Canada - Newfoundland and Labrador

Fishing Industry Renewal

A Discussion Paper

Newfoundland Labrador

Canada

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Fishing Industry Renewal Initiative

Discussion Paper

October 2006

October 20, 2006

To industry participants and other interested stakeholders:

Most people who catch, buy, sell or process fish agree that the Newfoundland and Labrador fishing industry must change. We are at a crossroads due to a combination of external factors and domestic structural challenges. External factors such as increasing global competition from lower cost producers, rising fuel costs and unfavourable exchange rates mean that change is essential.

Government and industry must work together to renew our industry. We must work together to create an industry which is more economically viable, internationally competitive and ecologically sustainable over the long term. Our fishery has the potential to be a strong economic driver for our rural regions. We recognize the crucial role of the fishing industry within the province's economic and social structure, particularly in rural areas, but efficiency and competitiveness must be given greater emphasis. There are no quick fixes.

This fall, Fisheries and Oceans Canada and the Newfoundland and Labrador Department of Fisheries and Aquaculture will be consulting with fish harvesters, fish processors, plant workers and other interested stakeholders throughout the province. The consultation process will be extensive and inclusive, because we want your input into the development of an integrated "Ocean to Plate" renewal strategy.

This Discussion Paper provides options that would redefine how we harvest, process and market our fish. It offers ideas for a made-in-Newfoundland and Labrador solution that includes a vibrant small boat fishery and addresses the needs of plant workers. We believe a renewed fishing industry will be competitive and prosperous in the international marketplace. A renewed industry will help fishers and plant workers get higher and more stable incomes, and communities to have a more secure future. However, we must work together to manage the pace of change and help those impacted by renewal of the province's fishing industry. It will take courage and foresight, and both governments are committed to working with you and each other to make it happen.

We encourage you to participate in the upcoming consultation sessions; or to send comments to us in writing or by e-mail. Copies of the discussion paper are available at www.NFL.dfo-mpo.gc.ca/fir or by calling 1-866-266-6603.

Honourable Danny Williams
Premier
Government of Newfoundland and Labrador

Honourable Loyola Hearn
Minister of Fisheries and Oceans
Government of Canada

Honourable Tom Rideout
Minister of Fisheries and Aquaculture
Government of Newfoundland and Labrador

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1. Introduction

1.1 Background

The Newfoundland and Labrador fishing industry is currently at a crossroads - as a result of a combination of external factors and domestic structural challenges. External factors such as increasing global competition from lower cost producers, unfavourable exchange rates and rising fuel costs mean that change - or more appropriately industry renewal - is necessary. The question is**: *Will industry and government be the drivers of this renewal process, or the victims of an economically unsustainable industry?***

The groundfish fishery (and the cod fishery in particular) was the dominant force in the province's fishery and economy for over five hundred years. However, the fishing industry has undergone considerable change since the collapse of groundfish stocks in the early 1990s. Industry evolved in response to an explosion in crab and shrimp resources beginning in the mid-1990s; and, until recently, market price trends (in particular for crab) had a strong influence on the industry's level of prosperity. Since the mid-1990s, landed volumes have been about a third below the historical average, however landed value has been quite high at twice the historical average.

Industry capacity has also adjusted to changes in resource availability. The harvesting and processing capacity dedicated to the offshore groundfish sector has been greatly reduced; whereas crab and shrimp capacity (harvesting and processing) has expanded. Likewise, the number of inshore groundfish licences has been reduced considerably; and a much larger share of the total landed value is now taken by the 35-64 feet fleet sector. Overall, some industry participants have become better off while the economic position of others, most notably plant workers, has deteriorated.

Aboriginal participation and involvement in the province's fishing industry has also increased over the last decade. Fisheries and Oceans Canada has implemented programs that are facilitating increased Aboriginal participation in commercial fisheries. Fisheries and Oceans Canada will continue to manage fisheries in a way that is consistent with the Aboriginal Fisheries Strategy, as well as in a manner consistent with the obligations outlined in Land Claim Agreements.

Throughout the last decade there have been numerous studies and considerable public debate about how to improve the economic viability and sustainability of the province's fishing industry. Almost all of these studies have identified excess capacity as the most critical underlying structural challenge and have pointed to the need for rationalization and restructuring so that industry can achieve a better utilization of its harvesting and processing assets. Other high profile challenges include: low income levels, workforce recruitment and retention, seasonality, quality, marketing, the viability of the cooked-and-peeled shrimp industry, vessel replacement and design, fish processing licensing policy and the need for an integrated federal-provincial policy framework.

1.2 Industry Challenges

The total landed value and product value of all species in Newfoundland and Labrador has declined by approximately 25% in recent years due primarily to declines in the crab and shrimp fisheries. During the same period, harvesting and processing costs (i.e. fuel, capital, etc.) increased, resulting in a "cost-price" squeeze.

The "cost-price" squeeze has served to highlight the need for the province's fishing industry to become more internationally competitive. Newfoundland and Labrador fish products must compete in a global market, where China and other low-cost producers dominate the market for primary frozen groundfish and where production is moving towards secondary products. They must also compete with an increasing world supply of aquaculture fish and with seafood products from other jurisdictions, such as Iceland and Norway, who have already successfully adapted their fishing industries. These global realities, combined with other more recent changes in exchange rates and fuel costs, are not likely to improve in the foreseeable future.

The economic difficulties currently facing the fishing industry have also served to highlight long-standing internal structural challenges, which are impeding the international competitiveness of the industry. Many of these challenges are complex and will take time to resolve. However, they can no longer be ignored, if Newfoundland and Labrador fish products are to compete head-to-head on world markets and provide attractive income levels for fish harvesters and plant workers.

Government and industry must respond to current issues in order for the fisheries sector to become economically viable, internationally competitive and ecologically sustainable over the long-term. Efficiency and effectiveness must be given greater emphasis, while still recognizing the critical role of the fishing industry within the province's economic and social structure, particularly in rural areas.

Rural Newfoundland and Labrador is facing a number of significant challenges, including an aging and declining population, significant out-migration, and an inability to compete with other parts of Canada for skilled labour. Many of these challenges cannot be resolved solely by the fishery. However, industry renewal and restructuring represents the best opportunity for the fishery to remain the primary economic driver for many rural areas.

The external and internal structural problems facing the fishing industry point to the need for the development of an integrated federal/provincial policy approach for industry renewal and restructuring. This approach would redefine how industry and government manage, harvest, process and market the fishery resource. It would also

entail incorporation of processing and marketing considerations into the annual Integrated Fisheries Management Plan (IFMP) process of Fisheries and Oceans Canada.

INDUSTRY CHALLENGES

External	Domestic
• Cdn dollar up 41% in 4 years • Fuel prices up 55% in 4 years • International competitiveness • China and other low-cost producers • Cyclical market price variation • Tariffs and market access • Increasing world aquaculture supply	• Resource fluctuations/declines • Overcapacity (harvesting & processing) • Policy Renewal (integrated approach) • Industry structure • Workforce - Recruitment/Retention • Low/Unstable Incomes • Seasonality • Dependability/Timing of Supply • Varying quality (harvesting/processing) • Vessel design/utilization/efficiency • Fisheries further from shore • Marketing (e.g., distress selling, lack of collaborative effort)

1.3 Fishing Industry Renewal

Change and renewal in the province's fishing industry is essential. To achieve this, the Government of Canada and the Government of Newfoundland and Labrador launched the Fishing Industry Renewal Initiative in May 2006. This initiative is intended to develop a made-in-Newfoundland and Labrador policy solution to current problems and challenges facing the fishing industry. It is not intended to address access and allocations or historical share issues within the fishery.

In developing an industry renewal strategy, conservation, stock rebuilding and long-term sustainability of the resource must remain paramount. Government will continue to pursue approaches toward stock rebuilding and conservation through initiatives such as the federal/provincial *Strategy for the Recovery and Management of Cod Stocks,* the development of precautionary and ecosystem-based management frameworks, initiatives to combat foreign over-fishing and ongoing fisheries management processes. Industry renewal will contribute to a more ecologically sustainable industry by achieving a better balance between resource availability and the level of harvesting/processing capacity. This initiative is primarily intended to develop an integrated "Oceans to Plate" renewal strategy aimed at improving industry viability and international competitiveness based on existing and potential resource levels.

The vast majority of industry organizations and stakeholders recognize that change is required. However, while change is necessary, the evolution towards a more prosperous and self-sustaining industry will take time. In addition, industry renewal requires agreement not only on the need for change, but also on the ways and means to achieve it. ***All stakeholders must work together to identify ways to renew the province's fishing industry and at what pace.***

This discussion paper is intended to:

- Inform industry stakeholders and the public at large on the progress which has been achieved under the Canada-Newfoundland and Labrador Fishing Industry Renewal Initiative since May 2006 (sections two to four).

- Seek input on key policy issues and potential options for the development of an integrated Renewal Strategy for the province's fishing industry (sections five to eight).

2. Premier's Meeting

2.1 Objectives

The Premier's Meeting on the Newfoundland and Labrador Fishery was held in St. John's on May 24, 2006. This meeting was Co-Chaired by Premier Williams and the Minister of Fisheries and Oceans, the Honourable Loyola Hearn. Premier Williams and Minister Hearn were accompanied by the Minister of Fisheries and Aquaculture, the Honourable Thomas G. Rideout, as well as senior federal and provincial government officials.

