



## **Fogo Cooperative Society Ltd**

Position Regarding DFO'S Last-In-First-Out Policy as it Applies to the Northern  
Shrimp Fishery

**Submitted to**

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## **INTRODUCTION**

The purpose of this document is to present arguments to support the elimination of the Last-In-First-Out (LIFO) policy from the Northern shrimp fishery in Canada. The importance of the inshore fishery, which supports rural communities throughout Newfoundland and Labrador, cannot be overstated. Many of these communities have been created on the backbone of the fishery through generations of involvement. The Fogo Island Cooperative Society (FIC) is in a unique position to discuss LIFO and its effect on inshore harvesters and communities. As a community based processing operation its members are reliant on the plant jobs that it provides. Moreover, its owners (the harvesters) rely on the co-op to purchase their catch. Finally, the FIC has felt firsthand the effects of the LIFO principle through the elimination of its special offshore allocation, which has been used to help support the business.

The continued application of this controversial policy, which has protected large corporations at the detriment of the inshore harvesters, onshore processing plants and rural communities over the past decade, has had substantial impacts on the community. There have been a number of independent studies that have shown the importance of the inshore shrimp fishery on the small communities throughout Newfoundland. Considering the 2016 stock status for shrimp fishing area 6, if LIFO is applied it will have substantive and irreversible impacts throughout Newfoundland – potentially leading to the death of the industry. The LIFO policy, made popular in the accounting world, does not adequately account for the social and economic importance of the resource such as the number of jobs created, economic and infrastructure investment, or other economic spin offs for Newfoundland.

The proceeding paper outlines the rationale and position of FIC as it relates to the application of LIFO. It explains the first hand issues that the policy has created in regards to the plant operation, the viability of the owners' enterprises, and the sustainability of the community. FIC has put forward a compelling argument and demonstrated how the further application of this policy will continue to have disastrous effects on Newfoundland's rural communities and the harvesters which rely on this fishery.

## BACKGROUND

The community of Fogo Island is one of the oldest fishing communities in North America steeped in rich fisheries traditions passed down for generations and built on the cod fishery. Despite efforts by the federal Government in 1967 to move the population to “centralized hubs” the people of Fogo Island made a life altering decision and remained on the island. Following the decision, the Fogo Island Co-operative Society Limited, a community based enterprise on which the island’s economy has been built, was formed. Fogo Island Cooperative (FIC) is a hybrid co-op encompassing producers (harvesters who bring their catch to be processed by members) and workers (workers in the processing plants are also members). Ownership of the organization consists of over 550 harvesters and workers from the area and support more than 180 employees at its plants. Despite the challenges of operating in “semi isolation” from the main parts of Newfoundland, the company has not only survived but has succeeded when many other larger companies in Newfoundland faltered at the pressures of this trying industry. Today the FIC is one of the largest and oldest fishery co-operatives in the world and will celebrate its 50<sup>th</sup> year in business in 2017. This hasn’t come easy. The reason that FIC has been able to remain active is the strong will of the Fogo Island residents. These people refuted Government’s decision to re-settle Newfoundland communities in the 1950s and 60s. They stayed, formed a fishery co-op and built a future learning through adversity and hardship never giving up, adapting and evolving.

The success and longevity of the operation is a testament to the strong will and hard work of the residents of Fogo Island. One of the key factors that led to its ability to prosper has been the fact that it has, for the most part, remained ahead of adverse fishing issues (i.e. reductions in fishing stocks) through diversification. In its early days of operation, processing on Fogo Island was focused mainly on groundfish species. Since that time FIC has grown to include shellfish species (snow crab and shrimp), pelagics (mackerel, herring and capelin), groundfish as well as sea cucumbers.

FIC is a multi-species processing company operating three plants. These include:

- A groundfish plant in Joe Batt’s Arm which operated for 10 weeks in 2015 employing 60 people processing cod and turbot
- A crab plant in Fogo that operated for 34 weeks in 2015 employing 140 workers processing snow crab, capelin, herring and sea cucumber

- A shrimp plant in Seldom that operated 19 weeks in 2015 employing 90 people on two shifts processing shrimp.

Thirty large fishing enterprises (65') and approximately 75 small vessel fishers supply raw material to the plant. Furthermore, harvesters from outside the island of Fogo also supply the plants. In 2015 the plant and fisher payrolls were \$5 million and \$27 million respectively.

Being associated with a diverse portfolio of fish species has provided the FIC team a broad range of expertise with regards to the Atlantic Canadian fishery and how to best optimize the returns from it. Diversification is essential to the FIC's business model and its ability to distribute benefits to its members and the communities on the island.

Based on the size of the operations, FIC paid \$300,000 in municipal and \$200,000 in provincial and federal taxes, to go along with \$4 million in deducted income taxes from the workers and fishers. These are substantial sums, especially for a municipality of its size.

Originally the settlers on Fogo Island set up roots to take advantage of the abundant cod resource in the adjacent waters. Prior to the groundfish crisis in 1992, the population of Fogo Island was approximately 5,600, with the majority of individuals making a living through the fishery. Since the cod resource collapse, Fogo Island's population has fallen by half; however, the reliance on the fishery has remained unchanged. Having recognized the probability of the groundfish decline, Fogo Island's harvesters, along with the FIC, made the decision to invest to expand its harvesting and processing capacity. In fact, in the 1980s, FIC made an application to receive an offshore shrimp allocation in the emerging fishery. In accordance with the switch from groundfish to shellfish the harvesters in the area invested in new vessels and equipment.

Despite its best efforts and the principles of the then Minister of Fisheries and Oceans, FIC did not receive one of the original offshore shrimp licenses issued. Instead, the Minister committed three of the five licenses available to Newfoundland communities in Labrador with the goal of providing access to adjacent community based organizations to help with their development.

In 1997, the offshore shrimp industry expanded again and FIC was once again left without a shrimp allocation after countless proposals to the Government. At that same time a special allocation of

3,000MT was given to the St. Anthony Basin Resource Inc. (SABRI) company. SABRI used this special allocation to establish an on-land shrimp processing plant in St. Anthony.

In late 1990's, using the experience of SABRI, FIC began to lobby Government once more for both an onshore shrimp processing license as well as an offshore shrimp allocation to support the onshore operation. The purpose of the offshore allocation was to provide the funds required to capitalize a shrimp plant, upgrade the crab operation and diversify the product line. This would provide the inshore fishers that fished the resource a home to land their product to, as well as alternative employment to plant workers who were barely surviving on crab at the time.

In 2000, FIC successfully acquired both a processing license and a 1,000MT special offshore allocation in the shrimp fishery in shrimp fishing area (SFA) 6. Using the SABRI model as a basis, FIC used royalties from the fishery to establish a shrimp processing facility. In the short term a partnership with an Icelandic company which supplied the equipment and expertise for the plant was formed. By the late 2000's FIC successfully divested from the Icelandic partners and purchased new innovative equipment costing millions of dollars, making it one of the most modern plants in Newfoundland. Without this new offshore allocation and the royalties received from it FIC would not have been able to invest in such an on-shore processing facility to prop up the work for its employees. These royalties have varied but have generally ranged from \$200,000 and \$400,000, annually.

The royalties received from the offshore allocation permitted FIC to purchase and outfit an onshore shrimp processing facility. The ability to also purchase and process multiple species is an essential part of the plant being able to remain viable and succeed. Without the ability to purchase and process shrimp the owners of the co-op (which are the harvesters and workers of Fogo) would have to gear up to sell their catches elsewhere, severely limiting the opportunities and revenues that can be retained in the community. Since receiving the processing license and special allocation for shrimp it has surpassed crab as the most significant species for the Co-op. Revenues from shrimp are over \$20 million and represent over 67% of the product produced by Fogo. **Presently there are 180 employees working in the shrimp facility making wages of over \$108,000 per week.** In a community such as Fogo's this equates to a significant economic contribution.

The livelihoods of the harvesters and workers on the island depend on FIC being able to extend the operating and buying season. The money made from the shrimp processing is invested back into the

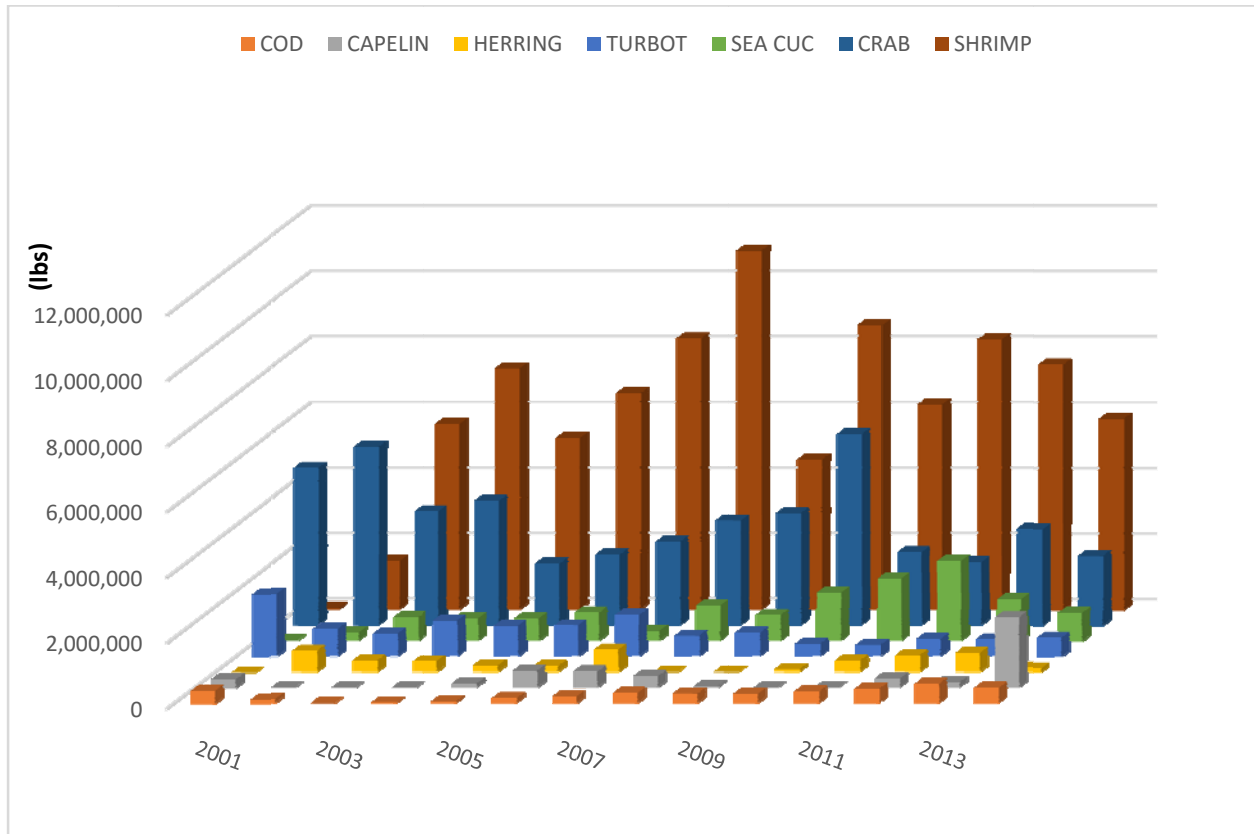
community and co-op through direct payments, upgrading of facilities and through its ability to purchase and access more raw materials.

