REVIEW ARTICLE

Off Course: *Navigating Troubled Waters* in the Newfoundland Context

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INTRODUCTION

IN JANUARY 1982, as the Atlantic fishing industry seemed unable to rebound from a severe depression which had affected many of the processing companies, and thus the workers, fishermen and communities who depended on them, the Liberal government announced that Michael Kirby, a senior civil servant well-known for his part in the repatriation of the constitution, had been chosen to head a Task Force to consider "how to achieve and maintain a viable Atlantic fishing industry, with due consideration for the overall economic and social development of the Atlantic provinces" (De Bané 1). In addition to this broad general mandate, the Task Force was also requested to recommend what action the government should take with reference to the individual companies which had approached it for financial aid. Given that earlier bail-outs in 1968 and 1974 had failed to reduce the pressure on the public treasury and that the government was under its own financial stress, a more thorough investigation of the fisheries and the establishment of a long-term policy were considered vital. Hence, the Task Force was established (De Bané 2).

In addition to Mr. Kirby as chairman, the Task Force included twelve major participants with experience in government and the industry, but its core, the most powerful members, appears to have been Mr. Kirby himself and two Halifax associates: Peter John Nicholson, formerly a senior manager with H. B. Nickerson and Sons, and David Mann, a prominent corporate lawyer. In

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carrying out its mandate, the Task Force held 135 consultative meetings, received ninety briefs, contracted a major survey of the financial standing of the processors, produced a market analysis for the major species, and completed a survey of the 1981 incomes and expenditures of a sample of 1,300 Atlantic coast fishermen. Clearly there was no shortage of data and the report would have been significant for the presentation of this material alone.

Yet the point of the exercise was to recommend policy. In this regard the public appearance of *Navigating Troubled Waters* (or the Kirby Report, as it is often called) was immediately controversial. Supportive of the analysis were such prominent political figures as John Crosbie of the federal Conservatives and Steve Neary, house leader of the provincial Liberals in Newfoundland. Perhaps most significantly, Bill Wells, representing the major fish processors in Newfoundland, complimented the Task Force on its "excellent review" ([St. John's] *Evening Telegram* 18 Feb. 1983). In sharp contrast was the agonized, caustic response of Richard Cashin, President of the Newfoundland Fishermen, Food and Allied Workers Union (NFFAWU), who castigated the report for "an almost total lack of analysis of the real problems in the industry" (Cashin 1). According to Cashin, the Task Force was faced with three central problems: "what to do about the economic plight of inshore fishermen; how to restructure the offshore industry; and what to do about marketing. On all of these major counts the Task Force has failed" (Cashin 1). Somewhat intermediate was the response of Jim Morgan, the provincial minister of fisheries, whose general approval was tempered by his reference to several serious problems, such as the summer glut and the financial position of longliner fishermen, which had not been addressed (*Evening Telegram* 19 Feb. 1983). As this review is developed, it should become evident why the Kirby Report elicited such divergent reactions from those it was meant to serve.

For its analysis of the causes of economic decline and because it represents the principal legitimation and source of state policy to cope with the fisheries crisis, *Navigating Troubled Waters* requires close scrutiny. Here I shall focus more on the policy recommendations than on the detailed background analysis of the economic woes of the industry. Furthermore, only those parts of the report which pertain to Newfoundland conditions are examined. I intend to demonstrate that the Task Force proposals and the federal government's general acceptance of them are seriously limited by an overriding trust in the ultimate efficiency and justice of the marketplace and by a focus on fisheries in isolation from the question of total regional development.

GUIDING PRINCIPLES

When it was finally released, after several postponements, the report did not address the problems of specific companies nor did it contain a blueprint for the future social organization of the industry. Discussions were taking place, however, on the restructuring of the major companies and Michael Kirby, with his most trusted Task Force members, was to play a significant part in that process, the tortured history of which has been recounted elsewhere (Sinclair) and will not be repeated here. Indeed, *Navigating Troubled Waters* barely makes reference to the concrete problems involved in restructuring. In this long report on the future of the industry, the authors skillfully skirt the problem. What they did present was a set of three guiding principles for policy-making—all accepted by the federal government—and a total of fifty-seven more specific recommendations, most of which were also incorporated as official policy. Indeed, on his departure from office, Pierre De Bané issued a press release on the status of the Kirby recommendations in which he reaffirmed the importance of the report to the Department of Fisheries and Oceans by stating that "of the 30-odd recommendations clearly within the power of my department, we have carried through about 90 per cent" (*Evening Telegram* 9 July 1984). I shall begin this review, however, with the general principles.