The Premier's Meeting included approximately forty key industry and community leaders with representation from the harvesting and processing sectors, fishing communities, Aboriginal groups and Memorial University. The objectives of the meeting were twofold:

- To identify potential solutions to the key challenges in the harvesting, processing and marketing sectors of the fishing industry in 2006 and beyond.

- To identify a strategic direction for the industry, including actions for industry renewal to transform it into a more viable, self-sustaining and competitive industry.

Participants were provided with an opportunity to make a brief verbal presentation, and were asked to consider the following questions:

1. What are the key issues, challenges and opportunities in the harvesting, processing and marketing sectors of the fishing industry?

2. What can industry and governments do to address these challenges and realize opportunities?

3. Taking into consideration the availability of fish resources and market conditions, what should the province's fishing industry look like in the future, e.g., structure, operating conditions, employment and incomes?

2.2 Key Outcomes

Participants at the Premier's Meeting reached a consensus on most of the key challenges facing the province's fishery. Most participants agreed that there was a need for capacity reduction in the both the harvesting and processing sectors. However, industry rationalization must be carefully planned and must address the needs of affected people. There was some support for an early retirement program for plant workers. However, it was recognized that any such program must be carefully considered and must be linked to industry restructuring to ensure that it does not result in the early retirement of experienced and skilled workers from ongoing operations.

Participants also reached a broad-based agreement on the need to develop a strategic regional approach for the processing sector, and on the need for a stronger more collaborative marketing strategy for the province's fish products. Some participants felt there are many opportunities in the fishing industry, and thus room for optimism.

Most participants recognized that the "status quo is not an option" given the external realities facing the fishing industry. It was further agreed that a collaborative and inclusive approach between government and industry would be required, and that deliberate action would be necessary in order to achieve change. ***The challenge will be to achieve agreement on the way forward, and on the policy options and processes required to achieve a more sustainable and viable industry.***

2.3 Collaborative Approach

Based on the level of consensus achieved at the Premier's Meeting, government and industry agreed to launch a Federal/Provincial Fishing Industry Renewal Initiative. This included the establishment of a number of Working Committees to identify and assess potential policy renewal and restructuring options. An Industry/Government Steering Committee was also struck to oversee and provide guidance to the Working Committees.

The Steering Committee/Working Committee process (Annex 1) included representation from Fisheries and Oceans Canada, the Newfoundland and Labrador Department of Fisheries and Aquaculture, the Fish Food and Allied Workers Union (FFAW), the Association of Seafood Producers (ASP), the Seafood Processors of Newfoundland and Labrador (SPNL), the Nunatsiavut Government, the Newfoundland and Labrador Federation of Municipalities, and Memorial University. A total of four Working Committees were established as follows:

INDUSTRY/GOVERNMENT WORKING COMMITTEES

- Harvesting - Policy Renewal and Self-Rationalization
- Processing - Policy Renewal and Restructuring
- Collaborative Marketing
- Technology and New Opportunities

Related to the industry renewal process, but managed separately by the Province, is a fifth working group mandated to examine issues and options related to workforce adjustment for individuals affected by industry restructuring.

3. Industry/Government Working Committees

3.1 Mandate

The Industry/Government Steering Committee and each of the four Working Committees were mandated to:

- Review current challenges and issues facing the fishing industry.
- Examine policy renewal options - harvesting and processing.
- Identify and assess restructuring options - harvesting and processing.
- Establish industry performance targets - harvesting and processing.
- Identify and assess structures and options to improve the marketing of seafood products.
- Identify and assess potential opportunities to improve industry viability such as technology, resources and product development.

During June and July 2006, the Committees held a total of 17 meetings to discuss issues and options surrounding industry renewal. A progress report was subsequently prepared and presented to Premier Williams and Ministers Hearn and Rideout. This report was intended to update the Premier and Ministers on the considerable progress which had been achieved by the Committees - particularly in terms of the vision, objectives and principles for industry renewal (Section 4) and the broad conclusions on which the various parties had reached consensus. It also outlined the various options and perspectives on the policy choices facing the industry.

3.2 Broad Conclusions

The Steering/Working Committee process reiterated many of the conclusions reached at the Premier's Meeting, particularly with respect to the need for capacity reduction and industry renewal and for the development of an integrated federal/provincial approach or policy framework for the industry. The Committees agreed that industry renewal requires immediate action and that further studies are not required. There was also agreement that this is a complex process, and there is no quick fix or simple solution to the industry's structural problems.

The Working Committees were of the view that the fishery remains a primary economic driver for rural communities, and given this, fishing industry renewal will require broad support from all industry participants and fishery dependent communities.

In terms of specific problems facing the industry, the Working Committees concluded that:

- Demographics and workforce availability will continue to have an impact on industry viability and community stability in the future.

- The current low average earned income levels for plant workers are due mainly to seasonality and resource availability rather than the landed price of fish.

- Plant worker incomes must be increased and stabilized, but industry renewal is not likely to result in earned income levels which can attract and retain younger plant workers in the short-term.

- The level of harvesting and processing capacity is out of balance with the resource and current revenue levels.

- A regional approach is required for the fish processing sector, but agreement is required on what constitutes a "region" or a "strategic plant".

- DFO's vessel replacement policy should be modified since the current policy is complex, does not effectively control harvesting capacity and its enforcement is impractical.

- The shrimp fishery represents the best available resource opportunity, but a multi-faceted restructuring strategy needs to be developed to make it a viable industry.

- There is a need for a viable inshore small boat fishery, and a need to ensure that restructuring measures for the 35 to 64 feet fleet sector do not have a negative impact on this sector.

- There is a requirement to enhance the marketing efforts of the province's fishing industry.

- There is a need to take advantage of opportunities to enhance quality, develop new markets and increase the value of fishery resources.

Further details on these and other industry renewal issues and options considered by the Industry/Government Working Committees are provided in Sections 5 to 8.

4. Vision and Objectives

The current "cost-price" squeeze has served to highlight long-standing structural challenges in the province's fishery. The fishing industry cannot continue on its current path and government and industry must respond in order for the fisheries sector to become economically viable, internationally competitive and ecologically sustainable over the long-term.

In the initial stages of its work, the Industry/Government Steering Committee recognized that in order to evaluate policy options for industry renewal, it was first necessary to agree on the vision and objectives for the industry. All policy choices should be evaluated in relation to their contribution to the achievement of this vision. The Steering Committee examined the current economic situation of the industry and its ability to compete in the international context. The Committee also considered the potential role of the fishing industry as an important economic driver for rural Newfoundland and Labrador. A key outcome of the Industry/Government Steering Committee process was an agreement by all parties on the vision, goals and principles for industry renewal.

In terms of the vision or objectives, it is envisioned that the Fishing Industry Renewal Initiative should result in:

VISION AND OBJECTIVES

A sustainable, economically viable, internationally competitive and regionally-balanced industry which is able to:

- adapt to changing resource and market conditions;
- extract optimal value from world markets;
- provide an economic driver for communities in vibrant rural regions;
- provide attractive incomes to industry participants; and
- attract and retain skilled workers.

It was further agreed that the industry renewal process should attempt:

GOAL

To develop an integrated "Ocean to Plate" policy framework and industry restructuring strategy to support achievement of the Vision.

Notwithstanding the above, Fisheries and Oceans Canada will continue to manage fisheries in a way that is consistent with the Aboriginal Fisheries Strategy, as well as the obligations outlined in Land Claim Agreements.

5. Harvesting - Policy Renewal and Self-Rationalization

5.1 Overview

The harvesting sector currently faces a number of challenges - the most significant of which is the level of harvesting capacity in all fleet sectors under 65 feet. Most industry participants agree that the number of fishing enterprises (and participants) is out of balance with the available resource and current landed revenue levels.

Overcapacity in the harvesting sector is a long-standing structural issue which has resulted in: non-viable fishing enterprises, low and unstable income levels, an inability to attract and retain skilled crew, low vessel utilization rates, short fishing seasons, dependability/quality/timing of supply issues and an excessive number of landing sites. Overcapacity also results in potential conservation and long-term resource sustainability issues, such as excessive effort in competitive fisheries, demands for additional access and allocations, and resistance to changes in conservation measures.

The harvesting sector (and in particular the fleet of vessels between 35 and 64 feet) also faces other structural challenges. Many of these relate to the movement to an offshore crab fishery beginning in the mid-1990s and the more recent development of the northern shrimp fishery for vessels under 65 feet. Industry restructuring issues associated with the development of fisheries further from shore relate to the fleet structure, vessel size and design and the continuing non-viability of the inshore shrimp fishery.

The harvesting sector will also face severe demographic challenges over the next decade. One-half of the current Core enterprise owners are over age 50, while less than 5% are under age 35. Likewise, close to one-half of non-Core (Level II and Level I) fish harvesters are over age 45 and only 6% are under age 30. Given the current demographics, the harvesting sector will continue to face difficulties in attracting and retaining skilled workers.

All of the above challenges illustrate the need for capacity reductions, industry restructuring and policy renewal. They do not, however, point to the need for the abandonment of the small boat inshore fishery. Roughly three-quarters of Core enterprise owners operate from a vessel under 35 feet. The small boat fishery must continue to remain a key component of the province's fishing industry.

5.2 Fleet Self-Rationalization

The challenges facing the harvesting sector provide an opportunity for significant capacity rationalization. Capacity reductions will contribute to: more economically viable enterprises, higher and more stable income levels, an improvement in the recruitment and retention of skilled workers, longer seasons, higher vessel utilization rates and reductions in landing sites and trucking.

