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LIMITED ENTRY IN THE SALMON FISHERY:
THE BRITISH COLUMBIA EXPERIENCE
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A REVIEW OF SALMON VESSEL LICENCE CONTROL PROGRAM
IN BRITISH COLUMBIA *

by

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INTRODUCTION

When I was asked to speak to your group tonight on developments on the Salmon Vessel Licence Control Program in British Columbia, I was faced with the task of trying to bring together the pertinent points of a program that I have been involved in for the past 20 years.

The need for licence control in fisheries has been talked about and written about by economists and biologists and administrators all over the world for many years. Despite this, however, there have been only a few isolated instances where economic controls on commercial fisheries have been actually established. In pioneering the Salmon Vessel Licence Control Program in British Columbia, there has been no precedent to fall back on.

A complete and comprehensive review of the history of the Licence Control Plan is being planned but in the meantime a summary of developments to date will provide an indication of some of the problems that have been encountered.

First - it should be recognized that there is a very wide gap between the economic theory of licence control and its practical application.

Second - as a result of the experience in British Columbia it is suggested that it is essential in any plan to move a step at a time, review the results of that step and then move on to the next. Even in the four years that the program has been in effect, it has been found that unanticipated changes have required a re-examination of the original objectives that have been set.

* Based on an address prepared for a meeting of the Northwest Washington District American Institute of Fisheries Research Biologists - April 4, 1972.

Third - fishermen do not behave in a classic manner based on theoretical economic guidelines. To assume that they do is inviting disaster.

A review of the various steps that have been taken to date will give some understanding of the problems that have been faced.

On September 6, 1968 it was announced by the Honourable Jack Davis, Minister of Fisheries, that the Salmon Vessel Licence Control Program was in effect, effective as of that date.

- The Government of Canada had been studying this problem for many years - had actually advanced a proposal in 1966 for limiting licences but it was withdrawn one week later because of opposition reactions from all parts of the fishing industry.
- When the first stage of the new plan was implemented in 1968, a different climate existed:
 - .. The Liberal Government had just been elected in Ottawa with a large majority.
 - .. The Minister of Fisheries^{*} (a West Coast member for the first time since 1958) was convinced that a rationalized industry was essential and a licence control program could be implemented.
 - .. Both primary and secondary industry groups had requested the Minister to introduce a licence control.
- The Minister of Fisheries for Canada (with the authority he had under 'The Fisheries Act') announced that the licence control program was to be implemented. He announced that this would be implemented in four stages or phases.

* The Honourable Jack Davis.

PHASE 1

The first step put the brakes on the actual number of fishing units in the salmon fleet by stating:

- that in 1969 no vessel would be licenced for salmon

unless

- a) it had not fished for salmon in 1967 or by September 6, 1968,
- or b) it was under construction as of September 6, 1968,
- or c) special circumstances existed,
- or d) it replaced a vessel with certain standards of production (see category 'A' below).

At the same time vessels were divided into two categories: 'A' and 'B'.

'A' category vessels were those that had landings of salmon in excess of 10,000 pounds in terms of pink or chum units.

'B' category vessels were those vessels that had some commercial landings of salmon but less than 10,000 pounds in terms of pink or chum units.

Only 'A' category vessels could be retired and replaced by new vessels.

'B' vessels could be fished but could not be lengthened or improved and could not be replaced.

In order for any new licence to be approved under the new construction clause or under the special circumstances clause, the owner had to make representation to an appeal board set up by the Minister.

In the first year after the program was introduced more than 1200 appeals were considered; about one-quarter of these were by personal representation. The Appeal Board consisted of two departmental officials and the Regional Director who acted in those cases that could not be resolved.

If the applicant was not prepared to accept the ruling of the Appeal Committee it was possible for him to make representation direct to the Minister of Fisheries. This was done in a few instances and in addition there were several cases where the Appeal Committee found they could not act under its terms of reference and encouraged the fishermen to make representation to the Minister.

