THE FEDERALIZATION OF PRAIRIE FRESHWATERS
A CRITICAL ANALYSIS OF THE FISHERIES AND OCEANS CANADA FISH HABITAT ENFORCEMENT PROGRAM IN PRAIRIE CANADA

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Executive Summary

The federal and provincial governments share jurisdiction for the management of some natural resources and the environment. This overlapping authority has created confusion and spawned jurisdictional conflicts which have substantially raised compliance costs for the communities affected.

The protection of fish habitat is a policy goal over which the federal government has now assumed full responsibility after negotiations to transfer jurisdiction to the provinces failed. The legislative vehicle is section 35. (1) of the Fisheries Act which gives the Fisheries and Oceans Canada (FOC) sweeping regulatory powers over all inland waters, including those on the Prairies. It states: “No person shall carry on any work or undertaking that results in the harmful alteration, disruption, or destruction of fish habitat.”

The sweeping language in this sentence probably makes it the most powerful piece of legislation directed at environmental protection in Canada. While well intended, its broad scope gives it the potential to hinder opportunities for rural development and slow a positive process of diversification and economic adjustment now underway on the Canadian Prairies. The damage it may cause will add to the regional resentment already aroused by recent federal policies like the proposed Species at Risk Act (SARA) and the firearms registry, initiatives that rural communities view as particularly intrusive.

The Problems

- **Uncertainty** - This program introduces more uncertainty into the development process in Prairie Canada, especially for rural communities. It is now unclear whether the Provinces or local communities have jurisdiction over natural resource development.

- **Wide Scope** - The definition of fish habitat now includes entire watersheds and extends the reach of the federal government into policy areas such as watershed and land-use planning in which FOC has little expertise.

- **Lack of Discretion** - The program removes any regulatory discretion, since all fish habitat is considered “important.”

- **Lack of Knowledge** - Since fish populations are poorly studied, all waterbodies will probably be assumed to be fish habitat until proven otherwise. This will place a cloud over any development that might impinge on fish habitat, which is to say virtually all development.

- **High Compliance Costs** - Costs of compliance are not considered. For poorer communities this is a major burden.

- **Adds to Regulatory Burden** - The new FOC program is layered on top of other regulations like the proposed Species at Risk Act. Thus the regulatory burden, focused especially on rural communities, is increasing exponentially.
• **Threatens Existing Conservation Programs** - The FOC program may well place current agricultural conservation programs at risk by its single-minded focus on fish which could inhibit active and successful environmental management programs.

**Solutions**

If we continue with the current approach and staffing infrastructure:

- Remove drainage ditches and flood control infrastructure from FOC jurisdiction;
- Require FOC to conduct a “Regulatory Impact Assessment” of the new fish habitat initiative on a project-by-project basis;
- Assess the “importance” of a given fish population and community and determine a level of regulatory effort proportionate to that “importance”;
- Improve the efficiency of the regulatory process and ensure that water management projects important to rural communities be allowed to proceed expeditiously; and
- Create an Advisory Board, appointed by the Minister, comprised of citizens, experts and elected officials to advise FOC on methods and procedures of implementing this program.

**FOC becomes a partner in existing stewardship programs:**

- FOC largely abandons the regulatory approach, leaving those efforts to existing environmental processes;
- Since all stewardship programs have “water” components, FOC takes a partnership role in such programs as the North American Waterfowl Management Plan, riparian conservation efforts and Conservation Districts;
- FOC funds the fish conservation components of these various programs;
- FOC improves the knowledge of fish communities and use that knowledge to improve existing stewardship programs; and
- FOC develops a strong extension component to transfer knowledge to rural communities and, especially, farmers.

**Provinces be given the responsibility for fish habitat:**

- The Provinces are the closest level to the affected citizens and communities, and their Fisheries Departments have depth of knowledge of local conditions;
- FOC focuses its efforts on providing scientific and technical advice to the relevant provincial agencies and departments.

An intelligent and flexible approach to regulation is required to assist the economic adjustments now underway on the rural Prairies. The federal government has an opportunity to retrieve much lost goodwill in Western Canada by implementing a more balanced and sensitive fish habitat conservation policy on the Prairies.
Background

The new program of Fisheries and Oceans Canada (FOC) to manage fish habitat protection on the Prairies and other inland waters of Canada through section 35. (1) of the Fisheries Act needs further study. As presently constituted, its heavy handed regulatory approach will impose unnecessary economic losses.

