### REVIEW DIRECTORATE

## DIRECTION GÉNÉRALE DE L'EXAMEN

REVIEW OF PACIFIC SALMON VESSEL TIE-UP PROGRAM FINAL DRAFT DECEMBER 15, 1999



Fisheries and Oceans Pêches et Océans Canada Canada

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### APPENDIX

### **1.0 EXECUTIVE SUMMARY**

In response to a request from the Treasury Board, the Department of Fisheries and Oceans (DFO) has undertaken a review of the Pacific Salmon Vessel Tie-Up Program implemented in the Pacific Region in 1998. This program was a bridging measure intended to financially assist salmon licence-holders faced with a very bleak financial outlook for the 1998 fishing season. The fishing opportunities were expected to be few with landed prices being low.

The 1998 salmon fishery was already underway on the North Coast when the Minister's June 19 announcement of the program was made. Included in the announcement was the detailed Salmon Fishing Plan for 1998, which was even more pessimistic than earlier anticipated. This fishing plan was quite late in coming and many salmon fishers had already geared up and decided to go fishing without the full benefit of this information. Also, earlier in May, the Minister had announced a new 'selective fishing strategy' designed to protect scarce fish stocks. It represented a radical departure from the way the salmon fishery has traditionally been managed on the West Coast. These announcements came as a shock to fishers and the industry. While the primary objective of the Tie-Up Program was to provide immediate financial assistance, the program also implicitly recognized the inconvenience caused by the lateness of the fishing plans and selective fishing strategy.

In return for tying up their vessels for the season, the program offered licence-holders fixed payments ranging between \$6,500 for vessels fishing gillnet and troll gear to \$10,500 for seiners. These payments were provided in order to reimburse licence-holders for expenses already incurred in 'gearing up' their vessels for salmon fishing in 1998. The program furthermore offered salmon licence-holders a waiver on their 1998 licence fees ranging between \$710 for gillnet and troll licences to \$3,380 for seiners.

The program inactivated a total of 1,284 salmon licences out of a regional total of 3,632. This represents an uptake of about 35%. Given that some licence-holders had more than one licence on their vessel, a total of 1,221 vessels were tied-up. An interview survey revealed that the program succeeded in providing necessary financial assistance in a time of real need. The participants used the money for things like paying expenses they had incurred in gearing up or other personal debts and expenses they had incurred. The financial assistance provided was fairly immediate in that most participants received a cheque within two weeks of having their applications approved.

An analysis of gross incomes from salmon fishing in years prior to 1998 reveals that about half of the program participants performed well below the average in the two fishing seasons prior to the implementation of the program. This confirms that the program was of particular benefit to those who needed financial help the most. We also learned that the participation rate for aboriginal salmon licence-holders was about 50% versus a participation rate of about 32% for non-aboriginal licence-holders, reflecting the increased economic hardship that aboriginal licence-holders were experiencing.

The survey of licence-holders who did not participate in the program revealed that they caught more fish and therefore benefited from the program as well. The analysis revealed that, based on an industry wide average, non-participants were able to increase their gross incomes by about 55% over and above what their incomes would have been had the program not existed. They realized higher catches with fishing expenses they would mostly have had to incur anyway. This is a significant economic benefit not fully appreciated at the time the program was implemented.

It appears that the program also made it easier for fishery managers to manage the fishery because there were fewer vessels on the fishing ground. These benefits were at times difficult to appreciate given the difficulty of implementing the new and complicated selective fishing strategies being introduced. Finally, it appears that the program also succeeded in placating licence-holders who were angered at the lateness of the fishing plans and the sudden changes to their traditional fishing patterns.

All in all, the program proved to be cost-effective. It provided significant benefits to program participants and non-participants and it did so at a cost of about \$9.1 million as opposed to the \$25 million allocated to this program by the Treasury Board.

Despite the significant benefits and the overall cost-effectiveness achieved by the program, the review did uncover some problems. All of these problems were due to the lateness of the fishing plans as well as lateness in announcing the program.

Potential participants for the program had not only geared up, a number had also decided to go fishing. Had the program been announced somewhat earlier, the uptake would have been greater. The uptake for the program might also have been greater had the levels of payment to certain groups such as 'stacked' licence-holders (i.e. those with more than one salmon licence on their vessel) and those fishing with seine gear been more thoroughly considered. Given the need for program administrators to move quickly, this was not possible.

It was also learned that up to a third of the program participants appear to have incurred little or no gearing costs. However, given the lateness of the program, there was a need to deliver the assistance quickly and providing fixed levels of payment for participants permitted this.

While all of the Treasury Board requirements for the administration of the program were fully met or exceeded, the application form proved too complicated for many of the licence-holders. This required that licence officers spend many hours assisting participants in filling out these forms.

All of the problems identified could have been solved had there been a bit more time. However, the fact is there wasn't. Given the circumstances, program managers and administrators did the best that could be expected. All in all, given the substantial benefits the program provided, it must be considered a success.

### 2.0 INTRODUCTION

This report describes the results of a review of the Pacific Salmon Vessel Tie-Up Program implemented in Pacific Region in 1998. The program is part of a larger fisheries restructuring package, the Canadian Fisheries Adjustment and Restructuring Plan (CFAR), approved by Cabinet on June 11, 1998, for both Atlantic and Pacific Coasts. The Pacific Coast CFAR Plan is a \$400 million package and includes a Voluntary Salmon Licence Retirement program, habitat restoration projects, adjustment programming, economic development as well as the Pacific Salmon Vessel Tie-Up Program. On June 18, 1998, the Treasury Board approved overall funding for CFAR including up to \$25 million in spending for the Pacific Salmon Vessel Tie-Up Program. Any unused funding not expended on the Vessel Tie-Up Program was to be reallocated to other CFAR components at the end of the 1998/99 fiscal year. The Tie-Up program ended up spending about \$9.1 million of the \$25 million in revenues foregone because of licence fee waivers. About \$250 thousand was spent in administering the program.

While the program seems simple in its objective of providing salmon licence-holders with financial payments to tie-up their vessels in the face of stringent conservation measures and a bleak fishing season, it is rather more complex. In order to fully understand the program and this review, it is necessary to have some appreciation of events during the years leading up to the 1998 crisis and how these events have altered the structure of the Pacific salmon fishery and the Region's salmon licencing system. This is provided in the Background section below.