Under current policy, fleets have very little flexibility to adjust capacity (i.e. buddy-up only) and no flexibility to permanently reduce capacity. Licence retirement programs have successfully reduced harvesting capacity, particularly groundfish capacity, in the past. However, these reductions have been on a static or "one-time only" basis and are not enduring.

Maintaining capacity reductions can also be challenging in the absence of a policy mechanism or program which allows fleets to adjust capacity on an ongoing and permanent basis. DFO's vessel replacement policy, which was introduced in the 1980s, was intended to limit capacity growth in competitive fisheries, particularly groundfish. However, it is generally acknowledged that policies which attempt to limit harvesting capacity through vessel size restrictions do not represent an effective capacity adjustment mechanism.

Most industry participants recognize that there is a need for capacity reductions in all fleet sectors. Fleets have to be provided with the flexibility to adjust capacity on an ongoing basis in response to changing resource and economic conditions. ***The challenge relates to the identification and implementation of appropriate policy mechanisms which will result in fleet self-rationalization beginning in 2007.***

Potential self-rationalization options examined by the Harvesting Working Committee included the continuation of the existing buddy-up arrangements, the combining of enterprises, licences or Individual Quotas (IQs), and the implementation of a fleet purchase or buy-back program. Key outcomes related to these options are as follows:

- There was agreement on the broad principles for fleet rationalization and general support for the continuation of "buddy-up" arrangements, but a recognition that "buddy-ups" do not represent a long-term solution to the capacity problem. Concerns were also expressed that the continuation of buddy-ups beyond 2006 for the 35 to 64 feet fleet will result in the collection of rents or royalties from the fishery by enterprise owners who no longer fish.

- Some industry stakeholders expressed a strong preference for the adoption of a collective approach for fleet rationalization, which would provide fleets with the option of purchasing IQs/licences from exiting licence holders. Purchased quotas would then be redistributed to remaining interested fleet members.

- Harvesters felt that enterprise owners cannot self-rationalize without some form of financial support or "seed" money from government, due to current economic conditions and investment/debt levels. There was also a concern that investment for rationalization will be capitalized into the value of licences - to the detriment of current industry participants and the next generation.

- There was some support for the adoption of market-driven capacity reduction mechanisms such as enterprise combining, which would provide individual enterprise owners with the flexibility to "grow" their business through consolidation, mergers, buy-outs, etc.

- Others strongly opposed the introduction of capacity reduction mechanisms, such as enterprise combining. This is based on concerns over the potential concentration of quotas, capitalization of investment into the value of the licences, and the collection of rents or royalties by licence holders who no longer participate in the fishery.

5.3 Vessel Replacement Policy

The vessel replacement policy of Fisheries and Oceans Canada is an Atlantic-wide policy which applies to vessels under 65 feet. This policy was introduced in the early 1980s and was intended to limit harvesting capacity growth in competitive fisheries, particularly groundfish. Under the policy, vessel capacity is defined in terms of length barriers and cubic number (volume) measurements.

The initial vessel replacement policy of the 1980s remains in effect. However, additional policy flexibility has been introduced in more recent years in the form of the Supplementary Vessel Replacement Rules for vessels 35 to 64 feet and the Transitional Policy for Core enterprises under 35 feet. A new approach for changing vessel replacement rules was introduced in 2003. Under this approach, fleets develop proposals for policy change which are then assessed against ten guiding principles. The revised policy has resulted in very few proposals from fleets in Newfoundland and Labrador.

VESSEL REPLACEMENT - GUIDING PRINCIPLES

Vessel replacement proposals should:

- not compromise conservation and sustainable utilization;
- not increase (and preferably reduce) overall harvesting capacity;
- encourage the adoption of self-adjustment mechanisms;
- not compromise safety and be consistent with the policies and regulations of other agencies responsible for vessel safety;
- contribute to improved economic viability and not generate pressures for expanded allocations;
- not result in any changes in allocations, fleet shares or access;
- be readily enforceable;
- be consistent with the objectives of current licensing policy;
- take into account that fishing enterprises may hold licences for more than one fishery; and
- only permit Core licence holders to benefit from changes to rules.

It is generally acknowledged that the current vessel replacement policy has led to inappropriate/inefficient vessel designs. This is a particular problem for vessels in the 35 to 64 feet fleet sector which now fish for extended periods of time in offshore waters. In some instances, the policy has also prevented fleets from landing top quality fish, particularly shrimp, over an extended season. In addition, the policy has evolved into an administratively complex system of rules which are largely ineffective.

Potential changes to vessel replacement policy represent a key issue within the context of industry renewal. Despite this long-standing policy, the harvesting sector has excess capacity in all under 65 feet fleets; and has the wrong type of capacity required to fish further from shore for longer periods. The current policy contributes to seasonality, fish quality and poor vessel design for enterprises in the 35-64 feet fleet sector.

Key outcomes of the Working Committee process on this issue include:

- There was a consensus that the policy needs to be changed - including the elimination of cubic number measurements and possibly some length barriers in the 35 to 64 feet sector.

- There was some support for exceeding the 65 foot barrier, particularly for the shrimp fishery. Discussion focused on the merits of allowing some 64 foot vessels to exceed the barrier (i.e. move to the 65-99 feet fleet sector) and the conditions (e.g. enterprise combining) that would be attached to the movement to larger vessels.

- Concerns were expressed that policy flexibility will result in: additional capacity/debt in the absence of an effective capacity reduction mechanism; and a requirement to

control the impact of capacity increases on competitive fisheries such as turbot and capelin.

5.4 Restructuring - Shrimp Fishery

The viability of the inshore shrimp industry is currently under threat due to a combination of external factors (i.e., declining market prices, declining $US, EU tariffs and raising fuel prices.) and internal structural problems (i.e., overcapacity in harvesting and processing, inappropriate handling practices, inappropriate vessels and seasonality).

Despite its current problems, the shrimp industry represents the best resource opportunity available to improve industry viability. Newfoundland and Labrador has an abundant resource, low exploitation rates and certain competitive advantages.

The Harvesting and Processing Working Committees both recognized that the shrimp fishery represents an opportunity to improve industry viability. However, an integrated and multi-faceted approach is required across the harvesting, processing and marketing sectors. Such an approach would result in more viable fishing enterprises and processing plants, and improved incomes for plant workers and crewmembers.

There was also some support within the Harvesting Working Committee for the introduction of larger (greater than 65 feet) vessels in order to improve quality, extend seasons, reduce fuel costs and improve operational efficiency. However, concerns were raised regarding the additional capacity and capital costs which would be associated with a movement to larger vessels. Some felt that such a policy change requires careful analysis given the existing infrastructure and investment levels in the shrimp fleet.

The Processing Working Committee concluded that the number of vessels and processing plants needs to be reduced. Larger vessels are required in order to extend the seasons and improvements are required in handling and quality practices. Improved marketing efforts are also required. A comprehensive marketing strategy needs to be developed to identify newer niche markets, develop consumer demand and focus on the superior characteristics of wild cold-water shrimp.

5.5 Small Boat Fishery

Three-quarters (or approximately 3,000) of the Core fishing enterprises in Newfoundland and Labrador operate from vessels under 35 feet. Small boat enterprises are similar to enterprises in the 35 to 64 feet fleet sector in that they are heavily dependent on the snow crab fishery. However, they differ from 35 to 64 feet enterprises in that they are mostly restricted to fishing within their Fishing Area (or bay of residence) using fixed gear. In addition, they do not have access to the shrimp fishery, but are instead highly dependent on the lobster, cod, capelin and lumpfish fisheries.

The small boat fishery was the fleet sector which was most affected by the cod moratoria, and the fleet sector where groundfish capacity was significantly reduced in the 1990s as a

result of government-funded licence retirement programs. Small boat enterprises also represent a key element in the shared stewardship of inshore coastal fisheries such as cod, lobster and lumpfish.

Fleet self-rationalization represents the priority issue for the small boat fishery. Reductions in the number of enterprises will result in improved fleet viability and income levels. Also, a more economic and competitive fishing industry should enhance the resource value for all fishers. However, there is a need to ensure that restructuring measures for the 35 to 64 feet fleet sector do not have a negative impact on enterprises under 35 feet. This is particularly important in terms of changes to vessel replacement policy and the need to control the impact on competitive fisheries. Further consideration of measures, such as inshore zones, individual quotas or harvesting caps, is required in order to provide security and protection to the small boat fishery.

5.6 Fleet Separation and Owner/Operator Policies

The fleet separation and owner/operator policies are Atlantic-wide policies which were introduced in 1979. The fleet separation policy applies to vessels under 65 feet and is intended to separate the harvesting and processing sectors of the industry (i.e., no vertical integration). In accordance with this policy, fishing licences cannot be issued to a corporation, including those involved in the processing sector of the industry.

The owner/operator policy requires under 65 feet enterprise owners to personally fish their licences. However, in practice, the designation policy provides enterprise owners (particularly 35 to 64 feet enterprise owners) with considerable flexibility to designate other fish harvesters to operate their enterprise.

Inshore (under 65 feet) licence holders have expressed concerns that the fleet separation and owner/operator policies are being undermined by a proliferation of "trust agreements". Under certain trust agreement arrangements, fishers have effectively surrendered control of their enterprises/licences to processing companies, or to other individuals or companies.

