

Cumulative Impact of Federal User Fees on the Commercial Fish Harvesting Sector

prepared for

Fisheries & Oceans Canada

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I.

INTRODUCTION

1. OVERVIEW

Licence-holders in the Atlantic and Pacific commercial fisheries face an increasing array of user fees, many of which have escalated since their introduction in the mid-1990s. For example, commercial licence fees increased in 1996 from nominal amounts contributing to administration costs, to levels more reflective of the value of the respective fisheries. Licence-holders also face increased charges for dockside or catch monitoring, at-sea observers, basic fisheries science, enforcement and other fisheries management services. These services are delivered by both public sector agencies and by private contractors.

2. RATIONALE FOR USER FEES

The rationale for user fees has two dimensions:

- To have those who benefit from a public resource pay a fee reflecting the value of the fishing privilege;
- To have industry pay for a share of fisheries management costs, i.e. the "user pay" principle. The resulting cost recovery charges are paid to government or the private sector, depending on who delivers the service. Fees for privately delivered services are set on a competitive basis over which government has no control.

Both increased federal government revenues and reduced federal government costs contribute to federal government deficit reduction.

3. STUDY OBJECTIVES AND SCOPE

Prior to the introduction of the 1996 licence fee increases, DFO conducted an assessment of its proposed fee schedule.¹ The resulting reports led to some changes to the proposed fee. But the financial assessment addressed licence fees only, and not other user charges. The addition of other fees, coupled with changes in the fisheries themselves, have contributed to considerable uncertainty about the financial impact or burden of fees generally.

DFO wishes to understand the combined effect of various user charges on fish harvesting operations, and establish whether consideration should be given to review licence fees or other charges in the near future. To assist in this planning exercise, DFO needs an assessment of the level and the burden of existing user fees.

¹ See reports by Gardner Pinfold Consulting Economists Limited, "Impact of User Fees in the Atlantic Fisheries", April 1995, and by Gordon Gislason, "You Pay, You Say: An Assessment of DFO's Proposed New Licence Fee Structure", April 1995.

Phase I of this study has two main objectives:

- To determine the level of user fees paid by selected Atlantic and Pacific fleet sectors in 1997; and,
- To relate the user fees for each selected fleet to gross fishing income for that fleet.

Depending on the findings of this initial study, a follow-up Phase II study may be launched to assess fleet user fees relative to *net* fishing income.

It is not possible with the resources available to assess the impacts on all fleets. As agreed by DFO and industry representatives on both coasts, the analysis captures a representative sample, totaling 37 fleet sectors. This selection is based on several criteria including vessel and gear characteristics, species fished, geographic location, and type of fishery (competitive and ITQ/EA). These are identified in Table 1.

The reader is cautioned that due partly to data constraints and partly to local custom, there is a difference between the Atlantic and Pacific coasts in how fleet sectors are defined.

- For the Atlantic, an “enterprise approach” is adopted whereby a fleet sector is defined mainly by common vessel and fishery characteristics, and analysis includes all revenues and fees associated with all licences held by that fleet. For example, for fixed gear vessels <45’ in Scotia Fundy LFA 35, the fleet sector is all vessels holding a lobster licence, and the financial data for that fleet covers all revenues and fees for all licences held by the 973 vessels holding a lobster licence.
- For the Pacific, a “fishery approach” is used whereby a fleet sector is defined by the licenced fishery in which it participates, and the analysis includes the revenues and fees associated with that licence only. For example, for the salmon seine fleet, the fleet sector is all vessels holding a salmon seine licence, and the financial data for that fleet covers the revenues and fees from salmon seining only. The revenues and fees associated with any other licences held by vessels in this fleet are captured under other licence categories.

While this difference means the overall results from each coast are not directly comparable, the licence fee impact for the main species for each fleet is identified separately to allow direct comparison for this variable.

4. SOURCES RELIED ON

The findings are based on interviews conducted with federal government personnel, industry associations, and third party contractors (see list of contacts in Appendix A). Interviews concentrated on those individuals who could provide information concerning the level of fees and the types of industry-funded fisheries management activities, rather than information on general policy issues, such as the fairness and accountability of user fees. These latter issues lie outside the Terms of Reference for this study.

Table 1
Selected Fleet Sectors, 1997

| Atlantic Fleet Sectors | # of Vessels | Pacific Fleet Sectors | # of Vessels |
|--------------------------------------|--------------|------------------------------------|--------------|
| Scotia Fundy Region | | | |
| <i>Competitive Fisheries:</i> | | <i>Competitive Fisheries:</i> | |
| Fixed Gear <45', Lobster, LFAs 27-30 | 563 | Salmon seine | 365 |
| Fixed Gear <45', Lobster, LFA 34 | 973 | Salmon gillnet | 1,703 |
| Fixed Gear <45', Lobster, LFA 35 | 94 | Salmon troll | 813 |
| Fixed Gear <45', Grd-Swrd, 4X | 260 | Roe herring seine | 105 |
| <i>Individual Quota Fisheries:</i> | | Roe herring gillnet | 415 |
| Mobile Gear <65', Scallop | 81 | Shrimp | 220 |
| Mobile Gear <65', ITQ Groundfish | 135 | Prawn | 227 |
| Purse Seine Herring | 30 | Crab | 213 |
| Offshore Scallop (EA) | 25 | | |
| Laurentian Region | | | |
| <i>Competitive Fisheries:</i> | | <i>Individual Quota Fisheries:</i> | |
| Fixed Gear, Lobster - Gaspé | 231 | Halibut | 263 |
| Fixed Gear, Lobster - Magdalen | 328 | Sablefish | 23 |
| <i>Individual Quota Fisheries:</i> | | Groundfish trawl | 90 |
| Mobile Gear > 45', Shrimp | 47 | Geoduck | 38 |
| Fixed Gear, ITQ Crab, Zone 13 | 43 | | |
| Fixed Gear, ITQ Crab, Zone 17 | 22 | | |
| Gulf Region | | | |
| <i>Competitive Fisheries:</i> | | | |
| Inshore Core | 3,413 | | |
| <i>Individual Quota Fisheries:</i> | | | |
| Midshore Area 12 Crab | 83 | | |
| Fixed Gear Area 19 ITQ Crab | 74 | | |
| Fixed Gear Area 25/26 Crab | 30 | | |
| Purse Seine Herring | 6 | | |
| Mobile Gear Shrimp | 17 | | |
| Newfoundland Region | | | |
| Small supplementary crab 3KL | 349 | | |
| Core 3PS <35' | 802 | | |
| Core 2J3KL < 35' | 1,982 | | |
| Core 4R <35' | 962 | | |
| Large supplementary crab 3KL | 251 | | |
| Shrimp 4R | 41 | | |
| Shrimp >100' | 17 | | |

II.

USER FEES AND FEE PAYMENT STRUCTURE

1. USER FEES

Definition

A "user fee" is the direct fee paid by a user of a resource, product or service. That is, there is a direct link between the user and the fee.

In the context of the commercial fishery, such fees are tied to: (i) the private benefits accruing from access to a publicly-owned resource, the fish stocks of Canada, and (ii) the costs of publicly- and privately-provided services to the commercial fishery. These services can include moorage, monitoring of catches and at-sea observers of fishery operations, as well as stock assessment and other biological services.

User Fees Examined

For the purpose of clarity, the user fees paid by the commercial fishery are segmented into two categories – access fees and cost recovery fees.

The list of fees examined in the study was developed through consultation with DFO and an industry advisory committee composed of representatives of Canada's main Atlantic and Pacific commercial fishing organizations.

The payment structure for the access fees is relatively straightforward: variable rates for limited entry licences linked to the average value of competitive fisheries, flat rates (5% of gross value) for IQ/ITQ fisheries, and flat rates for participating individuals and vessels. The payment structures for cost recovery fees tend to be more complicated, varying by fleet and location and even within fleet sectors.

2. PAYMENT STRUCTURE

Access Fees

The commercial fishing industry pays three main federal fees to gain access to the resource:

Licence Fees

Two types of licence fees exist:

- **Flat Rate Fees:** This fee structure applies in competitive fisheries - fisheries in which licensed individuals compete for the available catch. All individuals holding the same limited entry licence pay the same fee. The fee varies by fishery (from \$30 to several thousand dollars) according to average landed value.

- **Quota Fees:** Fees for licence-holders in individual quota (IQ, ITQ or EA) fisheries are set on a per tonne basis depending on value, with the total for each quota-holder varying according to the tonnes of quota held.²

Fisher's Registration Card and Conservation Stamp

- **Fisher's Registration Card:** Every person 16 years of age or older who fishes as a skipper or a deckhand on a commercial fishing vessel must hold a Fisher's Registration Card (FRC). FRC fees are flat-rate and do not vary by type of commercial vessel. In 1996, the annual FRC fee increased to \$50 (from \$20 for the Atlantic fisheries, and from \$10 for the Pacific fisheries). Average crew size by fleet, including the skipper, was obtained from DFO cost and earnings studies and industry representatives.
- **Conservation Stamp:** In 1997, the FRC fee in the Pacific fisheries increased to \$60 with the extra \$10 representing a "Commercial Fisheries Conservation Stamp" as a way of protecting and restoring fish habitat. The money from the stamp goes to the T. "Buck" Suzuki Foundation or the Pacific Salmon Foundation.