### 2.1 BACKGROUND

On May 21, 1998, the Minister of Fisheries and Oceans announced conservation measures to protect and rebuild scarce and endangered Pacific coho stocks. This was followed by the June 19 announcement of fishing plans for the 1998 season including the introduction of 'selective fishing' as the cornerstone of a new conversation based salmon fishery. This represented a radical change in the way the salmon fishery has traditionally been managed in the Pacific Region. While the industry had earlier received some indication that prospects for the 1998 fishery were not good, they were not prepared for the severe limits to fishing and the kinds of changes to their traditional fishing patterns that were announced. DFO managers knew that it would come as a shock to the industry.

At the time the announcement was made, the salmon fishery had already been underway on the North Coast for about three weeks. Fishing Plans for the 1998 season had not yet been communicated to the industry. Many of the licence-holders not yet fishing had already paid their 1998 licence fees and were in the process of 'gearing up' for the salmon season.

Given the financial difficulty that a new regime of selective fishing would pose for vessel owners as well as the inconvenience associated with the late release of fishing plans, the Department announced the Vessel Tie-Up Program. It represented a temporary stop-gap or bridging measure for licence-holders. By signing up for the program and tying up their vessels, they were assured of being reimbursed for 1998 salmon licence fees and gearing up costs as well as maintaining a licence that could be activated in future years.

Tie-up payments compensating licence-holders for gearing up costs were set at a fixed rate based on averages from cost and earnings studies previously carried out in the Region. Based on these studies, tie-up payments were set at a level of \$6,500 per fishing vessel for gill-netters and trollers and \$10,500 per vessel for seiners. The additional compensation to most program participants in having their 1998 salmon licence fees waived amounted to \$710 per licence for gill-netters and trollers and \$3,880 per licence for seiners.

The objective of the program was to provide immediate financial relief thus reducing the pressure to go fishing. It gave licence-holders time to reconsider their longer-term commitment to the salmon fishery under a new selective fishing regime and to await the announcement of the Voluntary Licence Retirement Program. While promised in the Minister's June 19 announcement, that program was only announced later that year in October, 1998.

During the past few years, the salmon fishery and the salmon licencing system in the Pacific commercial salmon fishery have undergone radical change. Whereas salmon licences had in the past allowed fishers to roam freely over the whole coast seeking the best salmon fishing opportunities, the Government's Pacific Salmon Revitalization Strategy (i.e. the"Mifflin Plan"), implemented in 1996, asked licence-holders to select a specific area to which they would restrict their fishing. Also, whereas salmon licence-holders were once allowed flexibility to fish using a combination of gear types (mostly gillnet/troll combinations) they were asked to choose one of the three major gear types (gillnet, troll, or seine). As a consequence, the three major gear types are now broken up into the following eight licence categories – seine (A and B), gillnet (C, D, and E) and troll (F, G and H). These salmon licence categories/areas are depicted on charts in Appendix A (available in hard copy only).

A third element in the "Mifflin Plan" was one of fleet reduction. This was accomplished through a licence retirement program as well as a licencing provision now commonly referred to as "stacking". By this provision, a salmon fisher who had chosen to fish in one particular area was allowed to transfer a second or even third salmon licence to a vessel. By stacking several salmon licences on a fishing vessel, fishers were able to buy back some of the mobility provisions that had been lost through area licencing. DFO required that stacked licences be considered a single entity on a single vessel. In other words, the stacked package of licences could not be split up and sold as separate licences.

The stacking of licences was attractive to professional salmon fishers who wanted to realize their whole livelihood from salmon fishing, but it came at a cost. An investment in two or three salmon fishing licences was now required to achieve the mobility and coast-wide access formerly possible with just one. DFO permitted the stacking of licences because it allowed licences to be concentrated on fewer vessels thereby helping to achieve the Mifflin Plan's fleet reduction objective. An understanding of the Pacific salmon licencing system and, in particular, licence stacking is important for evaluating the performance of the Pacific Vessel Tie-Up Program.

### **2.2 OBJECTIVES AND SCOPE**

Terms of Reference established the following objectives for the review study:

- 1. To determine whether the program succeeded in reducing pressures to go fishing and provided immediate financial relief;
- 2. To determine the factors that affected vessel owners' decisions to choose/not choose the program;
- 3. To profile the type of fishing vessel/licence that took advantage of the program versus those that chose not to participate;
- 4. To measure the cost-effectiveness of the program;
- 5. To evaluate whether the program met the Treasury Board's Terms and Conditions;
- 6. To highlight best practices and improvements that might be made to similar, future programs.

### **2.3 METHODOLOGY**

A profile of program participation can be done by using any one of three entities – salmon licence-holders, salmon licences or salmon fishing vessels. After consultations with regional staff, it was concluded that while all three variables will produce results which are fairly similar, salmon licences are probably the best way to statistically track program participation/non-participation. Our interviews, of course, focused on licence-holders, both participants and non-participants. The net result is that the review frequently refers to both licences as well as licence-holders. It also refers to fishing vessels because the program designers chose to make the fishing vessel and more specifically, gearing up costs on a fishing vessel, the entity that is compensated for by the tie-up payment. The review therefore refers to all three, depending on the issue, but in most instances we are referring to numbers of licences. Numbers of licences and vessels in the Region correspond fairly closely. For example, while the program inactivated 1,284 salmon licences, a total of 1,221 fishing vessels were tied up. When discussing program participation, there is therefore a fair degree of equivalency between numbers of licences, licences, licence-holders, and fishing vessels.

Questionnaires were designed and interviews were conducted with about forty individuals. These included the following:

<u>Interviews with Program Participants/Non-participants</u> – A total of twenty-one interviews were conducted with salmon licence-holders that were program participants as well as non-participants. There was about a two-thirds/one third split in the number of participants and non-participants interviewed. The participants interviewed were chosen so as to represent all of the three major gear types in proportion to the relative numbers of each participating in the program. All licence categories/areas were represented in the sample.

