

UNCLASSIFIED
2008-505-00030
FILE #1870-25
EKME # 811671

MEMORANDUM FOR THE ASSISTANT DEPUTY MINISTER, FISHERIES &
AQUACULTURE MANAGEMENT

**SALMONID ENHANCEMENT PROGRAM (SEP)
ADJUSTMENTS FOR ALIGNMENT WITH BUDGET**

(Information Only)

SUMMARY

- Legacy debt relief and outcome from BASR 1 (net \$590K) has effectively reinstated SEP's operating budget to the level before the \$5M Program Review reduction of 1994-5. However the program continues to suffer from high fixed operating costs, aging infrastructure and inflationary pressures. For 08/09, SEP has an operating deficit of approximately \$600,000.
- There is recognition that a longer term strategy is needed to resolve SEP's funding pressures and this work is in progress. However, for 2008-2009 a one-year strategy has been devised to align program activities and funding, minimize effects on production levels, and provide a small amount of flexibility to respond to emerging regional priorities. National support is required for this strategy.
- Our communication plan with stakeholders explains that the SEP budget has been stabilized at \$26M, has not been cut, but that program adjustments are necessary to operate within existing funding levels. However, broad public support for SEP will likely result in some complaints to the Minister.

MECTS

DFO-76790[06-15]

MECTS

Background

- SEP has three program areas: Major Facility Operations (\$16.3M), Community Involvement Programs (\$6.7M) and Resource Restoration (\$3.0M). These programs have a cumulative operating deficit of \$150K to \$250K due to the effects of inflation on large fixed costs and infrastructure and in spite of previous reductions to fish production programs and other efficiency measures.
- Global conditions have caused recent price increases in fish food and energy which have created an additional \$300K funding pressure on top of general inflation. There is a need to create \$90K flexibility to respond to emerging regional priorities.
- The BASR initiative returned \$590K to the program, addressing the long standing SEP legacy debt issue, but it did not resolve the deficit noted above.
- SEP has developed a funding strategy for fiscal year 2008-2009 which respects the funding envelopes amongst the three SEP program areas, and relies on a combination of program reductions, pre-buying of coded-wire tags (from the previous fiscal year), and risk management of funds within the SEP budget and also by Sector or Region (attachment 1 funding strategy).
- Adjustments which minimized impacts on fish production were sought from major enhancement facilities and community involvement programs. The Resource Restoration program area of SEP was not affected due to its small operating budget and significant leveraging of partnership funding. Program adjustments are listed in attachment 2.

Analysis / DFO Comment

- Impacts on Major SEP Facilities:
 - Discontinuation of the Pinkut sockeye airlift, which may be supported in light of the recent Skeena review.
 - Consolidation of hatchery operations from Little Qualicum to the Big Qualicum facility will result in labour efficiencies.
 - Discontinuation of fry and adult assessment program at the former Pacific Salmon Commission Gates Creek spawning channel will result in production being assumed to be at standard production rates.
 - Discontinuation of Horsefly channel operations will result in lower production at wild recruitment rates.
- Impacts on Community Involvement Programs
 - Operations funding for the Doug Little (former Penny) Community Economic Development Project will be redirected to other SEP priorities pending the planned relocation of the facility to a new location.

MECTS

MECTS

- Reduced production of 20,000 coho smolts from the Kanaka Creek Public Involvement Program (PIP) project is equivalent to less than 1 % of the SEP coho smolt production in the surrounding lower Fraser River Area.
- Funding will be discontinued at 11 PIPs in the Lower Fraser Area (PIPs in Pacific Region total approximately 300).
- Storm drain marking program will be reduced by \$5K in the Vancouver area.
- DFO support and participation will be reduced at community meetings and events in the Vancouver area including the annual Coho Festival and Rivers Day events, and for public education programs on Vancouver Island, and Oceans education programs around Vancouver and on Vancouver Island.
- Lower priority training for staff will be reduced.
- Significant negative public reaction is anticipated over not operating the Horsefly channel and to withdrawal of PIP funding, as well we expect a drop in volunteer efforts and leveraging opportunities with community funding.
- SEP is continuing its work on a long term strategy to align program activities with funding levels on a sustainable basis, including a regional approach to improved cost sharing with BC for production of provincially managed fish from SEP facilities.
- A communication plan has been drafted which explains to stakeholders that SEP funding remains stable and has not been cut, and that the program adjustments are necessary to operate within approved funding levels.

Recommendations / Next Steps

- Consult with stakeholders on alignment of SEP program with budget.
- Implement the 2008/09 SEP program adjustments.
- Proceed with strategic business planning for SEP.

Attachment (1): SEP Funding Strategy for 2008/09

Attachment (2): SEP Program Adjustments for 2008/09 – Major Facilities

Attachment (3): SEP Program Adjustments for 2008/09 – Community Programs

C. West / R. Reid / P. Sprout

MECTS

MECTS

MECTS

MECTS