A Framework for Fisheries, Rural Development and Fiscal Responsibility: *Dealing with the Reality*

Symposium on Growing the Economy of Newfoundland and Labrador

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Alastair O’Rielly
Managing Director

Canadian Centre for Fisheries Innovation
Three Issues

1. Demographics
   Aging, declining rural population

2. Fishery
   Facing critical labour shortages & intense global competition

3. Public Sector Finances
   Government battling widespread infrastructure & serious deficit and debt problems
The Fishery’s Predicaments

- Human resource crisis looming
- Uncertain resource outlook
- Increasingly stiff global competition
- Inability to accept public sector support due to trade consequences
- Continued social over-dependency on sector
- Over-capitalization in both harvesting & processing
As the Fishery Goes, So Goes the Province

• A Practical Approach to Meet the Three Challenges
  – A Plan Based on the Fishery
    • To Help Put Province’s Fiscal House in Order
    • To Make Rural Areas Viable Economically & Socially
    • To Respond to the Fishery’s Structural Issues and the Global Competitive Environment
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 - 2003

Source: DFA & DFO

P = Preliminary  R = Revised
**Top Species by Landed Value ($ Millions)**

**1989**

- **Cod** $120 (63%)
- **Shrimp** $14 (10%)
- **Plaice** $18 (7%)
- **Lobster** $19 (10%)

**2003 (preliminary)**

- **Crab** $277 (58%)
- **Shrimp** $141 (29%)
- **Cod** $18 (4%)
- **Turbot** $21 (4%)
- **Lobster** $25 (5%)
- **Capelin** $18 (10%)

**Table:**

<table>
<thead>
<tr>
<th>Species</th>
<th>Landed Value</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>Cod</td>
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**Note:** The data for 2003 is preliminary.
Human Resource Crisis Looming

• Plant workers’ earnings among lowest in country
• 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
Distribution of Plant Workers and Harvesters By Total Income Range, 2001

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 EI/UI Income for Workers in Processing and Harvesting

Source: Special Tabulation, Statistics Canada; Newfoundland Statistics Agency; DFA
Number of EI Beneficiaries
Newfoundland and Labrador, 1996-2002

# of Claimants)

<table>
<thead>
<tr>
<th>Year</th>
<th>Harvesting</th>
<th>Processing</th>
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<tr>
<td>1996</td>
<td>9,100</td>
<td>6,600</td>
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<tr>
<td>1997</td>
<td>10,900</td>
<td>7,300</td>
</tr>
<tr>
<td>1998</td>
<td>12,100</td>
<td>9,100</td>
</tr>
<tr>
<td>1999</td>
<td>13,100</td>
<td>9,600</td>
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<tr>
<td>2000</td>
<td>13,900</td>
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<tr>
<td>2001</td>
<td>13,800</td>
<td>9,600</td>
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<tr>
<td>2002</td>
<td>12,874</td>
<td>8,207</td>
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</tbody>
</table>

Source: Special Tabulation, Newfoundland Statistics Agency
Note: Beneficiaries are based as either those classified as harvesters (Type 6 Claim) or occupational classification of plant worker
Distribution of Plant Workers and Other Non-Fishing Employed Tax-filers By Total Income Range, 2001

Source: Special Tabulation, Statistics Canada; Newfoundland Statistics Agency; DFA
Average Weekly Earnings For Selected Occupations, 1991-2002

Source: Statistics Canada, Annual Estimates of Employment, Earnings and Hours
Prepared by: DFA
Resource Uncertainty

• Crab, Shrimp & Cod constitute over 80% 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 by Month Relative to January of Each year
Newfoundland and Labrador, 1987, 2000

Source: Special Tabulation, DFO; DFA
Landings by Month and Fleet Sector
Newfoundland and Labrador, 2000

Source: Special Tabulation, DFO; DFA
Landings of Inshore Shrimp

000's Tonnes

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.
Serious Competitive Threats

• Chinese aggressively entering the markets of Japan, United States and Europe
• Wage rates in Asia: $.25 per hour
• Global food industry consolidation in US and Europe
Hourly Compensation, Food, Beverages & Tobacco, 2002

Source: US Department of Labor & O’Rielly Pers. information
Present Structure Will Not Last

- Fishery continues to be based on historical inshore model, catching/processing fish at the wrong time. No biological/economic/market reasons why fishery cannot be significantly extended
- Current structure maintained for outdated social objectives
- 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 “Employers of Last Resort” is over: Already the judgment of rural youth
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: Consolidation of Designated Rural Centres

- Industry Consolidation
- Regional Concentration of Government Services
- Social Revitalization of Communities
Social Revitalization

• Viable Communities
  – Schooling
  – Health & social services
  – Improved community infrastructure

• Retention of Youth
  – Better educational facilities
  – Diverse, enhanced social opportunities
  – Better career opportunities
  – Opportunities for future growth
  – Recreational opportunities
Plan Enables Future 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
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
Implementation

• Choice of centres based on fishing industry
• Relocation at discretion of individuals
• Inclusive Transparent Process
• Plant Production Quota System
• Implementation of Joint Management System
Plant Production Quota System

- To Facilitate and Manage the Industry’s Consolidation
  - Share allocated for major species groups
  - Transfers and consolidations subject to public sector approval to ensure regional balance and concentration in areas of growth and opportunity
  - Significant cost reduction, improved incomes and business development prospects for industry
Joint Management & Development

Coordinated, integrated & cost-effective approach to Fisheries Management and Development

• Eliminates policy duplication
• Balances management of adjacent fish stocks with provincial priorities
• Reduces federal-provincial conflict over fisheries
• Stable foundation for resource management & industry investment
Joint Management & Development

- Incorporates fisheries policy in broader economic and social plans
- Removes potential for arbitrary or inconsistent fishery management decisions
- Provincial participation in fisheries management
- Management plan to match vessel size, numbers of vessels, harvesting locations, plant locations with publicly designated ‘Growth Centres’ Strategy
Further Considerations

• Analysis of costs and benefits
• Time to establish: 5 – 10 years
• Based on inclusivity, due process & transparency
• Regulatory frameworks of governments to provide support
• Achieving federal/provincial & municipal participation, a ‘Marshall Plan’
• Fishing industry participation
Illustrative Example: Arnold’s Cove

- No decline in population
- Low average age of workforce
- Strong municipal infrastructure with low debt
- Extraordinary high proportion of total income from employment
  - Isthmus of Avalon region reports 71% of total income is “earned” at the plant
Private Sector
Benefits/Responsibilities

• Processors’ competition refocused from resource procurement to global market opportunities

• Implementation of reporting requirements (E.B. Dunne report)
  – Market Diversification
  – Product Diversification
  – Research and Development
  – Human Resource Development & Training
  – New Technology Development
  – Resource Utilization
Alternatives

Non-intervention – Benign Neglect

- Acknowledgement of the irreparable decline of rural economy and social fabric
- Continued and accelerated rural out-migration
- Fishery adaptation
  - Growth in on-board processing
  - Exports of raw material for processing elsewhere
  - Employment of migrant workers
  - Less value-added production
Manage Change
Shape the Future
Grow the Economy!