In generating its recommendations, the Task Force accorded first priority to the objective of creating an economically viable fishing industry, one able to survive normal business recessions without resorting to government financial aid. In the words of the report:

> The Atlantic fishing industry should be economically viable on an ongoing basis, where to be viable implies an ability to survive downturns with only a normal business failure rate and without government assistance.
>
> (Task Force on Atlantic Fisheries 186)

It was made clear that some of the existing companies would not and could not survive as viable enterprises, but how many might be expected to collapse was not specified nor was their location.

The pursuit of the primary objective was to be tempered by the second, which stressed the goal of maximizing employment provided that "those employed receive a reasonable income as a result of fishery-related activities, including fishery-related income transfer payments" (Task Force 186). Again, key terms are undefined. Policy-makers receive no guidance as to what constitutes "a reasonable income," only that it is something better than dependence on social assistance or conditions "on the edge of poverty" (Task Force 187). It might further be inferred, at first glance, that the Task Force might recommend the general subsidy of incomes to bring them up to the "reasonable level" in that the calculated incomes were to include fishery-transfer payments. However, the priority of market forces was clearly expressed. While rejecting the social consequences of a "pure economic efficiency approach" in fishery dependent areas, the report did support closures in certain conditions, regardless of their effect on employment:

> If, for example, a firm can show that closing a processing plant is essential for the firm to remain viable, then this closing should be allowed even though it will cost

> plant workers their jobs, at least in that community. On the other hand, if a firm proposes to close a plant to increase profits when the firm would remain reasonably profitable, and hence economically viable, even if the plant stayed open, then this closure should be discouraged. (Task Force 187)

It is evident that the empirical definition of viability is central to the first two objectives, but no specific criterion is actually provided. For example, we do not know what level of achievement is required in normal times to provide resources to protect against a recession and thus the question of which plants should be allowed to close cannot be anticipated. Despite the appearance of offering clear policy guidance, the report leaves this vital question to political struggle, since fish companies and state officials are free to establish their own working definitions of viability. Therefore, the Task Force has not changed the terms of this interaction, except that it discourages public subsidy of the weakest companies.

Less controversial is the third objective, which asserts that, within the Canadian management zone, fish should be caught by Canadians working for Canadian-owned companies wherever this is consistent with the first two objectives and with Canada's international treaty obligations. Foreign investment was considered acceptable, but only in the absence of Canadian funds.

As I turn to examine the recommendations which bear upon the Newfoundland situation, it seems advisable to alter the structure of the Task Force's own presentation by grouping together those proposals which affect first, income support, secondly, capital accumulation, and finally, resource management.

INCOME SUPPORT MEASURES

To its credit, the Task Force has provided the best documentation of fishermen's incomes in Atlantic Canada and has presented clearly the evidence that fishermen's incomes in many regions are abysmally low. In this respect it confirms the assertion of the NFFAWU regarding Newfoundland in particular.