Based on the fact that FIC was denied in its application in 1980 and it was not included in the original distribution of offshore quotas, it is now subjected to the uncertainty of the resource. Despite the reality that FIC is the largest and longest serving co-operative, directly adjacent to the main shrimp fishing area (SFA 6) it has been unfairly treated. Former Minister of Fisheries Romeo Leblanc stated that the objective of the offshore shrimp resource, and all fisheries for that matter, should be used to support the community based organizations that are most isolated and whose mobility is most limited. In actuality when the offshore shrimp licenses were being distributed Minister Leblanc insisted that four of the six licenses allocated to Nova Scotia, New Brunswick and Quebec be granted specifically to cooperatives to help sustain small scale harvesters and remote coastal communities.

Unfortunately, the current management of the shrimp fishery is such that it protects the longest serving participants in times of substantial quota cuts. Those groups that received the original offshore licenses are sheltered, with their quotas protected by a 37,600MT threshold. This policy was introduced in the 2000s and has become known as LIFO. Because FIC was denied in the 1980 application and was not included in the original distribution of offshore quotas, it has been subjected to the uncertainty of the resource. With the critical state of the shrimp resource in area 6 the special allocation granted to FIC has been suspended.

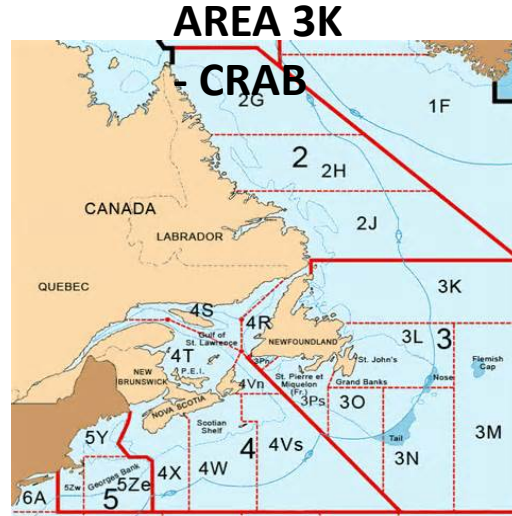
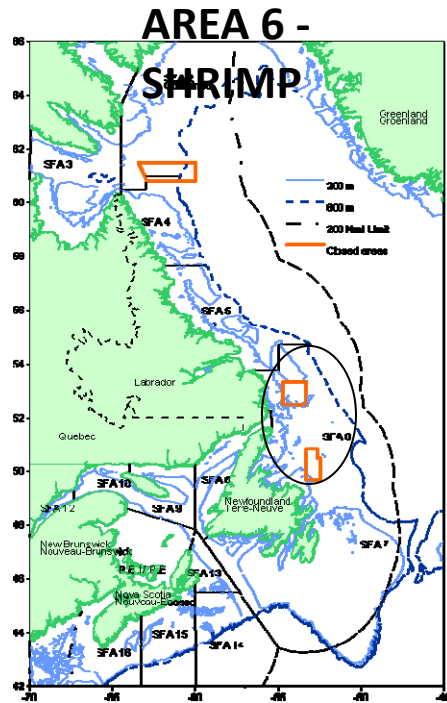
In addition to the removal of the special allocation our harvesters are also experiencing substantial losses in the shrimp access. License holders from SFA 6 have seen their overall shrimp quotas decline from as high as 490,000 lbs in 2009 to 246,000lbs in 2015 (a decline of approximately 51%). There is another reduction expected this year and if LIFO remains the cut would be significant increasing the decline to as high as 75% since 2009. This reduction in quota has limited the raw material supply available to the plant placing further strain on its ability to support the community. Moreover, similar declines in the available snow crab resource have also been seen. From 2009 to 2016, 3K snow crab quotas have declined by 65%. Depending on the license type and group the declines in crab have resulted in the loss of as much as 152,000lbs per license. Again these cuts have severely reduced the supply that is available for processing by the plant and have severely jeopardized the viability of the inshore fleet adjacent to Fogo.

The following figure shows how the supply of various species to the plant has fluctuated since 2001.



FIC's operation revolves around shrimp. It makes up over 65% of the business model, replacing crab in recent years. Having less shrimp than what it has now makes it unviable. In 2009, the co-op processed 11 million lbs. of shrimp, last year only 5.5 million lbs. were produced. This is a substantial decrease, especially for an operation of the size of FIC and within an area where a majority of residents rely on the processing facility for a livelihood. If another significant reduction in available raw material is experienced the FIC shrimp operation will be unviable.

FIC is directly adjacent to one of the richest fishing resources in the North Atlantic (including SFA 6 and NAFO division 3K). This area has provided a livelihood for generations of harvesters and fish plant workers and has sustained communities for over 500 hundred years.



In 1992, the cod moratorium had substantive and irreversible impacts on many rural communities throughout Newfoundland. In the late 70's to the early 90's large offshore trawlers decimated cod stocks on the Grand Banks and the northern cod stocks in 2J & 3K driving them to near extinction. At that time the inshore fishery was forced to shoulder the resulting declines. The inshore fishery relied upon the migration of these two cod stocks which flooded to the inlets and bays of rural Newfoundland in the summer months. However, in the early 90's it slowed and then stopped. The fish had been wiped out along with the inshore fishery. Many once vibrant towns that depended upon cod were abandoned by their one and only employer. Most of these towns are now a shadow of what they were. Towns like Trepassy, Fermeuse, Catalina, Charleston, Burgeo, Port aux Basques, Ramea, Gaultois, Grand Bank, Fortune, Marystown, Burin, Harbour Breton, Englee, Boyd Arm, once vibrant entities built on the offshore trawler fishery were shut down due to overfishing.

Some of these closures may have been prevented had the fishery been better managed. All fleet sectors, stakeholders and management bodies share in the mismanagement of the cod fishery throughout the 70s, 80s and 90s. The ways of life for many small rural communities are once again threatened due to the federal government's inaction and inability to listen to the concerns being raised. More plants in Newfoundland will close and communities will cease to exist if current policies are maintained.



The continuation of the LIFO policy is an assurance that lessons have not been learned from past mistakes. This time it will be shrimp plants in the following communities, Fogo Island, Port aux Choix, Anchor Point, St. Anthony, Clarenville, Black Duck Cove, Twillingate, Old Perlican and Bay de Verde that will feel the pain of more quota cuts. It will result in the shutting down of another eight Newfoundland communities. Can the inshore fishery and the rural communities which it supports be expected to pay the price once again?

There have seen promising signs that the cod resource off of Newfoundland and Labrador is making a comeback, however it has not yet reached an abundance where a directed commercial fishery would be either advocated or be viable. Furthermore, following decades without investments in groundfish marketing and processing technologies, Newfoundland is no longer in a position where it could capitalize on this resource. Cod will never replace the shellfish fisheries as the mainstay of inshore fishing companies. Outside the shellfish fisheries, there is nothing else that the inshore fishers and processing plants can turn to in order to survive.

## **THE PROBLEMS**

The inshore resources of coldwater shrimp and snow crab are rapidly declining. These are the very fisheries that the inshore has come to rely on. They have sustained the inshore fishery for the past 25 years since the collapse of cod stocks. These decreases have jeopardized the substantial investments that have been made, both onshore and on the water. Without these fisheries the communities that rely on these species have nothing to turn to. There are a number of causes that are leading to these decreases some out of our control. These include:

1. Climate change – increasing water temperature resulting in earlier than normal phytoplankton blooms. This has an adverse impact on the survival of immature shellfish species.
2. Recruitment issues – fewer young shellfish are appearing in scientific surveys
3. Regime shift – the ecosystem is transitioning back to groundfish. Current conditions are more favourable for these finfish survival and unfavourable for shellfish.

Maintaining a healthy ecosystem is paramount. Human and human institutions, beliefs and practices are integral parts of an ecosystem. Fish harvesters meet an important societal need by providing food from the sea. The ecosystems that produce seafood must be cared for both because of their intrinsic importance and to ensure a sustainable source of food is available for future generations.

The offshore sector has been responsible for the destruction of many fisheries around the globe. They are fishing down the food web and more predatory species are chasing smaller fish closer to inshore waters for a food source. These species are preying on inland water species within the ecosystem. While there has been major improvements and new technologies developed (the nordmore grid in the shrimp fishery) to protect other species while targeting a specific species there is still much to be done. Year round fishing near coastal communities should be stopped; it is not good for the fishery as it places too much pressure and stress on fish species threatening their survival.

