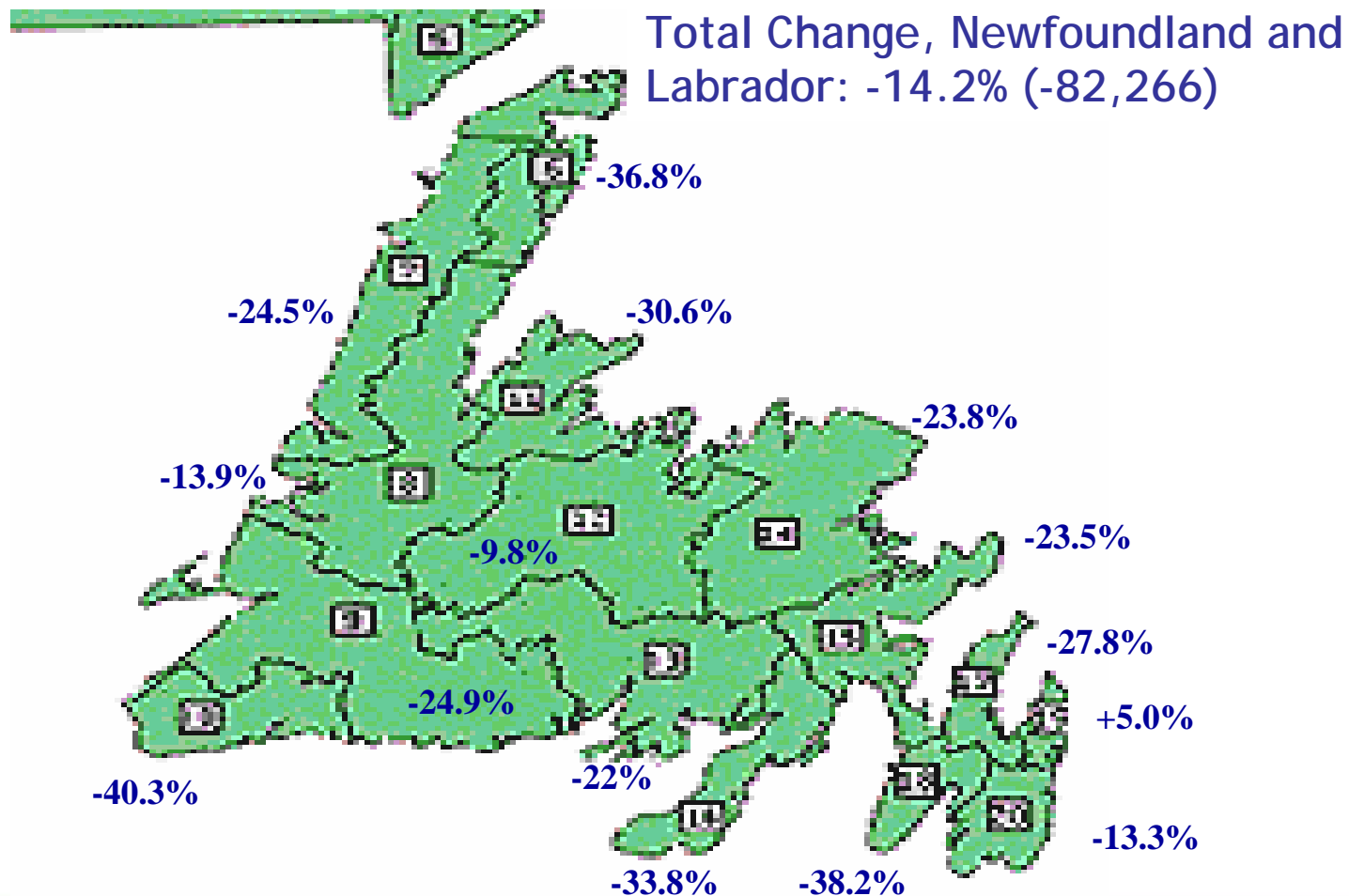
Prepared by: DFA

Population Change by Economic Zone 1991-2018 Medium Scenario



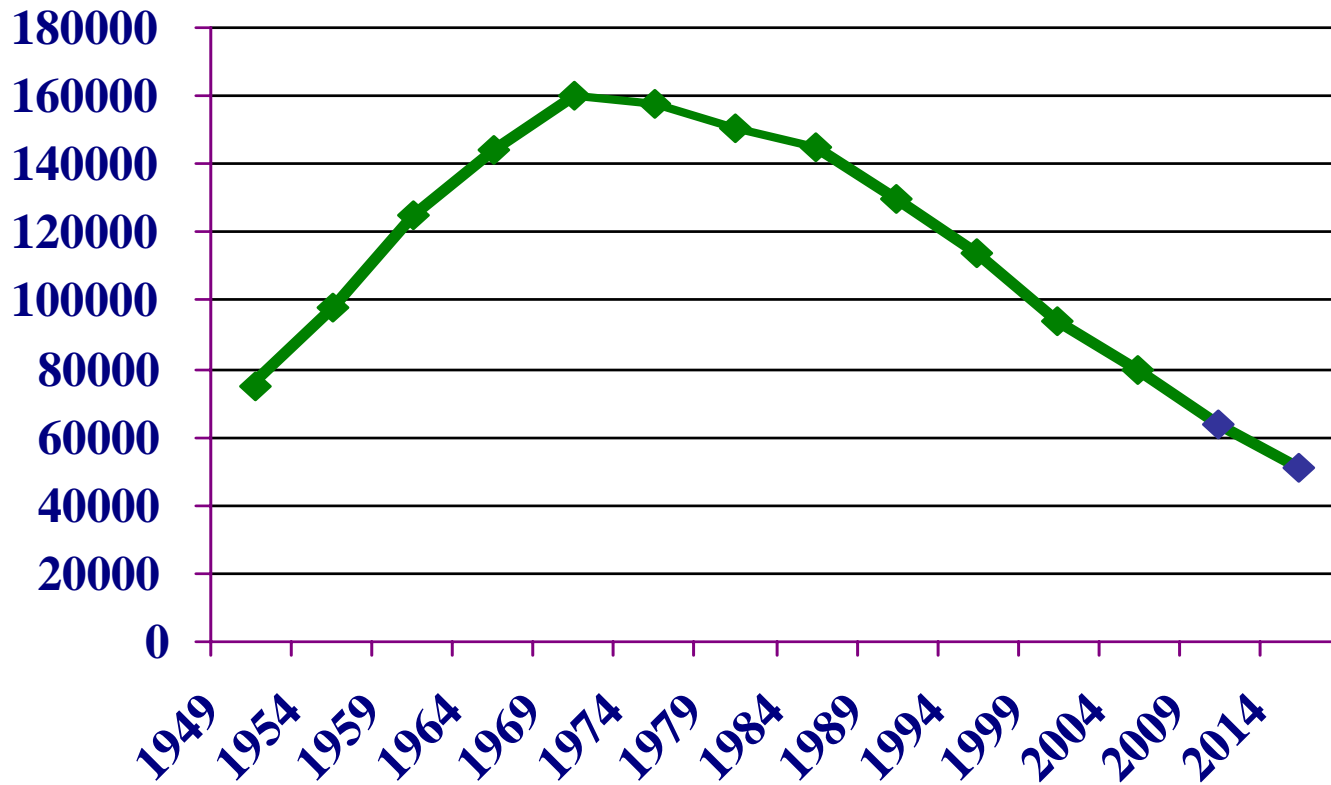
Population Change by Economic Zone 1991-2018

Medium Scenario



Enrolment, All Grades

1948-49 to 2014-15



Source: Data from Departments of Education and Finance. Note: The provincial population, 1951: 361,416; July 1, 2005: 515,961

2. Government's Challenge

■ The Bad News

- Net debt by end of fiscal year: \$11.9 Billion
- A per capita debt at the end of 2005-06 of \$23,062
- Continuing and growing demands on the public purse