Very strict rules had to be laid down to determine what would be considered a vessel under construction. It was interesting to note the large number of fishermen who indicated that they had discussed building a new boat with a shipyard owner prior to the cut-off date who felt they should be given a new licence privilege. However, it was decided that unless a payment had actually been made to the builder, then construction could not be considered to have started.

It was recognized early in the deliberations of the Appeal Committee that the new licence control program was going to have a very direct effect on the lives and economic future of the fishermen and any decision taken had to conform closely to regulations.

A particular group of Indian fishermen were excluded initially from the provisions but this particular regulation will be discussed in a later part of this review.

When a plan was announced there was immediate reaction from all segments of the industry. All groups had asked for licence control but each had put forth a case for a special type of control. The United Fishermen and Allied Workers' Union opposed the plan very strongly because the emphasis of control was placed on vessels and not on fishermen. Other branches of the industry also opposed it for varying reasons.

One group, as a result of putting forth a strong case, was successful in having the original program changed. This change has since caused other problems. This group were those fishermen who had not fished salmon in 1967 or 1968 but who were commercial fishermen for other species. They felt they should have the freedom to move into the salmon fishery because it was their custom occasionally to do this and also because there was no regulation that stopped vessels licenced for salmon from moving into halibut, shellfish or trawl fishing.

The plan was therefore changed so that a vessel that participated in any fishery in 1967 and 1968 was entitled to obtain either an 'A' or 'B' category salmon vessel licence in 1969. Appropriate pink and chum production units were drawn up for species other than salmon on which to base the licence category.

Another provision of the first phase was to provide for a very modest increase in salmon vessel licence fees of from \$5 to \$10 in 1969.

PHASE II (Suggested Proposals)

The second phase of the program was not as clear-cut as the first and came out in a series of changes during 1969 and 1970.

In the fall of 1969, a series of proposals for Phase II was announced by Mr. Jack Davis, the Minister of Fisheries. These proposals were sent to all groups in the fishing industry for comment. One of the basic proposals was that in order for vessels to maintain the 'A' category the production level would be substantially raised and would be based on a moving three year average production. It was also suggested that salmon vessel licence fees were to be based on a boat licence plus a per pound fee based on the catch of the previous year. The landing fee was to be one per cent the first year, two per cent the second, and so on until it reached five per cent the fifth year where it would be temporarily stabilized. It was also suggested that the money obtained as a result of increased fees would be used to subsidize the catching of dogfish because this predator fish was becoming an increasing problem to salmon fishermen.

These proposals were opposed by all branches of the industry. The main criticism centered on the increased fees and the use of the money for reducing the dogfish population. The administrative complexity of a three year moving average for production was one that was difficult for fishermen to understand.

PHASE II (As Implemented)

Mr. Davis considered all the submissions to these proposals and in January of 1970 came out with Phase II of the Salmon Vessel Licence Control Program as follows:

- a) Increase in fees for salmon vessels in 1970 to:
 - \$100 for vessels under 10 tons
 - \$200 for vessels over 10 tons(when this fee increase was actually implemented the dividing line was raised to 15 tons)
- He also stated that salmon licence fees would be reviewed each year.
- b) Ten years maximum licence for 'B' category vessels.

- c) Vessels owned by fish processing companies frozen to fixed percentage of total fleet.
- d) Money from increased salmon licence fees to be used to "buy-back" category 'A' salmon vessels out of industry.

In June of 1970 a further significant change was made in vessel retirement provision. Effective as of the date of the announcement (June 26, 1970) salmon vessel replacement was on a ton for ton basis rather than on a boat basis. This particular requirement had been considered at the time of the initial announcement of Phase I. It was decided not to include it initially but to watch new boat construction the first year and if necessary make changes at a later date.