Vessel Registration

- A vessel that is to be used in commercial fishing must first be registered and obtain a vessel registration certificate. In the Atlantic Region, the vessel registration certificate is required on an annual basis as long as the vessel holds active licences. In the Pacific Region, the vessel registration certificate is required when the vessel is first registered and when it changes ownership. The fee increased to \$50 on both coasts in 1996, up from \$20 for the Atlantic fisheries and up from \$10 for the Pacific fisheries.

Cost Recovery Fees

Cost recovery charges cover primarily activities that DFO has the fleet undertake or pay for, either as a requirement (e.g., a condition of licence requiring dockside monitoring), or as part of a co-management agreement (e.g., collaborative agreement to pay for portion of fisheries management activities). Cost recovery fees captured by these criteria include harbour fees, ship safety inspection fees, and fisheries management fees. Cost recovery fees do not include charges for industry-funded activities such as advocacy and industry relations.

² The quota fee is not directly proportional due to an adjustment allowance introduced on the east coast in 1996 and on the west coast in 1999. A person holding 80 metric tonnes of quota and paying \$137 per metric tonne in license fees will pay \$10,960 minus the \$1,000 allowance for a net total of \$9,960 in license fees. A person holding twice the quota (160 metric tonnes) at \$137 per tonne will pay \$21,920 minus the \$1,000 allowance, giving a net total of \$20,920 in license fees. See Chapter IV, page 29 for further details on the application of the allowance.

Harbour Fees

- DFO Small Craft Harbours branch under the Authority of the Fishing and Recreational Harbours Act traditionally has been responsible for the construction, maintenance and day-to-day operation of commercial fishing harbours. DFO provides berthage (moorage), wharfage and other services (e.g., utilities) to commercial and recreational vessels.

Small Craft Harbour fees for vessel berthage depend on vessel length and duration of stay in the harbour, and not by type of commercial vessel. Fees have been charged since inception; fees for commercial fishing vessels tended to be set below cost, and smaller vessels were exempt.

The Fishing Harbour Authority Policy was adopted in 1987 as a way of devolving responsibility for Small Craft Harbours to local Harbour Authorities, and as a way of implementing cost recovery from industry. Since the late 1980s, the responsibility for many harbours, both on the Atlantic and Pacific coasts has been transferred to local Harbour Authorities.

In most instances, the new Harbour Authorities have been reluctant to increase rates to the commercial industry for moorage, but rates for others services have increased sharply. The result is that there has been only a modest increase in overall fees for services paid by the commercial fishing industry.

Harbour fees by fleet sector in this report are estimated based on the average vessel size within each fleet, the average number of days vessels are in the water, (based on the number of days associated with the fisheries and the number of vessels fishing in each fishery), and the number of eligible vessels which would require harbour services within each fleet. Information provided on fee schedules by Small Craft Harbours is also used to estimate harbour fees for each fleet. Officers in SCH regional offices also provided an indication of the proportion of vessels using services provided by Harbour Authorities and the average rates charged by Harbour Authorities. Harbour fees were calculated for each fleet and then reviewed with DFO SCH officials.

Ship Safety Inspection

- Under the Canada Shipping Act, non-passenger vessels must be inspected for safety to crew, seaworthiness, and other concerns. For a new vessel, an initial inspection must be conducted. A periodic inspection (every four years) for existing vessels must be conducted thereafter. Transport Canada fees for safety inspection of commercial vessels vary by gross tonnage, but not by type of commercial vessel.

Transport Canada fees for ship safety inspection have at least tripled over the past five years. Fees are based on gross tonnage of the vessel.

Ship safety inspection fees in this report are estimated by combining information received from Transport Canada (fee schedules and ship inspection period) with fleet-specific information from DFO (vessel length, average gross registered tonnage, and the percentage of eligible vessels within each size category within each fleet). For the smaller vessel fleets, ship safety inspection fees are divided by four since these fees are due only once every four years.

Fisheries Management Fees

- **Dockside Monitoring Fees:** The Dockside Monitoring Program (DMP) was established by DFO in 1989-90 to provide accurate and timely third-party monitoring of fish landings. At its inception, the DMP was part of a new policy initiative – the establishment of property-based or individual quota fisheries in what were previously competitive fisheries. In the ITQ fisheries, monitoring of individual landings is the key to fisheries management decision-making, whereas in the competitive fisheries, monitoring is focussed on global or fleet landings. In the initial years, DFO and HRD provided assistance to these operations. By the mid-1990s, DMP operated under full cost recovery. Service delivery was turned over to private sector companies operating on a commercial basis.

DMP fees can either be paid directly by individual fishery operations or they may be included in industry association fees. In some instances they are paid to DFO as a fisheries management surcharge on the licence fee.

DMP fees by fleet sector are derived in one of three ways in this report: where possible, directly from each of the third party contractors; estimated, using fees per tonne applied to total tonnes landed; and, estimated, using fees per trip applied to total trips. Landings and trips are obtained from DFO records.

- **At-Sea Observer Fees:** Observer fees are paid for the services rendered by registered observers onboard vessels while at sea. At-sea observer fees can either be paid directly by individual fishery operations or they may be included in industry association fees. The at-sea observer fee program in the Atlantic fisheries, initiated in 1977, was originally sponsored by the provincial government and then by DFO in 1978. The program was turned over to third party contractors in 1980.

At-sea observer fees are based on information obtained directly from the third party contractors. In the case of the Scotia Fundy Region, at-sea observer fees for the selected fleets were estimated by DFO officials.

- **Other Management Fees:** Other management fees include fees paid by fleets as part of a co-management agreement, (e.g., fees paid to fund research established under a collaborative agreement for the fleet). Estimated other management fees were taken directly from published DFO sources on research funds and other co-management fees paid by selected fleets under their collaborative agreements.

III.

FEE IMPACT ESTIMATES

1. METHODOLOGY

Our approach for assessing the financial burden of licence and fisheries management user fees involves a sequence of steps.

- Document which fisheries management activities industry pays for (through interviews and review of the Fishery Management Plan for each fishery).
- Collect information on the level of industry payments (from DFO Licensing and from interviews with DFO and other federal government agencies, industry associations and private sector contractors).
- Develop a profile of industry activity in terms of vessel participation, catches and landed value from DFO and other sources. For some fisheries, landed value is estimated by the consultants because DFO no longer compiles this information, (e.g., Pacific groundfish trawl), or because adjustments are needed to reflect market value of landings for integrated fleets (e.g., Atlantic offshore scallop and northern shrimp).
- Interview private sector contractors providing fisheries management services to industry. See Appendix A for a complete list of contacts. All user charges in the following section exclude the Goods and Services Tax (GST) and the Harmonized Sales Tax (HST), where applicable.
- As a general rule, those fleets with IQ management undertake more management activities than fleets operating under competitive fisheries management. For example, DFO often insists that industry pay for a dockside monitoring program (DMP) as a prerequisite for shifting from competitive to IQ fisheries management.

The financial impacts for each of the Atlantic and Pacific fleet sectors are set out in the following section. Impacts are summarized under four fee headings: licence, management, registration and services. The revenue impact of the licence fee for the main species fished by each fleet, as well as the total fee impact, are shown separately to facilitate comparisons across fleets. Chapter IV contains historical tables allowing comparisons of changes in fee impact over time.

2. IMPACT ON GROSS REVENUE: ATLANTIC FISHERIES

MARITIMES REGION (SCOTIA-FUNDY)

The fee impact is assessed for eight fleet sectors in the Scotia-Fundy Region. Brief descriptions of the fleet sectors and key impacts follow. Impacts are summarized in Table 2.

Competitive Fisheries

➤ **Fixed Gear <45', LFAs 27-30**

This fleet includes 578 vessels <45' in LFAs 27 to 30 (east side of Cape Breton) which actively fished lobster in 1997. Most operators also hold at least two other licences: groundfish, and either mackerel or swordfish. About 20% of the fleet also holds crab licences. Total fees in 1997 were just under \$730,000 or about 3.2% of landed value. The licence fee for lobster, the main species, was 1.7% of landed value.

➤ **Fixed Gear <45', LFA 34**

This fleet includes 974 vessels <45' in LFA 34 (southwest Nova Scotia) for which lobster accounts for more than 50% of landed value. Most operators also hold at least two of the following licences: groundfish, swordfish, herring or mackerel. Fees in 1997 were just over \$2.7 million or about 1.9% of landed value. The fee for lobster, the main species, was 1.4% of landed value.

➤ **Fixed Gear <45', LFA 35**

This fleet includes 94 vessels <45' in LFA 35 (southwest Nova Scotia) for which lobster accounts for more than 50% of landed value. Many operators also hold at least one of the following licences: groundfish, scallop or herring. Fees in 1997 were just over \$89,000 or about 0.9% of landed value. The licence fee for lobster, the main species, was 0.1% of landed value.

➤ **Fixed Gear <45', Area 4X**

This fleet includes 260 long-line vessels <45' in Area 4X (southwest Nova Scotia) for which the combination of groundfish and swordfish accounts for more than 50% of landed value. Out of the 260 active vessels in this fleet, 31 vessels recorded swordfish landings.³ Many operators also hold at least one of the following licences: lobster, herring and mackerel. Fees in 1997 were just over \$635,000 or about 3.2% of landed value. The licence fee for groundfish, the main species, was 0.2% of landed value.