In 2004, the Minister of Fisheries and Oceans endorsed the importance of preserving an independent and economically viable inshore fleet. Initial consultations on this issue were held in 2004, and further consultations on an "Action Plan" to address the fleet separation and owner/operator issue were held in 2005/06.

5.7 Other Policy Issues

Other policy renewal issues which were identified by the Harvesting Working Committee included:

- **Competitive Fisheries**

Many fisheries continue to be fished on a competitive (non-IQ) basis. The high number of licence holders, lack of fleet shares and higher licence fees are seen as impediments to the movement to IQs. The impact of industry restructuring options (such as changes to vessel replacement rules) on competitive fisheries represents a significant policy consideration.

- **Expansion/Redirection of Effort**

The expansion or redirection of effort was identified as a policy renewal issue. New licences are currently available for mackerel (fixed gear), whelk and squid. In addition, pelagic fixed gear licence holders have the potential to significantly expand their effort through the use of tuck seines.

- **12-Month Vessel Registration**

Licence holders in Newfoundland and Labrador are required to register a vessel for a minimum of 12 months. This policy was relaxed in 2006 when a 30-day registration requirement was implemented on a temporary basis. The elimination of the 12-month vessel registration rule would provide licence holders with the flexibility to operate their enterprises more efficiently.

- **Freezing At Sea**

Licence holders with a vessel greater than 65 feet are permitted to freeze at sea. For licence holders with a vessel under 65 feet, freezing at sea is restricted to those that had this capacity (or had made a substantial financial commitment to have it installed) prior to December, 1995. Only four enterprises with vessels less than 65 feet met this requirement. These enterprises are permitted to freeze at sea, but only while fishing non-traditional sedentary species in distant waters or while fishing turbot in Sub-Area 0.

- **Temporary Vessel Replacement Policy (TVRP)**

This policy allows midshore and offshore groundfish Enterprise Allocation (EA) holders to temporarily use a vessel under 65 feet to harvest their EAs. The policy does not apply to vessels or licence holders in NAFO Divisions 2J3KLPs. Elimination of this restriction in these areas would create additional harvesting opportunities for vessels under 65 feet, but would have a negative employment impact on the greater than 65 feet fleet sector. The TVRP also represents a significant issue in terms of the impact on port-market

competition - given that inshore fish processors are almost entirely dependent on the purchase of raw material from enterprises under 65 feet.

5.8 Discussion Questions

1. Do you agree that there is a need for capacity reductions in all inshore fleet sectors under 65 feet?

2. What policy changes or options should be put in place in 2007 and beyond to encourage fleets to voluntarily adopt capacity reductions plans/mechanisms?

3. Should there be any constraints, such as quota concentration limits, on approved self-rationalization programs? If so, what should they be?

4. Do you agree that the current vessel replacement policy should be modified?

5. Which elements of the vessel replacement policy should be changed - e.g. cubic numbers, length barriers?

6. How can the impact of changes in vessel replacement rules on competitive fisheries such as turbot and capelin be controlled?

7. We must ensure that the small boat fishery continues to represent an essential component of a renewed Newfoundland and Labrador fishery. What policy options are needed to ensure the small boat sector is protected and enhanced?

8. How do you see processing and marketing considerations being more effectively incorporated into the annual Integrated Fisheries Management Plan (IFMP) process?

6. Processing - Policy Renewal and Restructuring

6.1 Overview

The processing sector is currently faced with a number of challenges relating to plant viability and competitiveness; seasonality/timing of supply; quality throughout the supply chain; and trucking. Compounding these domestic challenges is a series of external factors that are having a negative impact on the industry, including: tariffs, competition from low-cost producers, and unfavourable exchange rates. Perhaps the greatest single threat to the competitiveness of processing companies is overcapacity. Most industry participants agree that there is a need for a rationalization process which takes into consideration resource availability, the location of plants and the overall viability of processing operations.

Overcapacity in the processing sector has reduced efficiency and lowered returns. An inordinate amount of time and effort is now spent acquiring raw material, as opposed to improving operations, product development and marketing. Although this sector is now characterized by fewer active primary processing facilities (117 compared to 221 in 1990), these operations are less labour-intensive and have, to a certain extent, availed of new technology in an attempt to remain internationally competitive.

In the absence of a process that allows rationalization to occur in a controlled manner, the processing sector will face a number of demographic challenges in the near future. The processing workforce is aging, with more than 50% being over age 45. Processing employment is also highly seasonal with an average annual earned income of only $8,000. Processors cannot expect to compete head-to-head with commodity products from low-cost producers and meet expected income levels. Younger generations want reasonable livelihoods and the retention of workers is a growing concern. In some cases, the labour force is seeking more attractive job opportunities outside the province, thereby reducing the available labour supply in certain plants/areas.

These challenges underscore the need for processing sector rationalization, restructuring and policy renewal. The effects from these challenges in the processing sector have a direct impact on plant workers. The Government of Newfoundland and Labrador has announced a framework to assist plant workers and regions impacted by fish plant closures, and the Federal Government, through Service Canada, is working collaboratively with the Province to deliver adjustment supports under the Labour Market Development Agreement (LMDA). The overall adjustment framework focuses on helping plant workers explore their options in the labour market and make well-informed personal decisions on transition, access appropriate adjustment supports under the LMDA, and access short-term employment (if needed) to help stabilize workers' incomes while they explore their options. The framework also includes a focus on economic diversification in regions affected by plant closures.

6.2 Capacity Rationalization

Reducing overcapacity and preventing the reinstatement of capacity will stabilize the existing workforce and worker incomes. Subsequently, this will improve the recruitment and retention of new and skilled plant workers, increase plant utilization, and extend the season over a longer time period.

Most industry participants agree that the intense competition for crab and shrimp has led to higher seasonality, uncoordinated landings, and volume-driven processing activity, which in turn has diminished the overall viability and competitiveness of plants. ***The challenge relates to the identification and implementation of an appropriate policy mechanism(s) which will result in processing sector rationalization.***

Potential rationalization approaches examined by the Processing Working Committee included market rationalization versus a buy-out. Both of these options will require plant closures and mechanisms to prevent the reinstatement of capacity.

Rationalization via market forces would likely occur over a longer period of time, and would create disruption and instability for plant workers and their communities. The future of the processing sector under this option would largely depend on the way in which rationalization unfolds in the harvesting sector, in addition to marketing efforts. For example, fewer vessels operating over a longer season will help improve processing capacity, efficiency and industry viability.

The option of plant buy-outs was also raised as an alternative capacity reduction approach. The Working Committee generally agreed that this would be the preferred course of action to address overcapacity, and would result in a more orderly and planned approach to rationalization. However, a buy-out will require significant financial investment by government and industry. Government and industry would also need to identify measures to ensure that capacity removal is permanent and that adjustment assistance is provided for displaced workers. ***A key question is how to determine which plants close and which ones remain active.***

The potential for plant consolidation was also discussed by the Working Committee. Initially, the issue was raised in the context of corporate/regional consolidation, whereby companies owning several plants could reduce capacity by closing certain plants. The Working Committee recognized, however that rationalization via consolidation is difficult to achieve in an environment where there is no assurance that government will not issue a new processing license for the area. Under the current policy, the owner would have to keep the facility closed for two years and then the license would be cancelled. This issue is directly linked to the designation of strategic plants and regional balance which would result in extending the processing season and provide a more stable work environment for plant workers.

The Working Committee also explored the possibility of separate owners consolidating as a means of improving viability (i.e., reducing costs). It was determined, however that

this may be unlikely as processors have little assurance that fish harvesters who traditionally sold to them in the past, will continue to sell to them at a new location.

The establishment of industry performance targets was identified as part of the mandate of the Working Committees. Discussion surrounding this issue did not lead to any consensus or direction on a process for establishing such performance targets.

Key outcomes related to the proposed approaches are as follows:

- Any improvement or reduction in plant overcapacity will help stabilize the existing workforce and worker incomes.

- A reduction in processing capacity is difficult to achieve without the closure of plants.

- There is a need to define and remove real production capacity.

- Given the level of over-capacity in the processing sector, significant rationalization will be required in order to increase plant worker incomes to a level required to attract and retain workers.

- There is a need to consider adjustment assistance for workers.

- Government commitment to policy renewal is required.

6.3 Strategic Plants and Regional Balance

The policy question of regional balance in the processing sector is longstanding. The issue is deeply rooted in the days of the inshore cod fishery and the desire to process catches where they were landed. However, in recent years it has resurfaced in the shrimp fishery through initiatives such as the scheduling and distribution of landings, with the overall objective of reducing trucking and allocating landings to the closest plants first.

The development of a regional or "strategic" plant approach for the processing sector would result in longer seasons, more stable work weeks and improved incomes for plant workers. Multi-species regional operations would be able to withstand industry downturns and take advantage of certain economies of scale. Such plants could serve plant workers and fish harvesters in adjacent areas/communities and could provide an economic base for vibrant rural regions.

Regardless of the approach to industry renewal, the future direction of the processing sector will have to take into consideration regional balance and the strategic location of plants. The regional balance of processing capacity is influenced by a number of factors, including the extent to which it is possible or feasible to align processing capacity with the resource, and the availability of an adequate labour supply.

The Processing Working Committee felt that there was merit in the strategic plant approach; one that is terrestrial in nature as opposed to resource-based (e.g., a peninsula approach). However, the definition of strategic plants or regions was not developed.

Key outcomes of the Working Committee process on this issue are as follows:

- The strategic plant approach requires agreement on the definition of a "strategic" plant.