In 1969, 76 vessels were retired with a total tonnage of 187 tons. These vessels were replaced by an equal number of vessels but tonnage of these new vessels totalled 596 tons. It was noted that during this period small 'A' category vessels were being sold for prices ranging anywhere from \$500-\$3,000. These vessels were being used for retirement purposes for salmon seiners valued as high as \$70,000.

Immediately the new tonnage rule was put in, the market value of small vessels declined and as a result many of the smaller vessels decided to take out 'B' category licences rather than pay a higher 'A' category licence fee.

This announcement in June also gave fishermen notice of the salmon licence fees schedule for 1971 as follows:

Vessels under 30 feet	- no change - \$100
Vessels 30 feet to 15 tons	- \$200
Over 15 tons	- \$400

At the time of the above announcement no method had been devised for implementing the "buy-back" feature.

To obtain the views of industry on this "buy-back" feature, in July of 1970 a "Position Paper" on possible alternative methods of applying the "buy-back" money, was prepared and circulated to industry.

Various alternatives were proposed - some included only purchasing the salmon licence - others included outright purchase of the vessels

with responsibility for sale falling to the Government. Suggestions were outlined on methods of appraisal and also on costs associated with funding the initial cost with money to be repaid from increased licence fees over a number of years.

After extensive discussion with industry groups Mr. Davis announced in December, 1970 that a special committee of industry representatives would be appointed under the chairmanship of a member of the Department of Fisheries to administer the "buy-back" program. It was agreed that the Department would actually take possession of the boats and sell them at auction. This was a working committee and actually responsible for advising on what vessels should be purchased.

This committee has now functioned successfully for over a year. As of this date it has bought 176 vessels, appraised at \$2,442,000. These vessels were sold mostly by auction for a gross of \$1,126,000. The vessels are sold on the understanding they cannot be relicenced in either the primary or secondary fishing industry of British Columbia. In order to ensure that none of these boats go into packing or collecting the licencing regulations had to be changed to require such vessels to be licenced by the Department of the Environment. The only money that has been available to the committee has been money from salmon licence fees plus the money obtained from the sale of vessels. Because of the compounding effect, the 1.54 million dollars contributed by fishermen has actually resulted in the purchase of 2.4 million dollars worth of fishing vessels.

To date about 1,000 vessels have been offered to the "buy-back". This does not represent owners that are prepared to sell. A large number of these vessels have been offered to "buy-back" only to allow owners to obtain a "free appraisal" of their vessels. Rejections of the government on offers are running at about 60 per cent.

One of the major problems of this "buy-back" committee was that resulting from those vessels that were not salmon vessels but which had been given the privilege of purchasing salmon licences because they fished commercially for other species. Some of these vessels were offered to the "buy-back" plan. Once the vessels were sold the

* April 4, 1972.

fishermen were able to build new fishing vessels for other than salmon fishing under a boat building subsidy plan which provided for 35 per cent of the total cost of building. No salmon licence will be issued for these vessels but these fishermen are not interested in salmon fishing.

Before this became a major problem the "Buy-Back" Committee changed its basis for appraising non-salmon vessels. Under new rules, where a vessel is not equipped to fish salmon, the amount it would cost to convert and equip that vessel for salmon is deducted from the estimated appraised value of that vessel after it had been equipped to fish for salmon.

PHASE III

The third phase of the program was implemented in December, 1970, and called for quality standards on salmon vessels. The minimum standards that were announced are very much lower than had initially been proposed. Despite these apparent minimum standards it was found that a high percentage of vessels failed to comply when inspected. Because of this high failure rate, coupled with the physical difficulty of inspecting, the actual enforcement of the regulations on quality standards has been delayed until 1973. A vessel that does not meet the minimum standards by that date will not be eligible for a salmon licence until it passes inspection.

There was very severe opposition to Phase III - not because the industry objected to quality standards, but because it felt that this should be a program entirely apart from the Salmon Vessel Licence Control Program.

