

REVIEW

Task Force on Incomes and Adjustment in the Atlantic Fishery. *Charting a New Course: Towards the Fishery of the Future*. Ottawa: Department of Fisheries and Oceans, November 1993.

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IN MARCH, 1992, THE THEN Minister of Fisheries and Oceans, John C. Crosbie, established the Task Force on Incomes and Adjustment in the Atlantic Fisheries. It was the federal government's response to the 1991 failure of the Atlantic groundfishery. Just a few months later, Crosbie was compelled to declare a moratorium on the entire Northern Cod fishery. A series of quota reductions and moratoriums followed for other fisheries. Along with these measures, income maintenance programs, namely the Northern Cod Adjustment and Recovery Program (NCARP) and the Atlantic Groundfish Adjustment Program (AGAP), were hastily created.

All too clearly the Task Force ought to have been established much earlier. Despite the suboptimal timing, there is no doubt that a Task Force on both incomes and adjustment was needed. For decades, the Atlantic fishery seems to have been in almost continual difficulty. Good catches or prices or brief outbreaks of optimism, as may have followed the decision to adopt Extended Fisheries Jurisdiction (EFJ) in 1977, served only to punctuate a grey trend. Indeed, and as documented by Neis (1992), by the mid-1980s many people, especially those involved in the inshore fishery, were warning that the stocks were less healthy than indicated by scientific assessments.

There have been many other studies – academic, provincial government and federal government – of the problems of the Atlantic fishery. Does this Task Force report, prepared under the chairmanship of Richard Cashin, contain new knowledge? Has it made a new discovery? Has it determined a Utopian solution?

The short and accurate answers are No, No and No. But it does have great value. In a reasonably concise manner, it describes the problems, confirms many of the stylized facts and offers solutions. The solutions are controversial, especially for Newfoundland. They are predicated on the view that the fishery ought not to have been and should cease to be the employer of last resort.

The report is divided into five parts, the first of which, comprising three chapters, describes the setting. That is to say, it provides a picture of essential characteristics of the Atlantic fishery, as the Task Force sees it. More specifically, the first chapter communicates the diversity of the fishery in terms of variety of species, methods of catch, regional variations, and the degree of dispersion of incomes around the relatively low average income of fishermen and plant workers. Chapter 2 turns directly to identifying the fundamental problems of the fishery, which the Task Force sees as: overdependence on the fishery, pressure on the resource and industry overcapacity. In essence, this amounts to one problem; the resource could not, cannot, and will not sustain all those who seek to make their living from it. The report only briefly reviews why this happened – optimism following the EFL, failure of the Department of Fisheries and Oceans (DFO) to adequately manage the resource, the inaccuracy of fisheries biologists' predictions and the data on which those predictions were made, and the attractiveness of unemployment insurance relative to other opportunities.

That the resource would be overexploited is hardly surprising. Basic economics predicts that, with low costs of entry, a common property resource will be overexploited if usage is not limited sufficiently. Realized events, from air pollution to destruction of rainforests, confirm the accuracy of that prediction. However, it does not follow that a common property resource would necessarily be overexploited to collapse. Unfortunately, for the Atlantic groundfish fishery, collapse has been the result.

Chapter 3 documents the disheartening statistics and forecasts. Newfoundland and Nova Scotia stand to lose the most but areas of Prince Edward Island, New Brunswick and Quebec are also severely affected. In the latter three provinces however the extent of the reliance on the groundfish is much less both in absolute and relative terms. Some communities there may admittedly be as hard hit as those in Newfoundland and Nova Scotia but the scale is much smaller.

Even though Nova Scotia stands to lose substantially, it is clear from Chapter 3 and the many statistical tables in the report's appendix that Newfoundland is most severely affected. First, the volumes of fish landings in Nova Scotia and Newfoundland are very similar but Newfoundland has the greater reliance on the groundfishery. Nova Scotia's catch contains disproportionately more shellfish, which is more valuable and whose stocks are not in danger of collapse. Secondly, Newfoundland has almost double the number of DFO registered fishermen as Nova Scotia. That is a two-sided statistic;

134 Review

on the one hand it indicates that many more Newfoundland fishermen are affected by the resource collapse but, on the other hand, it suggests either that Newfoundland's industry productivity is vastly inferior to Nova Scotia's or that the statistics on the number of fishermen are so poor as to be meaningless. Considering these facts and noting that Newfoundland's economy is perhaps only a little more than half Nova Scotia's, the resource collapse, while serious for Nova Scotia, is a disaster for Newfoundland. Moreover, whatever the reasons, the Newfoundland fishing industry prior to the resource collapse, was much weaker than its Nova Scotian counterpart.

