

Dear Mr. Conway,

Thank you for our conversation on August 16th. I am following up now with this very brief submission.

Submission by Barry Darby, Changing Course, St. John's

It is almost universally agreed that the current system is not working well for anyone; hence your assignment. However, to properly fix what you've been asked to fix would require changes beyond your mandate. This is because the basic problems have to do with the nature of current processing system - insufficient processing capacity in the province, insufficient competition among buyers, corporate concentration in the processing sector, and the nature of the quota-based management system imposed federally by DFO.

I urge you to consider two main points in your review:

1. *We can't fix prices provincially for a world market commodity.* The idea of Newfoundland and Labrador trying to fix a price for fish is fundamentally flawed from outset. Fish and fish products are commodities with prices set daily in world markets. We can't manage what we don't have control over. Attempts to fix a price at a provincial or regional level for any period of time are thus doomed to failure. While there may be minor improvements to be made in how we try to fix a price, those will not solve the underlying problems.

The current approach flies in face of how world prices are set. Processors try for the best price on the world market, and harvesters should be able to receive the best price possible in relation to the world price. But setting a provincial price for the season or part thereof will almost inevitably result in a loser, and losers do undesired things - for example, buyers may refuse to buy product, or sellers may opt for costly shipping to another jurisdiction.

2. *Any new way to determine our fish prices must incorporate recognition of the fact that world prices are set by competitive forces.* A fair and workable system would ensure genuine competition among buyers and collective market power on the part of sellers. This would require:

a) provincial legislative changes other than those in your mandate, including increasing processing capacity and regulating corporate concentration,

and

b) changes in the way DFO manages harvesting. For example, in this year's crab season, if DFO had regulated the number of traps instead of merely setting catch quotas, it might have prevented the glut and the consequent processing problems and price drop.

A better alternative is a regulated competitive market with prices decided "at the wharf" (these days that would really be on the internet.) There are working models of this in Iceland and Norway, but here it is currently not possible because of the problems noted above (insufficient processing capacity, lack of competition among buyers, and DFO's quota-based management system.)

I hope that your report will lead the government to move towards the kinds of changes outlined above. I am very open to further discussions with you, either personally or in a public and transparent forum. Thank you.

Barry Darby