

# Bureaucratic Immunity

When one looks at the various processes that have taken place in the Commercial Fishery, in the form of studies and commissions and the like, the focus is always on the Commercial Fisheries. The bureaucratic bungling by the Department Of Fisheries (DFO) is immune from criticism. The politicians that are supposedly over seeing the bureaucracy, the committee on Fisheries and Oceans, appear to support DFO actions without appropriate evaluation of the results of their actions. The general political and public opinion and perception are that, “there are too many fisherman chasing too few fish” and that this is a serious problem. If this were true it would indicate serious mismanagement by DFO. In fact it is irrelevant since DFO controls the Total Allowable Catch (TAC). Provided their management practices are effective, the number of boats is a purely an economic issue which should be managed by fishers alone.

The Pearce Commission recommendations were in favour of fleet reduction. This was based on the economic assumption that the fleet is overcapitalized not on the impact of the large fleet on fish stocks. It never addressed the responsibility of DFO to protect fisheries and enhance fisheries resources from any cause, other than over fishing. With the reduction of the fishing fleet one would assume that a reduction in fishing capacity would result in higher net income to those remaining. The failed results of DFO policies can be ascertained in two economic profiles. One completed in 1994 and prepared for DFO by Gordon Gislason and one in 2007 prepared by Stuart Nelson. These tell a different story.

## 2004 Gislason report

<u>Active vessels</u>	<u>5,912</u>
<u>Active Crew members</u>	<u>15,895.8</u>
<u>Gross income from fisheries, not including tuna, Sea Cucumbers and red urchins.</u>	
<u>\$537,000,000</u>	

## 2007 Stuart Nelson report

<u>Active Vessels</u>	<u>2,008</u>
<u>Active Crew Members</u>	<u>4,869</u>
<u>Gross income from fisheries, not including tuna, sea Cucumbers and red urchins.</u>	
<u>\$259,675,021</u>	

Though neither report deals with the shore based, or service industry jobs and the communities that thrive as a result, one could assume that the negative impact of these changes has been huge. Perhaps a look at 2010 statistics would show a continued decline in participation and income by active vessels, but still no accountability, or

responsibility, directed at DFO. When members of the Fisheries Committee question the industry on DFO performance, no one asks the 3834 displaced vessel owners, or the 10,816-crew members. They ask those investors that sit on Advisory Boards that hold and or represent those that hold the bulk of the licenses and quotas.

The present Cohen Inquiry as indicated by his interim report is again focused on anything and everything but DFO. **Why the bureaucratic immunity?**

I have been trying unsuccessfully to present evidence on the failings of many aspects of fisheries management by the Fisheries Department and particularly the Integrated Fishing Plan, but continue unsuccessfully.

I am aware that most of the Committee Members won't have the time, or this won't be recommended reading by DFO. As DFO is making the fisheries more and more complex, I can't explain some of the simple failings in just a few words. I will try to be as direct as possible.

With the Department Of Fisheries introduction of Individual Vessel Quota's, (IVQ's) there is a perception that all is well. The purpose and principles of Individual Quota systems are valid, but their success depends upon how they are administered. The administration of these IVQ's under the scrutiny of the Department Of Fisheries has resulted in the displacement of many participants in the fishing industry and consolidation of quota in the hands of investors and fishing companies.

This is how the present system in the halibut fishery was administered and how it doesn't work.

When the IVQ was introduced into the halibut fishery, vessels that had a history in halibut landings or had a halibut license, were given a halibut quota based on the length of the vessel, the historical catch of the vessel, and an even division, each making up a third of there IVQ. The principle being that each vessel would have the opportunity to fish his privileged quota renewable annually. There were safeguards put in place so that if permanent transfers of this privilege took place no single vessel could hold more than 1% of the privilege. This was intended to insure that a reasonable number of vessels continued to participate in the halibut fishery. Unfortunately this principle was derailed by the allowable temporary transfer of quota, This had the effect of allowing individuals to amass considerably more than 1% to their vessels that didn't, or weren't capable of participating in the halibut fishery for the purpose of leasing.