³ For the group that hold swordfish longline licenses, the swordfish license fee is 2.2% of swordfish landed value.

Table 2: 1997 Profile of the Scotia Fundy Commercial Fisheries User Fees - Selected Fleets

| | Fixed Gear <45' LFAs 27-30 | Fixed Gear <45' LFA 34 | Fixed Gear <45' LFA 35 | Fixed Gear <45' 4X | Mobile Gear <65' | Mobile Gear <65 ITQ Groundfish | Purse Seine Herring | Offshore Scallop (EA) |
|-------------------------------------|-------------------------------|---------------------------|---------------------------|-----------------------|---------------------|-----------------------------------|------------------------|--------------------------|
| Fleet Operations | | | | | | | | |
| Main Species | Lobster | Lobster | Lobster | Groundfish | Scallop | Groundfish | Herring | Scallop |
| No. Licences | 2,221 | 2,775 | 227 | 828 | 209 | 368 | 53 | 25 |
| No. Active Vessels | 578 | 974 | 94 | 260 | 81 | 135 | 30 | 25 |
| Landings (tonnes) | | | | | | | | |
| Main Species | 1,431 | 11,141 | 810 | 9,713 | 4,733 | 29,425 | 63,235 | 41,784 |
| Other Species | 2,153 | 13,111 | 198 | 1,120 | 342 | 3,301 | 0 | 222 |
| Total | 3,584 | 24,252 | 1,008 | 10,833 | 5,075 | 32,726 | 63,235 | 42,006 |
| Landed Value (\$) | | | | | | | | |
| Main Species | 15,652,884 | 125,511,735 | 9,941,795 | 13,759,379 | 10,566,010 | 34,269,067 | 7,671,643 | 89,670,225 |
| Other Species | 6,852,659 | 13,475,740 | 338,677 | 6,148,918 | 250,771 | 7,188,920 | 0 | 157,886 |
| Total | 22,505,543 | 138,987,475 | 10,280,472 | 19,908,297 | 10,816,781 | 41,457,987 | 7,671,643 | 89,828,111 |
| Fleet User Fees (\$) | | | | | | | | |
| Licence Fees | | | | | | | | |
| Main Species | 268,870 | 1,773,770 | 9,600 | 30,500 | 307,692 | 790,000 | 176,177 | 2,770,000 |
| Other Species | 120,316 | 256,012 | 16,915 | 105,060 | 7,480 | 206,885 | 1,420 | 0 |
| Total | 389,186 | 2,029,782 | 26,515 | 135,560 | 315,172 | 996,885 | 177,597 | 2,770,000 |
| Management Fees | | | | | | | | |
| Onboard Observers | 0 | 0 | 0 | 54,677 | 60,499 | 99,250 | 19,077 | 0 |
| Dockside Monitoring | 0 | 0 | 0 | 207,720 | 136,024 | 551,100 | 96,670 | 49,270 |
| Collaborative Agreement Fees | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 370,000 |
| Registration Fees | | | | | | | | |
| Fishers' Certificate | 59,245 | 121,625 | 10,810 | 59,800 | 21,060 | 21,600 | 10,500 | 21,250 |
| Vessel Registration | 28,900 | 48,650 | 4,700 | 13,000 | 4,050 | 6,750 | 1,500 | 1,250 |
| Services | | | | | | | | |
| Harbour Fees | 244,147 | 475,213 | 45,910 | 147,576 | 60,944 | 101,574 | 25,740 | 21,450 |
| Inspection Fees | 4,942 | 27,731 | 1,607 | 16,347 | 6,573 | 12,760 | 3,374 | 17,263 |
| Total User Fees Paid | 726,420 | 2,703,001 | 89,542 | 634,680 | 604,322 | 1,789,919 | 334,458 | 3,250,483 |
| All Species | | | | | | | | |
| Tot. Fees as % of Tot. Landed Value | 3.2% | 1.9% | 0.9% | 3.2% | 5.6% | 4.3% | 4.4% | 3.6% |
| Main Species | | | | | | | | |
| Licence Fees as % of Landed Value | 1.7% | 1.4% | 0.1% | 0.2% | 2.9% | 2.3% | 2.3% | 3.1% |

Source: DFO Catch Statistics data; interviews with DFO, industry associations, and private sector contractors.
A discussion of the fees contained in this table is found in the the report.

Prepared by: Gardner Pintold

Individual Quota Fisheries

➤ **Mobile Gear <65', Scallop**

This fleet includes 81 vessels <65' actively fishing scallop ITQ for the Bay of Fundy and for which scallops account for more than 50% of landed value. Many operators also hold groundfish and swordfish licences. Fees in 1997 were just over \$604,000 or about 5.6% of landed value. The licence fee for scallop, the main species, was 2.9% of landed value.

➤ **Mobile Gear <65', ITQ Groundfish**

This fleet includes 135 vessels <65' active in the ITQ groundfish fishery on the Scotian Shelf and Georges Bank. More than 135 ITQ vessels defined by activity. Many operators also hold one or more of swordfish, scallop, herring, mackerel and lobster licences. The license fees for this fleet includes groundfish licenses purchased from other fleets through temporary transfer of quota. Total fees in 1997 were just under \$1.8 million or about 4.3% of landed value. The licence fee for groundfish, the main species, was 2.3% of landed value.

➤ **Purse Seine Herring**

This fleet sector is comprised of 30 active purse seine vessels licenced to fish herring in the Scotia-Fundy area. This fleet is specialized. No other species are fished. Fees in 1997 were just over \$334,000 or about 4.4% of landed value. The licence fee was 2.3% of landed value.

➤ **Offshore Scallop**

This fleet sector is comprised of 25 draggers licenced to fish scallops on Georges Bank and the Scotian Shelf. This fleet is specialized, with minor quantities of other species caught as by-catch. Fees in 1997 were just over \$3.2 million or about 3.6% of landed value. Included in fees is a contribution to science and research of \$370,000. The licence fee was 3.1% of landed value.

LAURENTIAN REGION

The fee impact is assessed for five fleet sectors in the Laurentian Region. Brief descriptions of the fleet sectors and key impacts follow. Impacts are summarized in Table 3.

Competitive Fisheries

➤ Fixed Gear, Lobster, Gaspé

This fleet includes 231 active vessels licenced to fish lobster in the Gaspé for which lobster accounts for more than 50% of landed value. Many operators also hold one or more of snowcrab, mackerel, herring, groundfish and other crab licences. Fees in 1997 were just over \$120 thousand or about 1.4% of landed value. The licence fee for lobster, the main species, was 0.3% of landed value.

➤ Fixed Gear, Lobster, Magdalen

This fleet includes 328 active vessels licenced to fish lobster in the Magdalen Islands (LFA). Many operators also hold one or more of snowcrab, other crab, herring, mackerel and scallop licences. Fees in 1997 were just over \$420 thousand or about 1.9% of landed value. The licence fee for lobster, the main species, was 1.2% of landed value.

Individual Quota Fisheries

➤ Mobile Gear, >45', Shrimp

This fleet includes 47 active vessels holding ITQ to fish shrimp. Though this is a specialized fleet, about one-third of the vessels also hold groundfish licences. Fees in 1997 were just about \$925,000 or about 4.6% of landed value. The licence fee for shrimp, the main species, was 3.5% of landed value.

➤ Fixed Gear, ITQ Crab, Zone 13

This fleet includes 43 active vessels holding ITQ to fish crab in zone 13 for which crab accounts for more than 50% of landed value. Operators also hold one or more of scallop and groundfish licences. Fees in 1997 were just over \$120,000 or about 4.7% of landed value. The licence fee for crab, the main species, was 2.3% of landed value.

➤ Fixed Gear, ITQ Crab, Zone 17

This fleet includes 22 active vessels holding ITQ to fish crab in zone 17. Ten operators also held groundfish licences. Fees in 1997 were \$280 thousand or about 7.0% of landed value. The licence fee for crab, the main species, was 4.2% of landed value.

