

CATCH-22

conservation, communities and
the privatization of BC fisheries

an economic, social and
ecological impact study



ecotrust



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Draft summary presented to Tofino Council, Ucluelet Council and Alberni-Clayoquot Regional District October 25-27, 2004

Catch-22: Conservation, Communities and the Privatization of BC Fisheries investigates the economic, social and ecological impacts of federal fisheries licensing policy, especially those promoting individual fishing quotas whereby an individual or company owns a preset portion of the total allowable catch called an individual fishing quota (IFQ). Quotas are bought, sold or traded like shares on a stock exchange. Critics consider IFQs a form of resource privatization.

The Department of Fisheries and Oceans (DFO) has implemented IFQs in the geoduck, halibut, sablefish, groundfish trawl and three shellfish fisheries. It is currently developing a controversial plan—opposed by many working fishermen and First Nations—to privatize B.C.’s salmon fishery.

Many of the major reforms of B.C. fisheries in the 1990s, including the introduction of IFQ programs and Mifflin Plan in the salmon industry, represented a catch-22 for fishing-dependent communities. DFO’s solutions created as many economic, social and ecological problems as they solved.

ECONOMIC IMPACT

In the 1990s, Ottawa committed to reducing overcapitalization in the B.C. fishing industry to increase its economic viability. A decade later the market value of fishing vessels, equipment and licences actually grew. Overcapitalization is worse than ever. What went wrong?

Through license buybacks and other policies, Ottawa cut the fishing fleet in half and thereby reduced investment in vessels and equipment to about \$286 million, a 64 percent reduction from 1988 to 2003. However, this decrease was more than offset by the doubling in value of commercial fishing licenses and quota to \$1.8 billion over those same years.

DFO policies, such as the Mifflin Plan for salmon and individual fishing quotas (IFQs) for groundfish, created wildly inflationary markets for licences and quota. Between 1994 and 2002, the price of gillnet and troll salmon licences doubled. Other fisheries experienced skyrocketing trends, too. The advertised price of halibut quota increased from \$9 per pound in 1991 to \$36 per pound in 2004. In fact, the groundfish IFQ fisheries including halibut, sablefish and groundfish trawl are some of the most capital-intensive fisheries in B.C.

For those who have them, fishing quotas and licences are highly profitable, revenue-generating assets. As a result, they are becoming increasingly concentrated in fewer and fewer hands. Their extremely high market value is well outside the reach of many rural working families, First Nations and younger fishermen. A fisherman now needs to be a millionaire to enter into most fisheries.

SOCIAL IMPACTS

With salmon catches declining and the prices of licences and quota soaring because of DFO policies, many fishermen have been forced to sell out either under the auspices of “voluntary” licence retirement programs or by selling their licences to wealthier fishermen

Not surprisingly, many of those fishermen who sold out were in rural and aboriginal

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communities. Between 1994 and 2002, rural communities, with a population of less than 10,000, lost 554 licences in major fisheries such as groundfish, herring, salmon and shellfish as a result of fleet downsizing and the sale of licences to urban areas. That's almost half (45 percent) of major fisheries licences owned by rural people. The decline in urban coastal regions was only 30 percent.

Because of lower incomes, limited economic opportunities and lower property values, rural fishermen have less access to capital than their urban counterparts. First Nations face even more obstacles, since their incomes are 35 percent lower than the B.C. average and unemployment is double. Additionally, many native people living on Indian reserves do not have fee-simple ownership of their homes and therefore cannot use home equity to borrow money to buy fishing licences or quotas.

As a result, both rural and aboriginal individual ownership of commercial fishing licences and quota has declined precipitously. Native individuals privately own 1,106 fishing licences, or only 18 percent of all commercial licences (excluding clam licences which cannot be bought or sold and so don't have a market value). For IFQ fisheries, private native ownership is only five percent.