The results of this allowed temporary transfers of quota from license to license resulted in the leasing of quota between those that fished and those quota holders that didn't. The rent extracted by the quota holders rose with the value of the halibut price to 75% or more of the landed value. Those that hold quota receive 75% of the landed value of the halibut product with no expenses, and those that fish have to pay for fuel, bait, groceries electronic monitoring, (EM) validation, (the counting and weighing of fish at the point of landing) and maintain their vessel and replace damaged or lost gear on 25% of the landed value. It isn't difficult to see that there is little profit left to those that fish to purchase quota, while tax incentives for those that lease out their quota encourages increasing quota and license holdings.

As there is little profit left for those that are desperate and require leasing in order to continue fishing, it makes it near impossible to finance the leasing of quota directly from quota holders. This has resulted in the processing companies paying the quota holders up front for their quota leases, and continuing to increase the amount paid to the quota holders as the landed price increases. This inflated cost is then passed on to those desperate enough to pay the extortionate prices. Those that actually fish their own quota, extract the resource rent of 75% from their own vessel and crew for the lease of their own quota.

Those that have the largest quota holdings that do fish and deliver this product to the processing

companies, are the preferred recipients of the companies leased quota under that company's control. This whole process results in accumulation of both quota and fishing opportunity, higher permanent quota transfer prices, which also results in a continued decline in participation of those that can no longer acquire quota or fish economically. This also results in public's loss of resource rent in the form of taxes, as the rent goes to individual quota holders in the halibut fishery subsidizing their quota and license accumulation. With an annual quota of approximately 10 million pounds, 350 million dollars are extracted by the quota holders, from those that fish.

The Integrated Fishing Plan resulted in establishing quota for most of the remaining species not previously under quota management. The division of quota was not consistent with other quota regimes. As an example, Rockfish were divided evenly between all rockfish license holders. Ironically those that sit on the Advisory Boards, many of whom don't fish, or are holders of large blocks of quota, began accumulating rockfish licenses. The purpose of this accumulation was often not to increase ones own fishing opportunities, but to take advantage of the required quota leasing, as part of the Integrated Fishing Plan, requiring individuals to lease quota for species that were unintended but encountered while fishing. However there is no requirement on the part of the quota holders to provide this quota. We are now seeing lease prices for these fish species in some instances reaching the total landed price, since the fisher can no longer fish his own quota until he acquires sufficient quota to cover the incidental by-catch.

It is common for processing companies to charge individuals the lease price for quota that the individual doesn't have, at the time of delivery. There is also no responsibility for the companies to provide this quota, as the responsibility to cover any quota overages lies on the license holder. There is no process in place to provide guaranteed access to quota.

When those in a political position examine DFO processes and policy, DFO directs them to the advisory boards for validation of the success of these processes and policies. If one examines the quota and license holdings of those that sit on these advisories, one would find that they are the beneficiaries of the systems that they help create. Many of those that sit on the Halibut Advisory Board, may also sit on the Commercial Industry Caucus (CIC) the body that has, at DFO direction, been made responsible for overseeing and adjusting aspects of Integrated Quota Fisheries. These are often the individuals that have accumulated larger quota and license holdings, many that don't fish. Some representatives have sold their vessel and licenses, but under contract with the purchaser, where the purchaser continues to pay quota lease prices. Others have quota on skiffs that can't fish. It isn't surprising that the issue of increasing the 1% quota cap in the halibut fishery is on every agenda at every Halibut Advisory Board meeting.

Summation:

The Department Of Fisheries has failed to protect salmon habitat, has ignored it's own regulation with respect to invasive species, has over regulated fisheries, has been selective in all enforcement of regulations and has failed the industry and the communities dependent on the fishery resources. They have privatized a public resource; have regulated the active commercial fishery out of existence, have supported the economic well being of corporate investors and processing companies and have ignored active fishing participants in the process. They have and continue to put the blame on commercial fisheries for the diminishing fisheries resources to which DFO is supposedly responsible. **It's time to examine the failings of DFO, and DFO policy that has driven the fishing industry and in some cases, the fisheries resource, to the verge of extinction.**

**Gerald Dalum**