Table 3: 1997 Profile of the Laurentian Commercial Fisheries User Fees - Selected Fleets

| | Fixed Gear Lobster-Gaspe' | Fixed Gear Lobster, Magdalen | Mobile Gear >45' | Fixed Gear ITQ Crab Zone 13 | Fixed Gear ITQ Crab Zone 17 |
|-------------------------------------|------------------------------|---------------------------------|---------------------|--------------------------------|--------------------------------|
| Fleet Operations | | | | | |
| Main Species | Lobster | Lobster | Shrimp | Crab | Crab |
| No. Licences | 458 | 714 | 69 | 76 | 44 |
| No. Active Vessels | 231 | 328 | 47 | 43 | 22 |
| Landings (tonnes) | | | | | |
| Main Species | 722 | 1,890 | 11,034 | 877 | 1,150 |
| Other Species | 2,607 | 6,451 | 37 | 71 | 72 |
| Total | 3,329 | 8,341 | 11,071 | 948 | 1,222 |
| Landed Value (\$) | | | | | |
| Main Species | 7,384,753 | 19,556,298 | 19,965,941 | 2,430,906 | 3,871,169 |
| Other Species | 1,240,538 | 3,134,691 | 108,672 | 134,770 | 84,637 |
| Total | 8,625,291 | 22,690,989 | 20,074,613 | 2,565,676 | 3,955,806 |
| Fleet User Fees (\$) | | | | | |
| Licence Fees | | | | | |
| Main Species | 23,100 | 242,720 | 703,120 | 55,233 | 162,032 |
| Other Species | 22,700 | 38,600 | 2,300 | 7,420 | 2,720 |
| Total | 45,800 | 281,320 | 705,420 | 62,653 | 164,752 |
| Management Fees | | | | | |
| Onboard Observers | 0 | 0 | 55,268 | 13,382 | 63,096 |
| Dockside Monitoring | 0 | 0 | 115,150 | 30,600 | 47,180 |
| Other Management Fees | | 0 | 0 | 0 | 0 |
| Registration Fees | | | | | |
| Fishers' Certificate | 24,255 | 44,280 | 8,695 | 8,600 | 4,400 |
| Vessel Registration | 11,550 | 16,400 | 2,350 | 2,150 | 1,100 |
| Services | | | | | |
| Harbour Fees | 38,115 | 77,933 | 34,122 | 14,379 | 7,357 |
| Inspection Fees | 1,317 | 3,739 | 3,814 | 1,961 | 1,401 |
| Total User Fees Paid | 121,037 | 423,672 | 924,819 | 133,725 | 289,286 |
| All Species | | | | | |
| Tot. Fees as % of Tot. Landed Value | 1.4% | 1.9% | 4.6% | 5.2% | 7.3% |
| Main Species | | | | | |
| Licence Fees as % of Landed Value | 0.3% | 1.2% | 3.5% | 2.3% | 4.2% |

Source: DFO Catch Statistics data; interviews with DFO, industry associations, and private sector contractors.
A discussion of the fees contained in this table is found in the the report.

Prepared by: Gardner Pintold

GULF FISHERIES MANAGEMENT REGION

The fee impact is assessed for six fleet sectors in the Gulf. Brief descriptions of the fleet sectors and key impacts follow. Impacts are summarized in Table 4.

Competitive Fisheries

➤ Inshore Core

This fleet includes 3,413 active enterprises in Prince Edward Island, Gulf New Brunswick and Gulf Nova Scotia classified as Inshore Core for which lobster accounts for more than 50% of landed value. Many vessels also held herring and mackerel licences. Other licences held include scallop, tuna, snowcrab, and groundfish. Estimated license fees in 1997 were 1.7 million or about 0.1% of total landed value. The licence fee for lobster, the main species, was 0.65% of the landed value of lobster. Total fees in 1997 for this fleet were over \$2.9 million or about 1.6% of landed value.

Individual Quota Fisheries

➤ Midshore Area 12 ITQ Crab

This fleet includes 83 active midshore enterprises who hold Area 12 ITQ crab licences (excluding the shrimp landed values of the three crab vessels holding shrimp licences). This is a specialized fleet. In addition to license fees, this fleet signed a Co-management Agreement in 1997 with the federal government. Under this collaborative agreement, the crabbers voluntarily paid \$798,000 to the department, as well as \$143,000 for on-board observers, \$157,000 for dockside monitoring and \$2.6 million for the Solidarity Fund. In 1997, crab vessels in Area 12, Area 25 and Area 26 paid 15 cents per pound landed to the Solidarity Fund which helped plant workers and crew members. Total fees in 1997 for this fleet were just under \$4.8 million or about 12% of landed value. The licence fee for crab was 2.6% of landed value.

➤ Fixed Gear, Area 19 ITQ Crab

This fleet includes 74 active vessels holding Area 19 ITQ crab licences for which crab accounts for more than 50% of landed value. Other licences held include lobster, groundfish tuna and mackerel. The ITQ crab fleet in Area 19 paid additional management fees under the Collaborative Agreement. Total fees in 1997 were \$346,752 or about 3.6% of landed value. The licence fee for crab was 1.6% of landed value.

➤ Fixed Gear, Area 25/26 ITQ Crab

This fleet includes 30 active vessels for which crab accounts for more than 50% of landed value. Other licences held include herring, mackerel, tuna, shark and lobster licences. The ITQ crab fleet in Area 25 and Area 26 paid management fees under the Collaborative Agreement and under the Solidarity Fund. In 1997, total fees were about \$415 thousand or about 8.5% total landed value. The licence fee for crab was 1.9% of landed value.

➤ **Purse Seine Herring**

This fleet includes six Gulf-based enterprises licenced to fish herring using purse seine licences. This is a specialized fleet. Fees in 1997 were \$65,000 or about 3.9% of landed value. The licence fee was 2.9% of landed value.

➤ **Mobile Gear Shrimp**

This fleet includes 17 enterprises. Included in the management fees for this fleet are additional fees paid under the Collaborative Agreement. Total fees in 1997 were \$391,000 or about 5.6% of landed value. The licence fee was 4.3% of landed value.

Table 4: 1997 Profile of Gulf (Maritimes) Commercial Fisheries User Fees - Selected Fleets

| | Inshore Core (Lobster) | Midshore Area 12 (ITQ Crab) | Area 19 (ITQ Crab) | Area 25/26 (Crab) | Purse Seine (Herring) | Mobile Gear (Shrimp) |
|-------------------------------------|---------------------------|--------------------------------|-----------------------|----------------------|--------------------------|-------------------------|
| Fleet Operations: | | | | | | |
| Main Species | Lobster | Crab | Crab | Crab | Herring | Shrimp |
| Total Licences | 21,840 | 132 | 459 | 209 | 6 | 34 |
| No. Active Vessels | 3,413 | 83 | 74 | 30 | 6 | 17 |
| Landings (tonnes) | | | | | | |
| Main Species | 16,770 | 7,977 | 1,249 | 697 | 10,800 | 4,727 |
| Other Species | 54,319 | 285 | 919 | 703 | 0 | 49 |
| Total | 71,089 | 8,262 | 2,168 | 1,400 | 10,800 | 4,776 |
| Landed Value (\$) | | | | | | |
| Main Species | 153,315,000 | 38,905,000 | 6,456,042 | 3,384,267 | 1,668,000 | 6,976,000 |
| Other Species | 29,982,079 | 408,405 | 3,182,654 | 1,496,425 | 0 | 73,481 |
| Total | 183,297,079 | 39,313,405 | 9,638,696 | 4,880,692 | 1,668,000 | 7,049,481 |
| Fleet User Fees (\$) | | | | | | |
| Licence Fees | | | | | | |
| Main Species | 999,130 | 1,009,849 | 102,564 | 65,488 | 48,000 | 297,346 |
| Other Species | 724,120 | 17,333 | 27,405 | 13,636 | 0 | 511 |
| Total | 1,723,250 | 1,027,182 | 129,969 | 79,124 | 48,000 | 297,857 |
| Management Fees | | | | | | |
| Onboard Observers | 0 | 143,118 | 20,113 | 25,463 | 532 | 25,768 |
| Dockside Monitoring | 82,335 | 157,133 | 22,487 | 13,708 | 5,670 | 31,316 |
| Collaborative Agreement Fees | 0 | 798,092 | 121,600 | 51,240 | 0 | 15,000 |
| Solidarity Fund | | 2,637,938 | | 230,486 | | |
| Registration Fees | | | | | | |
| Fishers' Certificate | 426,625 | 16,600 | 9,990 | 4,050 | 2,100 | 3,613 |
| Vessel Registration | 170,650 | 4,150 | 3,700 | 1,500 | 300 | 850 |
| Services | | | | | | |
| Harbour Fees | 511,950 | 20,816 | 35,520 | 7,920 | 3,168 | 9,724 |
| Inspection Fees | 38,908 | 3,785 | 3,374 | 1,368 | 5,127 | 6,982 |
| Total User Fees Paid | 2,953,718 | 4,808,813 | 346,752 | 414,859 | 64,897 | 391,109 |
| All Species | | | | | | |
| Tot. Fees as % of Tot. Landed Value | 1.6% | 12.2% | 3.6% | 8.5% | 3.9% | 5.5% |
| Main Species | | | | | | |
| Licence Fees as % of Landed Value | 0.7% | 2.6% | 1.6% | 1.9% | 2.9% | 4.3% |

Source: DFO Catch Statistics data; interviews with DFO, industry associations, and private sector contractors.
A discussion of the fees contained in this table is found in the the report.

Prepared by: Gardner Pinfold

NEWFOUNDLAND REGION

Seven fleet sectors were examined in the Newfoundland region. A brief description of the fleet sectors follow. Impacts are summarized in Table 5.

Competitive Fisheries

➤ **Small supplementary crab, 3KL**

This fleet includes 349 active vessels in 3KL holding supplementary crab licences plus others. Total fees in 1997 were just over \$1.1 million or about 3.7% of landed value. The licence fee for crab was 2.0% of landed value.

➤ **Core 3PS, <35'**

This fleet includes 802 active vessels fishing lobster licences. Total fees in 1997 were just over \$631,000 or about 3.6% of landed value. The licence fee for lobster was 1.5% of landed value.