For 1981, it was discovered that the average net income of full-time fishermen from their fishing activities was $11,907, whereas part-timers averaged $2,783. These averages mask a wide range from the top ten per cent of full-time fishermen, who earned at least $23,350, to the bottom 50 per cent, who earned $6,500 or less (Task Force 53). A breakdown by area placed all of Newfoundland except the south coast well below the median gross income of fishermen in the Atlantic provinces as a whole (55). The poorest area, northeast Newfoundland, recorded a mean income of $4,512 in sharp contrast to the relatively affluent fisheries of southwest Nova Scotia at $28,766 (54). On the average, full-timers could only count on $3,837 from other sources (earnings and transfers) to supplement their fishing incomes (55) and even for part-timers we find no more than 25 per cent obtaining $10,800 or more (57). Most are not well-paid "moonlighters." Income in kind was considered to be relatively insignificant. It is interesting to observe that net income increased among both full-time and part-time workers in each vessel size category up to sixty-five feet. Similarly, for full-time fishermen incomes increased in proportion to the number of licences held (62-63). Noteworthy was the Task Force's failure to observe the importance of state policy in influencing the incomes of fishermen through the allocation of valuable limited entry licences. Turning finally to total household income, we observe that other members of the average fisherman's household contributed an additional $4,643 in the case of full-timers and slightly more in the part-timer household (65). In Newfoundland, fish plant jobs were held by slightly more than a quarter of other household members, which made them a most important additional source of household incomes. Nevertheless, the average total household income in northeast Newfoundland only reached $14,319 and for the Atlantic region as a whole, $21,900. As the report stated, "without regular supplementation of fishing incomes from non-fishing sources, it is clear that the majority of fishermen's households would be at or below the recognized poverty line" (Task Force 66-67).

In the face of the recognized problem, no immediate aid was recommended and the policies for the future would be very limited in their impact. It was suggested that the low incomes of fishermen might be improved by introducing a production bonus scheme. In the words of the report, "This system would permit fishermen to earn cash credits, payable in the off-season, based on such factors as the gross value of their landings, fish quality, season of catch, and gear used" (Task Force 316). The higher the total catch, the lower the cash value of each credit. The total effect on fishermen's incomes would depend on the average size of the credit and its impact on distribution would depend on the sliding scale. Neither is specified in this report, which really reflects nothing more than the principle that financial assistance should be tied to an incentive to produce, while not permitting income distributions to become too distorted. The main problem with this proposal is that it may be hard to avoid rewarding most those who need it least. A secondary problem is that great vigilance would be needed to ensure that the bonus paid by the state would not be accompanied by a lower price for fish than could otherwise have been negotiated. The only protection for fishermen in this matter would be vigilant collective bargaining.

Another plan involved introducing an income stabilization plan similar to those which operate in agriculture. Such a plan would protect gross incomes from falling sharply in any year by relating current income to a rolling five-year average. If incomes fell below a specified percentage of that average, they would be supplemented from a fund to which fishermen would contribute (along with the federal government) during years of above-average returns. The proposal is somewhat vague at present, but would appear to be worthwhile, although no mention is made of how catch insurance could be related to fishing effort.

The Task Force advocated an end to unemployment insurance for fishermen, if the two new programmes could be successfully implemented. Unemployment insurance was considered unsuited to the fishery, but almost all of the report's objections were to administrative rules which could well be reformed. Beyond that, the Task Force noted that only about ten per cent of UI payments were financed by fishermen's contributions, compared with about 78 per cent for other workers covered by the fund. The chief objection, it appears, was that fishermen's UI benefits are not really insurance against loss of employment due to labour market conditions, but a programme "to supplement the incomes of a group of workers whose industry does not generate reasonable levels of income for many participants" (Task Force 312). The existing subsidy approach was incompatible with the prevailing philosophy of the report.

In the meantime, a number of changes were recommended which would improve the current UI programme by removing the impediment to late-season fishing and winter boat construction, and by relating the season when benefits might be paid to the true off-season in an area. Thus, UI payments were to be calculated on the basis of the best ten weeks for those who fished at least fifteen weeks, which would remove the previous disincentive to fish late in the year when catches might fall off and reduce the value of stamps received. Fishermen in southwest and southern Newfoundland, for whom the winter was the principal groundfish season, would then be able to take advantage of UI. The federal government accepted these alterations to the UI regulations and moved quickly to change them in July 1983.