The Canadian Constitution mandates a separation of powers between the Government of Canada and the Provinces. Highways, for example, are under provincial jurisdiction while international trade is under the purview of the federal government. However, many powers are shared. This creates uncertainty for citizens who must deal with issues that are, or appear to be, common territory between both levels of government. One of the greatest areas of uncertainty is environmental and resource management, where both levels of government claim competing jurisdiction.

The Canada Fisheries Act

Under the Canadian Constitution, the management and protection of fish habitat falls under federal jurisdiction. Within the Act it says, “Fish habitat means spawning grounds and nursery, rearing, food supply and migration areas on which fish depend directly or indirectly in order to carry out their life processes:” Furthermore, Section 35(1) says: “No person shall carry on any work that results in harmful alteration, disruption or destruction of fish habitat.”

In the parlance of the profession, “harmful alteration, disruption or destruction…” is referred to as a HADD. Section 35 (2) notes that HADDs are allowed, but only under authorization of the Minister.

According to FOC communication documents, “The Act also states that no one is permitted to deposit a deleterious substance into water containing fish.” These are very broad powers and the Fisheries Act is considered to be the most powerful piece of environmental legislation in Canada.

Federal-Provincial Jurisdiction

For many years in Canada, the practice at FOC had been to protect fish habitat for anadromous fish such as salmon and eels, species that migrate between fresh water and marine environments. Since coastal areas are clearly the jurisdiction of the Government of Canada, this arrangement seemed to work. Since the Natural Resources Transfer Act of 1939, all natural resource jurisdiction and ownership officially became a provincial domain. The Provinces assumed that they owned and managed the natural resources within their respective boundaries, including freshwater resource management, inland fisheries and waterbodies.

Provinces therefore became responsible for the entire suite of natural resources within their boundaries. The only exceptions were migratory birds which moved between jurisdictions and countries, and international waterbodies such as the Red River in Manitoba. The federal
government’s role here was relegated to transboundary issues such as the Garrison Diversion Project, and even in such projects the Provinces were strongly involved.

The Provinces had *de facto* authority to administer Section 35 (1) in inland waters and, up until 1999, negotiations were taking place to transfer legal jurisdiction to the Provinces. These negotiations failed, and in 1999 FOC decided to enforce Section 35 (1) fully throughout Canada. This decision effectively took all jurisdiction for fish habitat protection away from the Provinces.

In the case of the Prairie Provinces, the additional costs to hire federal staff and implement the program are estimated to be $11 million annually. Of that, $4 million will be spent in Manitoba just to enforce Section 35 (1) of the Fisheries Act. By way of comparison, this amount is larger than the entire Fisheries Branch budget within the Manitoba Department of Conservation. When you consider that Manitoba is responsible for all aspects of the conservation and management of the multi-million dollar sport, commercial and subsistence fishing industry within the province, this tilt in resources points to a significant change in control over local fishery conditions from the Provinces to Ottawa.

**Problems**

Manitoba’s rural economy is in a fragile state. Rural Manitoba is much more dependent on the goods-producing sector of the economy than urban Manitoba. Commodity-based economies are very affected by fluctuations in the world prices for agricultural, mining and forest products. Furthermore, these industries must “manipulate” the environment to a proportionately greater degree in order to function. For example, agriculture creates farmland through land conversion and drainage, forestry changes older forests into younger forests and mining requires “holes in the ground.” Service-based economies do not have the same impact. Any change in the regulatory regimes affecting environmental and resource management therefore affects rural communities much more keenly.

The new federal FOC regulations are already inhibiting drainage works in rural municipalities. These completely artificial structures, farmland drains, are considered by FOC to be important fish habitat. While drains may provide fish habitat, their first purpose is to protect rural economies and farms, and the fish that make them habitat would never have done so if they had never been constructed for other purposes. FOC’s new rules complicate drainage construction and the maintenance of infrastructure critical to rural farm economies. Furthermore, the new regulations will apply to flood control programs like the Red River Floodway and river bank stabilization efforts in Winnipeg, projects that are vital to that city’s health and safety. Involving a third level of government regulation will obviously add unnecessary extra costs and delays to these projects. It remains to be seen how FOC will deal with these issues but experience to date with the imposition of this new level of regulation, especially in the area of agriculture and municipal infrastructure, is not encouraging.