- Further clarification is required on the implications of a strategic plant designation.

- Clarification is required on the definition of a "region."

6.4 Recruitment, Retention and Incomes

The Working Committee recognized that the processing sector is challenged by an aging workforce. Many plant workers in the range of 30-45 years of age are leaving the industry, while those who remain are faced with the physical challenges of production work. Early retirement was discussed as an option and one which poses significant challenges. Early retirement programs, for example, could remove a portion of the only active workforce available in certain areas. Likewise, an early retirement program must be linked to industry renewal and restructuring, otherwise it will not be effective in reducing employment dependency on the processing sector. The Working Committee felt that an early retirement program will likely be needed as part of an overall industry restructuring strategy.

The Working Committee concluded that the recruitment and retention of plant workers is directly impacted by low income levels, which are simply not attractive compared to most other industrial occupations. The fishing industry is also largely dependent on weather and resource patterns, and until the industry is provided with the flexibility to adapt to these conditions, the current structure of the industry will not be conducive to substantially improved income levels. Peak landings in the summer months necessitate substantially more people working than would be required in a more coordinated or even landings pattern over a longer season. Overall, the state of the industry has created a decline in employment levels, which are presently less than 60 percent of what they were in 1990. Capacity reduction has the potential to extend the operating season and provide more meaningful employment for workers who remain in the industry.

6.5 Other Policy Issues

- **Minimum Processing Requirement**

The Government of Newfoundland and Labrador prescribes minimum processing requirements as a condition of all fish processing licences. The policy specifies the minimum amount of processing which must be applied to each species landed before it

can be marketed outside the province. This requirement also stipulates that all fish intended for marketing must be directed into a product form which meets final market specifications. The minimum processing requirements are intended to maximize the potential benefits of the fishery resource for the residents of this province from both an economic and employment perspective. During the Working Committee process, some harvesting representatives expressed the view that this policy lowers their return on the resource.

The changing nature of the industry, increasing global competition and changing consumer tastes require a review of the minimum authorized treatments that are currently prescribed by the provincial Department of Fisheries and Aquaculture. As such, the provincial government is currently reviewing its policy on minimum processing, including a comparison of market demands and product forms.

- **Licensing Board**

The current provincial processing licensing policy includes an independent Board which reviews applications for new licences, licence transfers or a change of operator. The mandate of the Board is to:

- Review applications and relevant information, in addition to any responses received as a result of a proponent's public advertisement of a licensing application.

- Hold open public meetings (if required).

- Evaluate applications based on government policy and assessment criteria, taking into account all comments and information received from various stakeholders.

- Reach a consensus on a recommendation, but where a consensus cannot be achieved, vote on the application with the final recommendation based on majority rule.

- Submit a record of the recommendation to the Minister.

Upon reviewing the recommendation from the Board, the Minister of Fisheries and Aquaculture makes a final decision on the application, informs the applicant of his/her decision, and publicly releases the Board's recommendation and his/her final decision. To date, Board recommendations have been approved in all cases.

The Working Committee determined that the industry renewal process should give consideration to providing the Board with final authority on processing licences. This would result in removing political influence from the licensing process, and provide added predictability and stability to the industry.

- **Seasonality**

The Working Committee determined that changes in the harvesting sector could have a positive impact on the operating season of plants. A reduction in the number of vessels, combined with the option of moving to larger vessels, would extend the operating season. The Working Committee recognized that there is limited opportunity in extending the seasons, as each major species group is characterized by natural or management restrictions. However, depending on the extent of the changes, this could serve to increase the viability of both sectors and improve the incomes of harvesters, plant workers and plant owners.

6.6 Discussion Questions

1. In your view, what is the best option(s) to achieve processing capacity reductions?
2. What is an acceptable income level for plant workers?
3. Other than incomes, how can the workplace be improved to attract and retain workers?
4. Does the consolidation of plants within regions provide an option for processing sector renewal?
5. Can the objective of regional balance be achieved through processing policy?
6. In your view, what constitutes a “strategic plant”?
7. Should the licensing board have final decision-making authority over the issuance of processing licences?

7. Collaborative Marketing

7.1 Overview

In marketing their products worldwide, the province's seafood producers are faced with a number of challenges, many of which are beyond their control. In recent years, the industry has had to contend with external factors such as a strong Canadian dollar, trade barriers, competition from low-cost and efficient producers in under-developed and developing countries, increased purchasing power of retail and food service buyers, and distress selling particularly by undercapitalized firms. It stands to reason that the industry would be in a better position to overcome these challenges if companies worked more closely together in globally marketing their products. It is recognized that a fair amount of cooperation already exists within the industry, but there is considerable room for increased collaborative efforts in the marketing and selling of Newfoundland and Labrador seafood.

The adversarial nature of the processing sector has been the main reason for limited marketing collaboration. Many processors become consumed with securing raw material for processing, and competition is often fierce. This has contributed to long-standing internal conflicts, as well as a lack of communication and trust within the industry. Competition permeates all the way through the supply chain, where international buyers play one company against another to obtain a lower market price.

The Marketing Working Committee determined that in order for companies to work together, a number of structural issues have to be resolved within the industry, including the overall lack of trust, varying quality standards and specifications, seasonality, and duplication of marketing efforts. There is also need to ensure a more consistent and reliable supply of raw material. If these issues can be addressed, there are a number of mechanisms that could be used to jointly market seafood and garner a greater return from the marketplace. However, marketing renewal must be part of an overall integrated industry renewal process - changes in marketing alone will not work.

It is important to recognize that whatever marketing options are developed, industry must be supportive and play an active role. Without this, the likelihood of success is diminished significantly. There must also be a strategic focus to these efforts or the opportunity to move forward on these and other related issues could be lost.

7.2 Seafood Marketing Institute/Council

Most Committee members were in agreement that the processing sector requires collaborative or assisted marketing. Based on discussions of the Working Committee, there is an interest in investigating a number of collaborative marketing efforts including the establishment of a seafood marketing organization similar to the Alaska Seafood Marketing Institute or the Norwegian Seafood Export Council. This organization would be established by industry with government support, and would develop and implement a

long-term marketing strategy for the province's seafood industry. The organization's functions could include such activities as promotional programs, market research, quality standards and public relations. It is recognized that industry involvement in such an organization must be mandatory for all processors, and should entail industry contributions in the form of fees or levies. Industry has committed to reviewing the options and preparing a proposal for consideration.

7.3 Marketing Consortia

There is also an interest in investigating a consortia approach to marketing seafood. Although there is reluctance on the part of some industry participants to relinquish selling control of certain species, such as coldwater shrimp and snow crab, there appears to be some interest in exploring collaborative approaches for marketing species such as capelin and lumpfish. Voluntary marketing consortia efforts by companies with similar products, targeting the same markets could be facilitated by government through existing funding programs.

7.4 Tariffs

The seafood industry in Newfoundland and Labrador is negatively impacted by the restrictive trade and tariff barriers in several countries, particularly the European Union (EU). As an example, the 20 per cent tariff on cold-water shrimp entering the EU is having a serious detrimental impact on the growth of the province's fishing industry. Many of the province's competitors (i.e., Greenland, Norway and Iceland) have special agreements with the EU that place all Canadian producers at a significant disadvantage. The EU also imposes tariffs on other seafood products, including cod (various product types) and mussels.

The federal and provincial governments, in concert with industry, have dedicated considerable effort toward getting a reduction in the EU tariff on cooked-and-peeled northern shrimp. As an interim measure, efforts have also focused on getting an increase in the Autonomous Tariff Rate Quota (ATRQ) which allows limited quantities of cooked-and-peeled shrimp to enter the EU market at a reduced tariff of 6%.

Most fish harvested in Canadian waters is exported. As such, unfettered market access is important to the health and continued growth of the fisheries sector. The Working Committee concluded that further work is required to reduce and/or remove tariffs on the province's seafood products and ensure greater market access, especially for shrimp.

7.5 Other Issues

Other options which were reviewed but rejected by the Working Committee, included cooperatives, marketing boards, export entities and limited export licences. The option of purchasing the marketing arm of Fishery Products International was discussed, but there was no consensus on an industry-wide approach for this initiative.

Finally, a number of outstanding issues have been identified for further consideration including:

- The role of government and industry in marketing.
- Funding options and sources.
- Branding (e.g., Newfoundland and Labrador versus Canada).
- Inventory financing.
- Market opportunities related to the eco-labelling of seafood products.

7.6 Discussion Questions

1. What are the roles of government and industry in the marketing and promotion of seafood?
2. How can government facilitate collaborative marketing initiatives?
3. What are the funding options for various collaborative marketing initiatives?

8. Technology and New Opportunities

8.1 Overview

Industry renewal provides an opportunity to re-evaluate current harvesting, processing and marketing practices; and to identify measures and technologies which could contribute to improved industry viability and international competitiveness.

The Technology and New Opportunities Working Committee concluded that a number of opportunities and options exist to increase resource value and improve industry viability - particularly for shrimp, snow crab and harp seals. Most of these relate to quality improvements, product development and improved marketing.

The Committee identified several constraints to the adoption of technologies and the development of new processes, including: industry attitudes, current industry structure, investment capital requirements, tariff barriers, and training and education. The prospects for new or additional resource opportunities are limited.

8.2 Issues/Opportunities

- **Shrimp**

Improvements in vessel design are required. This will involve a significant capital investment, but larger vessels will help mitigate current seasonality issues and will enhance economic and fuel efficiency, harvesting performance, crew comfort/safety, and onboard handling, stowage and offloading practices.