The second part of the Task Force Report consists of a single chapter entitled "Adjustments Towards the Future Fishery". It sketches a general plan for the future. It calls for a realignment of catching and processing capacity with expected resource supply; i.e., reductions in capacity and people. It argues for a professionalized fishery, with participation of only those with a strong attachment to the fishery. Others must go, either through retirements or retraining or other alternatives such as aquaculture. In addition, income maintenance for all must continue until this sorting process is complete. Capacity in harvesting and processing must be reduced, and at the same time strategic infrastructure maintained. It is stressed that decisions on capacity reductions ought to come soon so that people will be more aware of their prospects. Decisions as to where to reduce capacity, where to close community fish plants permanently, will be difficult. Therefore the report recommends the establishment of independent bodies, Fishing Industry Renewal Boards, to implement the government policy of downsizing. The Boards (there would be a single board for Newfoundland) would be charged with achieving regionally balanced reductions, with due consideration of communities' traditional fishing areas.

In short, the Task Force sees the problem as too many people fishing, too many vessels, too many plants and too many plant workers, especially in Newfoundland. Their report therefore argues for a core fishery, one made leaner and more economically viable, through elimination of excess boats, gear, infrastructure, processing plants and people. It also entails a major overhaul of unemployment insurance in a way that would limit eligibility. That recipe is tempered with considerations of adjacency, assistance for people to leave, and income maintenance for all people with a recent attachment to the fishery. In Part III, the report contains four chapters that give the details of the basic recipe. They deal with linking capacity to the resource, limiting access, professionalization of fishermen and reform of the income support system. Clearly it is Newfoundland where these measures would have their greatest application. Newfoundland is at the heart of the problem.

On the matter of supply, the Task Force concludes that the groundfishery may take five to seven years to recover and even then the catch would probably be a third lower than the average over the 1980's. The immediate implication is

that there is too much harvesting and processing capacity, something that it acknowledges was a problem for at least a decade. The magnitudes of the excess capacity are as high as 50% and the report recommends at least a 40% reduction in Newfoundland's inshore processing capacity.

With such a reduction in capacity and catch potential, the next issue to tackle is who would have access to shares of this smaller pie. The seventh chapter deals with this. It condemns past licensing practices, arguing that it effectively permitted open entry. The solution is to effectively limit the numbers who receive licenses, by imposing qualifications. It explicitly rejects the use of the fishery as the employer of last resort. Chapter 7 follows up on this, by arguing for the professionalization of fishermen. It describes the core of fishermen as *de facto* professionals and again laments the fact that almost anyone could obtain a fishing license and therefore be a fisherman. The report argues while professionalization benefits fishermen, it is also of general benefit since these people would have a greater interest in the use and conservation of the resource, and information collection and communication between industry, harvesters and government would be improved.

The final component of the recipe is reform of the income support system, largely Unemployment Insurance, (UI). The report concludes that Fishermen's UI and regular benefits, which go to plant workers and wage-earning fishermen, are inappropriate and even damaging. Often, the report contends, benefits go more to those with only a tenuous link to the fishery while those who rely on the fishery more extensively, or more seriously, benefit less. For Fishermen's UI, the proposed reforms would limit eligibility by requiring that a person register as such and be tied to a licensed vessel, spend a minimum amount of time in fishing and earn a minimum income from fishing. Once eligible, then benefits would reflect earnings over the season rather than being based on insured weeks. Other measures include insurance schemes and UI adjustments to reflect catch failures. In addition, there are suggestions for government assisted insurance schemes to address the variability of income. For plant workers, the main recommendation is that their UI benefits be based on the number of hours worked rather than the number of insured weeks. The intent of this is to reduce the existing incentive for plant workers to work only the minimum number of hours per week needed to earn an insured week.

These are controversial recommendations. They seem more to address the problems that characterized the industry before the resource crisis. Almost fifteen years ago the Economic Council of Canada (1980), in its extensive study of the Newfoundland economy, argued that the entry into the fishery had to be restricted if harvesters of the resource were to have any prospects of reasonable incomes. It also criticized the disincentive effects of UI in the industry and recommended elimination of gear and vessel subsidies. The Council's warning of the limited ability of the resource to generate reasonable incomes came at a time

136 Review

when stocks were healthier and only a few years after EFJ. In 1982 the Kirby Task Force acknowledged that there was too much capacity in the industry relative to the resource. Even with the financial recovery of the fishing industry following the Kirby Task Force, and due to massive government assistance, Memorial University economists W. Schrank, E. Tsoa and N. Roy (1987), argued that the industry could not continue to be the employer of last resort; too many were making a living from the resource.