It must be noted that FIC has a lot of respect for the offshore and the men and women that work for weeks at a time away from home often in extreme weather conditions. However, the damage that they inflict on ecosystems cannot be ignored. From the late 1970's to the early 90's, offshore trawlers wreaked havoc upon groundfish stocks. Large offshore trawlers, mostly stern trawlers decimated cod stocks on the Grand Banks and the northern cod stocks in 2J& 3K driving them to near extinction. The inshore fishery relied upon the migration of these two cod stocks which flooded to the shores in the summer months. In the late 80's and early 90's this migration slowed and then stopped. The fish had been wiped out and along with the inshore fishery.

Perhaps the most important issue is how the fishery is managed and how the allocations are divided to support the inshore and offshore shrimp fisheries. This is one factor that is within our control. If the LIFO policy is continued and the inshore is forced to bear the brunt of the shrimp cuts it will bankrupt fishing enterprises and processing companies – eventually destroying communities.

The best fishery for a sustainable fishery that protects ecosystems is a small scale multi species seasonal inshore fishery. This type of management limits the amount of pressure that is placed on an ecosystem by permitting downtime where no fishing activity is permitted. In turn this allows for the area to recover without being subject to any removal pressure.

## **ISSUES WITH LIFO**

The collapse of the groundfish resource off Newfoundland and Labrador was followed by a rapid expansion of the northern shrimp population. This resulted in the growth of the near-shore shrimp fishery; particularly on the north east coast of Newfoundland directly adjacent to Fogo. The offshore

sector took advantage of the inshore sector at its most vulnerable time... The collapse of the cod stocks. At a time when DFO should have propped up the inshore fishery on shrimp it instead gave quotas to the offshore fleets. In 1997, temporary inshore licenses were granted to groundfish harvesters with vessels less than 65' length overall. These temporary inshore licenses were converted to permanent licenses a decade later in 2007.

When the inshore entered the northern shrimp fishery, DFO made two commitments. The first was to guarantee an allocation threshold to the offshore fleet and the second was to apply adjacency in the allocation of the resource. To achieve these commitments a new set of sharing principles were added to the northern shrimp fishery. The principles include:

1. Conservation of the resource is paramount.
2. The viability of existing enterprises will not be jeopardized.
3. Current northern shrimp license holders will retain the overall 37,600MT allocation that was provided to them in 1996. Where total allowable catch (TAC) for all areas combined exceeds 37,600MT, temporary access will be given to new entrants.
4. Adjacency will be respected, which means that those who live near the resource will have priority in fishing it.
5. Priority will be given to increasing participation of aboriginal people in the established commercial fishery.
6. Priority will be given to inshore vessels less than 65 feet in length. Access by midshore and offshore fleets will be considered for the more northerly fishing areas.
7. Existing license holders will share some of the increased TAC.
8. Employment will be maximized in both harvesting and processing sectors where possible.

The LIFO principle was first described in the 2003 Integrated Fisheries Management Plan (IFMP), and was implemented to protect the licenses with the longest history in the fishery. In the 2003 IFMP LIFO was described as the removal of temporary participants in reverse order of gaining access. At its core, the policy ensures that the offshore license holders, which received access prior to the inshore, are guaranteed a base allocation of 37,600MT across all shrimp fishing areas to ensure continued viability and to protect their investments. If quotas decrease below the base allocation the most recent entrants to the fishery are removed. This principle results in a disproportionate decrease to the quota allocations of the inshore fleet compared to the offshore. In 2007 the wording for LIFO was changed to reflect the resource and not allocation. The changes to these IFMPs regarding LIFO were conducted without consultation with the industry.

There are several arguments which highlight the issues surrounding LIFO and bring the importance of the shrimp fishery to the inshore and rural communities to the forefront. These include:

- LIFO was introduced into the 2003 IFMP without substantive consultation with stakeholders. This was never accepted by the industry. In fact, the shrimp fishery in SFA 6 is the only fishery in Atlantic Canada to use LIFO policy to determine allocations.
- The policy does not reflect the social and economic importance of the resource to the inshore harvesters, processing plants and rural communities.
- The application of LIFO is contrary to the adjacency principles used in most other fisheries in Atlantic Canada.
- Substantial investments have been made by inshore enterprises, communities and processing plants throughout Newfoundland to prosecute the near-shore shrimp fishery.
- Rural community reliance on the inshore shrimp fishery.
- Inshore shrimp harvesters are limited to a single area to harvest their quota.
- The reductions of other species have led to the shrimp fishery becoming even more important.

Each of the above will be explained as to how they are relevant to FIC's case.

- **LIFO was introduced into the 2003 IFMP without substantive consultation with stakeholders. This was never accepted by the industry.**

Having survived the cod crisis FIC understand and respect the measures put in place by DFO's science branch to ensure a healthy fishery. It is imperative that sustainable principles continue to be practiced in order to have a fishery for the future generations. That being said FIC recognizes that reductions in quota allocations are necessary to accomplish this. However, these cuts cannot be made at the expense of the inshore fisheries and plant workers in Newfoundland who have grown to rely on the fishery as an economic engine, especially in the rural communities such as Fogo's.

The LIFO policy was introduced in 2003 without substantive consultation with the industry. It was put in place to protect the offshore allocations and fisheries so that at a minimum they will retain a level that has been deemed to be economically viable. This has been done to the detriment of the inshore fishery as well as those groups that have received special allocations. Following the stock decline in 2011 the LIFO policy was put into effect and as a result FIC's special 1,000MT allocation was eliminated. This followed a time that FIC had made significant investments into its shrimp processing facility. While a portion of the allocation was recovered, following further declines in 2014 it was once again eliminated.

**Over 90% of the fisheries in Atlantic Canada have stabilized sharing arrangements, which are based on a percentage share. No other fishery is subject to a LIFO application.**

Furthermore, LIFO is a poorly detailed concept that is subject to interpretation. For instance, in 2007 all temporary inshore permits were converted to regular licenses. This was completed as part of a federal/provincial renewal initiative for the Newfoundland industry. In 2007, the integrated fisheries management plan (IFMP) stated that the LIFO principle now applies to new participants/allocations; however, a description of what a new participant/allocation holder is not provided.

- **The policy does not reflect the social and economic importance of the resource to the inshore harvesters, processing plants or communities**

There have been countless studies which have tied the economic importance of the fishery to coastal communities throughout Newfoundland. As previously stated the direct application of LIFO is not capable of considering the economic and social reliance of an allocation holder on the resource, nor can it consider the spin off opportunities which are derived from it. The following list provides a summary of the importance of the near-shore shrimp fishery to rural Newfoundland:

1. Inshore shrimp quota in Newfoundland is harvested by approximately 250 vessels and over 97.5% of their catch is landed within the province. In contrast, the offshore quota is harvested by only 17 license holders – seven from Newfoundland - using 11 vessels, and only 56.5% is landed in Newfoundland. In fact, a great deal of the shrimp that is landed to be processed from the offshore fleet goes to other countries where it is processed and then competes with the shrimp landed from the inshore fishery. The inshore vessels provide for approximately 1,300 crew positions. In comparison the offshore supports roughly 625 crew positions.
2. The inshore landings sustain the operation of 10 shrimp processing plants employing approximately 2,000 people. No offshore catch is sold to local processors as it is processed onboard the vessel at sea. Over the past five years the inshore fleet has landed in excess of 450 million pounds of raw shrimp to be processed.
3. Inshore shrimp enterprises contribute over \$11 million into local economies through the purchase of groceries, fuel, and conducting routine maintenance. As many of the offshore vessels do not land in Newfoundland, the same level of economic spinoff is not achieved.

4. Recent quota cuts to snow crab in NAFO area 3k, which have exceeded 60% since 2009, have increased the dependence on shrimp for the inshore sector. Similar crab cuts have been experienced throughout the Eastern portion of Newfoundland.
5. From 2012 to 2015 the inshore vessels in Area 6 have harvested their entire quota. In comparison, according to DFO quota reports, the offshore license holders have only caught 76% of their quota in the same area. Often times the offshore fleet will carryover unused quota to be harvested in the spring.
6. The offshore license holders have access to a number of additional shrimp fishing areas farther north, whereas inshore harvesters are limited primarily to a single area. For 2015, the offshore fleet's shrimp allocation was approximately 47,000MT. This allocation was dispersed over seven different fishing areas. Thus the offshore fleet has the opportunity to make up for its quota losses in other fishing areas but the inshore fleet does not have the same options available to it. Furthermore, the offshore shrimp is able to prosecute its fishery on a year round basis and are free to move throughout the different areas.
7. Depending on the NAFO division northern shrimp from SFA 6 represents, on average 60% of individual enterprises revenue. Continued cuts to the near-shore quota will negatively impact the viability of these enterprises.
8. In many communities which have a shrimp processing plant (like Fogo Island) the shrimp fishery has become an economic foundation from which all else is built. The town supports the harvesters, through the purchase of their raw material, as well as the residents by providing onshore processing opportunities within the plant. The wages paid to these individuals are reinvested back into the communities through other economic spinoffs. Furthermore, the municipal taxes that are paid by these operations are relied on by the towns for a number of important programs.
  - **The application of LIFO is contrary to the adjacency principles used in most other fisheries in Atlantic Canada.**

LIFO was implemented to protect those harvesters which have the longest standing in the fishery. When the Northern shrimp fishery was first opened the offshore vessels were limited to harvest in the areas now known as shrimp fishing areas 0-5. It was not until the collapse of the groundfish fishery adjacent to Newfoundland that Area 6 entered into the equation. Shrimp fishing area 6 is the most adjacent fishing grounds to Newfoundland. It is located within the NAFO division 3K boundary which is directly bordering Fogo Island. The harvesters from the rural communities within this division have relied on these fishing grounds for centuries.

For the past decade, increases to the Northern shrimp quota have been guided by the principle of adjacency. This principle was recognized by a number of former fisheries Ministers as being a vital consideration regarding the allocations within a fishery. It is only now that the resource has shown signs of weakening that the LIFO policy is being enacted. LIFO does not factor in the economic and social impacts of each allocation, nor does it account for the traditional uses of the fishing grounds in question.

Considering the offshore sector which includes license holders from Nova Scotia, PEI, Nunavut as well as Newfoundland and Labrador, there are regional groups who are allocated a significant portion of the Area 6 resource, despite not being within the area or even remotely adjacent. This demonstrates that the current application of LIFO is inconsistent with its original intent.

