



Nova Scotia
LOBSTER
CONSULTATIONS
2015

Submitted By: Jonathan Lowe/Alan Chandler
& NSDFA Consultation Team

1.0 Introduction

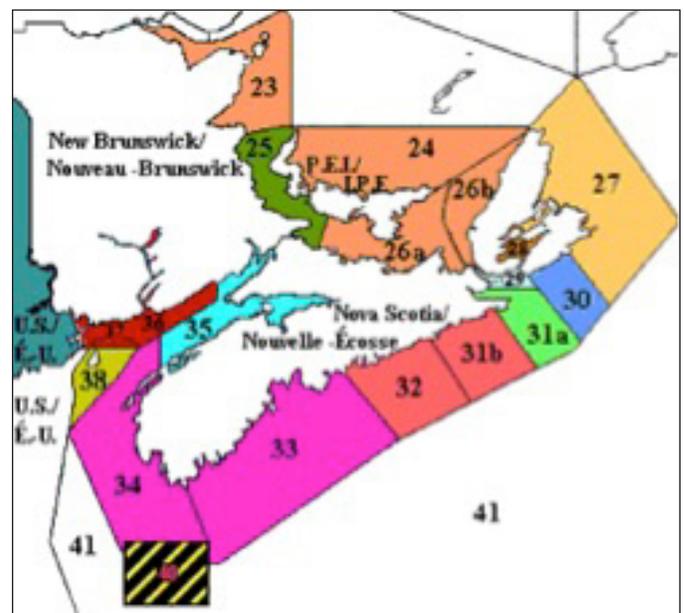
The Department of Fisheries and Aquaculture conducted consultations between January 29th and March 3rd, 2015 to discuss an industry-funded, led and governed levy or fee to support activities as outlined in the 2013 Maritime Lobster Panel Report.

These comprehensive consultative sessions and outreach efforts were held throughout the entire province of Nova Scotia with a multitude of industry stakeholders including lobster harvesters, buyers/processors, First Nations and representative fisheries associations. Background information on similar levy-based structures in other industries were presented, options discussed, and feedback recorded. This report outlines the major findings, and proposes recommendations to move forward based on information that was heard.

2.0 Summary of Findings

Consultations have identified a pronounced split in opinion within the fishing industry in Nova Scotia, largely based on geography. This split generally occurs as a marked division *West of Halifax* (LFAs 33–35) and *East of Halifax* (LFAs 25–32). Discussions *West of Halifax* were typically framed by a pronounced lack of support by both harvesters and buyers for the creation of an industry “levy”. Distrust of government and a lack of support for the Lobster Council of Canada (LCC) often shaped the sessions and made discussions challenging in many communities.

Consultations *East of Halifax* generally demonstrated support moving forward with a levy, generic marketing, and Lobster Council of Canada (LCC) administration of the monies as proposed by the 2013 Maritime Lobster Panel Report. This support was articulated primarily through accredited associations.



Lobster Fishing Areas (LFAs)



3.0 Consultation Objectives

The objectives of the consultation process were to provide the Department and Minister with an accurate understanding of industry views and preferences, to understand implications and potential unintended consequences, and to solicit views on possible implementation.

The concept of a lobster industry contribution to finance the establishment of a fund to support industry-wide initiatives has been discussed for many years. The Lobster Panel Report contained a specific recommendation that a levy be collected from buyers and harvesters to create a fund that would support activities such as, but not limited to, generic marketing and an independent market information institute. Such a fund would be industry-led, funded and governed.

4.0 Purpose

These discussions were an opportunity for members of the lobster industry to share their views on the proposed levy or fee, talk about what the money could be used for, and how a fund would be collected and administered. During the consultations, DFA suggested that the proposed fund would be designed to undertake activities to improve the lobster industry as recommended by the 2013 Maritime Lobster Panel Report. The proposed fund would be industry-led and administered.

5.0 Methodology

A great deal of thought was given to achieving real engagement rather than merely following a bureaucratic process. Consultations *East of Halifax* occurred to a large extent through accredited fishing organizations. This approach reflected the way in which the fishing industry has elected to represent themselves. Consultations *West of Halifax* occurred primarily through community-based meetings with commercial license holders and registered lobster buyers.

