

AREA CODE 709	
BAY DE VERDE OFFICE	587-2460
FACSIMILE	587-2819
BAY DE VERDE FISH PLANT	587-2520
FACSIMILE	587-2575
OLD PERLICAN FISH PLANT	587-2711
FACSIMILE	587-2712
ST. JOHN'S OFFICE	739-6960
FACSIMILE	739-0586



# QUINLAN BROS. LTD.

Processors of North Atlantic Seafoods

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June 2, 2016

Mr. Paul Sprout  
Chair – Ministerial Advisory Panel

## Review of Last-in First-out Policy on Northern Shrimp

The following written submission to the Ministerial Advisory Panel on Northern Shrimp is submitted on behalf of Quinlan Brothers Limited, Bay de Verde, NL. As you may be aware the company suffered a tragic loss of its processing facility in April, 2016 and the Company officials have been totally pre-occupied dealing with the loss. The Bay de Verde processing plant employed several hundred people many whose livelihood depends on the northern shrimp resource. Quinlan Brothers Limited's business depends 100% on the inshore fleet in NL and our position in respect of the LIFO policy is consistent with this fleets rightful demand for fairness in the decision processes governing resource access.

### **Background and Stock Status**

The northern shrimp fishery commenced in the 1970's with exploratory fishing taking place by the Canadian offshore trawler industry. Initial exploratory fishing was off the northeast coast of Newfoundland and the coast of Labrador. By the late 1970's DFO issued offshore commercial fishing licenses to companies to develop the northern shrimp fishery. As the northern shrimp fishery developed from the mid -1970's up to 1996, it was maintained exclusively to the benefit of offshore licenses holders. Over the period, the shrimp resource experienced growth and Total Allowable Catches (TACs) were increased to 37,600 tonnes.

Following the collapse of groundfish stocks in the late 1980's and early 1990's, the northern shrimp stock continued to expand southward to the fishing grounds as far south as NAFO areas 3L and 3M (SFA 7). In fact, the southern fishing grounds of SFA 6 and 7 became the dominant proportions of the Northern shrimp stock biomass. The stock growth and distribution became so expansive in SFA 6 and 7 as to permit the commercial fishery to expand well beyond the levels in 1996. The Canadian license holders TACs increased to 164,244 tonnes by 2006, most of the TAC (some 97,000 tonnes) was in the southern fishing areas 6 and 7.

Following the peak in SSB, the northern shrimp stock has experienced precipitous decline, particularly in SFA 6 and 7. In fact, SFA 7 the most southern shrimp fishing zone for the northern shrimp has declined to the point that it is under moratorium. Similarly, the component of stock in SFA 6 has reached the lowest level since the stock has been scientifically assessed. The current stock biomass (2015) is only marginally above the lower limit reference point (82,000 tonne SSB) as determined

under the precautionary approach established to guide management decision making for the stock. Given the experienced decline over the decade and the environmental shifts occurring in the area there is every expectation that the northern shrimp fishery will cease in SFA 6 within the foreseeable future, it is likely that fishing will cease within a couple of years if the precautionary management principles are maintained.

Over recent years there has been a dramatic shift in the shrimp fishery within the area. Many large concentrations of the shrimp resource within SFA 6 are no longer present or have shrunk significantly. As well the commercial fishery has most recently experienced extended periods where commercial catch rates for both offshore and inshore fleets have been uneconomic to harvest. There is increasing evidence that the commercial fishery in SFA 6 will contract to the point whereby the stock will only be harvested on fishing grounds further north, similar to the fishery experience when the Northern shrimp fishery first developed in the late 1970s and 1980s.

### **LIFO Policy**

The LIFO policy was initially adopted as a threshold of 37,600 tonnes for the offshore northern shrimp fishery. Over the years following, the policy evolved to be interpreted as a limit by SFA whereby allocations to the offshore fishery would be exclusively protected on an area by area basis. The policy ignored the fact that successive Ministers made permanent licensing decisions to provide access to aboriginal interests as required under territorial claims and to the inshore shrimp sector in 2007 under the principles of adjacency and historic dependence.