The sampling approach was a purposive one in which staff at Regional headquarters and in Area offices suggested the names of licence-holders for both the participant and non-participant samples. They were chosen on the basis of their ability to provide balanced and informed opinions about the program. Quite a number of the licence-holders were members of

industry/DFO management advisory committees and associations (i.e.: The Native Brotherhood of B.C. etc.). These individuals thereby not only provided an individual perspective as licence-holders but a broader perspective as to how the program effected the various gear types or participant groupings overall. A number of interviews were also conducted randomly.

<u>Interviews with Departmental Personnel</u> – A total of nineteen interviews were conducted with a variety of DFO officials associated with the program including program managers, fishery managers, licence officers, community liaison officers etc. from both the Region, Area offices and National headquarters.

<u>Interviews with Spokespersons for the Aboriginal Fishery</u> – Interviews were held in Prince Rupert with managers/officials in the Northern Native Fishing Corporation, the Tsimsyan Tribal Council and the Native Brotherhood of British Columbia in order to obtain their views on the impacts of the program on aboriginal licence-holders.

### **3.0 OBSERVATIONS AND RECOMMENDATIONS**

Observations and review findings are organized on the basis of the six objectives statements established for the review.

### 3.1 REDUCING PRESSURES AND PROVIDING IMMEDIATE RELIEF

Due to the program, 1,284 salmon licences out of a total of 3,632 salmon licences within the Region were inactivated. This works out to an uptake or participation rate of 35%. Providing immediate financial relief and relieving the pressure to go fishing is the major stated objective of this program. We asked a sample of licence-holders what they felt the major objective of the program to be and they virtually all knew it to be one of helping salmon fishers through difficult financial times.

When we asked participants if the program had met its objective, virtually all licence-holder participants interviewed agreed that the program reduced the pressure to go fishing and provided vital financial assistance in a time of real need. They used the payment for things like paying off expenses incurred in gearing up or other personal debts or expenses they had incurred. While a number of program participants felt that the level of payment was fair compensation for their gearing up costs, they nevertheless felt the level of compensation should have been greater and could have included some compensation for a lost fishing season and lost fishing opportunities. A frequent argument provided in support of being compensated for lost fishing opportunities was that it is DFO that has mismanaged the resource. Participants generally appreciated the financial assistance provided but they also felt it should have been greater. A number said they wished the Tie-Up Program had been repeated in 1999.

There is also the issue of how immediate was the financial relief provided. Discussions with program officials in the Region revealed that most of the program participants had a cheque in hand within two weeks of having their applications approved by program staff. There were some problem applications where the ownership of the vessel etc. had to be verified and in certain cases it took over 30 working days to issue a cheque. In a number of cases, personnel administering the program made an extra effort to ensure that cheques arrived in time to meet specific and pressing financial obligations of program participants.

Survey information from program participants permit us to conclude therefore that the program met its intended objective of providing immediate financial assistance with considerable success. However, survey data with non-participant licence-holders and fishery managers permitted the review to also come to a number of conclusions on beneficial effects of the program, which appear somewhat unintended.

The major finding gleaned from the survey of program non-participants is that they virtually all agreed that the Tie-Up program resulted in them being able to catch more fish and have a more successful fishing season. This is an important finding which increases the overall beneficial impact of the program significantly. One non-participant licence-holder reported that the Tie-Up Program served as a pilot program to demonstrate the beneficial impacts of the licence retirement and fleet reduction programs now being undertaken as part of CFAR.

The tie-up non-participants we spoke to almost uniformly report that the fishery had been less stressful with fewer boats on the fishing ground. Some reported that they had had more openings than they would have without the program. One gillnet licence-holder reported that he doubts there would have been a Nootka Sound opening in the fall or a Skeena River opening had the program not occurred. Non-participants were divided on whether the tie-up program had actually helped to conserve scarce stocks of coho, chinook and steelhead. Some mentioned that having fewer vessels on the fishing grounds permitted them to go into areas of least impact on these vulnerable fish stocks.

The fishery managers and fishery officers interviewed generally agreed that having fewer vessels on the water made the management of the fishery somewhat easier. This was not always easily apparent given the difficulties fishery managers faced in implementing new and very complicated selective fishing regimes that had been introduced for the 1998 salmon fishing season.

### **3.2** DECISION TO CHOOSE/NOT CHOOSE THE PROGRAM

Our objective in examining this issue is to come to an understanding of the factors, which influenced licence-holders in making the decision to participate or not to participate in the program. In order to do so, it helps if one imagines oneself as being a typical Area C gillnet salmon licence-holder on June 19, 1998.

The salmon fishery on the North Coast has already been open for three weeks and you have fished several openings. It is still the early part of the run and catches have not been high. Earlier in spring you heard that fishing opportunities in 1998 would probably be meager but you really aren't sure because the DFO has still not issued its salmon fishing plans for 1998. Later in the day, you hear the Minister announcing the Tie-Up Program as well as the detailed fishing plans for 1998. The plans indicate that the prognosis for 1998 is even worse than earlier anticipated. Moreover, the Minister had earlier announced a new "selective fishing strategy" further limiting fishing in some of the areas where you had once realized some of your best catches.

Throughout the spring, you incurred substantial start-up costs in preparing yourself to go salmon fishing. The Minister is now offering to reimburse you \$6,500 for these start-up costs and to waive the \$710 licence fee you paid. He is guaranteeing you a cheque for \$7,210 if you agree to tie-up your vessel for the 1998 season. Despite the limited fishing opportunities being promised, you feel you could probably make more than \$7,210 if you continue fishing. But you aren't sure. After paying crew, fuel and other expenses you may end with less than \$7,210 for yourself. It is too late in the season to arrange alternative employment for the summer months. However, the decision on whether to participate must be made by the June 26 deadline, a week from today. You realize that your prospects for the season could be better if a substantial number of Area C gillnet licence-holders decide to tie-up. However, you also don't have any idea as to how many will tie-up and how many will opt to fish.