One of the effects of the shift in licence ownership is that many rural communities and First Nations see few benefits accruing from adjacent fisheries resources. The West Coast of Vancouver Island is a case in point. Local residents own only two percent of all groundfish trawl, halibut and sablefish licences. Participation in IFQ fisheries is only marginally better in the North Island and North Coast, at three and nine percent, respectively.

In effect, fisheries policy, whether intentional or not, is skewed in favour of urban-based corporations and individuals with greater access to capital and economic opportunities. Those communities most dependent on fishing for their economic lifeblood are being squeezed out of B.C. fisheries.

ECOLOGICAL IMPACTS

The conservation record of privatizing fisheries through individual fishing quotas (IFQs) is inconclusive. By giving fishermen a set individual quota, IFQs end the frenzied "race for fish." However, IFQs can induce bad behaviour by fishermen, including quota busting, poaching, throwing back small fish (high-grading) and misreporting catches. These problems can be solved in part by onboard and dockside observers but add considerable costs to fishing.

Setting a total allowable catch (TAC)—which is scientifically defensible and sustainable—is one of the most important fisheries conservation measures. Privatizing fisheries through IFQs raises two fundamental problems about how sustainable catch levels are set.

First, IFQs create windfall profits for those who initially receive them, but create huge debt for new entrants who must buy the expensive quotas in order to fish. This overcapitalization puts pressure on the resource since fishermen lobby for higher catches to finance their bigger debt-loads. Previously, the problem was "too many fishermen chasing too few fish." Today, it's "too much money chasing too few fish." Under such a scenario, short-term profits win out over conservation as fishermen succumb to immediate financial pressures.

Second, as part of their attempts to privatize fishery resources, DFO has

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established co-management agreements with exclusive groups of licence and quota holders, which has increased the influence of industry stakeholders. Conservation groups, communities, First Nations, and labour interests are marginalized, since fisheries management becomes increasingly focused on maximizing the narrow economic returns of licence and quota holders. Economic interests must be balanced by community and conservation values.

The privatization of B.C. fisheries has netted a catch-22: DFO's solution has become the problem, worsening overcapitalization, undermining the sustainability of fishing-dependent communities and compromising conservation for economic efficiency. It is time for a serious re-examination of current policy and a move towards new solutions that work towards the long-term health and viability of fishing-dependent communities and fish stocks.

RECOMMENDATIONS

1) Public Registry

DFO should establish a public registry requiring individuals and companies to register all their leases, trades and sales of fishing licences and quota, and to fully disclose financial interests in these assets. The registry would allow the government, industry and public to monitor ownership and capital trends in the industry and to help protect against corporate concentration and overcapitalization.

2) National Standards

DFO should establish national standards for IFQ programs that would reduce overcapitalization in licences and quota, protect working crews from bearing the costs of quota leases, and limit excessive consolidation and corporate concentration in the fishing industry.

3) Community Quota Entities

DFO should permit the establishment of and provide funding for Community Quota Entities, which would be non-profit societies established to hold fisheries licences and quota in trust for aboriginal and fishing-dependent coastal communities. The CQEs would lease fishing privileges to local fishermen and facilitate new entrants into the industry.

4) Public Data

DFO should establish a comprehensive data-access policy that provides full and transparent access to biological and catch data and thereby rebuild trust in DFO Science and ensure rigorous review of fisheries decision-making by independent scientists and the public. Furthermore, all fisheries data funded and collected by private companies as part of IFQ fisheries must be placed in the public domain.