It should be apparent that none of these measures could resolve the serious financial problems of fishermen-entrepreneurs, i.e., fishermen who are vessel owners, not share men, and who operate a commercial enterprise. Unemployment insurance was to be phased out and replaced by a production bonus scheme which might not raise incomes any higher than under the present system. Catch insurance or gross income stabilization might be beneficial, but would simply prevent incomes from falling much below a level which has been itself unsatisfactory. At the level of first sales (i.e., the transaction from fisherman to initial purchaser) the Task Force recommended study as to how to organize the port market, but withdrew from any specific recommendation except to encourage provincial governments to adopt collective bargaining legislation for inshore fishermen. Such legislation, indeed collective bargaining itself, will not resolve the financial problems, as the experience of Newfoundland, where this right is established, amply demonstrates. Thus, the Task Force really avoided any policy that might improve the incomes of fishermen quickly.

Although it was recognized that the problem of low incomes could not be solved simply by reducing the number of fishermen, although it was clearly stated that part-time fishermen take only 13 per cent of gross landed value, and despite the fact that part-timers can *least* afford to be deprived of any income, the Task Force proposals would harm this most impoverished of groups. Thus, to limit the cost of new schemes and discourage entry, part-timers were to be refused any benefits from new income maintenance schemes (Task Force 319). And the new UI recommendations made it more difficult to use fishing income as part of a total UI claim including wage-labour. Therefore, part-time fishermen, generally poorer than the rest, were particularly ignored by the new programmes.

Regrettably absent is any consideration of the price of fish in relation to low incomes. Dockside prices in Newfoundland are simply too low to sustain all fishermen, even if every part-timer is excluded. In 1981, for example, there were 12,300 inshore fishermen working full-time and a total landed value, excluding the off-shore catch, of $115,507,000, which translates to an average gross revenue of $9,391 on the assumption that part-timers' nets were totally empty (calculated from *Canadian Fisheries Annual Statistical Review 1981* 57, 109). The Task Force did not directly advocate the elimination of fishermen, but in the absence of price and income supports, it would be impossible for the existing number of Newfoundland fishermen to earn adequate incomes from fishing by almost any definition of adequacy.

CAPITAL ACCUMULATION

Both fishermen and fishing companies were recognized to be suffering from inadequate capital resources and heavy debt burdens, but no new, general programme of financial assistance was advocated because the industry as a whole was considered to be no worse off than Canadian industries generally (an assertion that was not actually documented). Nevertheless, the *big* fish processors, *not* the fishermen, were to be assisted by the injection of new capital from the government in the form of direct grants or loan guarantees. It was anticipated that this, together with a write-off of some debts by lending institutions, would make many of the troubled companies viable again. Yet "some reduction in the over-capacity of the industry is inevitable," warned the authors, adding that "mergers appear to be essential to reduce overhead" (Task Force 328-29). In other words, some of the large processing companies could be permitted to expand with no assurance that the management problems and the dependence on U.S. groundfish markets, which had been major contributors to the current crisis, would be changed. As Barrett and Davis have pointed out, the belief in mergers is paradoxical given the relative success of smaller, more flexible companies in the Atlantic region.

Assuming that some reconstruction was to take place, the Task Force insisted that the new companies should then be left to stand on their own feet. For his part, Mr. De Bané backed up the position by stating that "The restructuring negotiations are aimed at putting the companies back on a healthy footing and the federal government is prepared to make a substantial contribution to ensure that this happens. But once this has been done, once the industry is economically viable again, we do not want the industry to rely on government handouts again, and again, and again" (De Bané 13). Perhaps this was not a new programme as such, but large companies and their creditors were clearly to be assisted, while small fishing enterprises would be left to struggle alone.

A proposal to eliminate vessel subsidies to fishermen was taken under advisement by De Bané and subsequently rejected. Provincial loan boards were asked to carry on with existing policies, to consult with the federal government to assure uniformity and to consider the possibility of a new form of lending institution for working capital. Unlike the processors, fishermen were to be offered no additional financial aid because their problems were considered no worse than those of farmers: some fishermen had proved that success was possible with skilled management (had not some fish processors done the same?), and the Fisheries Prices Support Board could provide emergency help (Task Force 329). However, the amount of aid provided to farmers and similar groups was never compared with that to fishermen. The successful operators depended as much on access to suitable vessels and licences (a matter of public policy) as on management skill. Furthermore, the Task Force was reluctant to help fishermen with their financial problems because such a programme might actually aid those processors who had established creditor positions vis-à-vis fishermen. This argument is weak in that it seems to assume that no real benefit accrues to the fishermen who might thereby escape from a debtor relationship or that it is more desirable for the state to help fishermen pay banks rather than other lenders—an extraordinary position which the Task Force does not actually present.

