

NORTHERN COALITION



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**SUBMISSION TO THE MINISTERIAL ADVISORY PANEL (MAP)
ON THE LAST IN, FIRST OUT (LIFO) POLICY ON THE
NORTHERN SHRIMP FISHERY
JUNE 3, 2016**

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INTRODUCTION

Northern Coalition is a federally incorporated non-profit organization that was established with the following by-laws:

- a) To ensure the security of access to the Northern Shrimp resource for the Founding Members;
- b) To promote the common interest of the members;
- c) To increase the visibility of the member organizations and the role they collectively play in job creation and Northern development;
- d) To increase the members' share of all fish resources;
- e) To divide any increase in quotas in an equitable manner based on the circumstances prevailing;
- f) To promote the development and conservation of the Northern Fishery;
- g) To provide an organization that speaks with one voice on issues respecting the Northern area and their access to resources; and
- h) To monitor various activities at the Department of Fisheries and Oceans (DFO) and determine their effect on individual members of the association.

The roots of the organization can be traced back to 1996 when the science on the Northern Shrimp resource suggested a strong healthy resource that should be substantially increased. All groups owned or had an interest in a Northern Shrimp licence and believed that licences located directly adjacent to the resource should receive a greater share of the anticipated quota increases.

Members of the Northern Coalition had the following in common:

- a) All groups represented community based and/or aboriginal groups trying to develop remote areas of the North;
- b) All groups represented communities that are adjacent to the resource;
- c) All groups could show an historical attachment to the fishery and had a direct economic dependence on the fishery;
- d) All groups were development oriented with a major goal of job creation in remote Northern communities;
- e) The organizations were not primarily profit oriented and no one individual or small group received the majority of the benefits from the quotas; and
- f) All groups had been involved with the growth and development of the Northern Shrimp Fishery.

INTRODUCTION

The specific details of the individual members of the Coalition are included in Appendix A.

In 1996, all Northern Shrimp licence holders were members of the Canadian Association of Prawn Producers (CAPP). The Northern Coalition members had strong opinions on the priority of adjacency as the major principle of resource allocation while many of the other licence holders had different views or opinions. All Northern Coalition members subsequently withdrew from CAPP. The relationship between CAPP and the Northern Coalition has improved considerably since 1997 and today the two organizations have cooperated on many programs including:

- Northern Shrimp Research Foundation
- Promotional Campaigns in China and elsewhere
- LIFO Promotional Campaign

MIFFLIN'S ANNOUNCEMENT ON APRIL 23, 1997

The current structure of the fishery is largely based on the work performed in 1996 by the Department of Fisheries and Oceans (DFO). There was obviously a bloom in the Northern Shrimp stock and DFO undertook a call for proposals and industry views on how this fishery should be expanded. There were 160 submissions from individuals, groups, provinces and municipalities across Atlantic Canada and a public meeting was held in St. John's, NL. Time and effort was put into this process to ensure that this fishery was expanded in the best interest of all stockholders. The following principles were established in the process:

- a) Conservation of the resource is paramount;
- b) Viability of existing enterprises will not be jeopardized;
- c) Current Northern Shrimp licence holders will retain 37,600 tons that was allocated to them in 1996. Where TAC exceeds 37,600 tons temporary access will be given to new entrants;
- d) Adjacency will be respected which means that those who live near the resource will have priorities in fishing it.

The backgrounder attached to the announcement focused on two principles for future access

- a) Adjacency
- b) Land claims

The following quotas that were available to the offshore licence holders in 1996 were set as threshold levels.

Table 1	
1996 Levels	Threshold
SFA 0	500
SFA 1	8,500
SFA 2	3,500
SFA 3	1,200
SFA 4	5,200
SFA 5	7,650
SFA 6	11,050

Total	37,600
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MIFFLIN'S ANNOUNCEMENT ON APRIL 23, 1997

This announcement was a fundamental commitment to all licence holders that their quotas in each specific area would not be reduced below the 1996 threshold levels unless the quotas in these areas dropped below the 1996 benchmark.

The principles established in 1997 were very important to the existing licence holders for the following reasons:

- a) Established minimum levels for each fishing area that would result in a year round fishing plan for the industry;
- b) Recognized the importance of the viability of the existing fleet;
- c) Offshore quotas issued to new participants in 1997 and subsequent years were not given licences thus these participants had to partner with existing offshore licence holders to harvest their quota. This increased the viability of the existing fleet and at that same time prevented an overcapitalization of the industry which would have been extremely detrimental with quota reductions;
- d) The existing licence holders would share in some of the future increases in quota.