As the above scenario indicates, the decision to participate in the program or rather to go fishing had to be made rapidly and without all of the information required to make an informed business decision. For many licence-holders, it was a gamble. They knew how much they had invested in getting ready for the 1998 fishery and if they had started fishing, they knew how their season was going. The most critical thing was to ensure that overall fishing revenues for 1998 would at least be enough to cover expenses. If the tie-up compensation exceeded expected revenues they opted for the tie-up. If they didn't, they fished. In determining this, they knew how well they had performed in past fishing seasons relative to their colleagues. However, without adequate fishing opportunities, the prospects for demonstrating their superior fishing skills would be minimal. They also knew their overall debt position and the opportunities available to realize income from alternative sources. Based on these factors, they made their decision. A number of the licence-holders we spoke to (program participants as well as non-participants) expressed considerable annoyance and anger at the lateness of the fishing plans and the failure of the Department to give them timely and adequate information on which to base business decisions.

### **3.2.1 Analysis of Incomes**

In order to learn more about what influenced decision-making, we carried out an analysis to learn what role levels of salmon fishing income in previous years may have played in the decision to participate in the Tie-Up Program. The data for this analysis is presented in Table 1.

In the gross income analysis, we looked at salmon income from vessels that participated in the program as compared to salmon income from the rest of the fleet. The analysis was done for each of the three salmon seasons 1995 to 1997. The landed value or total income from salmon fishing for tie-up vessels is divided into four quartiles of performance ranging from income performance in the highest 25% (Q1) to performance in the lowest 25% of vessels fishing (Q4).

The results of the gross income analysis indicate that almost half of the tie-up vessels were in the lowest performing quartile for the two years preceding the 1998 season. They accounted for 45% of the lowest performing quartile in 1996 and 48% of the lowest performing quartile in 1997. Many of the licence-holders participating in the program were therefore feeling the financial burden of two bad years of fishing. They were hard pressed financially. This, more than any other factor, appears to have influenced licence-holder decisions to participate in the tie-up program.

Quartile	1995		1996		1997	
(Income	# Tie-up	%	# Tie-up	%	# Tie-up	%
levels)	Vessels		Vessels		Vessels	
Q1	212	18	186	15	135	11
Q2	305	25	256	21	188	16
Q3	313	26	233	18	300	25
Q4	379	31	544	45	586	48
Total	1,209	100	1,209	100	1,209	100

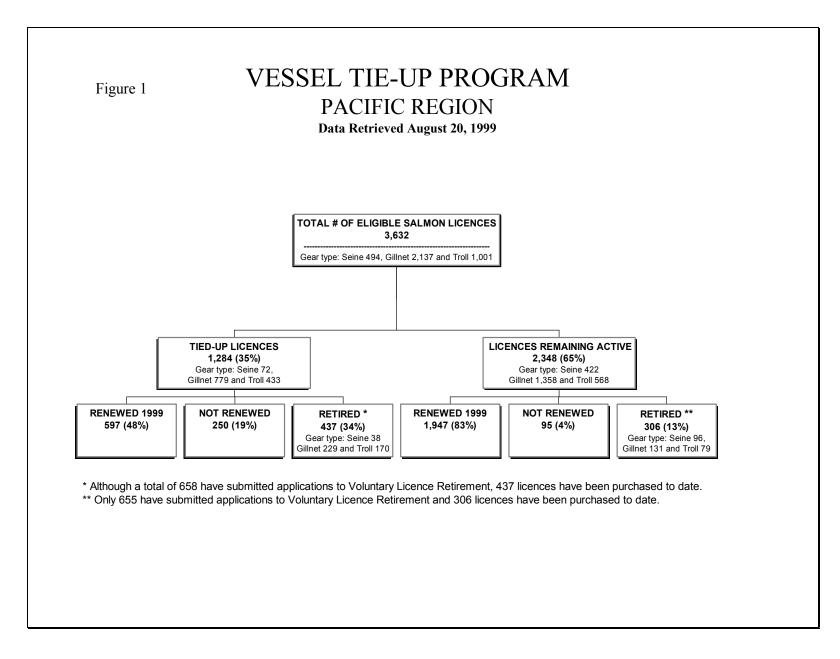
TABLE 1Salmon Gross Income Analysis for Vessels Involved in Vessel Tie-up Program1995 - 1997

Note: The analysis pertains to vessels involved in the 1998 Vessel Tie-up Program. The results are not totally accurate because 13 tie-up vessels were inactive in any of the three years previous to the program and are not included in the 1,209 vessels that were active throughout.

This above observation is made with the following caveats. The analysis uses gross income data because net income data are not yet available. Also, as we shall learn later in the report, some licence-holders hold licences to fish for other species and/or have other sources of income. The income data might to some extent therefore reflect that some of these individuals were not that hardpressed but merely chose to realize an increasing share of their incomes from sources other than salmon fishing.

Given the fact that a year has now passed since the program was implemented, we now have the benefit of being able to track the decisions that were actually made. We do this by tracking data in the Regional licencing system between 1998 and 1999. Figure 1 provides a schematic of what has happened to all 3,632 salmon licences since the implementation of the Tie-Up Program – 1,284 licences were inactivated because of the Tie-Up Program whereas 2,348 remained active in the salmon fishery. The overall rate of participation in the program was 35%.

Of the 1,284 licences inactivated by the program, 597(48%) have been renewed and are now active in the salmon fishery. A total of 658 (53%) of the 1,284 licences have submitted applications to the Voluntary Licence Retirement Program and of that total, 437 licences have been bought out to date. Given that over half of the licences inactivated by the Tie-Up were later submitted to the Voluntary Licence Retirement Program serves to underline the fact that the Tie-Up Program was particularly attractive for licence-holders who had either already made up their minds to exit the fishery permanently or were in the process of doing so. The interviews we had with program participants also support this conclusion.



On the other side of the schematic diagram, ones notes that of the 2,348 licences which remained active in the fishery, only about 635 (27%) have made application to the Licence Retirement Program. A total of 1,947 licences or 83% of the licences that remained active during the Tie-Up were active in the salmon fishery (some that were active in 1999 have applied for the Licence Retirement Program). The data as well as our interviews indicate that the majority of tie-up non-participants were professional salmon fishers who decided, despite the bleak resource outlook, to go on with the business of fishing.

There is a third category of licence status indicated on Figure 1. These are the numbers of both Tie-Up program participants and non-participants who have simply not renewed their 1999 salmon licence. The licence-holders holding the 350 licences in this category have until Dec 31, 1999 to make a decision. They are taking a 'wait and see' attitude and will make either one of three choices. If the fishery looks promising enough, they can still buy their licences and go fishing. Some will choose to remain inactive and take the waiver on their 1999 licence fees before the December 31 deadline. Others will apply for licence retirement. At this point, it is impossible to determine what their actions will be.