Current fishing and handling practices have a negative affect on quality. Improvements in product handling (i.e., proper stowage, icing protocols, pre-chilling systems, wash tanks, etc.) are required, and training is required in gear rigging, operation and product handling. The potential for the use of Refrigerated Sea Water systems for bulk shrimp should be investigated, as well as the development of more efficient trawls with size sorting capability.

In the case of the processing sector, quality-related improvements are required for: product handling (from vessel hold to processing line), the development of quantitative quality monitoring methodologies, and the development of parameters for dockside evaluation and production planning. The potential for peeling technology for “raw” shrimp should be investigated to take advantage of high-value niche markets. A potential opportunity also exists for the recovery of cook water, pigments, flavorants, minerals, and other bioactive compounds and chitin.

- **Snow Crab**

Current vessel design and handling practices have a negative affect on the quality of snow crab landings in many instances. There is a need to promote appropriate handling, stowing, icing and offloading procedures. For small vessels, a bag handling system is available for assessment. There is also a requirement to reduce handling-induced injury and mortality related to undersized and soft-shell crab through the use of sorting tables and chutes, larger-trap mesh sizes and gear escape mechanisms. Training is required in product handling, and there is a need to establish (and adhere to) appropriate seasons to avoid temperature-related quality issues, soft-shell and bitter crab.

In the case of crab processing, there is a requirement to reduce the number of landing sites through the establishment of designated sites. This would reduce trucking and ensure that off-loading sites meet the recently-developed Fish Landing Station Protocol requirements. There is also a need to improve product handling - from vessel to processing line. The development of meat extraction technology and procedures represents a potential opportunity, as does the recovery of cook water, pigments, flavorants, minerals, other bioactive compounds and chitin.

- **Harp Seals**

The Atlantic seal hunt is a well-regulated and managed hunt, which produces the largest quantity and highest quality harp seal pelts in the world. Opportunities exist in terms of the advancement of full processing and product utilization. However, there are significant challenges associated with the handling of food-grade meat at sea.

- **Other Species/Opportunities**

Other opportunities identified by the Working Committee include:

- The need to assess and develop markets and investigate the potential for secondary processing of male capelin, as well as the use of male capelin in the fur farming industry.

- The use of silage (from processing by-products) in the domestic fur farm, agriculture and aquaculture industries. This would require a significant investment. Current offal disposal policies discourage silage development.

- The implementation of the recently-developed Fish Landing Station Protocol would not only facilitate the move to designated landing sites and reduce trucking, but would also ensure that landing stations are designed to allow for safe and orderly offloading, enhance quality and hygiene, and facilitate the integrity of the Dockside Monitoring Program.

- The aquaculture industry represents a significant rural economic generator, particularly for salmonids and mussels in the short-term and cod over the medium-to-long term.

8.3 Discussion Questions

1. Several options have been proposed to improve quality, reduce trucking and enhance the overall economic viability of the crab and shrimp fisheries - which of these should be pursued on a priority basis?

2. Which policy measures should be put in place to promote the full utilization of harp seals - including the production of food-grade meat products?

3. Do you think there is a need for a training program for fish harvesters to teach appropriate handling practices, gear rigging and trawl fishing techniques? How could such a program be established and implemented?

4. Do you think there is a role for partnerships between industry and MU/MI to facilitate some of the opportunities identified?

Annex 1

Industry/Government Steering and Working Committees

Membership

Industry/Government Steering Committee

Wayne Follett	DFO (Co-Chair)		
Alastair O'Reilly	DFA (Co-Chair)	John Collins	DFO
Earle McCurdy	FFAW	Ken Carew	DFO
Dave Decker	FFAW	Tom Curran	DFO
Larry Pinkson	FFAW	Max Grandy	DFO
Allan Moulton	FFAW	Mike Warren	DFA
Ches Cribb	FFAW	Brian Delaney	DFA
Karl Sullivan	ASP	Paul Martin	DFA
Derek Butler	ASP		
Martin Sullivan	ASP		
Paul Grant	ASP		
Gabe Gregory	SPNL		
George Joyce	SPNL		
Harry Hallett	NLFM		
Wayne Ruth	NLFM		

Processing Working Committee

Alastair O'Rielly	DFA (Chair)	Mike Warren	DFA
Stanley Oliver	Nunatsiavut Government	Dave Lewis	DFA
Greg Viscount	ASP	Brian Delaney	DFA
Randy Barnes	ASP	Wanda Wiseman	DFA
Martin Sullivan	ASP	Kimberly Penney	DFO
Derek Buler	ASP	Tom Curran	DFO
Jim Morry	ASP	Jim Davis	DFO
Mary O'Brien	ASP		
Randy Janes	ASP		
Derrick Philpott	SPNL		
Vaden Oram	SPNL		
Gilbert Linstead	Labrador Fisherman's Union Shrimp Co. Ltd.		
Earle McCurdy	FFAW		
Allan Moulton	FFAW		
Tony Doyle	FFAW		
Nelson Bussey	FFAW		
Barry Randell	FFAW		
Helen Evans	FFAW		
David Hann	UFCW		
Mary Shute	Plant Worker		

Harvesting Working Committee

Wayne Follett	DFO (Chair)	John Collins	DFO
Stanley Oliver	Nunatsiavut Government	Ken Carew	DFO
Earle McCurdy	FFAW	Bob Fagan	DFO
Dave Decker	FFAW	Tom Curran	DFO
George Feltham	FFAW	Alastair O'Reilly	DFA
Larry Pinksen	FFAW	Mike Warren	DFA
Lana Payne	FFAW	Paul Glavine	DFA
Ray Wimbleton	FFAW	Paul Martin	DFA
Dwight Spence	FFAW		
Rob Coombs	ASP		
Chris Pilgrim	ASP		
Derek Butler	ASP		
Gabe Gregory	SPNL		
Dag Friis	Marine Institute		

Collaborative Marketing Working Committee

Alastair O'Rielly	DFA (Chair)	Mike Warren	DFA
Paul Grant	ASP	Paul Martin	DFA
Derek Butler	ASP	Mike Handrigan	DFA
Martin Sullivan	ASP	Jim Davis	DFO
Randy Barnes	ASP		
Randy Bishop	ASP		
Rosemary Buckingham	SPNL		
George Joyce	SPNL		
Earle McCurdy	FFAW		
David Decker	FFAW		
Larry Pinksen	FFAW		

Technology & New Opportunities Working Committee

Max Grandy	DFO (Chair)	Gerry Brothers	DFO
Roland Andrews	Nunatsiavut Government	Sharmane Allen	DFO
Paul Grant	ASP	Eric Way	DFO
Derek Butler	ASP	Mark Rumboldt	DFA
Rob Coombs	ASP		
Chris Pilgrim	ASP		
George Joyce	SPNL		
John Boland	FFAW		
Tom Brown	Marine Institute		
Heather Manuel	Marine Institute		
Paul Winger	Marine Institute		
Mark Kielley	CCFI		

Annex 2

Background Information

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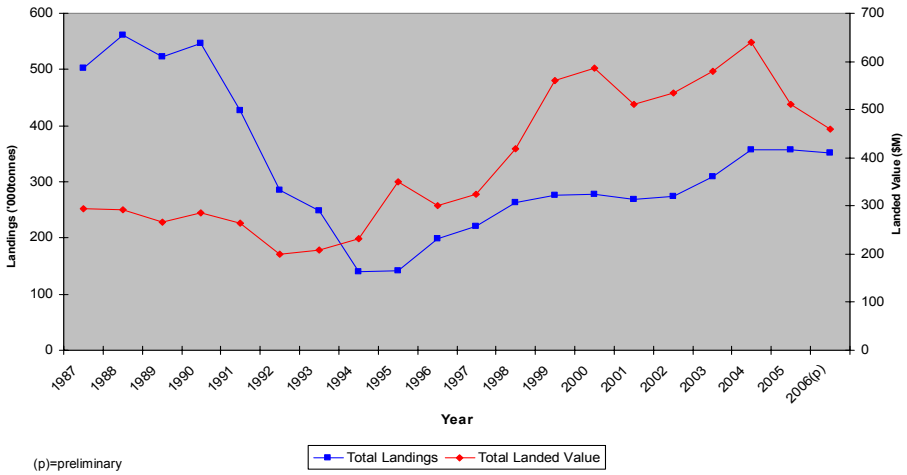
Landings and Landed Value in NL, 1987-2006(p)

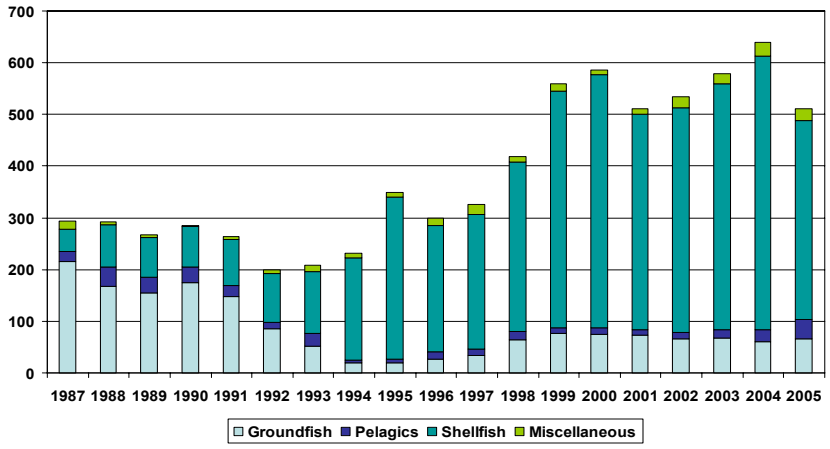


(p)=preliminary

Source: DFO

Slide 2

Landed Value in Newfoundland and Labrador ($Millions)



Source: DFO

Slide 3

NL Harvesting Sector Profile

	1987-91 Ave.	2004	2005
Volume (MT)	510,000	360,000	357,000
Value ($M)	280	640	510
Revenue Distribution Groundfish …… Shellfish …….. Pelagics …..……..	 61% 26% 10%	 9% 83% 4%	 13% 75% 8%
# of fishing enterprises <65'	8,250	4,950	4,900
# of groundfish licences <65'	9,805	4,665	4,657
# of registered vessels <65'	16,390	8,580	8,440

Source: DFO

Slide 4

NL Processing Sector Profile

	1990	2004	2005(p)
Production Value	$650M	$1B	$900M
Groundfish Landings	350,000t	52,000t	60,000t
Shellfish Landings (mainly crab and shrimp	40,000t	207,000t	190,000t
No. of Plants	214	122	117

(p) + preliminary

•Plant throughput declined by one-third; shellfish less labour intensive.

