

CONSEQUENCES OF THE DECISION TO SHUT DOWN SALMON FARMING IN THE DISCOVERY ISLANDS

SURREY SUPPLEMENT

RIAS INC.
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PREPARED FOR



BC SALMON
FARMERS

PURPOSE OF SUPPLEMENT

Where Campbell River is Canada's salmon farming capital, Surrey is Metro Vancouver's salmon farming hub, home to numerous operations in processing, packaging, trucking, and shipping supporting hundreds of local jobs.

This supplement to our earlier report looking at province-wide economic impacts of the federal government's decision that salmon farms in the Discovery Islands must be closed examines the financial and economic consequences for workers, families, businesses and communities in the municipality of Surrey.

SUMMARY OF DI DECISION

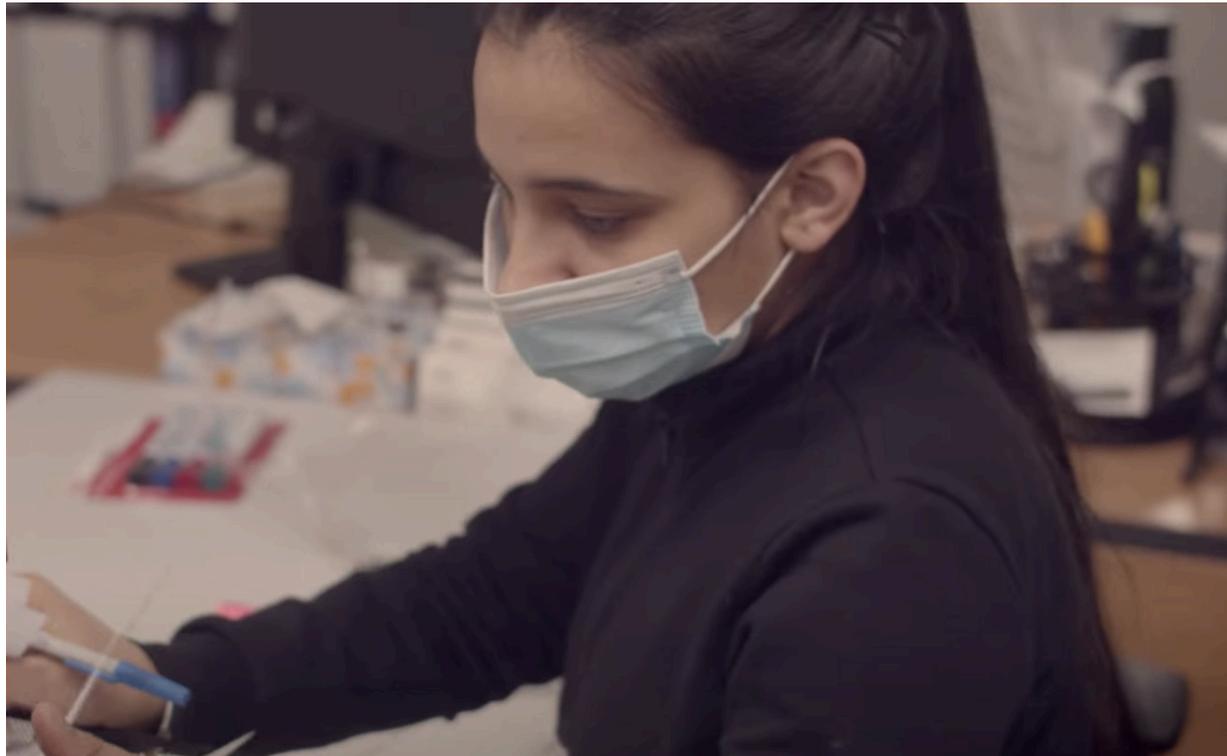
On December 17, 2020, the Minister of Fisheries, Oceans, and the Canadian Coast Guard announced the federal government's intention to:

- Phase out existing salmon farming facilities in the Discovery Islands, with the upcoming 18-month period (December 17, 2020 to June 22, 2022) being the last time this area is licenced;
- Stipulate that no new fish of any size may be introduced into Discovery Islands facilities during this time, starting immediately;
- Mandate that all farms be free of fish by June 30th, 2022, but that existing fish at the sites can complete their growth-cycle and be harvested before that date.