It appears that the Tie-Up Program was at least partially motivated by the desire to appease licence-holders for the lateness of the fishing plans. However, many of the fishers who had already geared up had decided to go fishing. This probably influenced the potential uptake of the program.

### **3.3 PROFILE OF PARTICIPANTS AND NON-PARTICIPANTS**

Having examined the results of the decisions that program participants and non-participants made, the review now profiles who these individuals are.

### **3.3.1 Profile of Participants**

The profile of program participants has been prepared from a number of perspectives including licence category, gear type, and licence area. These data are in Table 2.

In the Pacific Region, conventional salmon licences are categorized as 'A' licences whereas 'N', 'F' and 'AI' salmon licences are applicable to aboriginal commercial salmon fishers. Holding a salmon licence permits the licence-holder to fish tuna and ling cod in the early part of the year before the salmon fishing season has begun. Before beginning to fish for salmon, the licence-holder must have 'conditions' placed on the licence. These conditions are basically regulations and vary from year to year.

# TABLE 21998 PACIFIC REGION VESSEL TIE-UP PROGRAMFINAL SUMMARY AS OF AUGUST 20, 1999

AREA	'A' LIC	CENCI	ES	'AI' LIO	CENCI	ES	'N' LIC	ENCE	S	'F' LIC	ENCE	S	TOTAL	LICE	NCES
	ACCEPTED	(% OF TOTAL)	TOTAL												
Α	17	(12%)	145	4	(16%)	25				0	(0%)	2	21	(12%)	172
В	47	(16%)	286	4	(13%)	32				0	(0%)	4	51	(16%)	322
SEINE TOTAL	64	(15%)	431	8	(14%)	57				0	(0%)	6	72	(15%)	494
С	295	(48%)	618	114	(47%)	241	149	(73%)	204	5	(31%)	16	563	(52%)	1079
D	66	(25%)	261	32	(42%)	76	13	(33%)	40	1	(4%)	24	112	(28%)	401
Е	85	(15%)	577	15	(28%)	53	1	(10%)	10	3	(18%)	17	104	(16%)	657
GILLNET TOTAL	446	(31%)	1456	161	(44%)	370	163	(64%)	254	9	(16%)	57	779	(36%)	2137
F	130	(43%)	299	6	(75%)	8				4	(80%)	5	140	(45%)	312
G	200	(49%)	407	38	(66%)	58				2	(50%)	4	240	(51%)	469
Н	44	(21%)	205	6	(50%)	12				3	(100%)	3	53	(24%)	220
TROLL TOTAL	374	(41%)	911	50	(64%)	78				9	(75%)	12	433	(43%)	1001
				•											
ALL AREAS TOTAL	884	(32%)	2798	219	(43%)	505	163	(64%)	254	18	(24%)	75	1284	(35%)	3632

• *A1, N AND F LICENCES PERTAIN TO THE ABORIGINAL COMMERCIAL SALMON FISHERY* 

Interviews with program managers, licence-holders, licence officers and fishery managers throughout the Region revealed a number of categories or characteristics of licence-holders comprising the 1,284 licences inactivated by the program. These are:

- 1) Salmon licence-holders who had renewed their fishing licences for 1998 and had begun fishing on the north coast. The Area C fishery for gillnets on the North Coast opened March 31. Some of these fishers were in the fishery up to three weeks. They got the benefit of the a short fishing season before the program deadline as well as being reimbursed for their licence fees and their gearing-up costs. The Area C gillnet fishery comprises 1,079 licences and out of these 563 or 52% opted to tie-up. (Table 2) Many of these licence-holders are aboriginal.
- 2) Licence-holders who had renewed their salmon licences and geared up but never got a salmon fishing opportunity. These fishers had renewed their salmon licences which gave them the opportunity to fish for tuna and ling cod in the pre-salmon period but had not yet been issued salmon 'conditions''. Some of these licence-holders were 200 miles offshore fishing for tuna when the June 19 program announcement was made.
- 3) Salmon licence-holders who hold licences and quotas for species other than salmon. Licences for prawns, halibut, herring etc. can be lucrative and the dismal state of the salmon fishery gave them the option of realizing their fishing income from other species. They could waive their salmon licence fees and pocket the tie-up payment. Most of these licence-holders would likely not have geared up to fish salmon.
- 4) Salmon licence-holders who were undecided about their prospects in the 1998 salmon fishery and had neither renewed their salmon licences nor geared up to go fishing. This category would include some licence-holders who only fish part time and hold down other jobs in the off season.

Some licence-holders share characteristics in more than one of the categories, so we can't estimate precisely what the combination of characteristics would be. We know that the Area C gillnet fishery (category 1) comprises the largest single group of licence-holders participating in the program. Program managers and licence officers indicated that program participants, for the most part, were comprised of licence-holders whose performance in the fishery was below the average. This conclusion is confirmed by the income analysis earlier discussed in the review. However, they also indicated that a number of individuals whose past performance in the salmon fishery was well above the average, participated as well.

While all of the participants benefited from the licence fee waivers and tie-up payments, it is clear that those licence-holders who incurred no gearing up expenses benefited the most. Licence officers estimate that at least a third of total program participants incurred little or no gearing up costs. Compensating fishers for their gearing up costs is the stated rationale for funding the Tie-Up program.

It appears that the approach of using a fixed level of tie-up payment and making the same level of payment available to all participants created some inequalities in levels of compensation. One alternative would have been to ask participants to submit receipts in order to reimburse them for their actual gearing-up costs. This would have been administratively difficult given time constraints and the need to provide "immediate" assistance.

The profile of gear types, which participated in the program, is depicted in Table 3. Gillnet and troll gear were the gear types with the greatest participation rate. Gillnet and troll gear are less selective than seine gear and as such, the high participation rates of these two types of gear were supportive of the Department's efforts to implement a conservation-based fishery.