**Issues**

Several issues emerged following discussions and interviews with officials from the Association of Manitoba Municipalities (AMM), the Conservation Districts (CDs) and with Mr. Gary Linsey, FOC Area Director-Prairies Area,. While many items have yet to be dealt with
or decided, and FOC provided assurances that the program is evolving and will change as problems arise, the potential for expensive regulatory gridlock is clearly a major concern of stakeholder groups:

1. Uncertainty

As with all major public sector programs, there have been growing pains with the new FOC habitat protection program as the federal government increases staffing levels and creates another regulatory apparatus. This necessarily creates uncertainty among the affected public. Interviews with FOC staff provided an impression that policy was being made “on the fly.”

At first FOC maintained that the new program would be neutral: “......[T]he move [of FOC into the new enforcement program] won’t have much effect on the average farm, according to a spokesman for the FOC.”\(^1\)

These statements did not allay farmers’ concerns and the uncertainty of the program has increased the anxiety levels of rural groups. “Farmers aren’t looking forward to the arrival of FOC inspectors to Manitoba. Producers worry the FOC will inalterably change the way they do business, demand costly improvements to farms and generally be unfriendly to agriculture.”\(^2\)

Wayne Motherall, President of the Association of Manitoba Municipalities concluded: “I believe there will be some problems and I think it (FOC’s new program) could hold up a lot of infrastructure projects.”\(^3\)

These concerns seem to be justified. In an interview, Kathy Fisher, an FOC spokesperson from Manitoba, “. . . conceded many farm-related improvements can be expensive and could harm individual farm operations (italics added). She said that FOC still plans to lobby the federal government to provide funds for such transition efforts. But she said there is no money available directly from the FOC or federal government.”\(^4\)

This level of uncertainty not only affects agriculture but any development as developers begin to grapple with the far-reaching nature of the new FOC policy. To add more uncertainty, FOC declared that when a developer receives “clearance” to proceed with a project that it will not be considered a “permit.”

At the end of each letter to a proponent, typically a municipal authority, engineering firm, or construction company that is trying to complete a construction project, FOC officials advise that:

"Please note that none of the foregoing shall be taken as Authorization of the proposed works under the Fisheries Act nor does it supersede the requirements under any other federal, provincial, or municipal legislation.”

Under the Fisheries Act, an Authorization is given to perform a HADD. The letters from FOC are meaningless in a strict legal sense, but can be considered as part of the “due diligence”

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1 Manitoba Cooperator, November 16, 2000
2 Manitoba Cooperator, February 15, 2001
3 Manitoba Cooperator, June 21, 2001
process in case of legal proceedings. Thus while a project proponent may feel they have a “licence” from FOC as a result of these “comfort letters,” it is not the case.

2. Definition of Fish Habitat

To most people fish habitat means the lakes and rivers inhabited by fish. In this view habitat is well-defined. However, according to FOC, the operating definition of fish habitat includes the entire watershed. Thus with one stroke of the pen, FOC has assumed regulatory control of any and all activities in entire watersheds. All of the land in the Prairies is in a watershed. Of what use, then, is provincial control of natural resources?

It is true that fish can be affected by land use activities throughout a watershed. Water falling on land ultimately ends up in waterbodies if it does not become groundwater. And in the process of running off the land into lakes it can acquire nutrients that cause algae blooms in lakes that in turn can affect fish.

However, it is the nature of agriculture to change landscapes. Since the settlement of the Prairies, farmers have participated in an implicit bargain, that in return for the freedom to farm they would supply society with that most vital of resources, food. One can understand why the rural community would be alarmed by the uncertainty involved in such a broad definition of fish habitat.

FOC has adopted a strictest possible habitat policy known as No Net Loss (NNL). NNL means that, in the case of a HADD, the proponent will be required to replace the lost habitat with other habitat. Given the broad definition of habitat described above, it is obvious that a strictly applied NNL policy will have far-reaching and negative consequences for rural communities. How can a community or proponent possibly comply with NNL when the definition of habitat is the whole watershed?