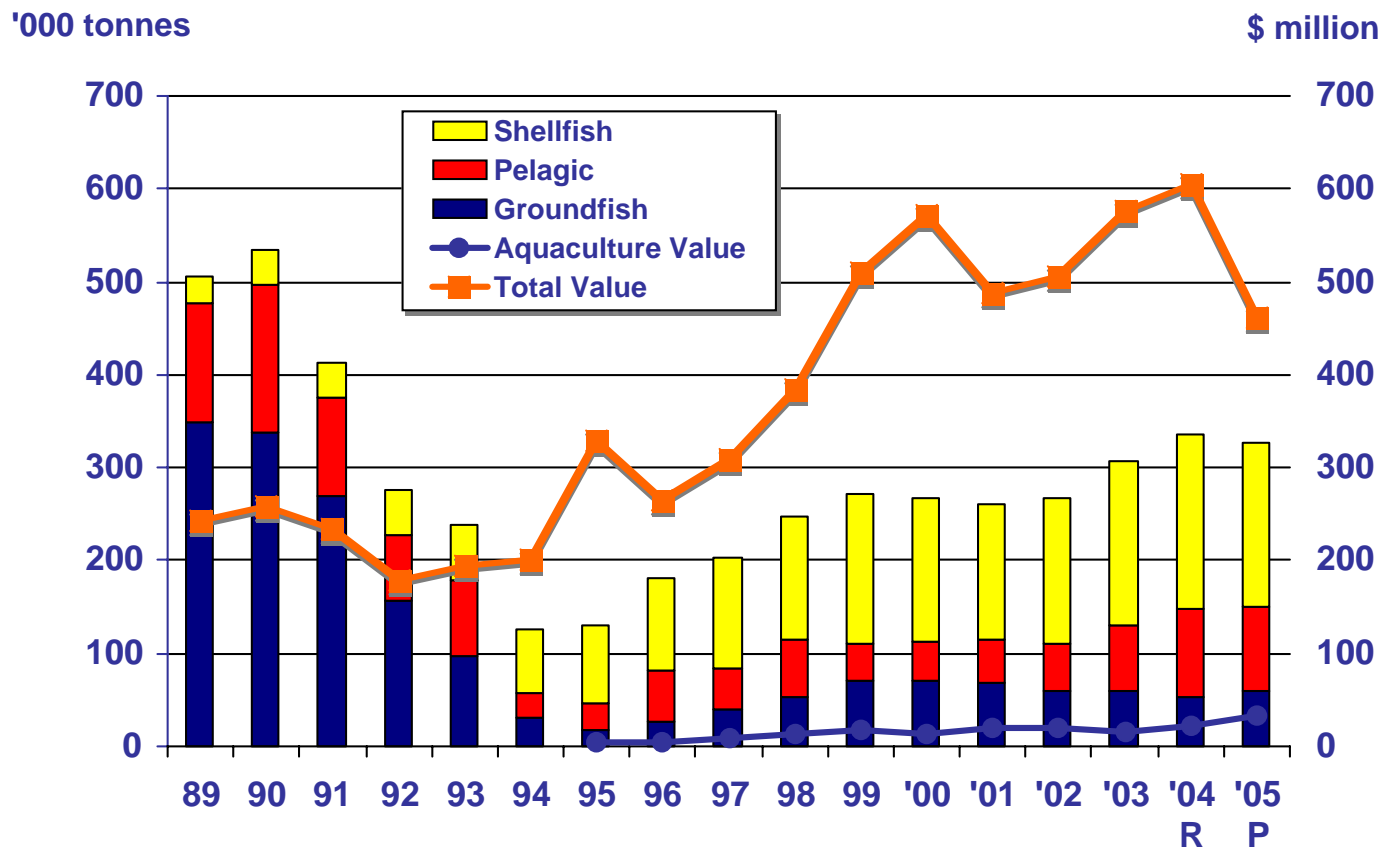
3. The Fishery:

The Engine of Rural Economy

- Dramatic expansion 1997-2004
- Decline in 2005
- Further decline in 2006
- Deep crab cuts in Labrador
- Decline in price

Fish Landings by Species Group

Newfoundland and Labrador, 1989 - 2005



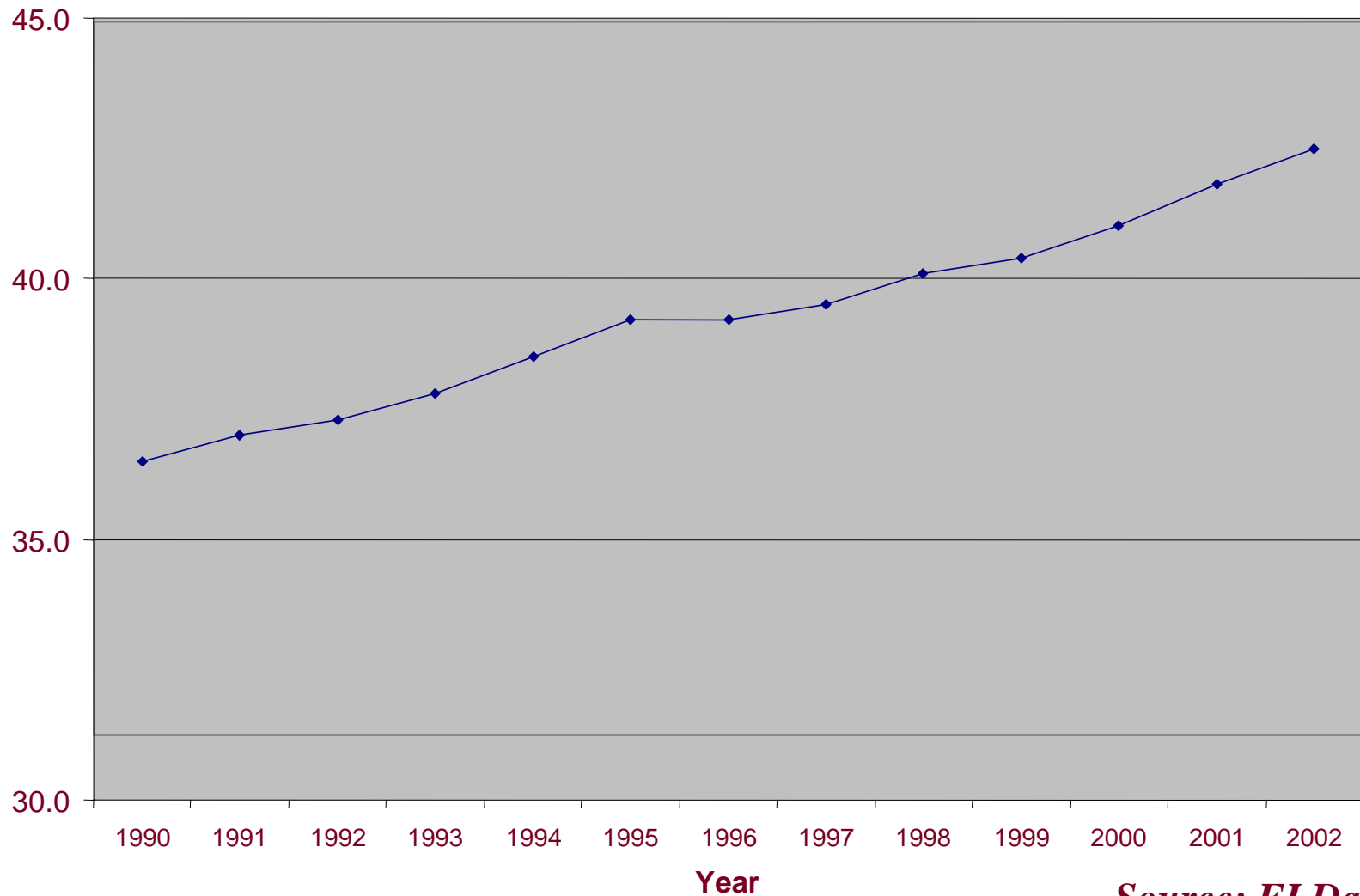
The Fishery's Predicaments