Gear Types	Partic	cipants	Total Licences	
	Number	%	Number	%
Gillnet	779	36	2,137	100
Troll	433	43	1,001	100
Seine	72	15	494	100
Total	1,284	35	3,632	100

Table 3Participation by Gear Type

### **3.3.2** Aboriginal Participation

Particular attention was given to participation by aboriginal licence-holders. They account for over 23% of the total number of salmon licences in the Region. Approximately 80 % of commercial fishers living on the North Coast are aboriginal. While virtually all West Coast commercial fishers who are dependent on salmon fishing to earn a living have been hardpressed financially during the past few years, it is generally agreed that it is the aboriginal fishers who have been effected the most. Aboriginal participation in the program is explained by the data, which appear in the licence categories (Table 2).

1) 'N' and 'F' category licences comprise aboriginal licence-holders who lease their salmon licences. Most of these lease arrangements are made through the Northern Native Fishing Corporation (NNFC) located in Prince Rupert. These licence-holders are assigned an 'N' salmon licence as opposed to the conventional 'A' salmon licence. They are comprised entirely of gill-netters fishing in Area C. We know that a total of 163 out of a total of 254 'N' licence-holders were able to benefit from the tie-up program. Many of these licence-holders incurred gearing up costs and were fishing when the program was announced. They paid the Corporation a share of the Tie-Up payment to cover costs of administration. This licence lease category also includes 57 so-called 'F' salmon licences out of the total of 57 'F' category licences accepted the Tie-Up payment (see Table 2).

2) Aboriginal fishers who own their licences usually fish with an 'AI' licence. These licences are essentially 'A' licences except they are made available to aboriginal fishers at a reduced licence fee. Separating out this licence category permits us to estimate total aboriginal participation in the tie-up program including N, F and AI licences. Participation in these three licence categories totaled 400 or about 48% out of total of 834 aboriginal licences. A number of aboriginal licence-holders are not included in these licence categories but rather fish with an A licence. The aboriginal participation rate in the program would therefore be higher than 48%.

Aboriginal participation in the program was significantly higher than the rate of participation for non-Aboriginal licence-holders reflecting the increased level of financial difficulty they were facing.

### **3.3.3 Profile of Non-Participants**

The profile or situation of the non-participants is in part the reverse of the one just presented for participants. From the gross income analysis we have learned that comparatively, the financial situation of the non-participants does not appear to have been as precarious as those of the participants.

The non-participating licence-holders we spoke to indicated unanimously that the reason they went fishing is because they knew they could make more money than the amounts being offered by the program. About half of the non-participants we spoke to also have fishing licences for herring, halibut etc. that they relied on to round out their fishing income.

A number of the non-participants interviewed who had "stacked licences" felt they had been treated unfairly by the program. The licence officers we spoke to reported also that they heard many such complaints. The complaints centered on the fact that the Department made the fishing vessel, rather than the salmon licence, the entity that was eligible for the tie-up payment. As noted earlier in the Background Section to this report, the Department permitted the stacking of licences on one vessel during the implementation of the Mifflin Plan because it contributed to fleet reduction. Licence-holders with stacked licences paid substantial sums to buy additional licences and increase their fishing mobility. Also gear requirements can differ from area to area and consequently, gearing up costs for stacked licence-holders can be somewhat higher. They felt that the tie-up compensation should have applied to each licence rather than each vessel.

The licence officers we spoke to had listened to many such complaints and felt that these complaints were legitimate. They indicated that they had difficulty explaining the rationale behind the Department's policy and were given no specific direction on how to handle the complaints by stacked licence-holders.

A total of 581 salmon licences in the region are presently stacked with 551 of these being double stacked (with two licences) and a further 30 being triple stacked (with 3 licences). Only about 10% of licence-holders with stacked licences participated in the full tie-up program. A further 10% elected not to fish one or two of their salmon licences thereby receiving the waiver on the licence fee without the tie-up payment. Giving stacked licence-holders some special

consideration would have increased program costs and the uptake of the program by a modest amount and would have decreased considerably the negative feelings that stacked licenceholders expressed about this program.

While more than 50% of all gear types chose not to participate in the program it was the seiners that were particularly inclined not to do so. This is indicated by the data on participation rates in Table 4 below. A major reason for this was the size of the tie-up payment for seiners. While a number of licence-holders interviewed felt that paying \$6,500 as compensation for gearing up on a gill-netter or troller was reasonable, no one felt that a payment of \$10,500 for gearing up costs on a seiner was reasonable. Licence-holders reported that average gearing up costs on seiners are significantly higher.

Gear Type	Non Participant		Total Licences		
	Number	%	Number	%	
Gillnet	1,358	64	2,137	100	
Troll	568	57	1,001	100	
Seine	422	85	494	100	
Total	2,348	65	3,632	100	

# Table 4Non-Participation by Gear Type

In summary, the profile of participants has revealed that the program benefited those licenceholders experiencing the most financial difficulty. Aboriginal licence-holders, in particular, benefited with a participation rate of about 50% as compared to a non-aboriginal participation rate of about 32%. Those fishing gillnet and troll gear were more inclined to participate than those with seine gear.

The profile of non-participants reveals that it included significant numbers of 'stacked' licenceholders who felt cheated because the program did not recognize their circumstances sufficiently. The seine category also had a very low participation rate in the program. It appears that their participation rate would have been higher had the level of payment more adequately reflected their gearing up costs. It is important nevertheless to also recognize that non-participants benefited from the tie-up program because, as pointed out earlier, it enabled them to catch more fish. This is examined in more detail in the following section on cost-effectiveness.

### **3.4** COST-EFFECTIVENESS

A cost-effective Vessel Tie-Up Program is one in which the funds expended were maximized in achieving the intended program result. The objective of this program was to provide immediate financial assistance to program participants. As noted earlier in Section 3.1, the program accomplished this. However, the program also provided benefits to non-participants which contributed to the program's cost-effectiveness.

### **3.4.1 Benefits to Non-Participants**

Since everybody involved in the salmon fishery was hurting, providing assistance to program non-participants was an important and unintended benefit. We know that the amount of the salmon catch available was the same whether the whole fleet or just two thirds of it participated in the fishery. By compensating licence-holders to stay out of the fishery, it increased the amounts of fish available and the incomes of those who remained fishing.