Despite the initial sweeping retreat from capital assistance, it is evident that processors can expect help, but not fishermen. Indeed, in the discussion of how to improve fish plant profitability, the report seemed to imply a general capital assistance programme, particularly recommendation 26 which encouraged the government to support investments "aimed at increasing production and obtaining higher yields" (Task Force 286). In general, both provincial and federal governments were requested to invest in managerial and technical training, and to assist the industry to evaluate its financial position along the lines begun by the Task Force. A general exhortation to expand research and development is no doubt agreeable to all, although no estimate of the resources which need to be devoted to this task was provided.

Resource Management

The Task Force correctly identified the reduction of groundfish and capelin stocks on the southern Grand Banks as a serious problem related to the fact that these fish migrate across the two hundred mile zone and are overfished by foreign trawlers on the Nose and Tail of the Bank. Despite the importance of these stocks to southern Newfoundland, the report did not consider as an option the extension of Canadian jurisdiction to cover these areas, even as a target for the future. Instead, it was recommended that Canada allocate surplus and non-surplus stock within the Canadian zone to countries which demonstrate a trade and conservation policy consistent with Canadian interests. While this strategy would avoid international disputes, it would provide no guarantee of long-term stability and would fail without the co-operation of Spain, which sends the largest fishing fleet to the Nose and Tail. Lacking the threat of extension of jurisdiction, Canada's bargaining position is made weaker.

The largest stock, and the one most important to northeastern and eastern Newfoundland, is northern cod, which was predicted to expand by 75 per cent between 1982 and 1987. Allocation of this stock is a federal responsibility and has caused considerable controversy in that it is coveted by Nova Scotian and Newfoundland deep-sea companies, by resource-short plants in Newfoundland, and by inshore fishermen. The recommended allocation of north-

TABLE 1

Canadian Northern Cod Quotas, 1982 and 1987 Recommendation

Recipients	1982		1987	
	tons	per cent	tons	per cent
Inshore (vessels up to 65 feet LOA—length overall)	120,000	55.8	145,000	38.2
Existing trawlers	87,250	40.6	145,000	38.2
Resource-short plants	5,250	2.4	50,000	13.2
Other fixed and mobile gear[1]	2,500	1.2	40,000	10.5
Total	215,000	100.0	380,000	100.1

Source: (Task Force 245).

[1]Mainly middle distance longliners over 65 feet.

ern cod is shown in Table 1. Several points should be made. The Task Force has argued against retaining the existing proportion of the catch for the inshore fleet on the grounds that to harvest it would require excessive additional investment in plants in order to avoid a summer glut. A subsequent recommendation to investigate the feasibility of freezing the summer catch for later processing might affect the logic of their argument, which, in present conditions, is sound unless much of the additional supply could be salted. The latter possibility was rather quickly rejected on the belief that no market could be found for an increase in salt-fish production. Surely this too would bear investigation.

Category four assumes that a fleet of about fifteen all-season longliners of from 80 to 120 feet, possibly under fisherman ownership, will be added to the present fleet structure. These vessels have the potential to harvest groundfish most of the year by using efficient techniques, such as automatic longlining, to deliver a top quality fish. The Task Force has been wise to recommend their development in Newfoundland, and in 1983 the provincial government conducted a highly successful experiment with a mid-size longliner from Scotland. Presumably, such longliners would operate from northeastern ports and help to reduce the seasonal limitations of some plants in the area. Nevertheless, several critical points were not addressed. First, no attention was given to the financing of these vessels, which would be outwith the resources of individual fishermen unless the subsidy programme was made more generous. Second, should the mid-shore fleet prove successful, catches would rise at the expense of the inshore sector, but the demand for labour would be less.

