

PEIFA STABILIZATION PROGRAM SUPPORTS IF THE 2020 SPRING LOBSTER SEASON PROCEEDS

April 14, 2020

The Honourable Lawrence MacAulay - MP Cardigan and Minister of Veterans Affairs
Mr. Wayne Easter - MP Malpeque
Mr. Sean Casey - MP Charlottetown
Mr. Robert Morrissey - MP Egmont

The COVID 19 pandemic has created a situation of economic uncertainty for the 2020 Spring Lobster season in view of unpredictable market conditions for lobster in the short term, new health & safety protocols that could reduce processing capacity, and a possible reduction to the workforce with difficulties around the Temporary Foreign Worker program. The lobster fishery is fundamental to Prince Edward Island's economy and requires immediate attention and support from both Federal and Provincial levels of Government.

The Prince Edward Island Fishery Statistics Report for 2018 states that the annual value of the lobster fishery to the economy of the Province exceeded \$590 million. 2018 lobster landings were over 38 million pounds and were valued at over \$200 million. There are 1,219 licensed fishing enterprises in the Spring and Fall lobster seasons, each employing one Captain and one to two hired hands. PEI's processing plants employ over 1,500 workers.

It is anticipated that revenues to fishing enterprises will be down a minimum of 30% across the lobster harvesting and processing sector due to the aforementioned unpredictable markets and operating conditions. This reduction in revenue is not sustainable for fishers as proud small business owners.

Typical annual operating costs are as follows:

- \$12,000 to Captain
- \$12,000 wages to one or more workers on the vessel
- \$10,000 bait expenses
- \$6,000 fuel expenses
- \$4,000 trap and gear expenses
- \$4,000 boat maintenance and repair
- \$4,000 life and vessel insurance
- \$3,500 professional fees
- \$2,500 administration costs
- \$1,000 mandatory life raft inspection
- \$800 fishing licences

Totaling \$59,800

THESE TOTALS DO NOT INCLUDE ANNUAL CAPITAL LOAN PAYMENTS, INTEREST, VEHICLE EXPENSES OR INSURANCE.

A number of PEI processing plants have indicated they are able to operate for the spring season of 2020. Although the hospitality sector has largely been shut down in efforts to manage the COVID 19 pandemic, the PEI fishery also supplies processing plants in the Maritimes that are capable of transforming product for later sale to customers that are independent of the hospitality market.

The PEIFA feels that processors will be able to operate through programs delivered as part of the Government of Canada's COVID 19 Economic Response Plan, which includes wage subsidies, along with credit and capital programs. These supports are very well crafted. The PEIFA feels these supports should help to allow the processing sector produce product which can be sold later in the year.

The PEIFA is requesting that both levels of Government come together to make modifications to previously announced assistance programs that suit the unique needs of fishers. These modifications will allow our fish harvesters to access vital economic relief.

Fishers face a unique and unprecedented set of factors which need to be addressed for them to harvest lobsters for market and processing this 2020 spring season. A plan that is tailored to the needs of our members by modifying current programs would provide tremendous relief amid such unprecedented times. The Prince Edward Island Fishermen's Association is asking for immediate action on the following requests:

1. 75% wage subsidy for Captain and all crew
2. Guaranteed Employment Insurance for Captain and crew for 12 months
3. 2020 licence costs be refunded
4. Full refund of raft inspection fees via tax credit
5. 18 month deferral of 2019 Income Tax due
6. Deferral of all capital loan principal and interest payments to 2021 at no penalty
7. Working capital loans of \$50,000 be made available immediately for all spring fishers

Justification:

1. It is anticipated that revenues across the fishing industry may fall below 30% from 2019 levels. This would be difficult to demonstrate before the end of our season. A wage subsidy to fishing enterprises will achieve the same objective as The Canada Emergency Wage Subsidy, by continuing and stabilizing employment. Similar relief measures are being put in place for self-employed persons in other sectors of the economy

2. Guaranteeing access to Employment Insurance for Captain and crew will alleviate any stress the employer will have about ensuring their eligibility. This will allow each captain to make safe choices free of financial implications
3. Relief from mandatory fees for fishing licences would be applied for 2020
4. Relief from raft inspection fees would be applied for 2020
5. An 18 month deferral of Income Tax due would give fishers more financial flexibility during the uncertain time. This deferral would come at no added cost
6. Deferral of capital loan amounts will alleviate the anxiety fishers face with such uncertain market conditions
7. A working capital loan of \$50,000 will provide enough liquidity to commence operations and supplement revenue in the event of poor market conditions. This working capital loan would become forgivable if a captain's fishing activity does not generate \$100,000 in gross revenue. This working capital loan would become 50% repayable, 50% forgivable if a captain's fishing activity generates between \$100,000 and \$125,000 repayable over 5 years at 0% interest. If a captain generates over \$125,000 in fishing related income the entire working capital loan would become repayable at 0% over 10 years. All repayments would begin after 12 months. The \$100,000 threshold is based on 20,000 lbs landed at an average of \$5 per pound.

The PEIFA feels the suite of modifications to existing programs listed above will provide relief to fishers with anxiety about large capital loan payments and those facing the uncertainty of whether they will be able to fish or not. These are small enterprises without significant retained earnings, usually more so for new entrants.

The Prince Edward Island Fishermen's Association recognizes that the marketplace is the most appropriate source of revenue for the fishing industry. The assistance outlined above is intended to stabilize the fishing and processing sectors by facilitating the harvest of lobsters for processing employment. The PEIFA has successfully organized and administered major projects with the Department of Fisheries and Oceans (DFO) and ACOA in the past, including the Atlantic Lobster Sustainability Management Program. We would welcome the opportunity to work alongside these groups and our Federal and Provincial counterparts to devise, implement and administer the stabilization program to assist the PEI Lobster harvesting and processing sectors during this unprecedented emergency.

Respectfully submitted

Robert (Bobby) Jenkins

President