PROVINCIAL IMPACTS OF THE SHUT DOWN OVER THE NEXT 18 MONTHS

- More than 24% of BC's farmed salmon production is being shut down.
- Potentially more than 1,500 people province-wide could lose their jobs in the near term.
- More than 10.7 million young salmon and fertilized eggs currently in hatcheries and other facilities and which were designated to be raised in the impacted farms will have to be euthanized. This is equivalent to over 210 million meals worth of fish or about two-years of the province's total harvest of wild salmon.
 - Note – a recent (April 5, 2021) court ruling issued an injunction setting aside the Minister's decision banning the transfer of fish to three ocean pens. Impacted companies can now re-apply to stock those sites.
- Total losses to BC's salmon farmers from having to euthanize 10.7 million young fish amounts to over \$170 million.
- Salmon farmers will incur costs associated with decommissioning farms, made greater by the short timeline required.
- Salmon farming companies will lose almost \$200 million in ongoing annual revenue from salmon farming and processing.



ECONOMIC FOOTPRINT OF BC'S FARMED SALMON SECTOR IN SURREY BC

The BC salmon farming industry is highly integrated, and as a result this decision will have far-reaching ramifications in numerous communities.

Surrey is the hub of salmon farming activities in Metro Vancouver, home to a number of companies operating businesses both up- and downstream in the supply chain from primary salmon production. In completing this report, RIAS Inc. collected current revenue, employment and payroll information from six companies operating within Surrey involved in:

- Fish processing;
- Feed milling;
- Truck transportation;
- Packaging;
- Warehousing and distribution.

Based on the information provided by the six companies, we estimated total direct economic benefits they generate within Surrey. From there, we used standard Statistics Canada input-output multipliers for BC to estimate the total impact that the operations of those six companies in Surrey have across BC, including indirect and induced benefits. For example, this would include the jobs and GDP generated from purchases of goods and services from suppliers – everything from transportation service through to the purchase and maintenance of machinery and packaging used in a processing plant. Results are summarized in the table below.

Economic Footprint of Companies Operating in Surrey BC that are part of BC's Farmed Salmon Supply Chain

	Output (\$ millions)	GDP (\$ millions)	Salaries (\$ millions)	Employment (FTEs)
Economic benefits generated within Surrey	\$219.6	\$46.1	\$24.1	344
Total economic benefits generated across BC	\$363.2	\$122.5	\$64.8	1,189

Source: Author's calculations based on data provided by companies and input-multipliers from Statistics Canada, Table 36-10-0595-01 Input-output multipliers, provincial and territorial, detail level.

SURREY IMPACTS

We found these companies directly employ 344 people in Surrey, most of whom live in the municipality. Once the broader context is calculated, the companies' Surrey operations support a total of almost 1,200 jobs province-wide.

Within Surrey specifically, these six companies generate \$220 million in revenue annually, \$46 million in GDP, and pay \$24 million in salaries to their 344 local employees. Of these 344 employees, about 64% live within Surrey. This means that household incomes for at least 220 families in Surrey are directly tied to BC's farmed salmon sector, and many more are indirectly dependent upon the sector.

It is not yet known how many of these 344 people will lose their jobs, as it is yet too early to determine specifically how companies will manage the impacts of losing a quarter of all production in the province over the next year. However, we heard anecdotally that layoffs have already begun at operations in Surrey, with one processing plant reducing most employees to two or three shifts a week rather than five as an interim measure.

Given many of the operations in Surrey duplicate similar operations on Vancouver Island, providing additional capacity near shipping ports and stations, and companies will be seeking to centralize operations to retain economies of scale, it is possible the impact in Surrey could be greater than average. If, for example, the industry is forced to lay off a quarter of all fish processing employees they may opt to shutter an entire Surrey operation and focus all processing at a Vancouver Island site. What can be said with confidence is that this decision puts those 344 jobs in Surrey at significant risk, and that we will have a better sense of the actual impact in the coming months.

Further, we examined only six companies with established bricks-and-mortar operations in Surrey. It is likely other companies headquartered elsewhere have employees living in Surrey and that there are smaller businesses supplying products and services to salmon farmers based in the community, so the actual impact is very likely greater.

RIPPLE EFFECTS OF IMPACT IN SURREY ACROSS THE PROVINCE

The "across BC" row in the table above includes the total economic impact created across BC by the six companies operating in Surrey. This includes all the indirect impacts (the money spent on supplies of goods and services within BC, and the resulting employment and salaries paid out by those suppliers) and the induced impacts across BC (which is generated by the spending of incomes of all direct and indirect employees on goods and services within BC).

In total, the companies operating within Surrey that are part of BC's farmed salmon supply chain generate over \$363 million in revenues, \$122 million in GDP, and create jobs for 1,189 workers earning almost \$65 million in salaries.