➤ **Core 2J3KL, <35'**

This fleet includes 1,982 active enterprises in 2J3KL classified as Core. The fleet is multi-species, with crab, lobster, and caplin the main licences held. Total fees in 1997 were just over \$1.2 million or about 5.8% of landed value. The licence fee for crab was 2.3% of landed value.

➤ **Core 4R, <35'**

This fleet includes an estimated 962 active enterprises fishing mainly lobster. Total fees in 1997 were just over \$466,000 or about 2.9% of landed value. The licence fee for lobster was 0.9% of landed value.

Individual Quota Fisheries

➤ **Large supplementary crab, 3KL**

This fleet includes an estimated 251 large enterprises holding supplementary crab licences plus a variety of other licences. Fees in 1997 were just under \$1.3 million or about 2.9% of landed value. The licence fee for crab was 1.9% of landed value.

➤ **Shrimp 4R**

This fleet includes 41 enterprises fishing mainly shrimp licences. Fees in 1997 were just over \$295,000 or about 3.4% of landed value. The licence fee for shrimp was 2.4% of landed value.

➤ **Shrimp, >100'**

This fleet includes 17 specialized vessels fishing Northern Shrimp. Additional fees related to product export certifications, plant inspection, radio licences and the Oil Response Program are included for this fleet since the landed value is a final product (processed) value.⁴ Total fees paid by this fleet in 1997 were just over \$3.7 million or about 2.5% of landed value. The licence fee for shrimp was roughly 1.8% of landed value.

⁴ The additional fees paid by this fleet in 1997 are broken down as follows: product export certifications (\$17,000), plant inspection (\$26,000), radio licences (\$1,000), and the Oil Response Program (\$6,000), for a combined total of \$50,000 in 1997. These fees are assigned to Other Service Fees in Table 5 in this report.

Table 5: 1997 Profile of the Newfoundland Commercial Fisheries User Fees - Selected Fleets (Active Core Enterprises)

| | Small Supplementary Crab 3KL | Large Supplementary Crab 3KL | Core 3PS <35' | Core 2J3KL < 35' | Core 4R <35' | Shrimp 4R | Shrimp >100' |
|-------------------------------------|------------------------------------|------------------------------------|------------------|---------------------|-----------------|----------------|------------------|
| Fleet Operations | | | | | | | |
| Main Species | Crab | Crab | Lobster | Crab | Lobster | Shrimp | Shrimp |
| No. Licences | 2,724 | 2,105 | 3,480 | 13,524 | 5,004 | 265 | 17 |
| No. Active Enterprises | 349 | 251 | 802 | 1,982 | 962 | 41 | 17 |
| Landings (tonnes) | | | | | | | |
| Main Species | 10,951 | 12,861 | 1,905 | 5,448 | 903 | 4,278 | 39,368 |
| Other Species | 12,869 | 20,832 | 7,881 | 13,480 | 6,407 | 416,176 | 0 |
| Total | 23,820 | 33,692 | 9,786 | 18,928 | 7,310 | 420,454 | 39,368 |
| Landed Value (\$) | | | | | | | |
| Main Species | 21,702,321 | 25,779,004 | 3,708,615 | 10,785,935 | 9,428,582 | 6,790,063 | 149,598,400 |
| Other Species | 8,059,630 | 19,484,845 | 13,843,393 | 10,305,396 | 6,411,657 | 2,001,957 | 0 |
| Total | 29,761,951 | 45,263,849 | 17,552,008 | 21,091,331 | 15,840,239 | 8,792,020 | 149,598,400 |
| Fleet User Fees (\$) | | | | | | | |
| Licence Fees | | | | | | | |
| Main Species | 436,568 | 483,594 | 56,035 | 251,002 | 82,954 | 160,724 | 2,684,640 |
| Other Species | 85,846 | 74,085 | 188,627 | 324,694 | 123,662 | 8,173 | 0 |
| Total | 522,414 | 557,679 | 244,661 | 575,696 | 206,616 | 168,897 | 2,684,640 |
| Management Fees | | | | | | | |
| Onboard Observers | 63,240 | 87,750 | 2,300 | 12,107 | 1,950 | 30,750 | 920,496 |
| Dockside Monitoring | 349,821 | 412,122 | 169,901 | 223,706 | 74,641 | 59,401 | 0 |
| Other Management Fees | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Registration Fees | | | | | | | |
| Fishers' Certificate | 61,075 | 62,750 | 80,200 | 198,200 | 91,390 | 8,200 | 14,950 |
| Vessel Registration | 33,778 | 23,448 | 60,287 | 156,396 | 69,881 | 2,897 | 650 |
| Services | | | | | | | |
| Harbour Fees | 74,400 | 127,512 | 74,175 | 62,425 | 21,920 | 20,828 | 0 |
| Inspection Fees | 5,700 | 22,496 | 0 | 0 | 0 | 3,675 | 36,000 |
| Other Service Fees | 0 | 0 | 0 | 0 | 0 | 0 | 50,000 |
| Total User Fees Paid | 1,110,428 | 1,293,757 | 631,524 | 1,228,530 | 466,398 | 294,648 | 3,706,736 |
| All Species | | | | | | | |
| Tot. Fees as % of Tot. Landed Value | 3.7% | 2.9% | 3.6% | 5.8% | 2.9% | 3.4% | 2.5% |
| Main Species | | | | | | | |
| Licence Fees as % of Landed Value | 2.0% | 1.9% | 1.5% | 2.3% | 0.9% | 2.4% | 1.8% |

Source: DFO Catch Statistics data; interviews with DFO, industry associations, and private sector contractors.
A discussion of the fees contained in this table is found in the the report.

Prepared by: Gardner Pinfold

3. IMPACT ON GROSS REVENUE: PACIFIC FISHERIES

Overview

This section presents the core analyses of the financial impacts of access fees, fisheries management fees and other fees for each of the fleet sectors under consideration in the Pacific Region. Impacts are summarized in Table 6.

Competitive Fisheries

➤ Salmon Seine “AS” Licensed Fleet

Licence Fees: There are two classes of salmon seine licences, "full fee" and "reduced fee". Native vessel owners may elect to pay the reduced fee, but doing so restricts any future transfer of the licence to another native.

Full fee salmon seine licence increased in price from \$1,600 in 1994 and 1995, to \$3,675 in 1996, and then to \$5,750 in 1997 and \$3,880 in 1998. The seine fleet paid a total of \$2,683,000 in licence fees into the Consolidated Revenue Fund (CRF) in 1997. This amount represents about 5.8% of the estimated \$46 million in landed value.

Fisheries Management Fees: The salmon seine fleet did not pay for fisheries management services in 1997.

Total Fees: Total licence, fisheries management, registration and service fees amounted to \$2,986,000 or 6.5 percent of the \$46 million landed value for the salmon seine fleet.

➤ Salmon Gillnet “AG” and “N” Licensed Fleets

Licence Fees: Salmon gillnet licence fees are differentiated by vessel length and by full and reduced fee licence status.

Full fee salmon gillnet licences increased in price from \$400 in 1994 and 1995 for a vessel under 9.14 metres in length, to \$565 in 1996, and then to \$730 in 1997 and \$430 in 1998. The analogous prices for licences attached to vessels 9.14 metres or longer were \$800 in 1994 and 1995, \$1095 in 1996, and \$1,390 in 1997 and \$710 in 1998. A total of \$2,254,000 in licence fees were paid into the CRF in 1997, This represents about 6.6 percent of the estimated \$34 million in landed value.

Fisheries Management Fees: In 1997, the Area D Salmon Gillnetters Association paid for an in-season test fishery in Johnstone Strait through foregoing catch in the regular commercial fishery. The intent was to test the efficacy of "Alaska twist" gear and to monitor associated by-catch of coho and steelhead. The research program involved a patrol vessel, a logbook program and some onboard observers.

Table 6: 1997 Profile of the Pacific Commercial Fisheries User Fees - Selected Fleets