Special Provision for Indian Fishermen

In developing these first three phases of the program an attempt was made to consider basically economic factors. The Minister recognized in setting up the initial program that native Indians might require special consideration. He stressed that the problems of Indian fishermen should be taken care of by the Department of Indian Affairs and Northern Development. In 1967 a special government program of loans and grants for new vessel construction for Indian fishermen had been established by the Federal Government. The initial regulation of the Licence Control Program provided that Indians building vessels under the Indian Fishermen's Development Program mentioned above would not be required to retire a category 'A' vessel.

Early in the licence control program it became apparent that a few non-Indian fishermen were taking advantage of this exemption. The privilege was withdrawn but additional money was provided to the

Indian Development Board to buy and retire tonnage for vessels built under the plan.

At the start of the 1971 season prospects for salmon production were poor. To meet this situation fish processing companies decided not to finance a number of fishermen - many of whom were Indians. Because of the social consequences of depriving Indian fishermen of the opportunity to participate in the salmon fisheries a new licence fee category was established by the Department. This provided that any Indian who owned a category 'A' vessel had one of two options:

- 1) to pay a licence fee of \$10 per year and not be eligible for buy-back,
- or 2) to pay the regular licence fee and be eligible for all buy-back provisions.

This change in the licence structure for Indian owned vessels also carried the proviso that if any of these vessels were sold at some future time to other than an Indian, the person buying the vessel would have to pay the regular licence fee back to the time when the vessel changed to what has become known as an Indian 'A' category. If these retroactive fees were not paid the vessel would revert to a 'B' category and have the normal ten year life as a salmon vessel.

This concession for Indian vessels brought forth opposition, particularly from the Fishermen's Union. This group had always advocated special provisions for Indian fishermen but in this case felt that all owners of vessels should have the same right as Indians to decide whether or not they wanted to be eligible for "buy-back".

In establishing the "buy-back" program, however, it was recognized that all persons presently owning salmon boats would benefit in the long run. These fishermen who wanted to sell their salmon boats would find a ready sale with the Government. Those who kept their boats would be in a better position to compete because the number of boats was being reduced. It was anticipated that as the number of boats was reduced the market price of boats would increase.

Theoretically, however, any increase should be in direct relationship to the increased salmon returns that could be expected as a result of fewer vessels in the fisheries. It should be mentioned here that data on capitalization in vessel values for the salmon fleet is obtained from owners each year at the time of vessel licencing and is based on the owner's own estimate of what he considers his vessel is worth on the market.

Since "buy-back" was started in the spring of 1971, it would appear that market values of salmon vessels has increased sharply. Part of this is the result of higher replacement costs due to inflation but part is due to the effect of "buy-back" reducing the number of boats available for sale.

A brief review of what has happened to the salmon fleet since the program started is of interest.

TABLE 1 - TOTAL NUMBER OF LICENCED SALMON VESSELS BY CATEGORY
1967 - 1971

<u>Year</u>	<u>Number of Vessels Licenced For Salmon</u>	<u>'A' Category</u>	<u>'B' Category</u>	<u>Number of Vessels Actually Fishing Salmon</u>
1967	7 639*			6 639
1968	7 548*			6 603
1969	6 931	5 869	1 062	6 157
1970	6 601	5 641	960	6 201
1971	6 285	5 322	963	5 958

- a) All these vessels* were not licenced to fish for salmon in 1967 and 1968 but were eligible for salmon licence in 1969 because they had fished for other species.
- b) In 1971, 178 vessels that qualified for 'A' category licences opted to 'B'.
- c) A total of 97 'A' category vessels were retired and 84 new category 'A' vessels were built in 1971.
- d) Forty-six vessels that were 'A' licences in 1970 did not renew in 1971.
- e) A total of 401 vessels owned by Indians took out special licences in 1971.