- 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 nine years

Average Age of Plant Workers

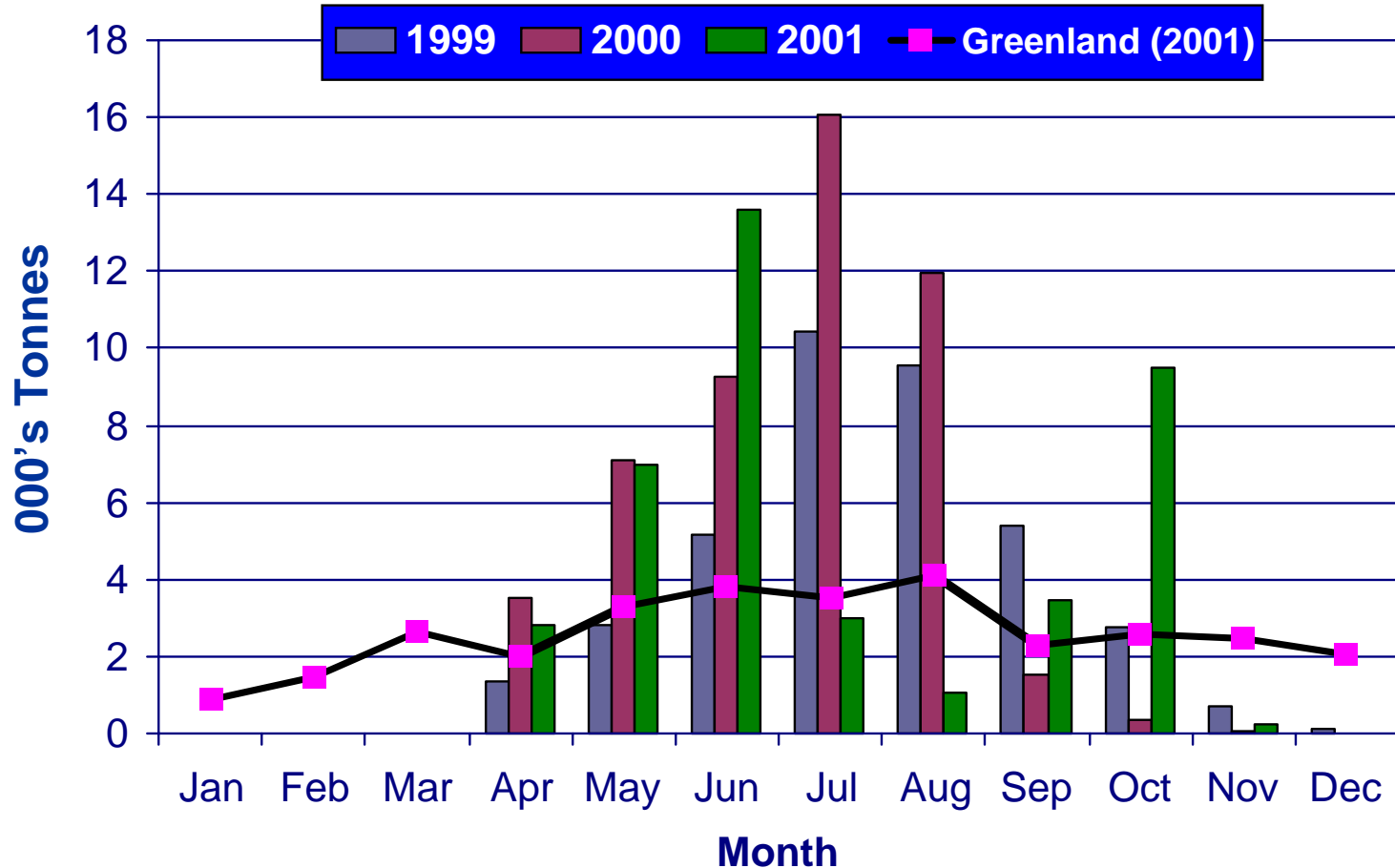


Source: EI Data

Resource Uncertainty

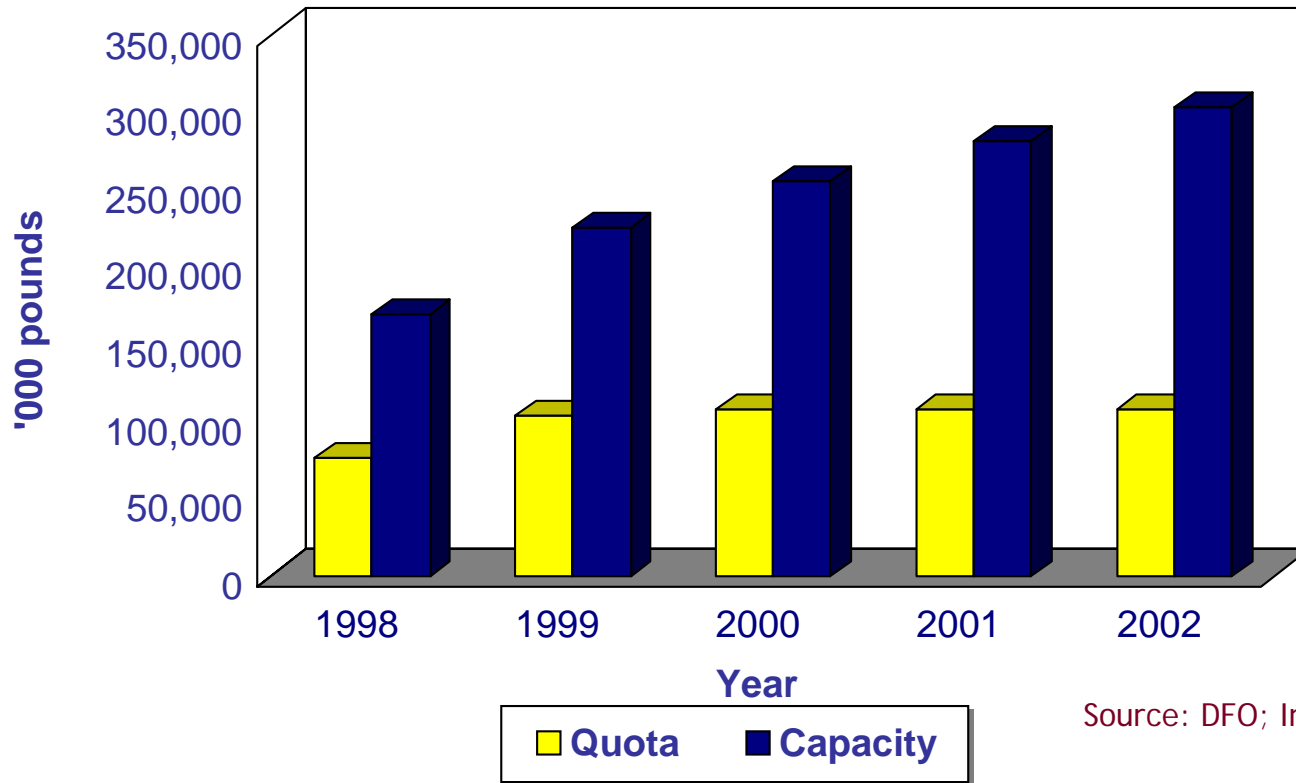
- Crab & shrimp constitute 75% of value
- Decline in key crab resource
- No significant improvement in cod stocks
- Shrimp resource strong, but sector plagued by traditional structural problems, even though sector has developed since 1997

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.

Capacity has continued to increase as has the inshore quota which now stands at 144,000,000 lbs.