3. The Precautionary Principle

FOC’s view is that all fish are equal. This means is that no matter how insignificant a fish population might be, once it is there the full powers of the Fisheries Act are brought to bear. As noted by Mr. Gary Linsey, “Fish habitat is our primary concern.”

This is known as the “precautionary principle” whereby development must not proceed until the full effects of that development are identified. Since any fish population might be of critical but unknown importance, the full Fisheries Act powers must be invoked. There is little discretion in the Act.

This removes the choice that communities and provinces should have in determining their own destinies and landscapes. There are numerous examples of how small intermittent streams were dammed or diverted to benefit communities. It is still an open question whether the new regulation will allow such beneficial landscape alterations.

One of the most important water management tools has been the creation of “small dams.” These are typically on intermittent streams and serve to capture the spring run off and hold the water over the summer. These “artificial” lakes become sources of irrigation and livestock water for the summer and are especially important in dry years. Small dams can also protect municipal infrastructure such as bridges from being washed out by the spring floods since small headwater dams serve to slow down the rate of spring water flow. This
has been quantitatively demonstrated in the Deerwood area of Manitoba, a region prone to flash flooding. As well, waterfowl conservation organizations often create wetlands using small dams. These impoundments can become critical waterfowl habitat especially during drought years. These types of projects, among others, are at risk under the new fisheries enforcement program.

FOC staff stated that they would be “reasonable” about interpreting and enforcing the Act. Some cases will ultimately end up in court and under the broad powers granted under the Act a judge would have little choice but to choose the side of more strict enforcement.

4. Lack of Knowledge about Fish Communities

It is extremely difficult to determine the size and composition of fish communities. They are nearly impossible to count, which makes the determination of how “significant” a given fish population might be a very difficult proposition. This inherent uncertainty about fish populations that makes fish management more of an art than a science. The collapse of the Atlantic cod fishery is proof enough. Scientists always err on the side of caution, with little or no knowledge or understanding of the economic costs involved. They therefore have a natural bias against any development that may threaten any fish population, no matter how insignificantly. When this lack of knowledge is tied to the broad watershed definition of habitat, it becomes clear that routine enforcement of Section 35. (1) will limit the economic future and development possibilities for rural communities.

Even though FOC stresses how “reasonable” they will be, the Department’s powers are now so broad that there remains ample scope for the creation of a “chilling” effect on investment on the rural Prairies. This extra burden arrives during a time when much of the rural economy has been battered by international grain subsidy wars.

5. Lack of Economic Impact Analyses

When asked if the program will consider the economic impact of the new enforcement program on rural communities, FOC answered that it will not. This decision will have a profound effect on smaller and poorer rural communities who simply do not have the tax base to support extensive fisheries studies or mitigation. Indeed, there have already been numerous cases of significant agricultural drainage projects, such as Rural Municipalities in the flood-prone regions of Southeastern Manitoba, that have been delayed because of the new regulatory “hoops” through which projects must now jump. This is especially acute in poorly drained areas such as the Rural Municipality of Armstrong in Manitoba where efficient drainage infrastructure is crucial to the local economy.

Although FOC stated that it “... hopes to reduce red tape by working with other regulators to speed up projects and avoid duplication,” a streamlined system has yet to be developed. Indeed there is scant hope that this will occur since FOC also stated that, “When a drain is to be cleaned, the work could be delayed until fish spawning is complete.” Leaving aside the issue of how “important” manmade drains are to fish that never existed naturally, one jurisdiction noted that they have over 1100 miles of drains that require constant maintenance. Since fish spawn over a three-week period in spring it means that this jurisdiction will lose three weeks of work time out of an already short construction season in order to “save” a fish population that may be non-existent or completely insignificant. Thus they will fall further and further behind on their drainage maintenance. A deteriorated
drainage system leaves an agricultural community vulnerable to flooding in wet years. Given the small margins in farming today, crop losses due to flooding could adversely affect the survival of rural communities.

6. A Regulatory Snowball

While a vertical structure for government departments may be the most efficient from an administrative standpoint, it is often overwhelming for the affected public. A department or agency is only concerned with its “bit” of the world to the exclusion of all the rest. When there are multiple levels of government with numerous agencies involved in regulating a particular activity, compliance costs, delays and inconvenience snowball. There is no single point of contact, the proverbial “one-window,” so the public must deal with separate and unconnected regulatory processes. In the case of environmental regulations, rural communities now face an increasingly bewildering array of regulations, guidelines and processes, just to get approval for what used to be routine projects.