Table 1 includes an allocation of 50,000 tons to resource-short plants, which were elsewhere defined as plants supplied principally by inshore vessels, having plate freezing and cold storage capacity, capable of winter operations with minor modifications and currently without fish for much of the year (Task Force 238-39). These fish were to be supplied by Canadian trawlers by 1987. Plants on the east coast of Newfoundland would enjoy priority access to this supply. Although this view is certainly defensible in terms of the efficiency and employment criteria adopted by the Task Force, there is considerable difficulty in supplying fish to the plants. Canadian trawler companies require trawlers to supply their own plants at the time of year when the resource-short plants need the supply. Just how the target of catching this fish with Canadian vessels is to be reached by 1987 was left for someone else to figure out. It seems unlikely that existing companies or a new company would find enough work for the trawlers involved over the year as a whole. Initially, foreign trawlers have been permitted to supply the designated plants.

As manager of access to the resources within the two hundred mile limit, the federal government has come under great pressure to resolve the problems which derive from the common property nature of the fishery. These problems include destruction of the stock and excessive investment in vessels and gear, because each enterprise has an interest in catching as much as possible in the short term or risks the possibility that the fish will be taken by its competitors. The Task Force recommended an extension of existing limited entry controls by adopting a system of enterprise allocations or quota licences based on the following principles:

> (1) The licence would pertain to the individual as a quasi-property right (the licence would be on the man, not the boat). (2) The licences would specify either a limitation on the catch (sometimes called an 'enterprise allocation' or a 'quota licence') or on the catching capacity of the fisherman's vessel and gear (sometimes called an 'effort-related' licence, as now exists in, for example, the lobster fishery). (3) The licence would be divisible and transferable (that is, it could be sold or traded) subject to certain conditions; the transfer process would be supervised by a quasi-judicial board. (Task Force 222)

From subsequent discussion it is evident that the Task Force perceived that individual quota licences would likely be impractical for boats under 35 feet, but were suited to such fleets as the nearshore otter trawlers. An alternative approach for small vessels, based on catching capacity, e.g., the length of gill net, was brought forward but with no mention of the difficulty of enforcing such a system of limitation. Nor is there any consideration of the polarization of communities which may result. In favour of quota licences, it was argued that they take away the incentive to overinvest in a fishery in order to catch as large a share as possible before one's competitor beats one to it. Limiting the number of entrants does not solve this problem and direct controls on fishing equipment stifle efficient technical development. Furthermore, quota licence holders are in a position to plan a rational harvesting strategy and to expand by purchasing additional fish-catching rights on the marketplace. Finally, it would provide easier entry to the fisheries than is presently the case. In conjunction with the preceding policy a quasi-judicial licensing review board was proposed, but this suggestion was completely rejected by the federal government.

In connection with the above, the Task Force wanted to retain and improve the division between full-time and part-time fishermen, mainly to provide a means of ensuring that those most dependent on fishing as a source of their livelihood would enjoy priority in access to valuable licences, gear and financial assistance. It is unclear how this proposal is consistent with the free market approach based on quota licensing.

Quality and marketing are two closely related areas in which the Task Force has advocated an increased regulatory role for the state rather than structural changes such as the expansion of the state into marketing. The Task Force became convinced that poor quality was a serious problem and that the industry could not or would not adopt universal quality standards. Therefore, the state was requested to require dockside and final product grading after a one year trial period, to insist on bleeding, gutting, washing and icing at sea (with practical exceptions such as in winter cold), and to prepare a community level infrastructure development plan with particular reference to the provision of adequate ice-making facilities (Task Force 262). Within three years all participants in the industry were to be exposed to a quality awareness and educational programme. Finally, quality was to become a criterion for calculating a fisherman's production bonus in the new income security system.

Most of these measures have been advocated for a long time, some for decades. It was noted that experimental dockside grading projects have demonstrated that processors can both pay more for highest quality raw material and also increase their profits. At the same time, the report cautioned that dockside grading will not work unless the price differentials are maintained; the fisherman must always have an incentive to produce the best product he can. The most significant point with regard to final product grading is that it is closely tied to marketing and should be related to a system of export licensing whereby a firm which does not grade to the necessary standards would lose its export licence and would be required to have future products graded by another company (Task Force 263-65).