While certain special allocation holders (aboriginal and community based) and the inshore fleet have for years complained about the unfairness of the LIFO policy, the unfairness has not been addressed to date by the Minister. **It is instructive that much more established policies and principles (adjacency, historic dependence and economic viability) that have governed fisheries management decisions for many decades have been pushed aside in Ministerial decision-making respect northern shrimp in favor of the exclusive LIFO shrimp policy favoring offshore interests that only applies to this stock in the northern shrimp fishing areas of Atlantic Canada.**

The unfairness of the LIFO policy is best exemplified by reviewing allocation decisions since the peak in allocations. At that time the offshore industry had about 73,000 tonnes and access to special allocations of 28,000 tonnes, or 101,000 tonnes in total. Over the past several years the northern shrimp stocks have declined dramatically, however, the offshore allocations have only been reduced by about 10,000 tonnes and special allocations reduced by 2000 tonnes. In total, the offshore access has been reduced marginally by 11.9% from the peak levels to 2015. On the other hand, over the same period the inshore allocations have been reduced from 77,000 tonnes to 31,637 tonnes, or 58.9%. In addition, over this same period, certain aboriginal and community allocations have had their entire allocations removed by the Minister in favor of the LIFO policy. The LIFO policy protects exclusive interests, both foreign and domestic interests that control the offshore fishing licenses and SABRI, a special allocation to community and corporate interests at St. Anthony. It is obvious that the LIFO policy has superseded all other policy considerations in the non-transparent decision processes of DFO that dictate quota and access decisions of the Minister, annually.



**In consideration of the current northern shrimp resource status and the allocations derived therefrom, in conjunction with the LIFO policy review, one can only reasonably conclude that the LIFO policy must be abolished in favor of the long-standing policies and principles that have guided fisheries management decisions for decades in Canada. The LIFO policy has been fundamentally unfair and structured to favor one sector's interest to the peril of all others.**

#### **Where To From Here**

The 2016 Ministerial decision on shrimp should reflect the most recent scientific advice on Northern shrimp and abolish the LIFO policy. The SFA 6 TAC should be allocated solely to the inshore fleet without exemption. The only other current allocation holders are the special allocation to SABRI and the offshore license holders. The 2016 TAC decision should result in a further significant reduction in the TAC for SFA 6 based on the most current science. It would result in a TAC of about 27,600 tonnes (based on a fishable biomass of 138,000 tonnes at about 20% exploitation) exclusively to the inshore fleet. This would equate to a 13% reduction to the inshore fleet in 2016 from 2015 and provide the best measure of reasonable stability for the entire fleet over the next few years as the industry appears likely to lose all access to northern shrimp in SFA 6 as the decline trend continues and groundfish continues its recovery.

The offshore industry would remain relatively strong by comparison to the inshore as its total access allocations would remain very high by any historical standard. Having access to all allocations in all other SFAs would cause the offshore to endure a similar order of decline in 2016 as the inshore. The SABRI allocation would be eliminated. The community based allocation at St. Anthony has the least attachment to the industry, all other community interests that were more closely aligned with the historical interests and aboriginal rights have already had their allocations removed including Fogo, NOFTA, as well as the Innu and Conne River First Nations. These aboriginal allocations in SFA 6 and 7 have already been removed due to resource decline. The SABRI allocation cannot reasonably be justified in light of the resource status. SABRI has not experienced any reduction over the period since the resource and the inshore fleet has experienced unheralded declines. The LIFO policy has unfairly favored SABRI even more so than the offshore license holders as it has experienced no allocation adjustment despite the massive declines in the SFA 6 and 7 components of the stock. Indeed, the historic dependence of the offshore in SFA 6 would far outweigh any consideration to maintain any allocation to SABRI. This allocation is unjustified in light of the prior decisions of Ministers to remove the aboriginal allocations and special allocations of others who have more right and attachment than SABRI.