More than anything, it seems that the excess fishermen in Newfoundland, in particular, was due to UI's Fishermen's Benefits. The incentives for people to enter the fishery were high relative to other alternatives such as obtaining higher education, migrating or seeking other opportunities. But would eliminating those whose attachment to fishing is due to UI benefits solve the resource problem? One would expect that those engaged in fishing primarily to qualify for fishermen's UI probably did not catch much fish. Had those people not been present in the 1980's, would catches have been in line with the resource? It is difficult to believe so.

The more likely causes of resource depletion were excess vessels and gear, lack of conservation measures, foreign overfishing and, possibly, ecological factors. These are mentioned in varying degrees by the report, although there is little attention paid to foreign overfishing. Much more emphasis is placed on excess harvesting and processing capacity. One wonders how that domestic development came about. The report suggests that governments have succumbed to pressure to allow it but it seems more than that. Boats, gear, fish plants and processing equipment are not free. While the report does not mention it, government subsidies likely played a major role here. Yet subsidizing entry into a common property resource is complete economic folly; see *The Economist* (1994) for an excellent overview of international experience. Even the social merits of doing so are highly questionable; a better alternative would have been to subsidize other activities that would not have adversely affected such an important and vulnerable natural resource. Unfortunately, the incentives of the times may have been such that subsidies to harvesting and processing yielded a great deal of UI per dollar of subsidy. The result is overdependence on a limited resource by people who have underinvested in education and other skills. That underinvestment in education and skills reflects the incentives that many of these people faced.

Not permitting these people to return to the fishery will probably mean that they will be the losers in the restructuring. It will not solve over exploitation of the resource. The professionalization of fishermen seems crucial here. With a common property resource, the chances and degree of misuse tend to decline as resource exploitation is tied to a smaller number of participants, especially if those participants have a long-term attachment to the resource and are prepared to act in a cooperative manner.

The difficult question is how large a group should the core professional harvesters be. The Task Force recommends various levels of accreditation for fishermen, restricted entry and, perhaps most effective, limitations on eligibility for Fishermen's UI. It does not however suggest a specific number or even a range of numbers. Accepting the working assumption that future catches will be one-third lower than in the 1980's and, recognizing that there were far too many people harvesting the resource in the first place, the unspoken and unspeakable number in Newfoundland's case could be as low as 6,000 to 8,000. That compares to almost 25,000 DFO registered fishermen in 1991; see the report's Table 4. Perhaps a better comparison is with the numbers who were actually employed in the fishery; in 1990 (see the report's Table 15) there were some 12,670 male and 2,260 female self-employed fishermen and 1,210 male and 790 female wage-earning harvesters, for a total of almost 17,000 people. Thus, the intent may be to cut the number by 50 to 75%.

Reducing the number of fishermen on this scale flies in the face of ideas that had been politically dominant in Newfoundland until recently. Under Premier Brian Peckford, the idea of limiting entry into the fishery was an unacceptable attack on the rural lifestyle of Newfoundlanders. Peckford angrily attacked the recommendations of the Economic Council of Canada (1980). More generally, many Newfoundlanders believe in an inherent right to fish. A more sophisticated opinion is that if harvesting technology and methods are sufficiently limited then there would be no need to impose government restrictions on entry; there would be enough for all entrants. Unfortunately, the data in the appendix to the Task Force Report show that those earning incomes from fishing in the 1980s, even in years where catches were very large, did not enjoy high incomes on the average. The actual amounts earned from fishing were often only a few thousand dollars per year. Without extraordinary increases in prices or reductions in harvesting costs, it seems that sustainable catches would not be able to provide even a modest, albeit below average level of earnings, for current numbers. Perhaps a compromise between modern and traditional views would be to allow all those who wish to fish to do so but exclude non-professional harvesters from access to reformed Fishermen's UI, government-assisted insurance programs etc. As well, their participation could be limited to small boats.