The fourth point made on the sharing principles introduced in 1997 related to adjacency to the resource. Specifically, it stated that “Adjacency will be respected, which means that those who live near the resource will have priority in fishing it”. FIC and its harvesters are directly located in Shrimp fishing area 6. It is important to stress that during the cuts experienced in 2010 and 2011, FIC lost 100% of its offshore allocation, despite being directly adjacent, while a PEI interest remained intact. This demonstrates that the current application of LIFO is inconsistent with its original intent. It was the understanding of the industry and within Newfoundland that the principles would apply as long as the quota within each SFA and the overall TAC remained above 37,600MT.

- **Substantial investments have been made by inshore enterprises, communities and processing plants throughout Newfoundland.**

The FIC has invested over \$6 million in its shrimp processing capacity. The majority of this investment was made possible through obtaining the 1,000MT special offshore allocation. In order for a processing

plant to be considered active it must process a minimum of 500MT of shrimp in a given year. Based on the size of the Fogo Island plant it requires a minimum of six million pounds of shrimp per calendar year to maintain its viability. Any less cannot support its business model. The recent cuts to shrimp in area 6 have resulted in the elimination of its special allocation as well as a substantial decrease in the amount of shrimp that our members are able to harvest and land to the plant. These cuts as a result of the application of LIFO have severely jeopardized these investments. At its peak the FIC plant processed just under 11 million pounds of shrimp (2009). In 2015 its production had decreased to 5.5 million pounds.

Our inshore harvesters rely on the shrimp fishery to operate a viable fishery. It is important that they have access to a number of different species such that they can weather fluctuations in biomass and market conditions. In 2007, when the inshore shrimp licenses were made permanent, then fisheries minister Hearn made a major policy announcement that allowed licensing combining as well as measures to strengthen owner-operator and fleet separation policies. These changes encouraged self-rationalization of the fleet. Furthermore, at the same time new regulations permitting harvesters to use licenses as collateral to access financing through traditional lenders (such as banks) were introduced. In order to develop viable enterprises, many inshore harvesters took advantage of these new opportunities and purchased increased access. This has resulted in hundreds of thousands of dollars of debt which must be repaid.

- **Rural community reliance on the inshore shrimp fishery.**

Despite what the offshore harvesters would have many believe the importance of the inshore shrimp fishery to rural communities in Newfoundland cannot be overstated. Fogo Island is a perfect example of this fact. The community has been built on the back of the fishery. The owners of the organization are the harvesters participating in the fishery as well as those working in the plant.

The ability to purchase and process multiple species is an essential part of the plant being able to remain viable and succeed. Without the ability to purchase and process shrimp the owners of the co-op (which are the harvesters and workers of Fogo) would have to gear up to sell their catches elsewhere, severely limiting the opportunities and revenues that can be retained in the community. This also allows for the plant to extend its operation optimizing the number of on shore jobs it can provide. Since receiving the processing license and special allocation for shrimp it has surpassed crab as the most significant species for the Co-op. Revenues from shrimp are over \$20 million and



represent over 67% of the products produced by the Co-op .FIC through its processing operations provides \$300,000 in municipal and \$200,000 in provincial and federal taxes.

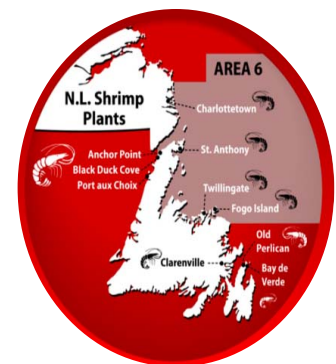
The royalties obtained from the sale of the special offshore shrimp allocation were used to support the onshore shrimp processing operation. These royalties have ranged from \$200,000 to \$400,000 a year. Presently there are 150 employees working in the shrimp facility making wages of over \$108,000 per week. In a community such as ours this equates to a significant economic contribution.

The livelihoods of the harvesters and workers on the island depend on FIC being able to extend the operating and buying season. The money made from the shrimp processing is invested back into the community and co-op through direct payments, upgrading of facilities and through the ability to purchase and access more raw materials.

In 2015, **1,250 inshore harvesters fished for shrimp**. That shrimp supported **1,700 shrimp plant workers in 10 plants along the coast of Newfoundland**. The **inshore shrimp fishery contributed \$250 million to the economy of rural Newfoundland and Labrador**. The fishery is the nucleus of rural out-ports and they cannot survive without it. Maintaining healthy vibrant rural communities is important to Newfoundland and Labrador.

In light of the results of the most recent scientific assessment the prudent move is to reduce quotas. However, if DFO continues to impose the LIFO policy in 2016, inshore shrimp harvesters will only be permitted to harvest 6,650 MT of shrimp – not enough for most of them to survive and not enough to keep plants viable. Many fishers will be forced into bankruptcy and only one or two of the ten remaining shrimp plants will survive. This will devastate rural communities, where even the tourism industry is deeply connected to the inshore fishery. Fogo Island is a testament to that where geotourism and the genius of Zia Cobb and her visions for PLACE will be lost forever.

Economic hubs like Gander, Grand Falls, Corner Brook and St. John's all benefit from the inshore fishery. Inshore harvesters buy vehicles, groceries, fuel, gear, and repair services – plant workers also spend their income at local businesses and nearby hubs. These urban centers will be greatly



impacted should LIFO stay. As an important note the Town of Gander relies upon rural fishing communities to support their town. These outlying rural fishing settlements contribute up to 80% of Ganders economic wealth.

*In 2011/12, SABRI and an offshore shrimp harvester made a joint request to DFO for permission for SABRI's shrimp allocation to be harvested by the inshore fleet. Both SABRI and the offshore company agreed that having the shrimp allocation harvested by inshore vessels and landed at a processing plant in Newfoundland was in the best interest of the region. At the time it was noted that if the entire 3,000 MT allocation was landed as raw material it would provide an additional \$680,000 in payroll income to the plant workers and over \$3,000,000 in additional income for the inshore harvesters.*

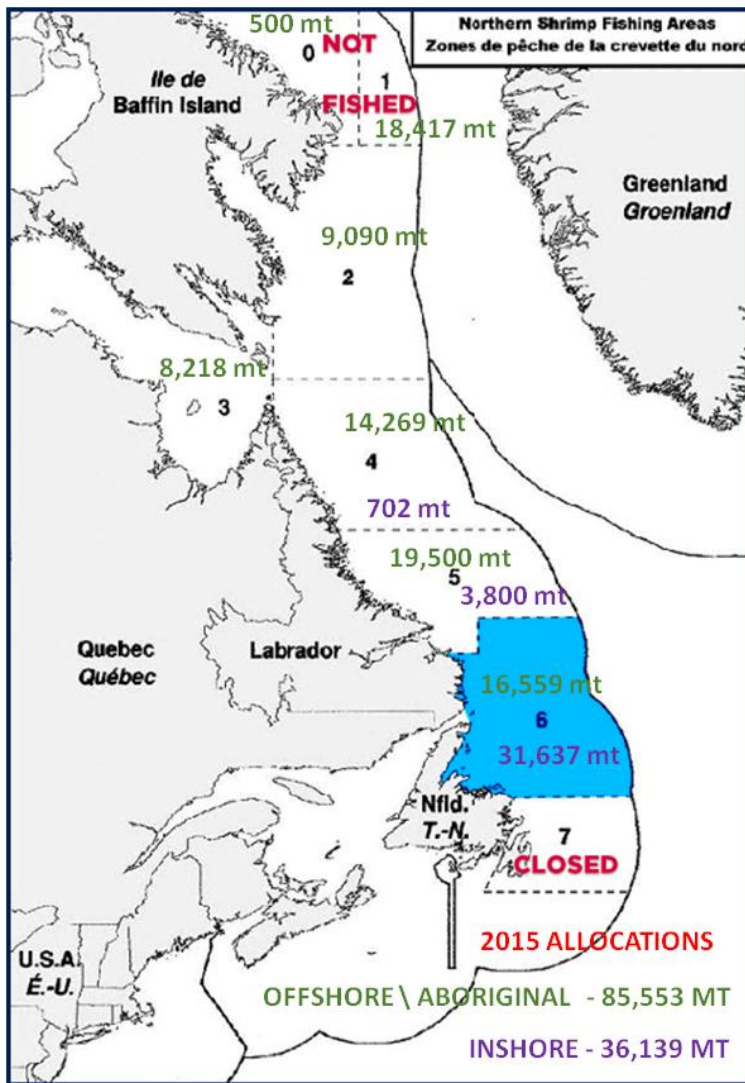
- **Inshore shrimp harvesters are limited to a single area to harvest their quota.**

The northern shrimp fishery is prosecuted in eight shrimp fishing areas, known as SFAs 0-7. Some of these areas are located in the far north and are outside the reach of inshore vessels. Until 2014 when SFA 7 was temporarily closed to all fishing due to concerns with the resource, the offshore fleet had access to every SFA. Throughout its history the inshore northern shrimp allocation has primarily been harvested in SFA 6. Smaller allocations were available in SFA's 5 and 7 however these were significantly smaller than those in SFA 6. Inshore harvesters from NAFO divisions 2J, 3KL and 4R each receive allocations to harvest shrimp in SFA 6.

Unlike the inshore which is limited in its geographical range the offshore shrimp fleet has been designed to participate in northern fisheries using ice strengthened vessels. Often times the offshore fleet ignores these northern areas and instead focuses its attention on the more "southerly areas" (including SFA 6) where the shrimp is more easily captured. This has resulted in a process where SFA 6 does not receive a break in fishing. It is hammered year round as the offshore fishes there in the winter months when ice covers their most northerly fishing areas and the inshore in the summer months. This is very damaging to the areas Ecosystem and all species in the area. This year round activity must stop. Area 6 needs some quiet time and who knows what might happen. Can we breathe new life back into our ecosystem in area 6 \ 3K where both crab and shrimp resources are declining at alarming rates? Can we become an **EXPERIMENT**?