•Number of plantworkers down about 45%; 25,000 workers in 1990 to 13,900 in 2005

Source of plantworker employment numbers: 1990 from tax-filer data; 2004 from DFA plant survey data.

Slide 5

Landings ('000t) and Landed Value ($M) by Major Species, NL, 2004 & 2005

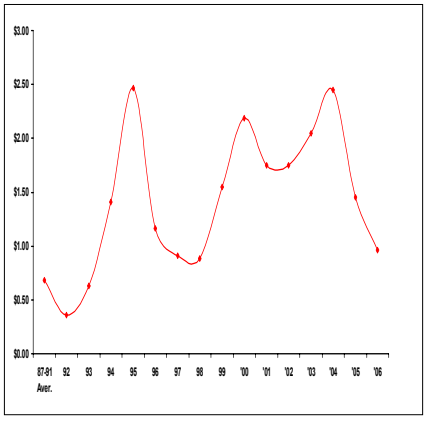
Species	Landings ('000t)		Landed Value ($M)	
	2004	2005	2004	2005
Snow Crab	55.7	44.0	300.6	140.3
Shrimp	119.3	113.2	166.3	170.8
Lobster	1.9	2.6	21.1	31.3
Mackerel	40.0	42.4	10.7	21.4
Turbot	10.8	11.7	21.1	23.6
Cod	14.5	16.3	18.1	17.6
Other Groundfish	27.4	31.5	21.1	24.1
Seal Pelts	N/A	N/A	14.7	16.3
Other	88.1	95.4	66.1	66.6
Total	**357.7**	**357.1**	**639.8**	**512.0**

Source: DFO

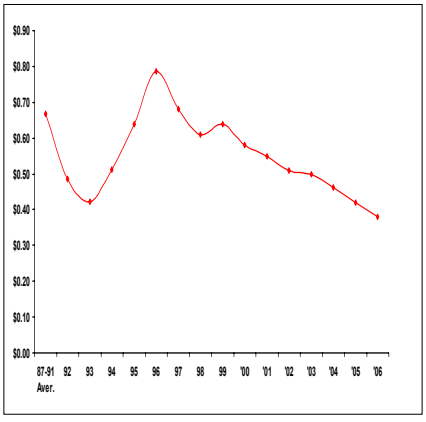
Slide 6

Average Annual Inshore Landed Prices, NL, 1987-2006 ($/lb.)

Snow crab



Shrimp



Source: DFO

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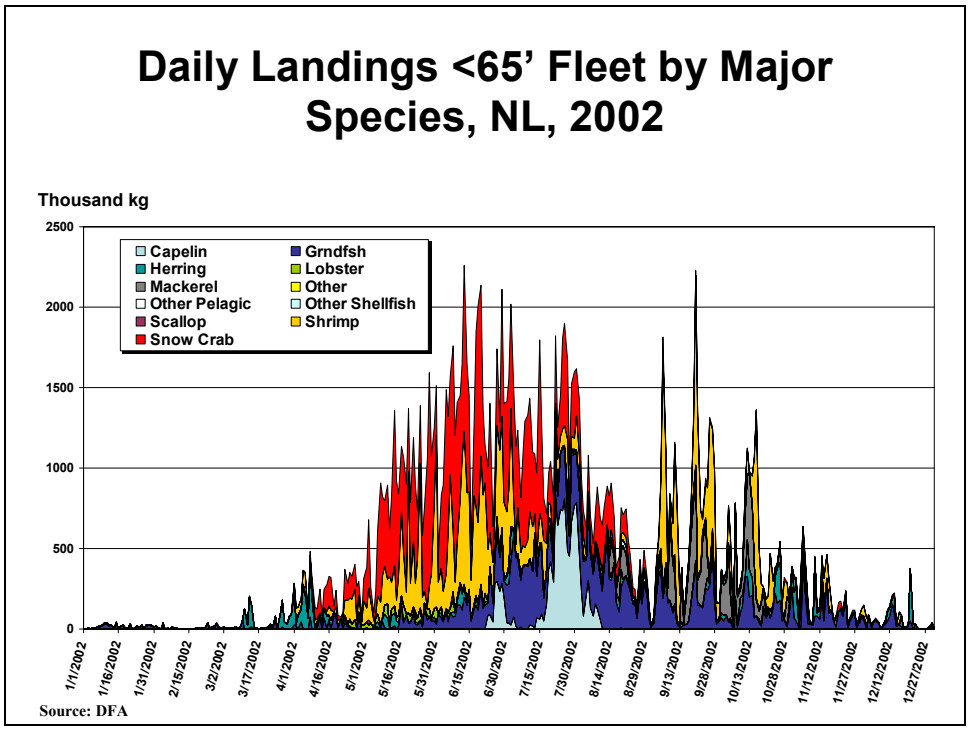

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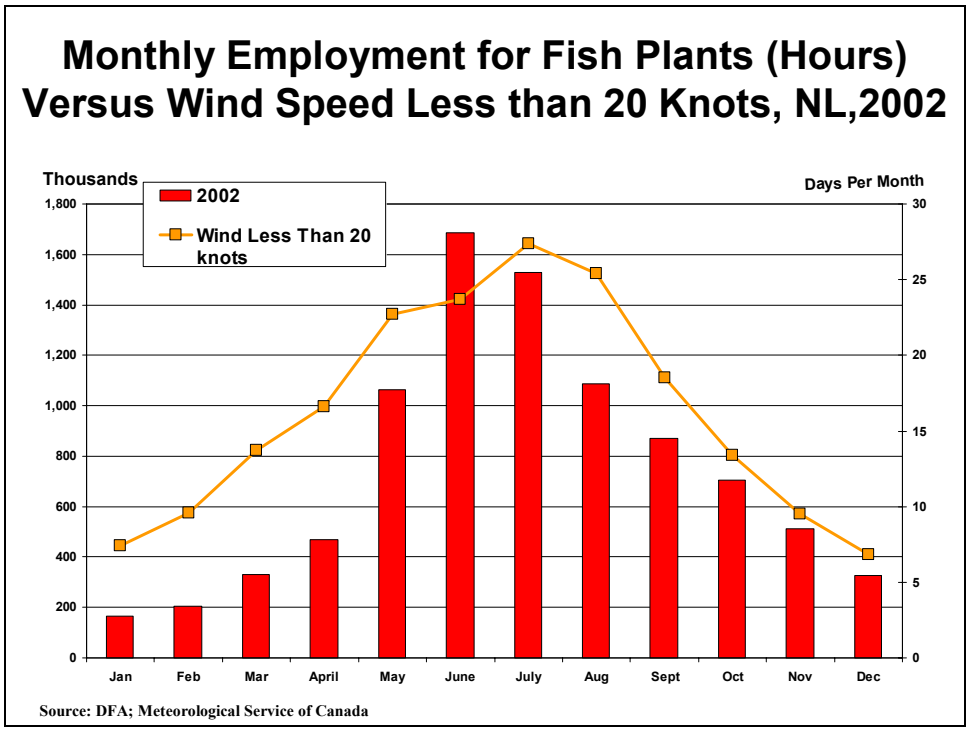

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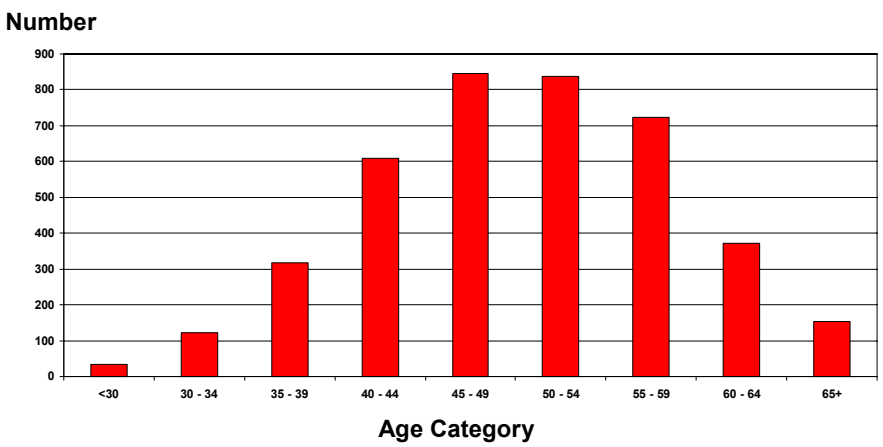
Age Profile of Core Fishers, NL, 2005