Interestingly, the report does not consider other means of limiting entry, especially market-based ones. For example, there is no discussion of the removal of subsidies for gear, vessels, equipment or plants. Surely some of the overexpansion of capacity was due to subsidization. Charging a royalty on catches is even further removed from the report's contents. Yet, doing so is no less appropriate than imposing royalties on mining and forestry activities; ideally the royalty revenues would go to Newfoundland in the same way as offshore oil and gas royalties. Imposing royalties would ensure that society would benefit

138 *Review*

from a commonly owned natural resource, while acting as a means of limiting harvesting. On the contrary, the Task Force views the natural resource as the industry's property, not society's. It does not consider anything other than having all the economic rent arising from a recovered resource base shared by capital-owners and labour that remain in a smaller industry.

Diminished numbers in the fishery will not be sufficient to achieve the Task Force's objectives. Three serious problems come to mind. First, there must be regulation on effort and technology to ensure optimal harvesting of the resource. The Task Force recognises this and suggests a closer and more effective relationship among professional fishermen, processors and government. It also considers, but neither rejects nor recommends, individual transferable quotas. Its ambivalence on that matter reflects the inherent difficulty of effectively managing a fisheries resource where the ability to monitor is limited and the cost of surveillance is high.

Secondly, foreign fishing effort, especially beyond the 200 mile limit, must be adequately controlled. Surprisingly, the report makes only passing reference to foreign overfishing and makes no related recommendations. Surely, the threat of excess foreign fishing is at least as great as excess domestic effort. The report does not even give any reason for not discussing foreign efforts! This is indeed a strange omission in light of the controversy about foreign overfishing. International cooperation beyond 200 miles, or custodial management, and the charging of fees for foreign fishing within 200 miles are important measures that should have been explicitly considered.

Part iv of the report addresses the third problem: how to deal with those who will have to leave the fishery and those of the younger generation who would otherwise have sought employment in fishing or processing. The report recommends retirement and retraining for the former even though retraining offers no guarantees and few prospects for many. This is an overwhelmingly Newfoundland problem. According to the Task Force report, Newfoundland needs no less than a Marshall Plan!

The Task Force did not attempt to design such a plan. That is beyond its mandate. But such a plan is a needed complement to what it recommends regarding the fishing industry. The Report would have thousands of people compelled to leave the fishery and, more significantly, most of the next generation kept from entering it. A possible solution is out-migration. That is, at best, a partial solution. Many people have underinvested in education and skill acquisition and remained in outports as a direct or indirect result of unemployment insurance, subsidies and other incentives distorted by governments. The result is limited prospects and little mobility, geographic or occupational. This not to say that individuals are not responsible for their futures. It may be equally true that many were content to accept endless support for further overburdening a limited resource and to participate in political opposition

to government proposals to reduce the generosity of the support for those with marginal attachments to the fishing industry. Nevertheless, governments deserve much of the blame. This is especially so for the federal government, as it has jurisdiction over fisheries and UI as well as far greater fiscal scope. Therefore it has a responsibility to address the problem. Moreover, even before confederation, migration to Canada was an alternative. One might have thought that confederation would have increased the options.

The Atlantic Groundfish Strategy (TAGS) program, as announced in May 1994, ensured that practically all individuals covered by NCARP and AGAP would continue to receive income maintenance. Depending on one's past involvement in the fisheries, that assistance could be up to an additional five years. This generosity spares most of the generation that was attached to the fishery in recent years. It is the next generation that needs the Marshall Plan. Those graduating from high schools and post-secondary institutions and other younger people in Newfoundland who would have gone into the fishery now have little chance of doing so. They will have no access to TAGS benefits. With the provincial unemployment rate at 20% or more, the prospects for that generation is dismal and discouraging. Whether one wishes to call it a Marshall Plan, a Big Push as development economists do, or a Cashin Plan, something must be done to transform the Newfoundland economy. That Plan may involve painful economic adjustment. It also requires a coherent set of policies that recognize market realities, federal financial support, and a realization that economic opportunities cannot be magically created.

Part v of the report contains the conclusions and recommendations as embodied in the preceding four parts. They reflect the two overriding and interrelated messages come from the Cashin Task Force. First, the time to make the fishery a more viable industry based on a limited and vulnerable resource has come. Secondly, action must be taken to redirect the displaced harvesters and plant workers and to accommodate the next generation. Both make eminent sense. These aims may have to be tempered by concerns over traditional views of the fishery and political and financial constraints. Richard Cashin and his colleagues may not have precisely charted a new course but they have undoubtedly pointed in the right direction.

References

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