TABLE 2 - VALUE OF SALMON VESSELS BY CATEGORY
1969 - 1971

<u>Year</u>	<u>'A' Category</u>	<u>'B' Category</u>	<u>Total</u>
	\$'000	\$'000	\$'000
1969	91 600	3 600	95 200
1970	95 200	3 200	98 400
1971	96 800	3 800	100 600

A detailed analysis of vessel values shows that after taking into consideration retirements and new construction this increase since 1969 results entirely from increased values of vessels as estimated by owners.

TABLE 3 - CONSTRUCTION OF NEW SALMON TYPE VESSELS
1966 - 1971

<u>Year</u>	<u>Number of Vessels</u>	<u>Value</u> \$'000	<u>Average Value</u> \$
1966	126	2 596	20 603
1967	217	4 174	19 111
1968	210	4 147	19 747
1969	149	3 101	20 812
1970	121	2 666	22 033
1971	99	2 040	20 606

It will be noted that since the plan was introduced in 1968 the number of new salmon vessels has been cut by 50 per cent.

TABLE 4 - REVENUE FROM 'A' CATEGORY LICENCE FEES
TO BE USED FOR "BUY-BACK"

	<u>Licence Fee</u> \$	<u>Number*</u>	<u>Revenue**</u>
<u>1970</u>			
Under 15 tons	100	5 123	461 070
15 tons & over	200	<u>524</u>	<u>99 560</u>
		5 647	560 630
<u>1971</u>			
Under 30 feet	100	477	42 930
30' - 15 tons	200	3 962	752 780
Over 15 tons	400	488	190 320
Special Indian	10	<u>401</u>	<u>--- ---</u>
		5 328	986 030

* Slight difference in number of 'A' category vessels licenced due to such factors as retirements, sinkings and cancellations during the year.

** Computed after deducting the \$10 administrative fee.

It was noted earlier that this money was all used during the 1971-1972 fiscal year, ending in March, 1972 and in addition approximately \$900,000 was available after expenses had been paid for sale of vessels.

PHASE IV

The final phase of the program is one which is supposed to deal with gear and area regulations in the salmon fisheries. In order to resolve this phase it is necessary to deal with the overall objective of the Department not only of the salmon fishery itself, but its relationship to other fisheries and to the economy in general. Over the past 70 years, specific area and gear regulations have been promulgated initially in the guise of conservation, but ended up by providing special protection for particular groups of salmon fishermen. These regulations were defensible for many reasons other than conservation. The reasons for many of these regulations have changed over the years but the regulations remain. It is difficult and at times impossible to change such regulations without causing major upheavals in the social and economic well-being of specific groups in the industry.

It is these problems that have to be resolved in Phase IV of the licence control program in British Columbia. The Minister has recognized the complexity of this final phase and has appointed an advisory committee of ten persons to study and make recommendations to him on what action should be taken. The Chairman of the Committee will be the Director of the Fisheries Service of the Federal Department of the Environment. There is one member from the Commercial Fisheries Branch of the Fish and Game Branch of the Provincial Government, while other members of the Committee come from organizations in the primary and secondary fishing groups. One member is to be selected from the academic community.

The general terms of reference that have been given to the Committee include advising the Minister of:

- 1) The development of the salmon resource including the construction of salmon hatcheries and spawning channels.
- 2) The size and composition of the salmon fishing fleet required to harvest the resource.
- 3) International policy as it affects the fishery including agreements with the United States.

You can appreciate that these are very wide terms of reference. It is expected that the views of Committee members will be divergent, but the Minister expects some initial recommendations that can be considered for the 1973 season. The Fisheries Service will be providing the secretariat for this Committee and no further changes are expected in the Salmon Vessel Licence Control Program until this Committee has had an opportunity to bring forward recommendations.

This is a very brief outline of the Salmon Vessel Licence Control Program to this date, but it might give you some understanding of the way the program has evolved and some of the administrative problems that have been faced by the Fisheries Service.