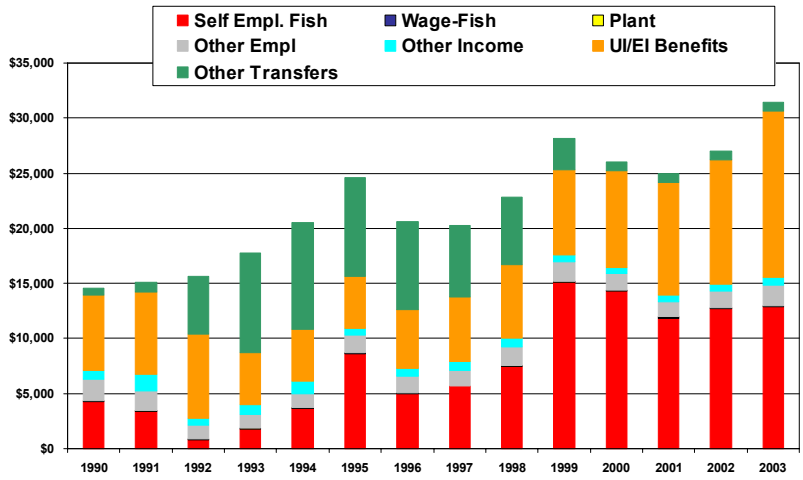


Source: DFO

Note: There were 4976 key licence holders registered in 2005

Slide 10

Average Income: Fish Harvesters by Component, NL,1990-2003

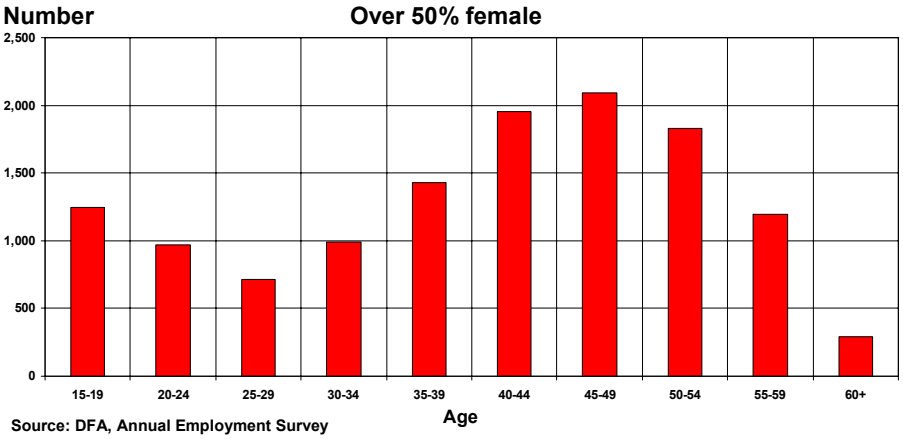


Source: Special Tabulation, Statistics Canada; Newfoundland Statistics Agency; DFA

Harvesters' average incomes substantially higher than plant workers' average incomes.

Slide 11

Age Profile of Plant Workers, NL, 2004

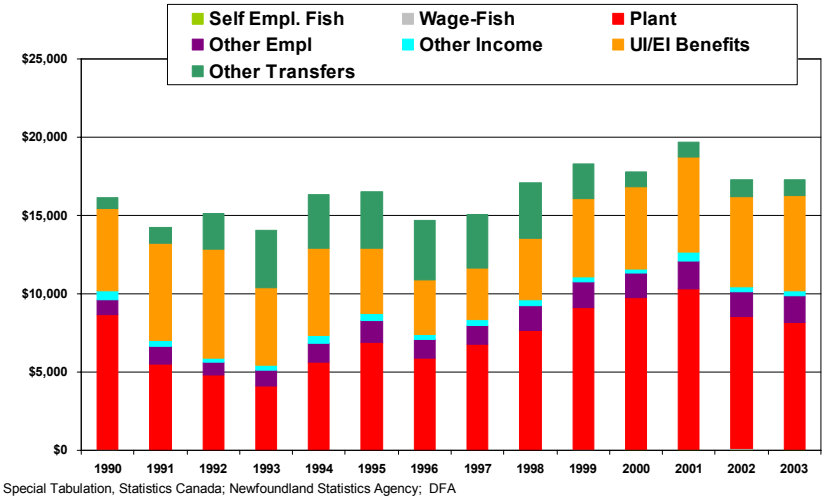


Source: DFA, Annual Employment Survey

Age structure of processing workers only slightly different from other employed non-fishing sector workers ***(Dunne Report, 2003)***

Slide 12

Average Income: Processing Workers by Component, NL,1990-2003



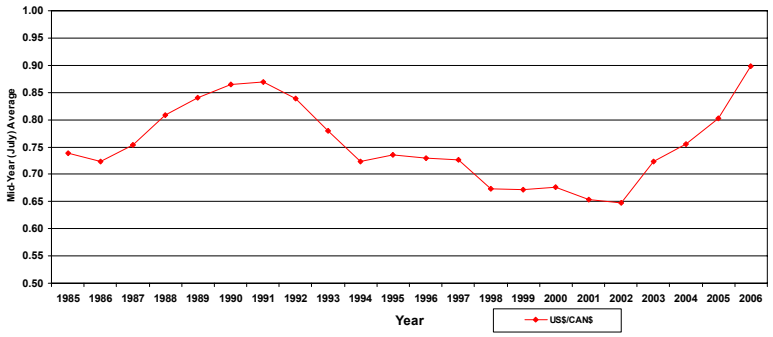
Source: Special Tabulation, Statistics Canada; Newfoundland Statistics Agency; DFA

Typically plant income represents 50% of total income, followed by EI and income from other sources Average total in 2003 from all sources $17,270

Slide 13

US-CANADA EXCHANGE RATE
US$/CAN$

1985-2006 Mid-Year Avg.

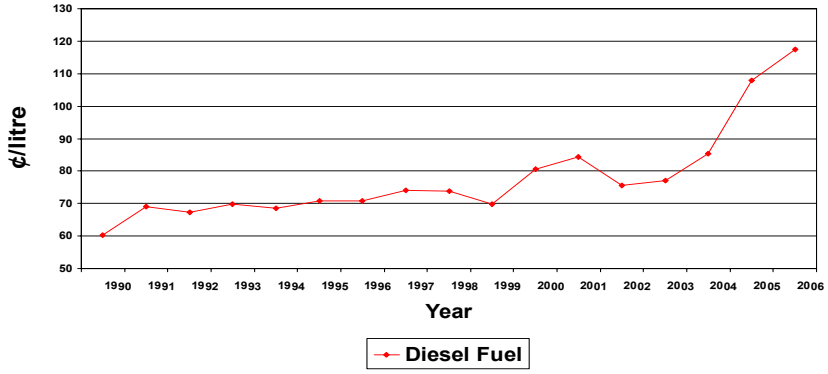


- About half of the value of Newfoundland and Labrador's Fish Products Exports go to US Markets.
- A rising Can $ means Canadian exporters receive a lower return for US priced products.

Source: Bank of Canada

Slide 14

Diesel Fuel Price ¢/litre
(Mid-Year, 1990–2006)



Source: Statistics Canada

Slide 15

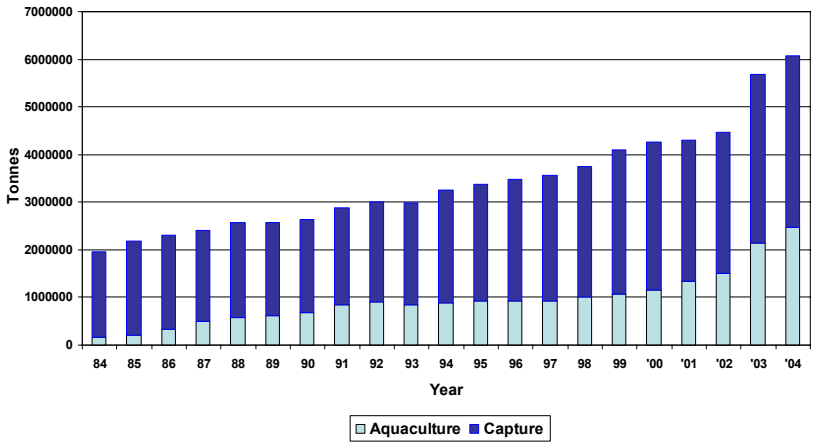
Average Total Days at Sea, NL 35-64 ft. Enterprises, 2004

Licensed Species Combination	35-44 ft.	45-54 ft.	55-64ft.	All Enterprises
Crab (no shrimp)	24	32	34	26
Crab and Shrimp	51	56	64	61
Shrimp (no crab)	-	51	48	49
All Combinations	26	40	53	37

Source: DFO

Slide 16

Total World Shrimp Supply, 1984-2004



Source: FAO

Published by:

Fisheries and Oceans Canada
P.O. Box 5667
St. John's, NL A1C 5X1

and

Fisheries and Aquaculture
P.O. Box 8700
St. John's, NL A1B 4J6

Catalogue number: Fs114-5/2006E
ISBN: 0-662-44220-2