In addition to export licensing, the most significant recommendation on marketing was for the establishment of an Atlantic Fisheries Marketing Commission which would create marketing councils for (a) fresh and frozen groundfish, (b) salted and dried groundfish, and (c) herring. The Commission and councils would advise government and the councils would also undertake generic promotion campaigns, but neither the Commission nor any council would itself enter into contracts. Individual companies would compete freely as they do at present. The federal government was asked to pay for an extensive advertising campaign over the next five years.

Of considerable importance to Newfoundland are the recommendations with regard to the area north of latitude 50 degrees. The Task Force recognized the special state of underdevelopment of the region and its very high dependence on the fishery. (Nevertheless, this "region" also contains pockets of the most prosperous fisheries, such as the Port au Choix otter trawlers.) Although it was not to be permitted a monopoly in the area, the Canadian Saltfish Corporation was recommended as the main vehicle for fisheries, economic, community and social development through an expansion of its mandate into the processing and marketing of fresh fish, possibly including the purchase of plants such as the troubled St. Anthony facility (Task Force 255). Support for the Saltfish Corporation was based on its proven track record and the desire to avoid the delays involved in setting up a new general development organization.

IDEOLOGY AND POLICY

WHY IS *NAVIGATING TROUBLED WATERS* ultimately so disappointing? It seems to me that the ideological orientations of most Task Force members prevented them from seeing the problems in radical ways and their basic commitment to the dominant existing forms of private enterprise held them back from recommending steps either towards more public ownership or co-operative enterprise, or even towards strict state co-ordination of marketing.

In surveying the principal recommendations as they affect Newfoundland, I have raised a number of problems that derive from each recommendation; that is, I have treated the report in its own terms. But the fundamental problem, the reason why the report is indeed off course, is that the authors have adopted a most restricted vision of the kind of organizational change which should be promoted. Without doubt, we are presented with excellent data on the financial problems of the processing companies and these problems are correctly related to investment decisions after the extension of jurisdiction, to unexpectedly high interest rates and to a weak American market. Yet, the Task Force did not dig under the surface of these economic phenomena to describe the way that capitalism functions to produce the indicated results. We do not, of course, really expect such a critical investigation from an official government committee, but it is only by adopting such a perspective that one can begin to consider more radical answers to the problems.

Capitalist firms function in order to accumulate capital. In a declining industry in which the producers cannot control the price of the product (this is true for processors as well as for fishermen) companies struggle to increase their share of the production process at the expense of their even weaker competitors. The consequence is a centralization of capital and vertical integration within the industry. Vertical integration from processing back to harvesting is the reflection of an attempt to reduce uncertainty by controlling the supply of fish. Not only did the Task Force fail to see any problem in principle with such concentration of capital ownership in the industry, but it actually advises that further mergers are necessary. Furthermore, although the Task Force did not reject public involvement (it actually recognized the necessity of state regulation of competition to prevent free enterprisers fighting each other into bankruptcy), a clear preference was expressed in favour of the capitalist form of production. While accepting some government involvement, it was stated that:

> The Task Force does believe that when roughly the same degree of progress can be made toward fulfilling our objectives by using either public or private sector means, then the private sector route is much preferred. (Task Force 189)

The reasons, it appears, are so obvious they need not be stated and the "choice" of social ownership by fishermen or communities is not even mentioned.

Having accepted the capitalist form of production as ideal, the Task Force was perhaps unable or unwilling to recognize the fundamental conflict of interest between fishermen and processors concerning the price of fish. The report, for example, explicitly rejects a submission of the NFFAWU in which the union claimed that most risks were still shouldered by the fishermen and workers, and that only outward characteristics of the system have changed. Instead, the Task Force argued that power relationships had been altered in recent decades such that the capacity of fishermen to influence development and to protect incomes is "substantial" (Task Force 189). While it is valid to claim that conditions have improved, it is important to recognize that the best organized fishermen, those in Newfoundland, have failed to raise the price of fish to a level which comes close to the European prices and that their incomes are, on the average, still abysmally low. Had the Task Force acknowledged the continued imbalance of power, they might have been less willing to accept a further concentration of capital and more prepared to countenance a radical reorganization of first-hand marketing.