Competitive World Markets

- Chinese aggressively entering the markets of Japan, United States and Europe
- Low-cost competition
 - Wage rates in Asia: \$.25 (US) per hour
- Global food industry consolidation in US and Europe
- Aquaculture's Growing Share of Market
- Global Consumer Concerns
 - Health
 - Quality
 - Sustainability
 - Traceability
- Exchange Rates
 - Strengthening Canadian dollar

The Chinese Advantage

- Their Labour Force Advantage :
 - Wage rates extremely low
 - Labour supply seemingly inexhaustible
 - Highly motivated, skilled, competent workers
 - Fully aware of market issues
- Lax or non-existent regulatory regime
 - Labour standards
 - Environmental protection laws
- Low interest state loans
- Undervalued currency



Empowerment of communities

- Federal government resource manager
- Canada's management of fisheries zone based upon Law of the Sea
- LOS recognizes rights of coastal fishing communities
- Yet Canadian fisheries management devolves rights to corporate enterprises, not communities

Empowerment -continued

- Senior governments in charge
- No linkage between them - no joint management, as in U.S. or Australia
- Communities and regions must seek place at table
- The concept of joint management must be reformed to recognize communities
- Local governments should develop new concept of joint management

Joint Management

- Cashin Report called for joint management
- Young Royal Commission
- CNLOPB is example, not model
- Constitutional change not essential
- Federal and Provincial governments must recognize legitimate role of fishing communities

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.”

Conservation is Key

- All species must be managed as eco-system
- Rebuilding of groundfish stocks essential and possible
- Fishing down the food chain not sustainable
- Strong local involvement needed
- Eastport model
- Science (DFO) and local communities must work together

Consumer is King

- Respect consumer role in market
- New product development essential
- Gillette Razors example
- Shrimp products not being developed
- More attention to market development essential
- Role of fresh fish

Consumer is King, Continued

- Quality control is paramount
- Product development, premium quality vital to position Newfoundland and Labrador in global market
- Improved price setting for harvesters critical
- Auctions are dominant globally

Overcapacity/Seasonality

- Overcapacity/seasonality must be addressed
- Market will force adjustment
- Combinations will occur in harvesting and processing
- Communities must have a voice in how these combinations develop
- If not, whole regions will lose their anchor communities

Human Resource planning

- If fishing industry is to be sustainable it must be an attractive workplace
- Seasonality must be reduced
- The Marine Institute must train for future needs of the industry
- Enterprises must adopt state-of-the-art technology, plants and fishing vessels
- Smart plants and smart vessels

Managed Transition

- Consolidation in harvesting and processing inevitable
- People must think regionally, not at community level, and regions must build economic anchors
- Communities must have voice, along with senior governments, in building sustainable anchor communities
- People will stay in the region if they can work and earn a living

Managed Transition - Continued

- The managed transition should:
 - Lengthen fishing/processing season
 - Employ skilled workers
 - Produce innovative, high quality products
- Anchor communities will
 - Provide employment within commuting distance for people within region
 - Create the basis for sustainable schools/hospitals

Role of Economic diversification

- Fishing cannot be the only basic industry or anchor
- Other industries, primary, secondary and tertiary are critical
- Industries supplying the fishing industry have good prospects for success
- Strong regional development policies must go hand in glove with reformed fisheries policy

Mechanism for Implementation

- New approaches to governance needed
- Private sector enterprises must be respected, we live in a private enterprise economy
- Communities must have a voice, along with resource users
- Conflicts can be resolved through a system of boards operating transparently on the basis of agreed rules
- Decisions that impact on communities should not be made without their voice being heard

Can the Fishery Save Rural Newfoundland and Labrador?

- Yes, but not all communities/regions
- Not on its own
- Not without fundamental change
- Not without stronger regions
- Not without rebuilding of stocks
- Not without introducing “the New Economy”, its culture, its technology and its acceptance of globalization

Can the Fishery Save Rural Newfoundland and Labrador?

- Yes, it can if we all work together, recognizing that fish stocks are public assets that belong to communities.

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

Any decision in this direction must be
taken by rural
Newfoundlanders & Labradorians

After

An extensive period of analysis,
consultation and consensus building