The framework developed in 1997 was based on consultation with numerous stakeholders and effectively designed a very clear blueprint for the future structure of the fishery. The important features of this framework included:

- a) Established a foundation for a strong and viable industry;
- b) The restrictions on the number licences kept industry viable in some difficult economic times;
- c) Reduced the impact of any future quota reductions.

LIFO

The 1996 threshold levels were really a start of the LIFO policy. It was understood by all participants (new and old) that the existing 17 licence holders would not receive significant amounts of the expanding quotas but their historical threshold levels would be protected. Existing offshore Shrimp licence holders were concerned that the bloom in the resource was temporary and eventually quotas would decline and wanted their historical participation protected. This policy was discussed for several years and became part of the integrated management plan in 2000. Northern Coalition members understood and accepted the LIFO principle when it was established. Evidence suggests many industry participants accepted this policy evident by the following:

Fish Food and Allied Workers Union wrote to DFO on October 10, 1997

“Likewise on page 14 of the plan in the event of a decline in future TAC, the share for the inshore sector would be reduced accordingly, possibly to zero but the plan should not say that this section will leave the fishery”.

This letter also stated:

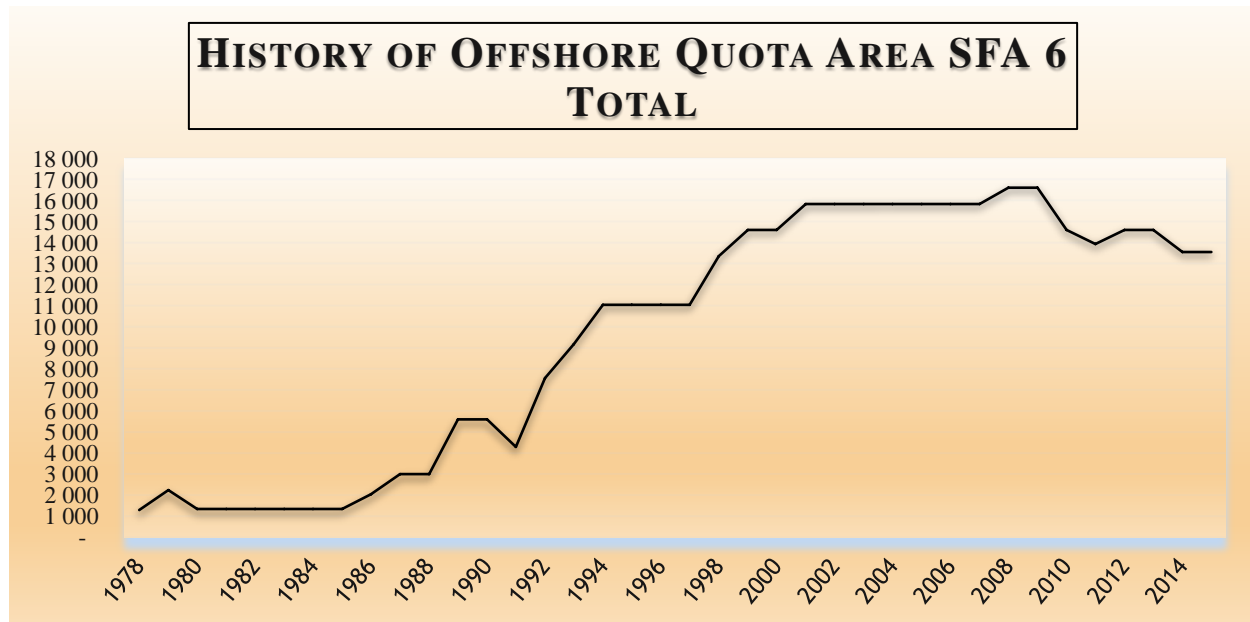
“On page 14, the plan indicates that 1996 quota levels in each SFA were set as thresholds (emphasis added) but later on the same page an overall threshold of 37,000 MT is shown. It is our understanding that the threshold would be tied to each SFA”

The growth of the resource since 1997 has mainly gone to adjacent user groups as is evident by SFA 6 allocations for the inshore sector, and increases to Nunavut in SFA1, and to Nunavut and Makivik in the Eastern and Western Assessment zones.

The historical participation of the initial licence holders should be acknowledged, accepted and the principles established in the expanding fishery should also be respected during this period of quota decline.