| | Salmon | | | | Roe Herring | | | Shrimp | Prawn | Crab | Halibut | Sablefish | GF Trawl | Geoduck |
|-------------------------------------|--------------|--------------|--------------|--------------|-------------|------------|--------------|------------|------------|------------|--------------|--------------|--------------|--------------|
| | Seine | Gillnet | Troll | All | Seine | Gillnet | All | | | | | | | |
| Fleet Operations | | | | | | | | | | | | | | |
| Main Species | Salmon | Salmon | Salmon | Salmon | Herring | Herring | Herring | Shrimp | Prawn | Crab | Halibut | Sablefish | GF | Geoduck |
| No. Licences | 488 | 2,080 | 990 | 3,558 | 252 | 1,301 | 1,553 | 249 | 257 | 224 | 435 | 48 | 142 | 55 |
| No. Active Vessels | 365 | 1,703 | 813 | 2,881 | 105 | 415 | 520 | 220 | 227 | 213 | 263 | 23 | 90 | 38 |
| Landings (tonnes) | | | | | | | | | | | | | | |
| Main Species | 25,500 | 14,390 | 8,760 | 48,650 | 19,206 | 12,033 | 31,239 | 3,100 | 1,879 | 3,943 | 5,589 | 3,893 | 128,900 | 1,796 |
| Other Species (1)* | | | | | | | | | | | | | | |
| Total | 25,500 | 14,390 | 8,760 | 48,650 | 19,206 | 12,033 | 31,239 | 3,100 | 1,879 | 3,943 | 5,589 | 3,893 | 128,900 | 1,796 |
| Landed Value (\$) | | | | | | | | | | | | | | |
| Main Species | 46,000 | 34,100 | 29,600 | 109,700 | 21,200 | 16,200 | 37,400 | 7,100 | 26,974 | 28,740 | 41,600 | 32,000 | 48,000 | 33,700 |
| Other Species (1)* | | | | | | | | | | | | | | |
| Total | 46,000 | 34,100 | 29,600 | 109,700 | 21,200 | 16,200 | 37,400 | 7,100 | 26,974 | 28,740 | 41,600 | 32,000 | 48,000 | 33,700 |
| Fleet User Fees (\$000) | | | | | | | | | | | | | | |
| Licence Fees | | | | | | | | | | | | | | |
| Main Species | 2,683 | 2,254 | 1,327 | 6,264 | 899 | 230 | 1,129 | 25 | 85 | 130 | 1,187 | 565 | 1,133 | 194 |
| Other Species (1)* | | | | | | | | | | | | | | |
| Total | 2,683 | 2,254 | 1,327 | 6,264 | 899 | 230 | 1,129 | 25 | 85 | 130 | 1,187 | 565 | 1,133 | 194 |
| Management Fees | | | | | | | | | | | | | | |
| Onboard Observers | 0 | (2)* | 0 | 0 | 0 | 0 | 0 | 75 | 0 | 0 | 0 | 21 | 1,919 | 172 |
| Dockside Monitoring | 0 | (2)* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 368 | 102 | 615 | 282 |
| Other Management Fees | 0 | 260 | 0 | 260 | 29 | 24 | 53 | 95 | 345 | 35 | 475 | 548 | 0 | 983 |
| Registration Fees | | | | | | | | | | | | | | |
| Fishers' Certificate | 122 | 251 | 110 | 483 | 7 | 12 | 19 | 10 | 17 | 22 | 13 | 6 | 18 | 6 |
| Vessel Registration | 1.4 | 7.2 | 2.5 | 11.1 | 0.1 | 0.2 | 0.3 | 0.6 | 0.6 | 0.7 | 0.2 | 0.1 | 0.3 | 0.1 |
| Services | | | | | | | | | | | | | | |
| Harbour Fees | 150 | 850 | 500 | 1,500 | 15 | 60 | 75 | 55 | 95 | 90 | 55 | 10 | 40 | 30 |
| Inspection Fees | 30 | 90 | 40 | 160 | 10 | 15 | 25 | 10 | 10 | 10 | 20 | 5 | 10 | 2 |
| Total User Fees (\$000) | 2,986 | 3,712 | 1,980 | 8,678 | 960 | 341 | 1,301 | 271 | 553 | 288 | 2,118 | 1,257 | 3,735 | 1,619 |
| All Species | | | | | | | | | | | | | | |
| Tot. Fees as % of Tot. Landed Value | 6.5% | 10.9% | 6.7% | 7.9% | 4.5% | 2.1% | 3.5% | 3.8% | 2.0% | 1.0% | 5.1% | 3.9% | 7.8% | 4.8% |
| Main Species | | | | | | | | | | | | | | |
| Licence Fees as % of Landed Value | 5.8% | 6.6% | 4.5% | 5.7% | 4.2% | 1.4% | 3.0% | 0.4% | 0.3% | 0.5% | 2.9% | 1.8% | 2.4% | 0.6% |

Source: DFO Catch Statistics data; interviews with DFO, industry associations, and private sector contractors.

Prepared by GS Gislason & Associates

(1)* Landings and fee data for main species only.

(2)* Included in Other Management Fees.

The program was funded mainly through the sale of 35,900 sockeye and 3,800 other salmon caught in the test fishery (DFO also paid part of the cost of the research program), the monies from which went into a trust account to fund the initiative.

The value of the foregone catch was approximately \$260,000 or 0.8 percent of the estimated \$34 million salmon gillnet landed value in all three gillnet management areas (no industry-funded experiments occurred in the other two areas).

Total Fees: Total licence, fisheries management, registration and service fees amounted to \$3,712,000 or 10.9 percent of the \$34 million landed value for the salmon gillnet fleet.

➤ **Salmon Troll “AT” Licensed Fleet**

Licence Fees: Salmon troll licence fees are differentiated by vessel length and by full and reduced fee licence status. Full fee salmon troll licences increased in price from \$400 in 1994 and 1995 for a vessel under 9.14 metres in length, to \$565 in 1996, and then to \$730 in 1997 and \$430 in 1998. The analogous prices for licences attached to vessels 9.14 metres or longer were \$800 in 1994 and 1995, \$1,095 in 1996, and \$1,390 in 1997 and \$710 in 1998. A total of \$1,327,000 in licence fees was paid into the CRF in 1997. This amount represents 4.5 percent of the estimated \$30 million in landed value.

Fishery Management Fees: The salmon troll fleet did not pay for fishery management services in 1997.

Total Fees: Total licence, fisheries management, registration and service fees amounted to \$1,980,000 or 6.7 percent of the \$30 million landed value for the salmon troll fleet.

➤ **Roe Herring Seine “HS” Licensed Fleet**

Licence Fees: There are two classes of roe herring seine licences, "full fee" and "reduced fee". Native licence holders may elect to pay the reduced fee, but doing so restricts any future transfer of the licence to another native.

Full fee roe herring seine licences increased in price from \$2,000 in 1994 and 1995 to \$3,980 in 1996 and 1997. A total of \$899,000 in licence fees was paid into the CRF by the fleet in 1997. This amount represents about 4.2 percent of the estimated \$21 million landed value.

Fisheries Management Fees: The roe herring seine and gillnet fleets did not pay for fisheries management services until 1996, when they agreed to pay for several activities DFO had discontinued.

In the fall of 1995, the Herring Conservation Research Society (HCRS) was formed to sponsor, in collaboration with DFO, herring research programs. HCRS activities are funded by an explicit allocation of 200 tonnes of herring, from the overall Total Allowable Catch (TAC) that the organization is free to catch and sell. The HCRS receives money from the sale of "overages" from the test or pool fisheries and these serve as the first component of the 200

tonne allocation. If the overages are less than 200 tonnes, then the HCRS can conduct a fishery to make up the difference.

In 1996 and 1997, the HCRS received \$286,000 and \$53,000 respectively, from the sale of overages (they did not conduct a separate fishery).

In 1998, DFO implemented pool fisheries in several management areas with the requirement that industry fund a dockside monitoring program (DMP) in these areas. As part of the 1999 Herring Management Plan, DFO implemented mandatory pooling in all areas. As a result, DMP costs borne by industry increased.

For our purposes we allocate 55% of the HCRS funding to the seine sector as the seine gillnet allocation split is 55:45. The resulting \$29,000 in 1997 represents 0.1% of the estimated \$21 million in landed value for the year.

Total Fees: Total licence, fisheries management, registration and service fees amounted to \$960,000 or 4.5 percent of the \$21 million landed value for the roe herring seine fleet.

➤ **Roe Herring Gillnet “HG” Licenced Operations**

Licence Fees: Roe herring gillnet licence fees are differentiated by full fee and reduced fee licences. Full fee roe herring gillnet licences have stayed at the same \$200 level over the 1994 to 1997 period. A total of \$230,000 in licence fees was paid into the CRF by the fleet in 1997. This amount represents about 1.4 percent of the estimated \$16 million landed value.

Fisheries Management Fees: The fisheries management activities for the roe herring gillnet fleet is funded through the HCRS, described above.

For our purposes, we allocate 45 percent of the HCRS funding to the gillnet sector as the seine gillnet allocation split is 55:45. The resulting \$24,000 in 1997 represents 0.1 percent of the estimated \$16 million in landed value for the year.

Total Fees: Total licence, fisheries management, registration and service fees amounted to \$341,000 or 2.1 percent of the \$16 million landed value for the roe herring gillnet fleet.

➤ **Shrimp Trawl “S” Licensed Fleet**

Licence Fees: The flat rate fee for shrimp trawl licences was \$10 per licence in 1994 and 1995, and \$100 per licence thereafter. A total of \$25,000 in shrimp licence fees was paid into the CRF in 1997, or 0.4 percent of the estimated \$7.1 million in landed value.

Fisheries Management Fees: Until 1997, the shrimp fleet paid only for logbooks as a fisheries management fee. In 1997, Pacific Coast Shrimpers' Cooperative Association (PCSCA) levied its members to pay for: a hail-in and hail-out system, onboard observers in specific times/areas to monitor by-catch and fishing areas, and a catch records system.

Total user fees for fisheries management paid by the shrimp fleet amounted to \$170,000 in 1997. This represents about 2.4 percent of the \$7.1 million in landed value.

Total Fees: Total licence, fisheries management, registration and service fees amounted to \$271,000 or 3.8 percent of the \$7 million landed value for the shrimp trawl fleet.

➤ **Prawn Trap “W” Licensed Fleet**

Licence Fees: Prior to 1996, prawn licence holders paid \$200 per licence. In 1996 and 1997, the licence fee varied by the trap limit option chosen - \$320 per licence for those choosing the 300 trap option and \$480 per licence for those choosing the 450 trap option (in 1998 the licence fee became \$320 for all licence holders).