There is room for both sectors - inshore area 6 the offshore area 0 to 5. Both the inshore and offshore represent two distinctive fisheries. The offshore sector is a cooked shell on product; the inshore is a cooked, shell off product. There is a need for both sectors as considerable time and money has been devoted to developing each market. If LIFO is maintained, the inshore markets will be completely wiped out. This is the same thing that happened with the cod fishery, as NFLD now struggles to find new markets as it returns.

The amount of allocations that the offshore has to fish in areas north of SFA 6 are enough to ensure they continue to maintain good incomes for crews and good earning potential for companies that employ these crews and remain viable. The stocks north of 6 are healthy, the fishery is healthy and the offshore doesn't catch shrimp in the most northerly areas where they could put effort in to catch if they were removed from area 6. The offshore sector, if removed from area 6, can still be viable for years to come. On the other hand the inshore cannot if faced with LIFO policy cuts. Participating in a healthy fishery enables you to make strategic plans to obtain funding to improve productivity. The offshore can plan for their future whereas the inshore cannot. It has not been able to develop strategic plans for years now because its future is uncertain. The offshore fleet has access to seven fishing areas, 0 to 6, and actively fishes in areas 2 through 6 - just 15% of its shrimp comes from Area 6. The following figure shows the 2015 allocation for both the offshore and inshore fleets in each SFA.



| SFA                   | 1996         | 1997         | 2009          | 2015          |
|-----------------------|--------------|--------------|---------------|---------------|
| 0                     | 500          | 500          | 500           | 500           |
| OS\ABR                | 500          | 500          | 500           | 500           |
| IS                    | 0            | 0            | 0             | 0             |
| <b>TOTAL</b>          | <b>500</b>   | <b>500</b>   | <b>500</b>    | <b>500</b>    |
| 1                     | 8500         | 8500         | 15583         | 18417         |
| OS\ABR                | 8500         | 8500         | 15583         | 18417         |
| IS                    | 0            | 0            | 0             | 0             |
| <b>TOTAL</b>          | <b>8500</b>  | <b>8500</b>  | <b>15583</b>  | <b>18417</b>  |
| 2 (EAZ)               | 3500         | 5250         | 10750         | 9090          |
| OS\ABR                | 3500         | 5250         | 10750         | 9090          |
| IS                    | 0            | 0            | 0             | 0             |
| <b>TOTAL</b>          | <b>3500</b>  | <b>5250</b>  | <b>10750</b>  | <b>9090</b>   |
| 3 (WAZ)               | 1200         | 1200         | 4700          | 8218          |
| OS\ABR                | 1200         | 1200         | 4700          | 8218          |
| IS                    | 0            | 0            | 0             | 0             |
| <b>TOTAL</b>          | <b>1200</b>  | <b>1200</b>  | <b>4700</b>   | <b>8218</b>   |
| 4                     | 5200         | 5200         | 10783         | 14269         |
| OS\ABR                | 5200         | 5200         | 10783         | 14269         |
| IS                    | 0            | 0            | 537           | 702           |
| <b>TOTAL</b>          | <b>5200</b>  | <b>5200</b>  | <b>11320</b>  | <b>14971</b>  |
| 5                     | 7650         | 15300        | 19500         | 19500         |
| OS\ABR                | 7650         | 15300        | 19500         | 19500         |
| IS                    | 0            | 0            | 3800          | 3800          |
| <b>TOTAL</b>          | <b>7650</b>  | <b>15300</b> | <b>23300</b>  | <b>23300</b>  |
| 6                     | 11050        | 14050        | 22212         | 16559         |
| OS\ABR                | 11050        | 14050        | 22212         | 16559         |
| IS                    | 0            | 9050         | 63513         | 31637         |
| <b>TOTAL</b>          | <b>11050</b> | <b>23100</b> | <b>85725</b>  | <b>48196</b>  |
| 7                     | 0            | 0            | 7594          | 0             |
| OS\ABR                | 0            | 0            | 7594          | 0             |
| IS                    | 0            | 0            | 17396         | 0             |
| <b>TOTAL</b>          | <b>0</b>     | <b>0</b>     | <b>24990</b>  | <b>0</b>      |
| <b>TL ALL SECTORS</b> | <b>37600</b> | <b>59050</b> | <b>176868</b> | <b>122692</b> |
| <b>TTL OS\ABR</b>     | <b>37600</b> | <b>50000</b> | <b>91622</b>  | <b>86553</b>  |
| <b>% OF QUOTA</b>     | <b>100%</b>  | <b>85%</b>   | <b>52%</b>    | <b>71%</b>    |
| <b>TTL IS</b>         | <b>0</b>     | <b>9050</b>  | <b>85246</b>  | <b>36139</b>  |
| <b>% OF QUOTA</b>     | <b>0%</b>    | <b>15%</b>   | <b>48%</b>    | <b>29%</b>    |

Despite having a significant allocation in SFA 0 and 1 the offshore fleet devotes very little to no effort in catching it. When the offshore is approached for an explanation they simply refer to the quota as “paper fish” meaning that it is allocated but no one expects them to harvest it. A more likely explanation is that they do not have time to harvest these areas as it is more convenient and less expensive to harvest SFA 6. The offshore has just under 19,000MT of shrimp in Area 0 and 1. If this quota was entirely harvested it would make up for any loss in SFA 6.

| SFA          | Fleet/Interest | 2008          | 2009 <sup>a</sup> | 2010 <sup>a</sup> | 2011 <sup>a</sup> | 2012 <sup>a</sup> | 2013          | 2014          | 2015         |
|--------------|----------------|---------------|-------------------|-------------------|-------------------|-------------------|---------------|---------------|--------------|
| 0            | >100' sector   | 500           | 500               | 500               | 500               | 500               | 500           | 500           | 500          |
| 1            | >100' sector   | 14,246        | 14,246            | 14,246            | 14,246            | 14,246            | 14,246        | 14,246        | 14,246       |
|              | Nunavut        | 3,722         | 3,722             | 3,722             | 3,722             | 3,722             | 3,722         | 3,722         | 3,722        |
|              | Makvik         | 449           | 449               | 449               | 449               | 449               | 449           | 449           | 449          |
| <b>Total</b> |                | <b>18,417</b> | <b>15,583</b>     | <b>15,583</b>     | <b>15,583</b>     | <b>12,750</b>     | <b>11,333</b> | <b>11,333</b> | <b>8,500</b> |

In addition, as the above table shows the quotas in areas 0 and 1 do not add up to the totals. In fact in 2015 the quotas add up to 18,917 MT; however the quota table only shows 8,500 MT (a discrepancy of 10,417 MT). The question must be asked where is this additional shrimp?

Since 2009 because of DFO's LIFO policy the inshore shrimp fishery has had its quota cut by 58%, while the offshore had their quotas cut by just 6%. As a result, three shrimp plants in Newfoundland have already closed for good, devastating their communities and the communities around them.

*What is the definition of an offshore fishery or a factory trawler?*

Other than the length of the vessel there are no other criteria to describe the four fisheries divisions in Newfoundland.

These four divisions are:

- Inshore (0-34.11")
- Midshore (35-64.11")
- Nearshore (65-99.11")
- Offshore (> 100")



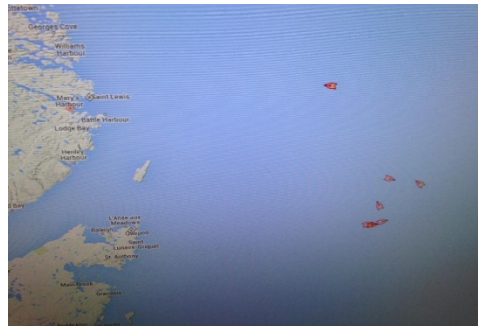
**17.6 m,  
58 FT**

**67.7 m,  
222 FT**



FIC would define a **factory freezer trawler** as a vessel designed to travel long distances or to areas incapable of being fished by inshore fleets (in more northerly iced laden waters), stay at sea for extend periods of time, process & freeze on board, land back to port and sell direct to markets. This question must then be asked, why are these vessels, currently harvesting shrimp and other species, 50 miles off our shore in close proximity to the inshore fleets (See figures below showing proximity of offshore

vessels to Newfoundland coast). A broader definition of all our fishery divisions is required not just simply boat size.



### **Marine Traffic App - OFFSHORE VESSELS FISHING 50 MILES OFF OUR SHORES**

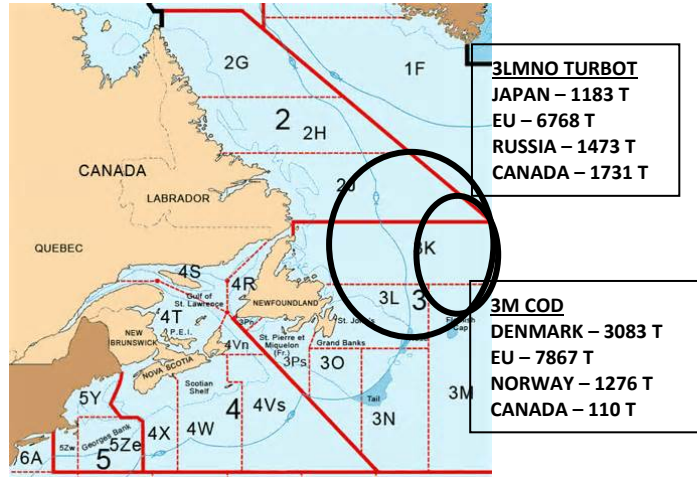
Due to their design specifications the offshore fleet is equipped to travel the distances required and fish in the conditions of the areas further north. They do not need to fish in such close proximity to our shores.