The new FOC regulatory effort will soon be joined by additional regulatory initiatives about to be imposed through other federal government initiatives. The proposed Species at Risk Act gives federal authorities broad powers over land use once an endangered species has been identified. New efforts are underway to enforce the federal Navigable Waters Protection Act designed to protect navigation. These will all add to the rural community’s frustrations and resentments over the cumbersome and costly federal gun registry program.

Even in the best-case scenario where compliance with all of the above is simple, the burden of “navigating” through all of these processes increases the “transaction costs” of obtaining project approval. For governments or large companies who can afford dedicated staff people, these processes, while burdensome, are manageable. For rural municipalities who do not have the same level of staff resources or money, the regulatory burden will soon become crushing. These above-mentioned processes are federal only. Affected communities must also comply with additional provincial processes. All of this takes time and money away from the intended work.

7. Effect on Existing Conservation Programs

While it may sound peculiar, the FOC fish habitat protection program may place other conservation work in jeopardy. Recently, the Manitoba Government commissioned the Manitoba Livestock Stewardship Panel to assess the livestock industry and recommend methods to improve the industry’s environmental performance. Mr. John Whitaker, a member of that panel, cautioned FOC as follows:

“I just hope the FOC activities don’t undo the good work being done out there by producer groups and conservation groups.”

After years of painstaking work, certain conservation groups have created partnerships with farm groups on areas of mutual concern. They work especially well since they align the incentives of groups that, on the surface, appeared to have competing interests. These partnerships took years to build as both groups learned to appreciate the needs and objectives of the other. Some conservation groups have learned that working with producers via incentives (as opposed to regulation) pays off with permanent environmental improvement. This is best exemplified by new grazing management systems, developed by
conservationists and cattle producers working together, that improve wildlife habitat and protect water quality while at the same time improving cattle weight gains. Everyone wins and no costly third party regulatory bureaucracy is required.

These new approaches span a spectrum from the outright purchase of “conservation lands”, from willing sellers to the provision of incentives for environmental conservation on private land. The Nature Conservancy of Canada has focussed its efforts on acquiring endangered Prairie habitats and has purchased ranches in Saskatchewan and Alberta. Ducks Unlimited often purchases wetland areas. Manitoba has legislation, the Conservation Agreements Act, that allows third party conservation interests to purchase the “development rights” from willing landowners. These agreements mean that, for a price, the landowner agrees to forgo agriculture or development on certain agreed-upon lands but the lands remain in private ownership. Other programs such as “Cows and Creeks” in Alberta, the Saskatchewan Wetlands Corporation, and the Manitoba Habitat Heritage Corporation have “partnered” with cattle producers to conserve riparian and wetland areas. These types of programs show the most promise since they can be applied, at relatively low cost, over large land areas and will last since they often improve the economic efficiency of ranches. FOC should make itself familiar with these programs and become willing partners. Their involvement would be welcomed.

The regulatory approach, as exemplified by the FOC program (as it appears now) is the antithesis of cooperation. It is the heavy, top-down hand of government policing what up to now was normal community activity. Regulatory programs, like vigorous enforcement of Section 35. (1) run counter to the spirit of cooperation that exists within the culture of agrarian communities and could destroy the goodwill between farmers and conservationists developed over years of effort. This will be especially tragic given that agricultural, especially the cattle business, is becoming more environmentally friendly as producers voluntarily adopt conservation practices that not only improve the “bottom line” but the environment as well.

**Alternatives**

The above analysis highlights the risks to the rural economy when the anti-development bias within FOC is combined with the Draconian powers granted under the Fisheries Act. Taken to the letter of the law, FOC’s new program will have grave consequences for struggling Prairie communities, for the sake of a very dubious environmental benefit.

However, FOC staff has indicated some interest in a more co-operative relationship with stakeholder groups, perhaps realizing the problems that will emerge with an inflexible, community unfriendly approach. Staff are now discussing stewardship as an equal component to regulations and according to Mr. Gary Linsey, FOC Area Director-Prairies Area, “Enforcement is our last choice.”

