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The inshore fishery is the economic backbone for the vast majority of coastal Atlantic Canada. The inshore fishery has sustained these areas for decades, creating large numbers of local jobs and wealth. Over the past 20 years the inshore fishery has been particularly strong, with many fish harvesters moving into a new rural middle class with the economic strength and purchasing power that accompanies such a change.

While the hard work that built the fish harvester middle class was done by inshore fishers, they were strongly supported by two DFO policies – Fleet Separation and Owner Operator. The Fleet Separation policy was established by DFO in 1979 with the explicit goals of reducing or eliminating the corporate concentration of inshore fishing licenses, of ensuring that harvesting incomes were widely distributed, and of ensuring the long-term viability of rural communities. In 1989 the Owner Operator policy was created to strengthen the fleet separation policy and to eliminate resource rent. Both policies are essential for connecting the wealth of the ocean to the economic well-being of those who live on the coast.

Over the past 20 years, the Fleet Separation and Owner Operator policies have suffered from continuous neglect from DFO. As enforcement by DFO of both policies has eroded, the inshore fishery has experienced continued intrusion by processing companies and multi-national corporations in the acquisition of inshore fish harvesting licenses. These corporations purchase licenses in the name of an inshore fish harvester, though the fish harvester retains no control over the license, which remains with the corporation that provided the funding. A license under the control of a company is fished and managed to the benefit of the company with no regard to minimum pricing, collective agreements, and local economic growth. These arrangements are known as controlling agreements.

We are not certain how many controlling agreements exist given the secrecy involved in such matters. But many do exist and their impact has been severe. Of primary importance is the massive impact that company financial resources have had on the economics of fish licenses. The buying and selling of fish licenses is routine in the fishery, with prices traditionally linked to the financial position of other inshore harvesters. The financial resources of companies, however, dwarf those of inshore fish harvesters. Companies have bought up licenses at prices that exceed the capacity of fish harvesters, which, in turn has driven license prices to record highs.

A fish harvester who wants to buy a fish license must now borrow a large amount of money. The cost of most shellfish licenses are between \$500,000 and \$2 million dollars. This is an incredible amount of debt to take on for a small enterprise. The inflation of fish licenses, fueled by company involvement, now requires fish harvesters to leverage everything they own to modestly grow their enterprises. This is an unsustainable economic model that harvesters did not create but are now forced to operate within. For young harvesters hoping to own an enterprise, they are now largely shut out from doing so as they do not have the capacity to borrow the large amounts necessary to do so. Often times it is young

harvesters who end up caught in controlling agreements, as surreptitious sponsorship from a company is now almost a prerequisite for entering the fishery.

Though most harvesters are still independent, there is a gradual and consistent shift to greater company control. Harvesters in a controlling agreement must fish at the price set by the company, they fish at the discretion of the company, and they have no security, as the company will move licenses around to more cooperative/friendly harvesters. Overall, controlling agreements produce much lower wages, greater insecurity, and they deprive a community of an important independent enterprise. Recently, with the purchase by Royal Greenland of a large NL processor, a crown corporation from a foreign country (Denmark) has acquired control of a number of controlling agreements. Similarly, brokers have started to advertise for foreign buyers aiming to buy fishing licenses in the Maritimes. Both instances threaten the Canadianization of the inshore fishery.

DFO is aware of the difficulties posed by controlling agreements. In 2010 it launched the Policy for Preserving the Independence of the Inshore Fleet in Atlantic Canada's Fisheries (PIIFCAF). PIIFCAF, however, has highlighted the challenges of enforcing mere policies that do not carry the weight of law. A controlling agreement should be illegal but it is not; it is contrary to policy.

During the recent review of the *Fisheries Act*, Minister LeBlanc spoke positively about enshrining Owner Operator and Fleet Separation in legislation, thus providing the necessary backing to fully enforce both concepts. Several inshore fish harvester associations forwarded submissions to the Standing Committee on Fisheries and Oceans (SCOFO) requesting that Owner Operator and Fleet Separation be included in the proposed legislative changes.

The draft report from SCOFO, including recommendations, will be tabled at the end of February. We kindly ask that you speak to your colleagues on SCOFO and request that Owner Operator and Fleet Separation be given the legislative attention it deserves. Thousands of fish harvesters in Atlantic Canada will be grateful for your action.

Thank you in advance for your cooperation and support.

Sincerely,