### **FOREIGN OFFSHORE FLEET VS CANADIAN OFFSHORE FLEET**

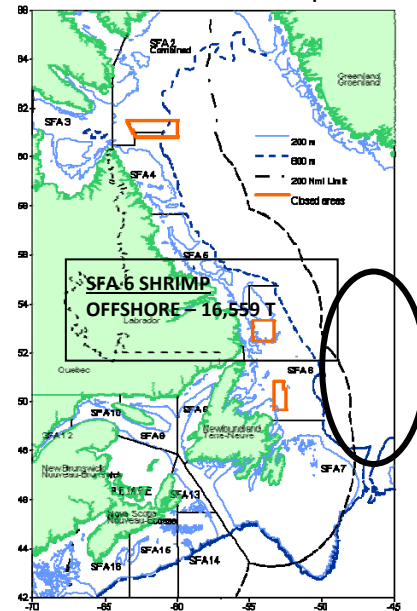
Currently on the Grand Banks, substantial levels of quotas for groundfish have been designated to foreign interests. These allocations are harvested both outside and inside the 200 mile limit, put in place to protect Canadian fisheries from exploitation by foreign fleets. For instance Japan, the EU and Russia each hold a significant allocation of turbot in NAFO divisions 3LMNO. With respect to Cod in NAFO 3M, Canada has a significantly lower allocation (110 MT) compared to Denmark (3,083 MT), the EU (7,867 MT) and Norway (1,276 MT).

**WHATS HAPPENING ON THE NOSE AND TAIL OF THE GRAND BANKS WITH FOREIGN QUOTAS ISSUED BY NAFO IN CANADIAN WATERS IS NO DIFFERENT THAN WHAT OUR CANADIAN GOVERNMENT IS DOING WITH THE OFFSHORE SHRIMP QUOTA IN SFA 6 IN THE SHRIMP FISHERY. THERE ARE STRIKING SIMILARITIES.**

NAFO 2015 FOREIGN TACS – TAKEN INSIDE & OUTSIDE THE 200 MILE LIMIT



Canadian Offshore TACS of Shrimp taken in Area 6



With the impending Canadian European Free Trade Agreement (CETA) set to be ratified later this year, is it possible that Canada could retain a larger share of these resources? If Canada could be successful in securing an increased share of these quotas they could be given to the offshore fleet to compensate it for being removed from SFA 6.

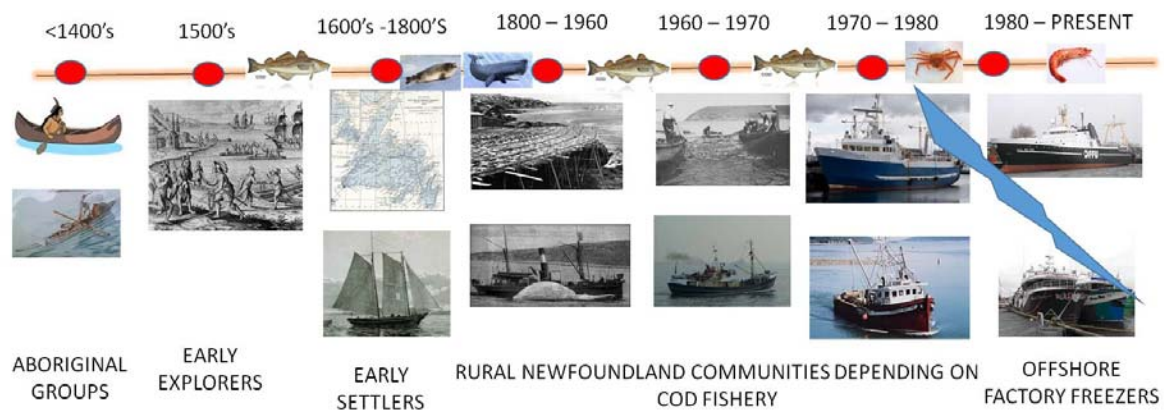
**INSHORE TRADITIONAL TIES**

The fishery is an important part of rural Newfoundland, beginning centuries in the past with the arrival of European settlers in search for a better life. They traveled across the Atlantic and settled in the inlets and bays on the shores of Newfoundland and Labrador, enduring hardships as they became established. Generation after generation, they arrived from England, Ireland, France etc. to take advantage of the fishery. It was a hard life but they stayed, endured and survived.

The inshore sector believes that Newfoundland was built on the backs, blood, toil, sweat and tears of men and women in rural settlements of Newfoundland & Labrador, through the cod fishery, passed

down from one generation to the next. With changes in climate the fishery adapted and became focused on shellfish harvest. The inshore inherited the rights to fish. The fishing traditional grounds didn't change, just the species within it. The inshore has the right to fish whatever specie are in the waters that our cod once flourished in.

By the late 1960's many foreign factory freezer vessels arrived on the Grand Banks to fish for cod. Subsequently Canadian factory freezers started fishing in the late 1970's, 80s and 90s targeting shrimp. Up until the collapse of the cod stock in the early 1990's all fish harvested in Newfoundland waters were processed in Newfoundland plants. The following figure shows the progression of the fishery off Newfoundland and the vessels used.



The offshore believe they were the pioneers in the shrimp industry and this is recognized in their protection in the IFMP by the LIFO policy. However, the argument above supersedes this belief.

The once lucrative fishing areas adjacent to FIC have been abused, overfished and mismanaged. Both crab and shrimp are following the disappearance of cod. Species that exist in these waters are threatened jeopardizing the way of life which has been relied on for over 500 years. With a well managed fishery it can survive. The inshore believe the right fix is to abolish LIFO, remove the offshore from Area 6 and grant exclusive access, and shared management responsibilities of area 6 to the inshore with DFO. By doing this the best possible opportunity for a sustainable fishery, a small scale multi species seasonal fishery, will be attainable.



## WHO SHOULD OWN RIGHTS TO FISHING AREAS - 6 \ 3K?

One of the fundamental principles in the integrated fishery management plan (IFMP) is adjacency to the resource - those who should benefit from the resource the most are the ones that are closest to it. In this case inshore fishers in Newfoundland should benefit from all resources off its coastlines (SFA 6 is directly adjacent).

The offshore have a lucrative fishery in northern areas. If they are removed completely from area 6 they will still have tons of quotas to sustain their fisheries north of area 6. In fact, combined in all areas the offshore have double the quota that they had when DFO set the threshold (37,600 MT) in 1996.

The fishery is a common property resource to be managed for the benefit of all Canadians while respecting Aboriginal & treaty rights. The Government of Canada has recognized that hundreds of coastal communities depend on the Atlantic fisheries and that the fisheries make an important contribution to the country's national identity and prosperity.

Key legislation brought into effect land claims agreements including the *Nunavut Land Claims Agreement Act* and *Labrador Inuit Land Claims Agreement Act* and the *Nunavik Inuit Land Claims Agreement Act*. These Agreements are important elements of access and allocation and affect management decisions in the northern shrimp fishery.

There are several key principles that guide the management of fisheries in Canada. These are:

- Conservation
- Recognition of Aboriginal & Treaty Rights
- Equity

*Conservation* Sustainable use that safeguards ecological processes and genetic diversity for the present and future generations. If the principle of conservation will be compromised, access will not be granted.

*Recognition of Aboriginal and Treaty Rights* Access to the resource will be managed in a manner consistent with the Constitutional protection provided to Aboriginal and treaty rights.

*Equity* Equity has both a procedural and a substantive component:  
Procedural Component: Access criteria must be applied in a fair and

consistent manner through a decision-making process that is open, transparent and accountable and that ensures fair treatment for all.

Substantive Component: The fishery is a common, public resource that should be managed in a way that does not create or exacerbate excessive interpersonal or inter-regional disparities.

In addition, there are important criteria that help to establish how fisheries should be distributed amongst the different fleets; Adjacency, Historic dependence and economic viability.

| Criteria            | Definition  |
|---------------------|---|
| Adjacency           | Priority of access should be granted to those who are closest to the fishery resource in question. The adjacency criterion is based on the explicit premise that those coastal fishing communities and fishers in closest proximity to a given fishery should gain the greatest benefit from it, and on the implicit assumption that access based on adjacency will promote values of local stewardship and local economic development.   |
| Historic Dependence | Priority of access should be granted to fishers who have historically participated in and relied upon a particular fishery, including those who developed the fishery. Depending on the nature and history of the fishery, the requisite period of dependence can vary from a few years to many decades. The historic dependence criterion is based on the premise that fishers who have historically fished a particular stock should enjoy privileged access to that resource, to ensure their continued economic stability and viability, as well as that of the coastal communities from which they come.   |
| Economic Viability  | Decisions regarding access promote, rather than compromise, the economic viability of existing participants in a particular fishery, as well as that of potential new entrants to that fishery. The economic viability criterion is based on the premise that decisions regarding access should contribute to the economic resiliency and stability of individual fishers and of the fishing industry as a whole. At the level of the fishing enterprise, economic viability focuses on factors such as capacity to fish, ability to comply with last-in-first-out rules and sound business planning. At a broader level, economic viability looks to factors such as relative economic return and value-added to the fishery, as well as at stability of employment in the processing sector and economic benefits to dependent coastal communities. |

If these criteria are applied justly to the northern shrimp fishery the inshore has a strong case to secure 100% access. The following table highlights these points.

|                     | Inshore   | Offshore   |
|---------------------|---|--|
| Adjacency           | <ul style="list-style-type: none"> <li>• Directly adjacent</li> <li>• 100% Newfoundland</li> </ul>  | <ul style="list-style-type: none"> <li>• License holders from, Nunavut, Nova Scotia, PEI, Quebec as well as NFLD</li> </ul>  |
| Historic Dependence | <ul style="list-style-type: none"> <li>• Area 6 is directly within the boundary of the most lucrative and historically important inshore fishing area</li> <li>• While shrimp has not been as important as it is currently – the fishing area has had significant importance to inshore harvesters</li> </ul>   | <ul style="list-style-type: none"> <li>• Area 6 was not one of the original shrimp fishing areas for the offshore.</li> <li>• It only became relevant in 1996 when a large increase in biomass was noted</li> <li>• Only 15% of the offshore shrimp comes from Area 6</li> </ul>   |
| Economic Viability  | <ul style="list-style-type: none"> <li>• The fishery is the backbone of rural Newfoundland.</li> <li>• The shrimp fishery has replaced groundfish and crab as the most important fishery for inshore harvesters</li> <li>• Without shrimp quotas in SFA 6 there would be no inshore fishery and 10 processing plants would close.</li> <li>• The economic importance of this fishery to rural NFLD cannot be overstated.</li> </ul> | <ul style="list-style-type: none"> <li>• The offshore harvesters have access to substantial shrimp quotas in a number of further north fishing areas.</li> <li>• These quotas have not been harvested entirely by this fleet</li> <li>• Even if the offshore quota was removed from SFA 6 they would still have adequate quotas to remain viable.</li> </ul> |

### **The Importance of Aboriginal/Indigenous People Their Rights And Their Land Claims Agreements**

FIC recognizes the importance of aboriginal people and their land claims agreements. The majority of their shrimp quotas and allocations are caught by offshore companies and the royalties go to the aboriginal people to sustain their communities. The aboriginal people are protected by their land claims agreements and the offshore sector is partially protected by the aboriginal quotas and a flawed LIFO policy. Future access to any fish resources for aboriginal people means future access to offshore companies.