An online input mechanism was also created on the department's web site designed to accommodate individuals in industry who were not able to participate through the established process. First Nations and Aboriginal organizations participated in their capacity of commercial communal license holders and provided submissions. A meeting was held specifically for Nova Scotia's 13 Mi'kmaq Bands at their request. In total, 105 submissions were received, of which 85 were considered verifiable. Submissions made without names and phone numbers were not considered legitimate. Submissions were verified through follow up contact with the individuals who provided comments. Only comments from individuals who were part of the lobster industry in Nova Scotia were considered.

To ensure harvesters were notified of our meeting, a variety of methods and approaches were incorporated including radio spots, newspaper ads, NSDFA web site promotion, posters, and direct outreach. Our regional offices contacted key industry members directly, and the traditional Federal Department of Fisheries and Oceans (DFO) lobster advisory process network was used based on prior NSDFA interactions with these stakeholders.



First Nation and Aboriginal organization industry participants were contacted through the recognized representative structures. Accredited associations were contacted by direct mail and email. Finally, registered buyers were contacted in writing through our email contact list.

Approach:

The consultation process was configured around providing information and requesting industry feedback. Consultations involving community meetings were normally staffed with a chairperson, included three presenters and a recorder of information. The presentation component consisted of:

- a) Generic marketing programs and opportunities
- b) Legislative options associated with creating and administering an industry fund
- c) NS wild blueberry case study

Discussions were framed around two questions during the meeting component portion of the consultations. Our team attempted to explore these questions as follows:

Question 1

Do you support the establishment of a mandatory 1 cent per pound fee through the harvester and 1 cent per pound through the buyer to establish an industry-led fund to undertake activities such as those recommended by the Maritime Lobster Panel? In what ways do you support this concept? If you do not support this idea which issues cause concern?

Question 2

If industry wants to establish a fund it may require an industry-led body (marketing board, designated agency etc.) to collect, administer and account for the funds. What mechanism would you support to collect the funding (levy, fee etc.)? Who should collect and administer the fund? Should this be done through provincial regulations?

6.0 Government's Role

Government can facilitate the establishment of an industry fund through provincial legislation. The Nova Scotia Department of Fisheries and Aquaculture (NSDFA) consulted with licensed lobster harvesters and buyers to determine if there was support to establish such a fund, and if so, how the funds should be collected and administered.

The consultations were not meant to discuss or vote on the Lobster Council of Canada (LCC) or generic marketing, but rather to discuss creating a fund from which the lobster industry could conduct activities that they feel would benefit their collective industry. An example is what has been proposed by the LCC in recent years.

7.0 Consultation Team

Two primary teams were required to complete the consultations within a 30-day window.

Primary team members:

Ian McIsaac

Joe Hanrahan

Marilyn O'Neil

Karen Wong-Petrie

Scott Hosking

John Bueglas

Jonathan Lowe

Alan Chandler

Wild Blueberry Association of Nova Scotia

Other staff members provided support during meetings, communications, and were involved in establishing and administrating the consultation process. Supporting team members included:

Eugene Samson

Ralph Heighton

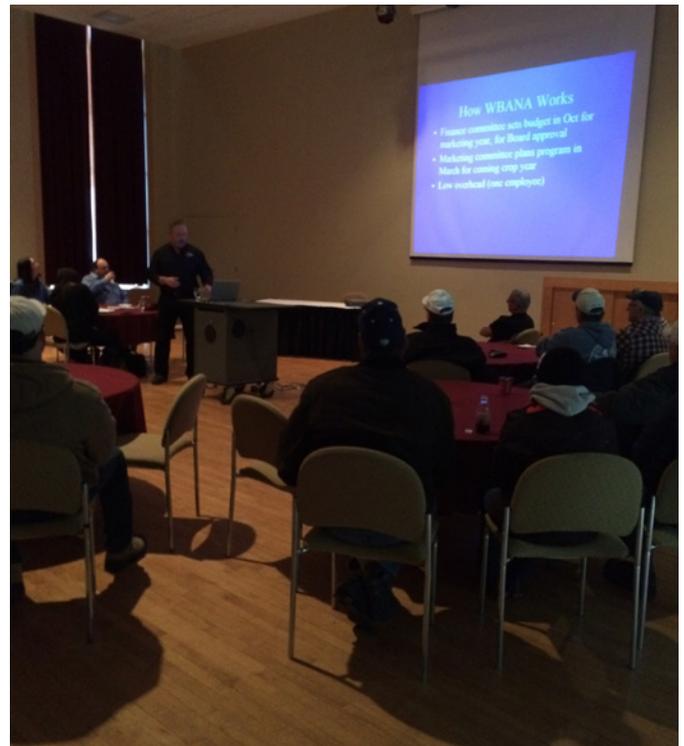
Stacey Frame

Nicole Sampson

Jennifer Mosley

Amber Creamer

Krista Higdon



8.0 Consultation Timelines

Consultation Start Date: January 29, 2015

Completion Date: March 3, 2015

9.0 Industry Profile

Based on the structural profile of the lobster fishery in Nova Scotia and our findings, we were able to manage the consultation process and deliver this report in terms of *East of Halifax* (Eastern Shore/ Cape Breton/Gulf) and *West of Halifax* (South Shore/ Southwestern Nova Scotia/Bay of Fundy). In concise terms, the industry can be summarized as follows:

West of Halifax

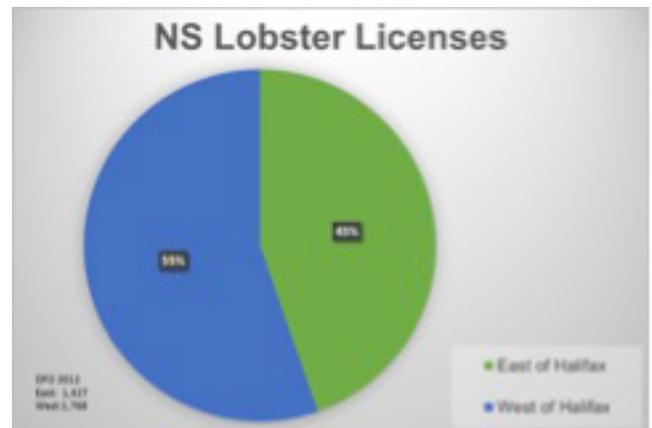
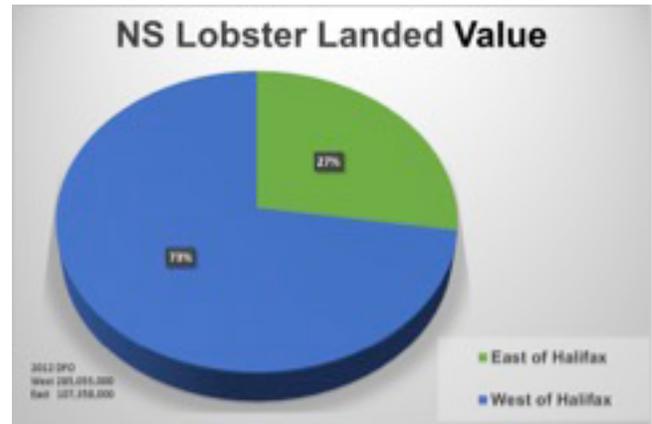
Number of Licenses: 1,768
Percentage of Provincial: 55%

Landed Value: \$285,055,000
Percentage of Provincial Value: 73%

East of Halifax

Number of Licenses: 1,427
Percentage of Provincial: 45%

Landed Value: \$107,358,000
Percentage of Provincial: 27%





10.0 Findings – What We Heard

West of Halifax (LFA 33 to 35 – Includes South Shore, SWNS, and Bay of Fundy)

Four primary themes emerged *West of Halifax*:

1. Voting
2. Lobster Council of Canada
3. Lack of Trust in Government
4. Fairness

Voting

The dominant theme which emerged was related to voting. Our consultations revealed the interest in conducting a formal vote. Proponents of a vote were adamant that a province-wide vote should be implemented to determine support before proceeding. They requested that this vote be inclusive of all licence holders and buyers participating in any proposed mandated levy/fee system.