The following analysis serves to estimate the incremental benefits that the program provided to non-participants. This analysis is done on an industry-wide average.

- In 1997, the landed value of the salmon fishery totaled \$109.5 million. When divided up amongst 3,632 licences this works out to an average gross income of \$30,149 per licence.
- In 1998, the year the program was implemented, the total landed value of the salmon fishery had dropped to \$53.4 million. If all 3,632 licences had been active in 1998, this would have provided an average of only \$14,703 of income per licence. However, given that the tie-up program resulted in only 2,348 licences being active, the gross income per licence now increased to about \$22,742. Based on and industry-wide average, the program therefore provided the non-participants who went fishing with an additional \$8,039 in gross fishing income. This additional income was only realized because of the Vessel Tie-up Program. Based on this industry wide average, the program increased the level of gross income of the non-participants by about 55%. Given that the program, on average, compensated participants by somewhat over \$7,000, the tie-up program provided all licence-holders, including both Tie-Up Program participants and non-participants with an additional \$7,000 to \$8,000 in gross income. Those who went fishing had to pay expenses for catching an additional \$8,000 worth of fish but it is important to point out that these additional expenses would have been low. Those who went fishing realized higher catches for the fishing expenses they would have incurred anyway.

We also did the analysis of how benefits to non-participants were distributed between various gear types (see Table 5 on the next page). As can be noted, those fishing gillnet (57% increase) and troll gear (76% increase) had their gross incomes increased somewhat more than those fishing seine gear (17% increase). As noted above, benefits to non-participants were an unintended benefit. They contributed significantly to the program's cost-effectiveness.

A final note on cost-effectiveness. From the observations and findings made throughout the report, it is clear that the program provided the intended benefits as well as some which were unintended. This was accomplished with a program expenditure of approximately \$9 million rather than the \$25 million allocated to the Program by Treasury Board. Viewed in this light, it was clearly a cost-effective program.

Gear Type	Landed Va	Inded Value Average Income			Increased Income	Part Rate	
	1997	1998	1997	1998	1998	1998 for	
	(\$million)	(\$million)		(with	(without	those that	
				Program)	Program)	fished	
Gillnet	45.9	16.3	\$21,479	\$12,003	\$7,627	\$4,376	36%
						(+57%)	
Troll	34.0	15.4	\$33,966	\$27,113	\$15,385	\$11,728	43%
						(+76%)	
Seine	29.6	21.6	\$59,919	\$51,184	\$43,724	\$7,460	15%
						(+17%)	
Total	\$109.6	\$53.4	\$30,149	\$22,742	\$14,703	\$8,039	35%
						(+55%)	

 Table 5

 Incremental Incomes for Non-Participants by Gear Type

### 3.5 CONFORMITY WITH THE TREASURY BOARD'S TERMS AND CONDITIONS

The terms and conditions that the Treasury Board set for the administration of the Vessel Tie-Up Program are as follows:

- a) Information and application forms will be sent out to all relevant vessel owners. Applications forms must be completed in full and returned to the Department.
- b) Should the application be accepted, payments will be made in a lump sum within 30 working days.
- c) Once the election not to fish in 1998 is made, it is irrevocable for the remainder of 1998 regardless of a change in vessel ownership or licence transfer.
- d) Applications containing an attestation that an applicant has not fished, and chooses not to fish salmon for the remainder of 1998, must be received not later than August 15, 1998.
- e) DFO is under no obligation to accept any applications.
- f) Payments will be made to the vessel owner of record. In the event of death of the owner, payments may be made in trust to the person's estate.

Before evaluating the degree to which these terms and conditions were met, it is important to describe the situation and the timeframe over which the program was implemented.

The Region was faced with the difficult task of implementing a tie-up program under a very tight timeframe after the fishing season had started. The announcement of the program and fishing plans for 1998 were announced on Friday, June 19. A team worked all of that weekend to set up an office, systems for administration, and letters advising licence-holders of the program. All letters went out via registered mail to provide a tracking system to ensure all licence-holders received notification. Steps were taken to ensure that licence-holders out at sea were notified of the program by radio telephone. Application forms were written for all of the licencing

categories and e mailed out to area offices on Monday morning, June 21, the date the program officially opened for business. All of the native communities along the coast were advised of the program. A toll free '1 800' number was set up to allow fishers to take calls about the program.

The application deadline for vessels already fishing was set for June 26, one week after the program was announced. This date was later extended to July 3. The deadline for licence-holders who had not yet renewed their licence for 1998 was set for July 20.

Much of the front line work in answering questions about the program and assisting licenceholders in filling out their application forms was done by licence officers in area offices and at Regional headquarters. Licence officers reported that many licence-holders had difficulty understanding the application forms. Because of the urgency, the language on the forms was apparently borrowed from old application forms. Important sections of the form were written in legal language, which then had to be explained to licence-holders. Licence officers report spending many hours assisting licence-holders in explaining and filling out the application forms. In the end, all application forms were fully completed before being approved for payment.

Given the tight timeframe over which applications had to be received, program administrators and licence officers showed considerable flexibility with respect to deadlines. A few applications were a day or two late and were accepted if accompanied by a letter outlining extenuating circumstances. This flexibility with respect to deadlines was motivated by the realization that the objective of the program was to get vessels off the water.

Considerable effort was expended in ensuring that all of the licence owners/partners participating in an application were in agreement and had authorized the tie-up.

All in all, all of the Treasury Board terms and conditions for administration of the program appear to have been fully met, if not exceeded. This is particularly noteworthy given the tight timeframe over which the program was initiated and implemented. A total of \$250 thousand or about 3.5% out of the total budget of \$9.1 million dollars was spent on administering the program.

#### **3.6** CONCLUSIONS AND LESSONS LEARNED

Before presenting the lessons learned, it is useful to first highlight some of the conclusions about the successes of the Tie-Up Program as well as the problems encountered.