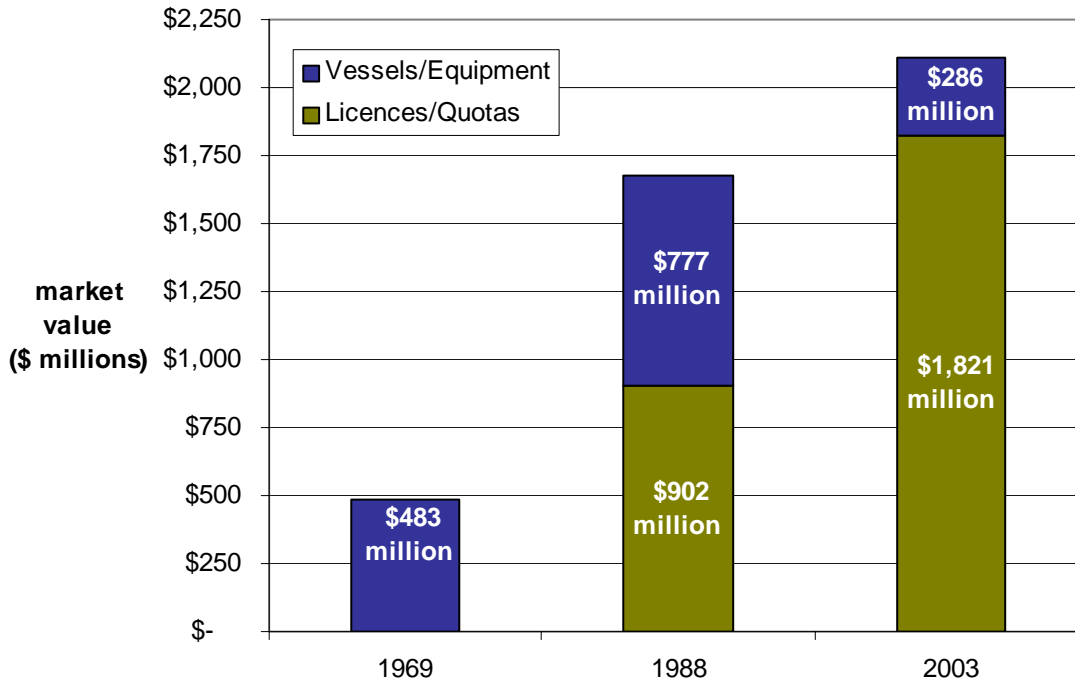
5) Fisheries Co-management

DFO must ensure that diverse interests are represented in fisheries co-management agreements and harvesting committees including licence and quota holders, labour, processors, coastal communities, First Nations, environmentalists and other citizen groups. Economic interests must be balanced by social and ecological values.

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FIGURE 4: Capitalization in the B.C. Fishing Fleet 1969 - 2003

(market values in 2003 dollars)



SOURCE: Statistics have been converted into constant 2003 dollars from the following sources: Department of Fisheries and Oceans. *Financial Performance of the British Columbia Salmon Fleet 1986-1990*. Vancouver: DFO Program Planning and Economics Branch, July 1992; and Nelson Bros Fisheries Ltd, Licence Values in the Pacific Fishing Fleet, report prepared for DFO, March 31, 2003. Values are approximately December 31, 2002 and exclude AI, F and N licence categories.

Loss of Commercial Fishing Licences in Alberni-Clayoquot Regional District (ACRD), 1994-2002

Licence Type	Ahousat		Bamfield		Port Alberni		Tofino		Ucluelet		ACRD	
	1994	2002	1994	2002	1994	2002	1994	2002	1994	2002	1994	2002
Salmon (Troll/Gillnet)	17	7	17	5	83	33	33	6	42	11	193	62
Salmon (Seine)	3		1		4						8	0
Schedule II (C)	2	2	3		4	6	6	3	5	4	20	16
Geoduck					1		2	2			3	2
Sablefish					1		1				2	
Halibut	1				5	7	1		1	2	8	9
Crab					2	2	13	7	7	5	22	14
Shrimp			4	3	9	5	1	2	1	4	15	14
Groundfish Trawl					1		1			2	2	2
Prawn					5	9			1	1	7	10
Green Urchin						1			1		1	1
Red Urchin	1	2			1	1	1	1			3	4
Sea Cucumber		1			1	2		2	1		2	5
Rockfish (ZN)	1	1			10	4	2		12	3	25	8
Grand Total	25	13	25	8	127	70	61	23	71	32	311	147
% change 1994-2002	-48%		-68%		-45%		-62%		-55%		-53%	

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