While some enforcement will always be necessary, it appears FOC may participate in the stewardship and conservation efforts now underway in Prairie Canada. Conservation organizations and farm groups may welcome this. However, it remains to be seen whether FOC can overcome its regulatory bias. The federal government has the opportunity to experiment with an alternative approach whereby the department participates with farm and conservation groups in already successful stewardship initiatives. This will not only fulfill FOC’s mandate but will improve environmental and economic conditions across the Prairies.
The "model" federal department in these regards is the Prairie Farm Rehabilitation Administration (PFRA) which has a mandate to provide environmental, economic, and infrastructure services to rural communities. While seen as a “strange bird” by more traditional hierarchical bureaucracies in the federal civil service, PFRA remains one of the most popular federal agencies in western Canada. PFRA benefits from having a customer focus and operating as a “one-stop” development and conservation agency for rural communities. Prairie residents view the PFRA as an agency that contributes to community development as opposed to inhibiting it. FOC can learn much from the PFRA experience and implement its new mandate using incentives, community partnership and technology transfer, as opposed to the current heavy emphasis on regulation and process.

Benefits Of The Alternative Approach

FOC could help rural communities by adopting an incentive-based approach to fish habitat protection. Incentives and technology transfer are techniques that have a long history in Prairie Canada based on the strong success of the North American Waterfowl Management Plan, various riparian habitat protection programs, conservation easements and the work of PFRA. By working with rural communities and within the “culture of agriculture”, FOC will achieve far more fish habitat protection than by means of the heavy hand of regulation. The incentive approach will also ensure the survival of existing conservation programs that took years of painstaking effort to construct. These programs, the fruits of which are now apparent, will be jeopardized if the rural community becomes alienated from conservation due to regulatory “overkill.”

Western rural alienation is a serious and growing concern. Such disaffection only increases with each new regulatory initiative introduced by remote, and seemingly unaccountable, federal government agencies. It is truly unfortunate that the federal government’s “stovepipe” structure seems bent on creating layer after layer of permits, regulations, and federal oversight in rural communities. While each government agency deals only with its “corner of the world” it is ill-equipped rural communities, organizations and enterprises that must deal with all regulations simultaneously. Thus frustration increases and citizens begin to wonder if government serves them or if they serve government. FOC has the opportunity to reverse this perception if it adopts the incentive approach to conservation and fish habitat protection. FOC could improve the environmental quality and the economic viability of rural communities or seriously damage them. The choice is FOC’s to make.

Recommendations For A Rural Friendly Approach To Fish Habitat Regulation

Option 1. Continue with current approach and staffing infrastructure but:

- Remove drainage ditches and flood control infrastructure from the jurisdiction of FOC;
- FOC should be required to conduct a “Regulatory Impact Assessment” of the new fish habitat initiative on a project-by-project basis;
- FOC should be required to determine the “importance” of a given fish population and community and the level of regulatory effort should be proportionate to that “importance”;
- FOC must improve the efficiency of the regulatory process and ensure that important water management projects proceed expeditiously; and
• FOC should create an Advisory Board, appointed by the Minister, comprised of citizens, experts and elected officials to advise FOC on methods and procedures of implementing this program.

**Option 2. FOC becomes a partner in existing stewardship programs:**

• FOC largely abandons the regulatory approach, leaving those efforts to existing environmental processes;
• Since all stewardship programs have “water” components, FOC should take its place as a partner in such programs as the North American Waterfowl Management Plan, riparian conservation efforts and Conservation Districts;
• FOC should fund the fish conservation components of these various programs;
• FOC should improve the knowledge of fish communities and use that knowledge to improve existing stewardship programs; and
• FOC would develop a strong extension component to transfer knowledge to rural communities and, especially, farmers.

**Option 3. Provinces be given the responsibility for fish habitat:**

• This would be the most desirable outcome since the Provinces are the closest level to the affected citizens and communities.
• FOC would focus its efforts on providing scientific and technical advice to the relevant provincial agencies and departments.

Option 3, though unlikely at the present time, is recommended. Option 2 is the next best choice followed by Option 1.

An intelligent and flexible approach to regulation is required to assist the economic adjustments now underway on the rural Prairies. The federal government has an opportunity to retrieve much lost goodwill in Western Canada by implementing a more balanced and sensitive fish habitat conservation policy on the Prairies.