Due to the structure of the land claims and through the implication of LIFO the inshore harvesters are currently third in line for access to the shrimp resource. FIC believes that the inshore sector because of traditional ties and adjacency should be second in line behind aboriginal groups. At the inshore's most vulnerable time, when the groundfish resources were collapsing, and shrimp resources were

increasing, the Federal government overlooked the inshore sector. At that time it would have been prudent to have recognized the inshore sector and allowed it earlier access to the resource. The inaction of the government at that time has caused the inshore to be in the vulnerable position it is in today.

There are no aboriginal quotas in area 6. There is a special allocation to SABRI which is caught by the offshore. Removing the offshore from area 6 will not defy aboriginal groups or their land claims agreements.

### **RURAL NEWFOUNDLAND & LABRADOR IS ON LIFE SUPPORT**

Newfoundland and Labrador's resources are being stripped away by government decisions. Its fish stocks have been depleted to the point that there is nothing left to sustain FIC's businesses. The turbot fishery is 1/4 of what it used to be, the crab fishery has been cut by 65%. And if LIFO remains the shrimp fishery will be eliminated completely. The inshore fishery and rural Newfoundland communities have no other fishery to turn to as the cod resource has not recovered to a commercial fishery status to sustain communities. It's hard to comprehend that rural Newfoundland communities will again be required to sit idly by and watch as the resources are fished by offshore interests.

Under the current LIFO policy if the SFA 6 TAC is reduced again it will be at the expense of the inshore sector. The fallout will be devastating to the communities, the on shore plant operations, the plant workers and the fishers. If we thought the cod moratorium was tough on people and communities, we can only imagine what this will look like. Unlike during the cod collapse there is no other fishery to migrate to so the expectations of our government will be enormous. With a bankrupt province and a country that may not be able to help this time, there will be no handouts – We have reached a crisis in our fishery... This is D-Day... This is the Final Frontier and possibly the destruction of our rural way of life.

If the LIFO policy is continued it will tear away the very fabric that built Newfoundland - Rural communities.

At present areas 5 and above are in a healthy state while area 6 is facing a critical situation and an uncertain future. The future of the Newfoundland fishery hangs in the balance. However, through the

implementation of a small scale multi-species seasonal inshore fishery it might not be too late to save it. The fishery on Fogo Island is the nucleus of our island and its 11 communities. It's at the very core of what keeps us here. Take it away and you take away ***our everything***. **Our Place** as depicted in the genius of Zita Cobb and Shorefast is ***our everything***. Rural Newfoundland communities have to be protected. Ottawa needs to understand the significant contribution and sacrifices that people in rural Newfoundland communities have made to the fishery.

Fogo Island is no longer just a Fishing Town in some far away remote village in Newfoundland, Canada... it's a Geo Tourism destination made possible by Zita Cobb and the Shorefast Foundation which has breathed new life... new hope... back into Fogo Island.

Shorefast's website states:

**The significant success achieved by Shorefast to date illustrates that reviving rural communities is possible; that the inherent value of rural places can be reclaimed and made relevant for the 21st century; that losing our rural communities and the human ways of knowing they contain is neither inevitable or necessary.**

## **PROPOSED NEW MANAGEMENT**

To continue forward in how the northern shrimp fishery is managed will result in the death of the inshore fishery in Newfoundland. This will have long lasting and irreversible impacts on many of the rural communities which rely on the fishery to make a livelihood.

In order for the SFA 6 shrimp fishery to have a chance to survive FIC is requesting that the Federal Government abolish LIFO and impose a principle of sustainability to protect the inshore fishery. This would result in the removal of the offshore sector completely from SFA 6, providing the inshore fishery exclusive access. Unlike the inshore the offshore fleet has a number of different regional options where it can harvest quota.

Adjacency should be respected and supersede all other criteria (excluding Aboriginal rights) when determining allocations. The historical ties of the inshore to fisheries in 3K should also be immediately recognized by DFO.

Science has identified that poor recruitment is one of the major issues the shrimp fishery is facing. Sustaining the fishery cannot happen under the current management plan. If the right thing for the resource is to be achieved the Area 6 shrimp fishery should be exclusive to the inshore sector. If Area 6 has a chance of recovery, we must stop year round fishing by eliminating the offshore from this area.

#### *Small scale multi specie seasonal inshore fisheries*

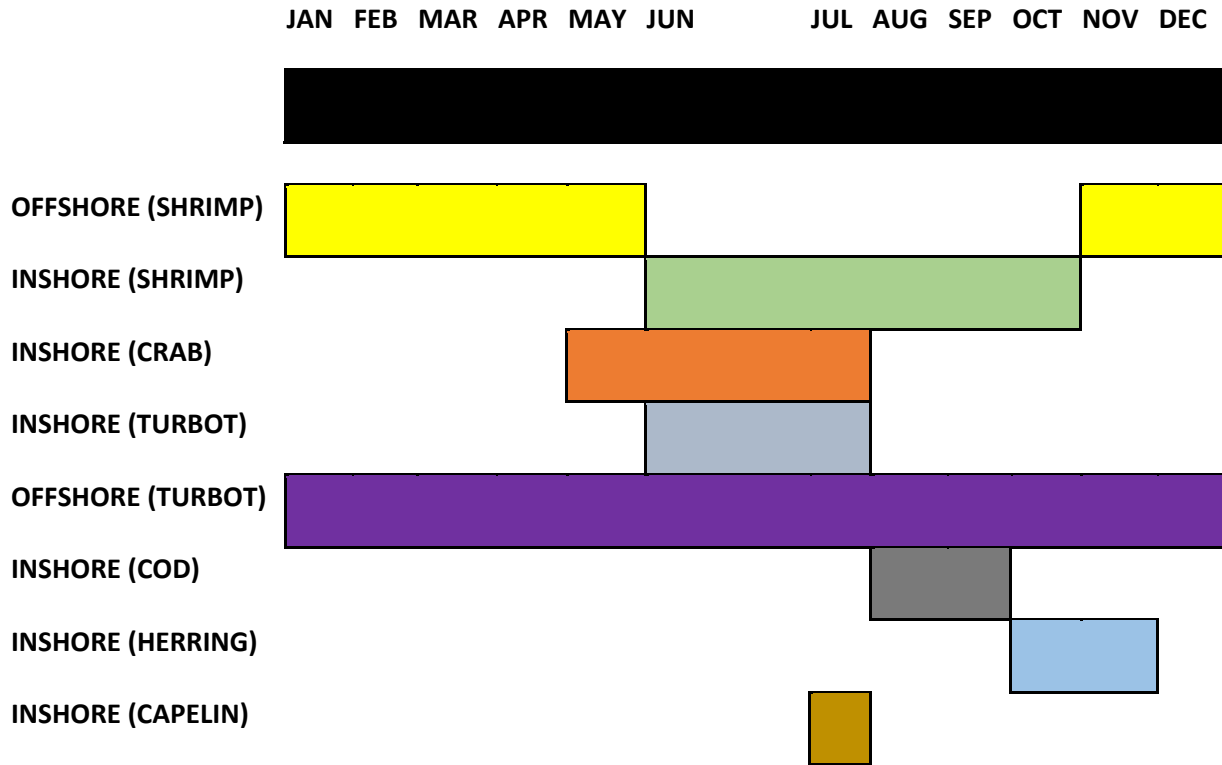
Small scale multi species seasonal inshore fisheries practice the most sustainable fisheries and are non destructive to the environment. Fogo Island has moved away from gillnets to catch groundfish using cod pots and hand lines in our cod fishery. FIC harvesters are experimenting with Turbot pots this year. The Co-op has also been using crab pots since the fishery started as well as the nordmore grid in the shrimp fishery. We are moving away from damaging fisheries to greener technologies doing our part to protect marine ecosystems.

An opportunity to learn from our past, our bad experiences and embrace the challenge in front of us has been presented. Area 6 should be used as an experiment. If the offshore is removed from area 6 and a small scale multi specie seasonal inshore fishery from May to October for the next 3 to 5 years is imposed then there may be a chance to rebuild not only our shrimp fishery but in the process perhaps the crab fishery as well. The area will have some quiet time, 6 months to recover. Targeting alternate species at different times during this cycle will reduce stress on other non targeted species.