Harvesters in this area are accustomed to direct participatory decision-making in matters associated with the lobster fishery. This is in contrast to other areas of the province, and is directly attributable to the lack of formal structure dedicated to representing fishermen *West of Halifax*.

Lobster Council of Canada

Although the Lobster Council of Canada (LCC) was never formally involved in our consultations, discussions around the LCC represented the second most dominant theme. There were many comments about disagreements with the LCC and their mandate in the industry. A common concern was that if support was voiced on the concept of a fund, that this would implicitly mean voiced support of the LCC.

Our consultations were designed around the concept of a levy or fee that would support an industry fund. It was made clear to participants that there was no connection between the LCC and an industry fund. Decisions about the use of a fund would be the decision of industry.

A Matter of Trust

The lack of trust in government was a reoccurring message conveyed during our sessions and through our online outreach. Most government-related ideas or initiatives appear to be viewed with a strong degree of mistrust. This frame of mind was most evident in Shelburne and Yarmouth counties. One quote of interest appeared to capture much of the sentiment. *“Even if this is a good idea, the government will screw it up.”*

An apparent lack of trust between fishermen and buyers was also prevalent in our consultation interactions with industry throughout the province. This mistrust extended to a range of issues including 1) a belief that any benefits of a marketing levy or fund wouldn't be passed on to harvesters and 2) the buyer's portion of the levy would be downloaded for harvesters to pay.



Fairness

Most industry stakeholders stated that the proposed mechanism of collecting a levy fee from harvesters and shoreline buyers is intrinsically inequitable. Larger companies that export and process would stand to gain the most benefit from marketing initiatives, yet would be contributing nothing in many cases.

It was stated multiple times by harvesters that they do not believe in '*trickle-down economics*'. Fishermen suggested that they would be lucky to see a noticeable improvement in price from any increased demand for lobster, and shore buyers or "flippers" would see none (as they would continue to only make their 25 or 50 cents/lb. profit). It was also broadly stated by groups in Southwestern Nova Scotia that if they are expected make contributions based on 70% of the volumes landed they will insist on having 70% of the seats on any established board to oversee and manage the funds collected.

Where There Was Support

Support for moving forward with the concept of a levy or fee-type of system was limited, but identifiable during our consultations. The structure around decision-making needs to reflect the provincial structure of the industry itself. This includes recognition of landings and associated contributions to a fund. In simple terms, the areas contributing the most revenue should be provided with the most decision-making capacity when it comes to deciding where the investment is directed.

East of Halifax (LFAs 25 to 32 - Includes Cape Breton, Eastern Shore, and Gulf Region)

The support for a levy *East of Halifax* was more pronounced and in direct contrast to our findings *West of Halifax*. Accredited associations which represented lobster fishermen supported a levy, with the Lobster Council of Canada as the administrative body responsible for marketing a Canadian brand. Our face to face meetings also found general support, although dissenting opinions were often evident.

Accredited associations representing harvesters presented their positions collectively during the consultation process. The positions were represented by three central points:

1. Support for the introduction of an industry levy. Specifically, lobster harvesters and buyers each pay a one-cent levy for every pound of lobster landed
2. The levy be implemented as a five-year pilot project with annual audits
3. The Lobster Council of Canada be appointed to administer all funds associated with the levy

The associations also felt that enough consultations have taken place with the fishing industry, and that the implementation of an industry-wide levy was overdue.

The associations east of Halifax were also supportive of the Lobster Council of Canada (LCC) administering and delivering a marketing campaign funded by a 1 cent per pound levy. Groups including the Guysborough County Inshore Fishermen's Association, MFU Local 6, Gulf Nova Scotia Fishermen's Coalition and the Eastern Shore Fishermen's Protective Association, 4Vn



Management Board, Inverness South Fishermen's Association, Gulf Bonafide Fishermen's Association, and the Northumberland Fishermen's Association were consistently resolute in their belief that this would benefit the Nova Scotia lobster industry.