In its study of the port market, that is, the point of first sale of the fish, the Task Force did recognize a number of factors which impinge upon the power of both fishermen and processors to control prices. Thus, the perishable nature of the fish leaves the fishermen with no time to search out a better price. The concentration of buying power among the large companies gives them a price leadership role, i.e., these companies are not forced to raise prices even if there is "competition" from small buyers. In most ports, however, there is only a single buyer. The latter observation rather reduces the significance of earlier comments by the Task Force that competition among processors leads them to buy irrespective of quality and to pay top prices for low quality fish. Evidently, this is not a general situation, certainly not in Newfoundland. Similarly, in some areas financial ties between fishermen and processors limit local competition (Task Force 267-68).

In considering changes in marketing structure, the Task Force rejected an auction system, which would require a much higher degree of centralization of landings and competition among buyers than presently exists, especially in Newfoundland. A state marketing authority and a producer marketing board were both rejected, at least in part because of opposition within the industry to government involvement in setting prices or to third party arbitration. Governments were advised to study such possibilities, but no clear recommendation for change in marketing was forthcoming, except for the extension of collective bargaining rights in provinces where none was in place. Essentially, the source of tension and conflict in the port market was not squarely faced. Catchers and processors have a basic conflict of interest over the price of fish. Fish catchers are in a weak position and collective bargaining cannot by itself solve their problems.

Among the methods of cutting into the conflict between processors and fishermen, some attention was given to regulation of the relationships between them. That is what a port marketing authority, or a marketing board, or collective bargaining would do. Another possibility is vertical integration through which the various stages of production are combined in a single organizational structure, but when fish processors became trawler owners, conflict over the price of raw fish is replaced by capitalist-worker conflicts as fishermen become labourers (usually on some form of piece-rate). Recognition of these sources of conflict might have brought serious consideration of more radical alternatives, even if the culture and practices in the Atlantic fisheries seem to discourage change.

Other forms of integration include state ownership and co-operatives. Most interesting perhaps is the co-operative, which would create the possibility of forward integration from the harvesting stage to processing and final product marketing. Both fishermen and workers could become shareholders in community- or regional-level production co-operatives. Now, I do not wish to minimize the problems involved in such a re-organization of the industry, which would certainly include the problematic relationship between small, property-owning fishermen and co-operative workers, but it is disconcerting that the major investigation of the Atlantic industry, which was explicitly accepted as the basis of future state policy, so completely neglected this more radical strategy, even as a long-term goal. In my judgment, the acceptance of collective bargaining with short-term price subsidies, coupled with a long-term co-operative development plan, would have been a strategy which more honestly and squarely faced the social problems of the Newfoundland fisheries.

It should be realized that the industry is so weak that price subsidies will be required until unwanted labour and capital can be drawn away from fisheries to more productive activities. Indeed, the scarcity of alternative economic opportunities at present requires that fisheries policy be closely tied to regional development planning. Subsidies might appear less onerous, even to economists, once it is recognized that the lack of alternatives means that an impoverished or bankrupt fishery drains the state treasury indirectly through health and welfare expenditures, not to mention the need to finance unemployment benefits. A policy to rationalize fisheries by reducing the labour input or by centralizing production should only be contemplated in conjunction with a plan for regional economic diversification. Exactly what should be involved in such a plan is difficult to specify, but one obvious starting point should be the promotion of backward linkages in the fishery (Patton). It is appalling that so little of what fishermen and processors require is actually produced in Newfoundland or in Atlantic Canada as a whole. Surely we can do better than build excessively expensive longliners or manufacture a few automatic baiters. Is it really too late to join our North Atlantic competitors in a sophisticated, multi-dimensional fishing industry? The answer must be "no," for Newfoundland must rely on fish when the oil is gone.

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