

For Immediate Release

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Report on Northumberland Strait Fisheries Released

Charlottetown, Prince Edward Island, June 6, 2006 — A report on the financial condition of fishers in the Northumberland Strait calls on the federal government to reduce the number of lobster licenses in the Northumberland Strait to bring stability to the industry. The report was prepared by the accounting firm Grant Thornton for the provincial Department of Agriculture, Fisheries and Aquaculture. It was commissioned by the department at the request of the Prince Edward Island Fishermen's Association in light of declining landings and incomes in the Northumberland Strait.

"The report is a very thorough review of the level of fish landings and the financial pressures being experienced by fishers in recent years, and provides the basis for actions which both industry and governments must now consider in order to bring greater stability to those engaged in the Northumberland Strait fishery," said Agriculture, Fisheries and Aquaculture Minister Jim Bagnall. "Over the coming days and weeks, I will be discussing the findings with the Fishermen's Association, the governments in Nova Scotia and New Brunswick and the Department of Fisheries and Oceans."

The report was based on interviews with fishers in the Northumberland Strait and found that declining landings in recent years do not provide an adequate return to many fishers, based on their levels of investment and income needs. It forecasts that a number of fishers will be forced to leave the industry because of financial

pressures. The report is also critical of some aspects of the way the Department of Fisheries and Oceans manages its licensing policies.

Among the major recommendations of the report is a 25 percent reduction in lobster licenses sponsored by the federal government in Areas 25 and 26A, the establishment of a debt review board, federal and provincial-sponsored low interest loans and a long-term habitat restoration program. The report says that all levels of government and industry in the region need to work closely together to address the larger issues within the fishery, including a reduction of fishing effort and measures to increase lobster stocks.

"I recognize that many fishers need immediate help in order to survive," said Mr. Bagnall. "I want to assure them that government will be taking a very serious look at the recommendations of the report."

The full report can be accessed at <http://www.gov.pe.ca/af>.

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BACKGROUND ATTACHED

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BACKGROUNDER

An Economic Analysis of Lobster Fishing Enterprises in Lobster Fishing Areas (LFA) 25 & 26A of the Northumberland Strait

Methodology

This study, conducted by the accounting firm Grant Thornton, was commissioned by the Department of Agriculture, Fisheries and Aquaculture in response to requests from the Prince Edward Island Fishermen's Association and individual fishers. The study was an examination of the financial pressures facing lobster fishers in the Northumberland Strait because of declining landings in recent years.

The Minister of Agriculture, Fisheries and Aquaculture sent letters to approximately 625 licensed lobster fishers in LFAs 25 and 26A in late 2005 to outline the study and to invite their participation. They were asked to discuss their financial situation with the consultants. A total of 60 fishers responded to the invitation, and of those, a total of 30 provided detailed financial information. Because of limited data, the consultant firm has advised that it has not been able to statistically determine more comprehensively the nature and extent of financial difficulties facing lobster fishers in the Northumberland Strait.

Findings

The consultant has noted that from the early 1980s to the late 1990s record levels of lobster landings were experienced in LFAs 25 and 26A. The high landings and incomes led to increased investments in boats and equipment, along with increased operating costs. More efficient equipment led to greater pressure on the resource.

The consultant states that this has resulted in enterprise over-capitalization and higher exploitation of the resource, with consequent catch rate reductions. Catch rate reductions are not uniform throughout the Northumberland Strait, with the largest reductions in the central part of the Strait. Reduced catch levels have resulted in lower incomes which, combined with higher operating costs, have made it difficult, if not impossible, for many fishers who participated in the study to retire capital debt, provide for asset replacement or meet operational costs.

The consultant states that the asset package utilized by many fishers is difficult, if not impossible, to fiscally justify based on recent catch and income levels. Prices for licenses and gear peaked in the 2000-2002 period and since then, have

declined significantly. Sales in 2006 have been non-existent. In recent years, in the face of declining catch rates, many fishers who provided complete financial data have been unable to meet their financial obligations, and debt has accumulated and compounded. Those facing the greatest difficulties are largely fishers new to the industry and those that have made major capital acquisitions in recent years.

The report also notes that because landings have declined most significantly in the central area of the Northumberland Strait, fishers have moved to ports and fishing grounds in the eastern and western ends of the Strait. Without port freezes on license transfers, there is increased congestion in areas of higher catch rates, which has led to questions about the capacity of the resource in those areas to sustain the increased harvest effort levels. This problem is exacerbated by the "stacking" of licenses in the western end of the province by those who fish in LFAs 25 and 24.

The consultant states, based on information from respondents, that in the present Northumberland Strait lobster fishery there does not appear to be many, if any, fishing operations that result in a positive return on investment before inclusion of EI benefits.

Conclusions and Recommendations

The report concludes that the financial viability of lobster fishers in the Northumberland Strait is in jeopardy. It also suggests that improvements in the catch will not be realized in the near future. Net incomes from fishing for those who provided financial data have dropped from 46.6 percent of household income in 2001 to 11.9 percent in 2004 (for those who provided complete financial information.)

The report says that a reduction in the total number of fishers sharing the resource is needed, along with controls to prevent future over-capitalization and harvest effort increase.

The report has recommended the following measures:

- A. The establishment of a fishing industry debt review board.
- B. Attaching "property" status to licenses (so they can be used as collateral).
- C. To request federal funding to undertake a license buy-back to retire 15 percent of the licenses in the Northumberland Strait.
- D. In concert with the Fishermen's Association, secure a long-term repayable loan from the federal government to retire a further 10 percent of licenses in the Strait.

(*The report says that acting on recommendations C and D will require agreement among the three provinces which border the Strait. It also discusses the prospects of establishing a port freeze, or restrictions on the transfer of licenses.)

E. The provision of low interest bridging loans from the federal and provincial governments to those fishing enterprises deserving and meeting the qualifications for potential return to viability.

F. A review of lending policies to the fishing industry by the provincial government that recognizes the unique attributes of the industry, e.g. policies that index debt repayment to landings.

G. The establishment of a working group by the Minister comprised of industry and coastal community representatives, environmental stewards and economic planners to investigate habitat restoration programs, methodology and initiatives.

H. In cooperation with the department and the Fishermen's Association, the establishment of enterprise management seminars and workshops to improve skills in areas such as financial management and succession planning.

The report states that effort reduction, via license retirement, is the only option in the short term that will bring stability to the industry. This rationalization process will take two to three years to complete, in the most optimistic of funding conditions, and that in the meantime, there will be an unavoidable number of lobster fishing enterprise business failures. It says the vast majority of those in a position of fiscal challenge can be returned to viability with the application of sound recovery plan actions.

The full report is available on the department's website at <http://www.gov.pe.ca/af>.