Prawn licence holders paid a total of \$85,000 in licence fees into the CRF in 1997. This represents about 0.3 percent of the \$27 million in landed value.

Fisheries Management Fees: In 1994 and 1995, prawn licence holders paid only for logbooks and logbook data processing. In 1996 and 1997, licence holders also paid \$1,135 per licence to DFO which, under a TB offset agreement, DFO used to pay trap tags, charter vessels to enforce trap limitation and to undertake fisheries management activities, and some other fisheries management.

Total Fees: Total licence, fisheries management, registration and service fees amounted to \$553,000 or 2.1 percent of the \$27 million landed value for the prawn trap fleet.

➤ **Crab Trap “R” Licensed Fleet**

Licence Fees: Crab licence holders paid a flat fee of \$200 per licence in 1994 and 1995, and \$590 thereafter. The fleet paid \$130,000 in licence fees in 1997, or 0.5 percent of the \$29 million in landed value.

Fisheries Management Fees: The fleet directly pays only for logbooks and logbook data processing, and for trap tags. In 1997, crab licence holders paid an estimated \$33,000 to a private sector contractor for these services, or 0.1 percent of fleet landed value.

Total Fees: Total licence, fisheries management, registration and service fees amounted to \$288,000 or 1.0 percent of the \$29 million landed value for the crab trap fleet.

Individual Quota Fisheries

➤ Halibut “L” Licensed Fleet

Licence Fees: Halibut Licence holders pay both a flat rate licence fee and a quota licence fee (the halibut fishery went to IQ management in 1991).

The flat rate fee has been \$250 per licence in each of the years 1994 to 1997. The quota licence fee has been \$220.30 per tonne of halibut quota holding since 1996. (There was no quota licence prior to 1996.) This fee will increase to \$310 per tonne of quota in 1999. In 1997, halibut licence holders paid \$1,187,000 in licence fees, or 2.9 percent of the \$42 million in halibut landed value in the year.

Fisheries Management Fees: Halibut licence holders pay for a variety of fisheries management services - dockside monitoring, enforcement, fisheries management, biological surveys, etc.

Since 1993, licence holders have paid a fee of \$144.70 per tonne of halibut quota to DFO, who, under a Treasury Board (TB) offset agreement, then funds the fisheries management activities. In 1997, these funds amounted to \$843,000 or 2.1 percent of the \$38 million halibut landed value.

Total Fees: Total licence, fisheries management, registration and service fees amounted to \$2,118,000 or 5.1 percent of the \$42 million landed value for the halibut fleet.

➤ Sablefish “K” Licensed Fleet

Licence Fees: Sablefish licence holders presently pay only a quota licence fee (in 1994 and 1995 they paid a \$10 flat rate fee). The sablefish fishery went to IQ management in 1990.

The quota licence fee has been \$127 per tonne of sablefish quota since 1996 (it will increase to \$241 per tonne of quota in 1999). In 1997, sablefish licence holders paid \$565,000 in licence fees, or 1.8 percent of the \$32 million in sablefish landed value.

Fisheries Management Fees: Sablefish licence holders pay for a variety of fisheries management services - dockside monitoring, onboard observers in the Seamount fishery, enforcement, stock assessment, fisheries management, etc.

Licence holders pay the Pacific Black Cod Fishermen's Association a fee or levy per tonne of sablefish quota. The Association then contracts for the fisheries management services. In 1997, sablefish licence holders paid \$671,000 for fisheries management services, or 2.1 percent of the \$32 million in landed value for the year. The amount excludes any Association expenditures on advocacy and/or industry relation activities.

Total Fees: Total licence, fisheries management, registration and service fees amounted to \$1,257,000 or 3.9 percent of the \$32 million landed value for the sablefish fleet.

➤ **Groundfish Trawl “T” Licenced Fleet**

Licence Fees: Groundfish trawl licence holders pay both a flat rate licence fee and a quota licence fee (the groundfish trawl fishery went to IQ management in 1997).

The licence fee was \$10 per licence in 1994 and 1995. In 1996, the licence fee changed to \$500 per licence and per tonne fees of: \$15 for rockfish, \$16 for soles, \$16 for lingcod, \$7.50 for pollock and \$4 for hake. Although in 1996 groundfish trawl was not an individual quota fishery, the per-tonne charges were felt to be appropriate for the fishery. The groundfish trawl fishery moved to individual quota management midway through 1997. The \$1,133,000 in licence fees paid in 1997 represent 2.4 percent of the \$48 million in landed value for the year.

Fisheries Management Fees: The industry has paid for dockside monitoring services since 1994, but it was not until 1996 that the DMP covered all groundfish trawl deliveries. In 1994 and 1995, DFO paid part of the DMP costs for the fishery.

Since the fall of 1995, onboard observers to monitor catch by fishing area have been mandatory for the groundfish trawl fishery. In 1997, industry paid \$1,919,000 for onboard observers. Individual operators pay a private contractor directly for both dockside monitoring and observer services. DFO covers some of the cost of the observer program.

The combined user fees for dockside monitoring and observers in 1997 were \$2,534,000 or 5.3 percent of the \$48 million landed value.

Total Fees: Total licence, fisheries management, registration and service fees amounted to \$3,735,000 or 7.8 percent of the \$48 million landed value for the groundfish trawl fleet.

➤ **Geoduck “G” Licenced Fleet**

Licence Fees: Since 1996, geoduck licence holders have paid only a quota licence fee (in 1994 and 1995, they paid a \$10 flat rate fee). The geoduck fishery went to IQ management in 1989.

The quota licence fee has been \$108 per tonne of geoduck quota since 1996 (it will increase to \$252 in 1999). In 1997, geoduck licence holders paid \$194,000 in quota licence fees. This represents about 0.6 percent of the \$34 million landed value.

Fisheries Management Fees: Geoduck licence holders pay for a wide variety of fishery management services dockside monitoring, a patrol vessel on the North Coast, onboard observers in certain areas, biological survey work, water quality testing and biotoxin sampling costs, and other stock assessment and fisheries management activities.

Licence holders pay the Underwater Harvesters Association a fee or levy per tonne of geoduck quota. The Association then contracts for the fisheries management services. In 1997, geoduck licence holders paid \$1,387,000 for fisheries management services, or 4.1 percent of the \$31 million in landed value for the year. The amount excludes any association expenditures on advocacy and/or industry relations activities.

Total Fees: Total licence, fisheries management, registration and service fees amounted to \$1,619,000 or 4.8 percent of the \$34 million landed value for the geoduck fleet.

IV.

USER FEES IN PERSPECTIVE

1. FEE INCREASES IN 1996

Licence fees jumped in 1996 as for the first time DFO attempted to base licence fees on the average landed values of 1990-1993. (DFO phased in the salmon licence fee increases over two years.) Subject to some minor modifications since 1996, the new DFO licence fee structures are:

| Competitive Fisheries | ITQ/IQ Fisheries |
|--|--|
| A flat fee for the first \$25,000 in fleet average landed value: <ul style="list-style-type: none">➤ \$30 fee if less than \$1,000 landed value, and➤ \$100 if between \$1,000 and \$25,000 landed value; | A flat fee per tonne of quota held, where the overall fee level is determined by total quota value. Quota value is determined by price per tonne times the total tonnage of the quota. There is also a \$1,000 reduction for average landed values over \$2,500 and a 40% reduction for those with average landed values less than \$2500. |
| Plus 3% of the next \$75,000 in average landed value; | Plus 3% of the total quota value if the total is less than \$50,000* |
| Plus 5% of anything over \$100,000 in average landed value | Plus 5% of any quota value over \$50,000* |

* For Pacific fisheries, the fee was 5% of quota value, regardless of size of quota, less a credit for fleet contributions to identified DFO stock assessment and management activities.

The suite of fees (for most fisheries, only access fees were collected – licence, vessel registration and fishers’ certificate fees) was not only increased in 1996, but also expanded to include the cost-recovery fees (fisheries management and services) outlined in Chapter II. This caused the overall fee level to rise, in absolute and relative terms.

Over time, relative impacts have changed both within and across fleet sectors. This is due mainly to the impact of the licence fee, the largest component of overall fees for all fisheries. Initial fee levels were established (and fixed) relative to landed value in a specified base period. While fees remain fixed, landed values have changed. For competitive fisheries, 1990-93 formed the base period for landed average values. For the IQ/ITQ fisheries, 1990-93 formed the base period for the average price.