Overall, it was evident that there was stronger support for a marketing levy initiative in the areas east of Halifax than those in the west, but it should be cautiously noted that there was not a consensus. It was noted by buyers that they were not willing to collect and remit on behalf of fishermen, and had reservations that without addressing the quality issue first, this concept won't work.

Support at meetings was often contingent all stakeholders in Nova Scotia being involved, as it was recognized that Southwestern Nova Scotia represented a large percentage of landings, and without that area involved many were reluctant to endorse it.

Like other regions in Nova Scotia, lobster quality and air freight capacity were often raised as issues being even more important than expanding existing markets, and there were comments made about a lack of infrastructure, temporary foreign workers and the rate of Chinese investment into the industry.

Other Themes of Interest

There was a concern in SWNS that promoting generic Canadian lobster through this fund would lead to the dilution of lobster quality in the live export markets, by mixing "inferior" lobster from other parts of Nova Scotia, PEI and NB with "top quality" graded lobster. It was stated that one incident of a shipment of dead lobster that should have been processed would be devastating to both established and emerging markets. Interestingly, *East of Halifax*, many harvesters believed that lobster in Southwestern Nova Scotia represented a lower quality product, being combined on the market with their "hard shell" lobster.

Many fishermen and buyers felt that the Province was overstepping its mandate and jurisdiction by proposing legislative and/or mandated means of implementing and enforcing this initiative. Industry members pointed out that the licensing of fishermen and the management of the fishery is a federal DFO responsibility, and believed that this would equate to provincial interference. This argument seemed to prevail even in the context of discussions around *enabling legislation*.

Many of the participants did not support the concept of a levy as currently proposed. They felt that there are too many unknown variables, with questionable benefits and possibly negative outcomes. They also believed that this process is being rushed, and that it should be done methodically and thoroughly, regardless of the timelines of other Maritime Provinces.

First Nations

Discussions were held with First Nations and they provided a number of valuable suggestions. They were of the opinion that Nova Scotia should be marketing an Atlantic Canadian brand instead of a Canadian brand, and that cooperation with other provinces remains important.

First Nation representatives also believed that a board or technical working group should be established to determine how best to fund, structure and administer this initiative. They stated that the formation of an accountable framework would give confidence to First Nations, brokers and fishermen. It was mentioned that a clear terms of reference would help ensure that the funds collected wouldn't be diverted to other priorities that they were never intended for.

"We're not going to take millions of dollars between fishing areas 33 and 34 and just hand it over,"

» *Patrick Gray, co-chair of the Area 33 lobster committee, on Monday. Chronicle Herald. January 26, 2015*

Overall, First Nation stakeholders supported the concept of collecting monies towards the establishment of an industry fund for the marketing of lobster, but believed that government should continue to play a pivotal role in its development and administration.

11.0 Scope of Meetings and Participants

A series of 21 meetings were held throughout the province in Middleton, Advocate Harbour, Digby, Pubnico, Yarmouth, Meteghan, Barrington, Woods Harbour, Shelburne, Liverpool, Chester, Bridgewater, Sambro, Hacketts Cove, Stellarton, Port Hawkesbury, Sydney, Neil's Harbour, Halifax and Dartmouth.





12.0 Recommendations

Proceed with Facilitating the Establishment of an Industry Fund through Provincial Legislation

In general terms, support for a fund was low *West of Halifax*. Support for moving forward with a levy as proposed was generally moderate to high *East of Halifax*. Support for an “industry fund” was identified as a concept worth further consideration in all regions.

Government’s Role Requires Limitation

The government’s role going forward should be limited to facilitating the establishment of an industry fund through legislation. The administration of the fund would be most appropriately managed through the fishing industry.

Alternative Funding Structures

A concept of a “levy” was identified negatively *West of Halifax*, especially by lobster buyers in this region. We would recommend exploring other related funding mechanisms before any final decisions are reached.

Further Consultations Are Required

Open forums are generally not conducive to producing detailed analysis on complex issues and our consultations were no exception. Going forward, we recommend that a representative group of stakeholders be formed to address the details around the structural mechanism required to collect and administer a lobster fund designed to support industry activities.

Accountability

The framework associated with a fund designed around supporting the lobster industry must provide meaningful and transparent accountability to the entire lobster industry.