There has been some suggestion that SABRI's allocation could be harvested by the inshore fleet for the exclusive benefit of St. Anthony and one company (Clearwater) in the processing sector. Any such consideration would basically involve one company being granted exemption from the fleet separation policy whereby Clearwater would directly or indirectly control a sector of the inshore fleet for its exclusive benefit. Indeed, any inshore vessels assigned or aligned with Clearwater or SABRI would provide that company with leverage to attract additional supplies of shrimp and other inshore landings from other processors. That is the nature of the competitive inshore industry as established by the long-standing fleet separation policy. Any such consideration for one plant will elevate conflict and introduce an unfairness within an already fractious and threatened inshore industry. It would bring on an even heightened conflict within the inshore sector within NL. Such an undertaking was attempted in the past with much consternation and conflict and was overturned in the interest of



protecting the fleet separation policy and maintaining fair competition within the inshore sector. The removal of LIFO policy should not be replaced in the context of opening old wounds that serve to introduce another unfairness within the processing sector of the industry. That unfairness being an exception for one company from a fisheries policy that has been entrenched since the 1970s throughout all Atlantic Canada.

The processing industry in NL has been in decline for decades and is expected to continue to experience decline as shellfish resources continue to trend downward. The very nature of the inshore processing industry is that it is highly competitive to the point that its very survival is intrinsically attached to the survival of the inshore fishing fleet. Any public policy change that favors one company versus another within the inshore sector will result in immediate and prolonged conflict. Given the significant over-capacity within the shrimp processing sector, the Minister should consider alternate policies that enhance the competitiveness of the shrimp processing sector throughout Atlantic Canada and Quebec. In light of the resource decline in the inshore sector it would be reasonable for the Minister to adopt a licensing policy that required the offshore sector and all vessels fishing offshore allocations in Canada to be required to land 25% of all quota landings within the country to be processed as cooked and peeled shrimp. Currently, this component of the shrimp landings (known as industrial shrimp) harvested by offshore vessels is sold mainly to foreign competitors within the cooked and peeled industry that have preferential tariff access to European markets.

Furthermore, when one considers that Canada's public fishery resources are licensed through very limited licensing to a select and privileged list of enterprises for a very modest annual licensing fee without consideration to the very high value that the enterprises gain from the resource, there should be a link to industrial benefits from the resource for the betterment of Canada's rural fishing economy. All other public resources are managed with this consideration in mind, i.e. resource rents, exploration costs, royalties, etc. to the benefit of Canadians. By comparison, the offshore shrimp fishery pays only a marginal licensing fee, has substantial and sustainable access to the Northern shrimp resource yet it contributes little to resource science costs, no royalties, and no requirements for processing to generate added value within the country.

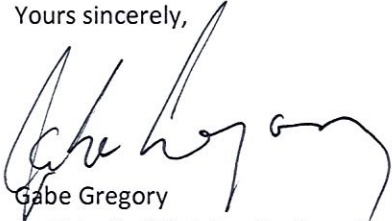
A new condition of license should be implemented immediately in respect to the so-called industrial component of the harvest resulting from offshore fishing allocations. The DFO could provide a financial incentive to the offshore fishery by eliminating its license fee (approximately \$65/tonne) in favor of having the 25% of the catch landed for processing at cooked and peeled shrimp processing plants throughout Atlantic Canada and Quebec. The result would be a much more viable and diversified Canadian shrimp industry, one that is also internationally competitive. A policy review of other North Atlantic fishing nations would reveal that others have implemented such policies that add value to their respective industries and cause them to be more competitively positioned vis-à-vis Canada. Greenland is one such progressive fishing nation that incorporates such public policy.

Thank you for the opportunity to express Quinlan Brothers Limited's position on this most important public policy issue respecting our industry. It is our expectation that the recommendations of the Panel will serve to enhance the broad principles and public policies upon which Canada's fishery has developed in a fair and equitable manner.

The future of this important resource should also be managed so as to position our rural economy to maximize its benefits for the people of Canada. Fisheries management must balance the benefits of this highly valuable resource to the diversified interests and investments within the industry, reflecting

the investment of all industry participants including offshore license and vessel owners, inshore license holders and vessel owners, inshore based cooked and peeled processing plants, as well as the rights and interests of aboriginal communities. Over recent years the LIFO policy has served to distort the interests and investment in the northern shrimp industry highly in favor of the offshore license holders at the expense of the other investors and rightful beneficiaries of this valuable resource.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Gabe Gregory', written in a cursive style.

Gabe Gregory  
On Behalf of Quinlan Brothers Limited