Several observations are possible from the figures in Tables 2 to 6, and also from the comparative figures in Tables 7 and 8, below:

- Prior to the fee increases of 1996, most fleets were subject only to access fees.
- Access fees reduced gross income by less than one-half of one percent in most cases.
- The absolute level of fees has increased as the industry has taken on a greater role in paying for management and services. There is wide inter-fleet variation in the impact of total fees. The variation is greatest on the Pacific, with impacts ranging from 1 to 10%. On the Atlantic, the variation ranges from about 2 to 5% (three of 25 fleets exceed 5%).
- The licence fee continues to be the largest single fee for all but three of the 37 fleets, and in most cases *exceeds the total of all other applicable fees*.
- After licence fees, dockside monitoring has the greatest impact on revenues.
- The relative level of licence fees within fleets has shifted as landed value has changed from the base period level.
- For the Atlantic fleet sectors, the rise in landed value (1997 vs. base period) results in a drop in the *relative* impact of licence fees in virtually all cases (Table 7, Col. 3 vs. Col. 2). The drop is particularly evident among shellfish fleet sectors.
- For some Atlantic fleet sectors, landed values have increased to such an extent that the 1997 impact of *total* fees is less than the initial impact of licence fees alone (Col. 4 vs. 2).
- For the Pacific fleet sectors, the rise in landed value is confined to groundfish and certain shellfish fisheries (1997 vs. 1990-93), resulting in a drop in the *relative* impact of licence fees in these cases (Table 8, Col. 3 vs. Col. 2). By contrast, the impact of licence fees for the salmon and herring fleets has increased due to the sharp drop in landed values in the second half of the 1990s.
- The relative impact of fees across fleets has also changed with the changing fortunes of the fisheries. Fleet sectors enjoying rising landed values are seeing fee impacts drop relative to other fleets, and conversely, those experiencing declining revenues are facing relatively higher fee impacts. By not linking licence fee levels directly to current landed values, an important element of inter-fleet equity is missing from the licence fee formula.

| Table 7 | | | | |
|---|--|--|--|---|
| Impact of Fees on Gross Revenues over Time: Atlantic Fleet Sectors | | | | |
| Fleet Sector | % Impact of Licence Fees | | % Impact of New Fees | |
| | Col. 1 Old Fees as % of 1990-93 landed value | Col. 2 Current Fees as % of 1990-93 landed value | Col. 3 Current Licence Fee as % of 1997 landed value | Col. 4 Current Total Fees as % of 1997 landed value |
| Maritimes Scotia-Fundy | | | | |
| 1. Lobster, LFAs 27-30 | 0.07 | 1.28 | 1.72 | 3.23 |
| 2. Lobster, LFA 34 | 0.03 | 2.18 | 1.41 | 1.94 |
| 3. Lobster, LFA 35 | 0.13 | 0.44 | 0.10 | 0.87 |
| 4. Groundfish FG 4X | 0.07 | 0.08 | 0.22 | 3.19 |
| 5. Scallop <65' | 0.01 | 1.38 | 2.91 | 5.59 |
| 6. ITQ Groundfish <65 | 0.04 | 2.26 | 2.31 | 4.32 |
| 7. Purse Seine Herring | 0.26 | 1.14 | 2.30 | 4.36 |
| 8. Offshore Scallop | 0.34 | 4.19 | 3.11 | 3.62 |
| Laurentian | | | | |
| 1. Lobster-Gaspé | 0.14 | 0.48 | 0.31 | 1.40 |
| 2. Lobster - Magdalen | 0.06 | 1.62 | 1.24 | 1.87 |
| 3. Shrimp > 45' | 0.03 | 5.41 | 3.52 | 4.61 |
| 4. Crab, Zone 13 | 0.28 | 11.12 | 2.27 | 5.21 |
| 5. Crab, Zone 17 | 0.02 | 4.94 | 4.19 | 7.31 |
| Gulf | | | | |
| 1. Inshore Core | 0.09 | 0.93 | 0.65 | 1.61 |
| 2. Area 12 ITQ Crab | 0.01 | 5.36 | 2.60 | 12.23 |
| 3. Area 19 ITQ Crab | 0.04 | 1.92 | 1.59 | 3.60 |
| 4. Area 25/26 Crab | 0.05 | 3.92 | 1.93 | 8.50 |
| 5. Purse Seine Herring | 0.42 | 3.39 | 2.88 | 3.89 |
| 6. Shrimp | 0.01 | 6.79 | 4.26 | 5.55 |
| Newfoundland | | | | |
| 1. Small crab 3KL | 0.11 | 0.38 | 2.01 | 3.73 |
| 2. Large Crab 3KL | 0.01 | 3.03 | 1.88 | 2.86 |
| 3. Core 3PS | 0.75 | 2.52 | 1.51 | 3.60 |
| 4. Core 2J3KL | 0.75 | 2.52 | 2.33 | 5.82 |
| 5. Core 4R | n.a. | n.a. | 0.88 | 2.94 |
| 6. Shrimp 4R | 0.05 | 0.17 | 2.37 | 3.35 |
| 7. Shrimp >100' | n.a. | 2.10 | 1.79 | 2.48 |

Source: Gardner Pinfold, Impact of Proposed User Fees in the Atlantic Fisheries, 1995; Various DFO Cost and Earnings Studies; Various Fisheries Management Plans; Tables 2-5, this Report.

| Fleet Sector | % Impact of Licence Fees | | % Impact of New Fees | |
|------------------------|---|---|---|--|
| | Col. 1 Old Fees as % of 1990-93 landed value | Col. 2 Current Fees as % of 1990-93 landed value | Col. 3 Current Licence Fee as % of 1997 landed value | Col. 4 Current Total Fees as % of 1997 landed value |
| 1. Salmon Seine | 0.9 | 3.3 | 5.8 | 6.5 |
| 2. Salmon Gillnet | 2.4 | 3.4 | 6.6 | 10.9 |
| 3. Salmon Troll | 1.3 | 2.0 | 4.5 | 6.7 |
| 4. Roe Herring Seine | 1.2 | 3.8 | 4.2 | 4.5 |
| 5. Roe Herring Gillnet | 0.7 | 0.9 | 1.4 | 2.1 |
| 6. Shrimp | 0.1 | 0.8 | 0.4 | 3.8 |
| 7. Prawn | 0.2 | 1.0 | 0.3 | 2.0 |
| 8. Crab | 0.4 | 1.1 | 0.5 | 1.0 |
| 9. Halibut | 0.2 | 5.1 | 2.9 | 5.1 |
| 10. Sablefish | < 0.01 | 2.4 | 1.8 | 3.9 |
| 11. Groundfish Trawl | < 0.01 | 2.6 | 2.4 | 7.8 |
| 12. Geoduck | < 0.01 | 1.2 | 0.6 | 4.8 |

Source: Gordon Gislason, "You Pay, You Say: An Assessment of DFO's Proposed New Licence Fee Structure", April 1995; Table 6, this Report.

2. OTHER COSTS

Industry incurs costs other than explicit fees for specific management initiatives. These additional costs include:

- Food and lodging for on-board observers;
- The value of time and out-of-pocket expenditures to attend meetings with DFO;
- Communication and "positioning" expenditures before undertaking trips in IQ fisheries, picking up observers, etc.;
- Costs to haul the vessel out of water for a Transport Canada inspection.

These costs are not reflected in the management and services fees described in Chapter II. They are not reflected because they do not form part of the fee, but rather are a cost borne directly by the vessel owner. As such, they reduce net income and would be captured in any analysis of fee impacts on net, rather than gross income. This study, by design, is restricted to user fees paid by industry and their impact on gross income.

Some in the industry argue the user fees facing the processing sector (e.g., inspection) are passed on to fleets in the form of reduced prices, and these fees rightly belong in the set of fees to be included in this study. This may be the case, but there is no evidence to support this contention. Indeed, given the generally intense competition for raw material amongst processors, it may be that these fees are absorbed in the form of reduced margins. Processors would have little or no ability to pass such costs forward to buyers, since they are price-takers in international seafood markets.

Some in the industry also argue that DFO management decisions have a direct negative impact on certain fleet sectors. In the example cited, the decisions take the form of threshold criteria used to determine when access to a fishery should be opened to other fleets. If the thresholds are set too high (it is argued), then others are effectively barred from access at considerable cost. Without going into the merits of any particular case, from the perspective of this study, the effect of such decisions would be felt as potentially lost revenue, not as a cost in the sense that term is used here.

3. FUTURE DIRECTION

A Need for Ongoing Assessment

There is significant variation in the absolute level of fees among fleet segments in any given year. This is due to the volatility in volumes and prices. The industry harvests a fluctuating natural resource and its products are destined mainly for export markets, often as price-sensitive commodities. Under the existing structure, fees are not sensitive to this volatility.

There is also significant variation among fleet sectors in the relative fee burden over time. This is due to the combined effects of fixed fees and volatile landed values, coupled with the lack of any up-dating procedure to maintain the relationship among fleets between fees and landed values. The failure to update fee levels has caused inequities to emerge among fleets.

Consequently, it appears prudent for DFO to monitor the burden of the user charges on an ongoing basis.

A Need for Relating Fees to Net Income

It is much more meaningful to relate fleet user fees to net income rather than gross income. It is net income that provides the ability, if any, for industry to absorb increased fees. Moreover, there can be significant differences in net to gross income ratios across fleet segments, an important consideration in "ability to pay".

Some fisheries such as geoduck and scallop, for example, are "low volume, high value", fisheries. Others such as herring on the Atlantic coast and groundfish trawl on the Pacific are considered to be "high volume, low value" fisheries.

For this reason, we suggest that to achieve a true understanding of the financial burden of fisheries user fees it is advisable to proceed with the Phase II portion of this project to relate user fees to net income measures.

APPENDIX A

Contact List

Atlantic Region

Federal Government

| | |
|------------------|--|
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| | |
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Underwater Harvesters' Association
Pacific Coast Shrimpers Cooperative Association
Area G Trollers
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Pacific Black Cod Fishermen's Association
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