### 3.6.1 Successes

The objective of program evaluations is to describe the incremental benefits that a program has provided. The objective in this case is to describe the difference in the world, with and without the Tie-Up Program. The incremental benefits of the program discussed and alluded to throughout the review can be summarized as follows:

- 1) The Tie-Up Program provided licence-holder participants with required financial assistance when it was most needed and it did so expeditiously. The program was particularly useful to aboriginal licence-holders who were more hardpressed.
- 2) The Tie-Up Program provided program non-participants with significant financial benefits because it enabled them to catch more fish for little additional cost. This provided an economic benefit that would otherwise not have been available and increased the cost-effectiveness of the program.
- 3) The Tie-Up Program decreased the size of the salmon fishing fleet by a third in 1998 and in so doing, it provided some assistance to fishery managers in implementing a new and complicated selective fishing regime. While we have no direct evidence, it may have helped to conserve a number of scarce stocks.
- 4) The Tie-Up Program succeeded in placating angry licence-holders upset at recent changes to the industry as well as the late fishing plans.

The incremental benefits cited above represent an impressive accomplishment. The benefits include those that were intended as well as some that were unintended. None of these would have been provided in the absence of the program. It accomplished the above with an expenditure of about \$9 million as opposed to the \$25 million allocated by the Treasury Board. Viewed in this light, the program could be considered cost-effective.

### **3.6.2 Problems Encountered**

The program represents a stop gap or emergency response to lateness of fishing plans and as such it carries with it certain problems that are the outcome of this lateness.

1) Because of lateness, the program uptake was lower than anticipated. Many licenceholders had already geared up to go fishing. Some were fishing. Additional licenceholders would, it appears, have been interested in this program had it been announced earlier.

- 2) Because of this lateness and the need to act quickly, the program designers chose a flat rate method of payment, which provided payments to a considerable number of licence-holders who incurred little or no start-up costs.
- 3) Because of this lateness and the need to act quickly, program designers were not able to adequately and completely address all considerations of equity between various categories of licence-holders. Stacked licence-holders and those licence-holders fishing seine gear might have been more inclined to participate had levels of payment been somewhat higher.
- 4) Because of this lateness and the need to act quickly in designing the application form, program administrators were forced to simply borrow wording and language from other previous applications forms that were less than adequate. A clear and comprehensible application form would have saved licence officers in the Region many hours of work.
- 5) Because the licence officers were given no specific direction on how to handle complaints by stacked licence-holders, they had difficulty explaining the rationale behind the Department's policy.

### **OVERALL CONCLUSIONS**

Based on this discussion of program successes and problems encountered, there is one important overall lesson to be learned as a result of carrying out this review. That lesson is to avoid the lateness that precipitated the need for this program in the first place. It was not only the financial situation of the fishers but the lateness of the fishing plans and the late announcement of the selective fishing strategy well into the fishing season, which precipitated the need to throw salmon licence-holders a lifeline.

All of the problems encountered in delivering the program were a function of this lateness. Had more time been available, it is likely that the uptake rate would have been higher, the levels of payment for various licence-holders more equitable and the application form would have been more understandable.

However, the fact is that more time was not available. Program managers, designers and administrators worked under a tight timeframe to respond to an emergency situation after the fishing season had already started and did the best they could have under the circumstances. Given these circumstances and the significant benefits the program achieved, it should be considered a success.

The situation with respect to late fishing plans has not improved significantly to date. In 1999, the fishing plans were announced one day earlier, June 18.

### ACKNOWLEDGEMENT

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The individuals who were interviewed or contributed information for the study are the following:

### **Program Participants Interviewed**

William Angus	Gillnetter	Prince Rupert
Bruce Tasaka	Gillnetter	Prince Rupert
Patrick Helin	Gillnetter	Prince Rupert
Andrew H.Peers Sr.	Seiner	Bella Bella
Lawrence Stahley	Gillnetter	Parksville
Tracey Bradley	Troller	Naniamo
Brian Assu	Seiner	Campbell River
Gerald Budd	Troller	Naniamo
William Stefiac	Troller	French Creek
Edward Peniak	Gillnetter	Naniamo
Roger Sewell	Gillnetter	Campbell River
Chris Silvey	Troller	Bowser
Earl Hentges	Gillnetter	Port Alberni

### **Program Non-Participants Interviewed**

Dana Doerksen	Troller	Prince Rupert
Rick Haugan	Seiner	Prince Rupert (North Coast
		Advisory Comm.)
David Emes Jr.	Gillnetter	Prince Rupert
John Malcolm	Gillnetter	Pender Harbour, Pacific
		Gillnetters Association
Heber Clifton	Gillnetter	Prince Rupert, Secretary,
		Native Brotherhood of B.C.
Peter Sakich	Troller	Gabriola Island, South Coast
		Advisory Committee
Kerry Fowler	Gillnetter	Campbell River
Edward Kershaw	Gillnetter	Port Alberni

### **Departmental Managers and Staff Interviewed**

Denise Zinn	Community Liaison Officer	Prince Rupert
Randy Barnhardt	Aboriginal Fish. Coordinator	Prince Rupert
Beatrice Lapp	Admin. Coordinator	Prince Rupert
Karen Jeffrey	Licence Manager	Prince Rupert
Dave Einarson	Chief, Fisheries Management	Prince Rupert
Les Jantz	Fishery Officer	Prince Rupert
William Leung	Licence Officer	Naniamo
Rhonda Mair	Licence Officer	Naniamo
Rae Delgarneau	Licence Manager	Naniamo
Randy Braniuk	Fishery Officer	Naniamo
James Boland	Director, Strategic Initiatives	Vancouver
Don Radford	Director, Fish Management	Vancouver
Steven Wright	Director, Fishery	Vancouver
	Restructuring	
Paul MacGillivray	Director, Policy	Vancouver
Sheila Fagnan	Economist, Fishery	Vancouver
	Restructuring	
Sharon Keogh	Administrator, Vessel Tie-up	Vancouver
	Program	
Rita Purden	Manager Licence Retirement	Vancouver
	Program	
Brian Moore	Economist, Policy Branch	Vancouver
Lorne Anderson	A/Director, Restructuring	Ottawa

### **Aboriginal Representatives Interviewed**

Jim Dopson	General Manager, Northern Native Fishing Corporation	Prince Rupert
Bob Hill	Executive Director, Tsimsyan	Prince Rupert
	Tribal Council	
Heber Clifton	Secretary, Native Brotherhood	Prince Rupert
	of British Columbia	

### APPENDIX A

### STATISTICAL AREAS