The below figure shows the current fishing pressure on the area as a whole (NAFO division 3K)

Current

AREA 6 \ 3K

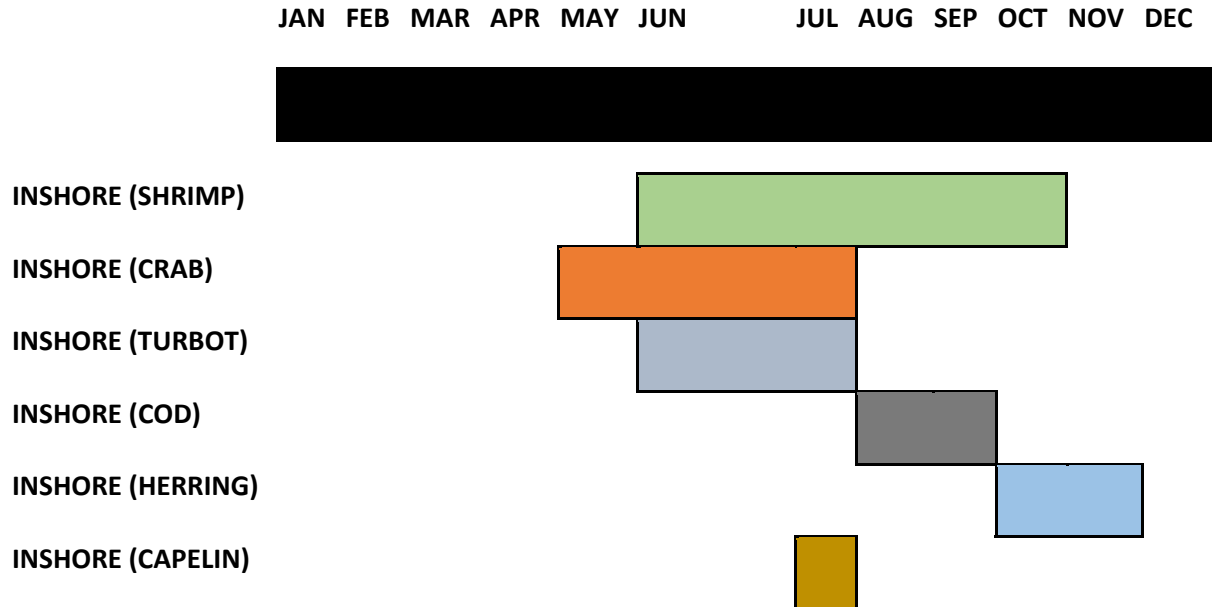


As demonstrated, the fishing area under the current harvesting plan is subjected to fishing pressure 12 months of the year. The shrimp fishery alone is prosecuted by either the inshore or offshore continuously throughout the year. Shrimp Fishing Area 6 is the only area with year-round fishing activity. As a result, the area does not have an opportunity to regenerate.

**By abolishing LIFO and removing the offshore from Area 6 it will alleviate the year-round fishing pressure. The below table identifies how the harvesting plan would vary under this scenario.**

Proposed

AREA 6\ 3K



The inshore fishery would be active from May to October. For the other 6 months during winter, there would be no fishing activity providing all resources a better chance of recovery.

The question must be asked – what is different between the Newfoundland fishery and the gulf inshore shrimp fishery which has survived for so many years? It’s been around since the early 70’s and while it’s had its own challenges the fishery still survives year after year. It’s in a healthy state. While it is a smaller fishery, in relation to the other areas of the northern shrimp fishery, in comparison it provides for a similar percentage of fishers that have been able to replenish its stocks to maintain a fishery for communities and fishers in the area. There are two key differences 1. It’s a small scale fishery with no offshore interests and 2. It has limited activity and considerable downtime to allow for replenishment of the stocks. There are other cases in other fisheries as pointed out in presentations to MAP that could be cited here to backup this theory.



## SUMMARY

The fishery in Newfoundland is at cross roads. Shellfish resources in many of the major fishing areas are declining brought on by environmental changes as well as the return of groundfish species. These declines have had substantial impacts on the inshore harvesters as well as the rural communities which rely on the fishery. The shrimp fishery has not been immune from these decreases. The harvesters off Fogo Island have seen their individual shrimp quotas in SFA 6 decrease by over 50% since 2009. The most recent stock status report indicated a further decrease of 40% is likely for the 2016 season. If LIFO is applied and the inshore is forced to take the brunt of this decrease it will result in an inshore fishing license in 3K north losing an additional 127,800lbs of shrimp. If further cuts are made it will be the death of the inshore shrimp fishery in Newfoundland.

The FIC has provided a number of arguments against the continued application of the LIFO policy in the Northern shrimp fishery. The importance of this fishery to rural communities in Newfoundland cannot be overstated. If we continue down this path of allowing the offshore corporations (often times from outside Newfoundland) to harvest the resource in the near-shore and directly adjacent to our province the results will be irreversible.

The inshore shrimp fishery contributes over \$11 million in direct economic spinoffs to small rural communities. The processing industry which has become reliant on this shrimp provides thousands of well-paying shore based jobs that otherwise would not be available. The shrimp fishery and processing in Fogo alone pays \$108,000 a week in wages. This is a substantial amount in a small community like Fogo. These spinoffs and jobs will disappear from these communities if LIFO is continued. Removing the offshore sector from area 6 will not have a major impact of the offshore sector as it will still continue to be viable from fishing more northerly fishing areas. Crews from these offshore boats would lose some income but not all their income. They will still retain good paying jobs and only lose one or two months of work. The inshore sector on the other hand will lose everything and that cannot happen.

In summary as to whether LIFO should be continued, modified or abolished, FIC has provided the following commentary:

- **If LIFO is continued** the inshore fishery will be wiped out. Based on the most recent stock assessments the fishery will only have 1/3 of what was caught in 2015 or less than 10,000 MT.

There will be so little fish to catch and to process it will not be worth the effort for fishers to fish or plants to open. Both fish harvesters and on shore plants will be made unviable.

- **If LIFO is modified** it will depend upon what the modification looks like. If everyone is treated equal and the quota reduction is shared evenly then it will still not leave enough shrimp for inshore fishers to fish and be viable. Plants will process much lower volumes than previous year, workers will not earn enough to qualify for EI benefits and plants will not be viable.
- The only option that is acceptable for the inshore is that **LIFO be abolished**. The removal of LIFO is only a portion of what will need to be initiated to ensure the survival of the inshore fishery. Any allocation to the offshore in area 6 will not be acceptable for the inshore. FIC has shown that unlike the inshore, the offshore has tons of shrimp available further north. The removal of the offshore from Area 6 will also provide the resource a chance to recover as it will not be subject to a 12-month fishery.

Newfoundland's fishery past is marred by bad decisions. The cod fishery is a perfect example on how to mismanage a sustainable resource. It cannot be allowed to happen again with the shrimp fishery. The Minister has a big decision to make but he will be guided by his peers, his advisors in his office and the MAP.

If we don't alter this course we are on the inshore is doomed.

Under the current LIFO policy if the Northern shrimp quota in SFA 6 is to be reduced again it will be at the expense of the inshore sector. The fallout will be devastating to Newfoundland's rural communities; it's on shore plant operations, its plant workers and fishers. The repercussions will be long-lasting and irreversible. Unlike the years following the cod moratorium there is no other fishery to migrate to. It is unfair to expect that the inshore harvesters and onshore workers are once again asked to absorb the brunt of this change.

The above document outlined the importance of this fishery to rural Newfoundland. It provided quantitative arguments of the importance of the shrimp fishery to communities as well as the expected outcomes if it continues under the current management regime. Unlike the offshore, the inshore enterprises are restricted to only two SFAs, with the majority of the fishery taking place in SFA 6. If LIFO is continued the hard work and investments that have been made (both in terms of

harvesting and processing capacity) will be lost. And unlike after the cod moratorium there will be no coming back.

## **WHAT KEY CONSIDERATIONS SHOULD INFORM ANY DECISION TO CONTINUE, MODIFY OR ABOLISH LIFO**

The following list provides what FIC considers as important factors moving forward.

- Respect science and protect and promote a sustainable fishery at all costs for future generations. Conservation is paramount
- We must recognize equity for all... there is a place in this fishery for all sectors.
  - Offshore \ aboriginal interests – SFA 0-5
  - Inshore – SFA 6
- We must respect aboriginal people and their land claims agreements and their place in the fishery
- We must respect the offshore and their fishery and their place in the fishery
- The offshore & aboriginal groups must show the same mutual respect for the inshore sector recognizing its place in the fishery.
- We must recognize the inshore as being the most adjacent in SFA 6
- We must recognize the deep roots of the inshore sector. Our ancestors were inshore fishers and paved the way for future generations of fishers and fisheries. Our ties to traditional fisheries and our historical dependency on those fisheries cannot be ignored.
- We must recognize that the inshore sector is a multi specie industry and that we are facing drastic cuts in our other shellfish fishery – crab
- We must recognize that after the cod fishery collapse we transitioned to the more lucrative shellfish fisheries of crab and shrimp. There is no other meaningful fishery for the inshore sector to participate in at the present time.
- We must recognize the economic viability of our coastal communities. If LIFO stays fishers will go bankrupt, plants will shut down, workers laid off and communities devastated. Our province is facing tough economic times and dealing with another crisis will be catastrophic.
- We must learn from our past, recognize our failures and don't make the same mistakes – for example the cod fishery

- We need to understand our ecosystem more. SFA 6 is the only shrimp fishing area that is fished year round. We need downtime to experiment with the ecosystem. Can shrimp and crab stocks recover? Can a viable small scale inshore fishery exist in an ecosystem that has both shellfish and finfish co habiting and at what level? If the inshore has exclusive access to shrimp we will have 6 months of down time every year and who knows what might happen
- We need to explorer the theory: the best fishery for a sustainable fishery is a small scale multi specie seasonal inshore fishery
- We need a different and better definition of the divisions in our fishery, one that isn't just based on the size of vessels. What is an accurate definition of an offshore fishery or factory freezer trawler?

**IF YOU SUPPORT CHANGING OR ABOLISHING LIFO, WHAT WOULD BE THE ELEMENTS OF A NEW ACCESS AND ALLOCATION REGIME FOR THE NORTHERN SHRIMP FISHERY?**

**Changing LIFO** will mean instilling more equitable sharing arrangements of a reduced resource in SFA 6 among inshore harvesters. A more favourable sharing arrangement will not suffice as all it will do is make debt laden fish harvesters unviable, plants unviable and force shutdowns of fleets and closures of plants. The inshore fishery and onshore plants are presently operating on a shoestring even with 2015 quota levels and they won't survive with less shrimp. It is acknowledged there will be another cut however if the inshore had exclusive rights to the SFA 6 quota this would be acceptable. Unfortunately, this is not the reality that the shrimp fishery now operates in so changing LIFO is not an option.

**Abolishing LIFO is the answer but only if it comes with removing the offshore from area 6 and granting exclusive access to the inshore.**