IMPORTANCE OF SFA6

The removal of the offshore fishery from SFA 6 is not acceptable. There have been quotas available in SFA 6 to the offshore Shrimp fishery since the start of the fishery in the late 1970's as detailed in the graph below:



Removal of the Northern Coalition from SFA 6 should not be considered for the following reasons:

- 1) As a group, the Coalition are collectively adjacent to all Shrimp fishing areas including SFA 6;
- 2) Northern Coalition members can demonstrate an historical and economic dependence on the fishery.

The offshore fishery is a year round fishery that requires access to SFA 6 because ice conditions prevent Shrimp fishing in other areas for several months every year.

CURRENT STRUCTURE OF THE FISHERY

The current structure of the fishery was developed in 1997 when DFO, after detailed public consultations, developed a plan that emphasized the benefits from the growth in the resource would largely accrue to adjacent user groups and at the same time protect the viability of the existing fleet. This combined with the threshold levels provided future security to the existing fleet and at the same time permitted the adjacent people to share in the benefits of a growing resource.

Recent media releases have indicated that the offshore is harvested by large corporate trawlers. While this may be a true statement it doesn't really depict a true picture of the offshore fleet. 50% of our members have an ownership interest in offshore factory freezer trawlers.

- QC has majority ownership in Saputi and this is an Inuit Birthright Corporation.
- LFUSCL is owned by inshore fishermen. This company owns 50% of the Northern Eagle.

The basic royalty payments that existed in the early history of this fishery have been replaced by real profit participation agreements. Other members of our organization have very significant profit sharing arrangements with vessel owners. These profit participation agreements often result from an individual company's low tolerance for financial risk. There simply is not enough Shrimp attached to a licence to sustain a year round fishery plan for a vessel and therefore cooperation and sharing in this fishery is required if the industry is to continue to be successful. These profit participation agreements have greatly contributed to the cooperation between licence holders and improved the viability of the existing fleet.

The inshore fishery mainly pertains to SFA 6 and this has become a key component of the overall Shrimp fishery. The fishers involved in this fishery also have high value jobs but the jobs are seasonal given the structure of the fishery. This fishery has provided tremendous benefits to local communities where Shrimp plants are located. However, plant closures will be required no matter how the reduction in SFA 6 is allocated. There simply is not enough Shrimp in SFA 6 to keep all of the existing plants operating at a meaningful level.

Since 1997 the importance of adjacency was recognized not only by the quotas given to the inshore fishery but also by the special allocations that were given to Aboriginal and special user groups located directly adjacent to the resource. These groups benefited from the resource and also provided tremendous benefits to the local economy as is clearly evident by the success shown by SABRI and the Inshore Affected Fishers of Southern Labrador.

CURRENT STRUCTURE OF THE FISHERY

Land claims have been recognized in the growing fishery and priorities have been given to existing land claims agreements in any quota increases. There are probably several interpretations on the treatment of land claims agreements in a declining resource with certain legal interpretations requiring a minimum percentage be maintained by the beneficiaries. However, this does not follow the LIFO policy and again it should result in the breaking of the threshold levels established in 1997.

There is a strong structure existing in the current Northern Shrimp Fishery. The offshore fishery has provided the strong base needed to build any successful industry. The inshore and special allocation holders have shared the benefits of an increased resource since 1997. The overall fishery is still strong today but the strong base that has always existed in the offshore must be maintained.

IMPORTANCE OF THE OFFSHORE FISHERY

The offshore fishery has been very important to growth and development in the North. The profits from the operation of the offshore Shrimp licences have provided funds to construct plants in remote Northern areas and often provided the funds needed to subsidize operations until they became profitable or continue to subsidize losing operations simply because it is very difficult to close a plant in a remote Northern community. This would be the only economic activity in the town and closure means a real setback in the financial and social well being of the community.

Three of our members have significant fishery operations and these operations have made very significant contribution to the Northern communities. Table 2 details the funds contribution to the economy of these Northern communities in the last ten years.

Table 2	
Funds expenditures in Northern Communities By Three Member Organizations Ten Year Historical Summary	
	Total
Fish purchases	\$ 203,205,809
Production wages and benefits	67,881,475
Payments to crew	90,144,203
Materials and supplies	17,733,989
Repairs and maintenance	22,261,410
Fuel	44,421,089
Freight	29,729,344
Municipal taxes	3,972,494
Capital expenditures	28,009,613
Donations	1,008,902
Total	\$ 511,122,328

IMPORTANCE OF THE OFFSHORE FISHERY

The crew positions on offshore vessels are very attractive to individuals residing in remote Northern areas. There are very few meaningful jobs in the North but these jobs are high paying full time jobs that have special recognition in remote Northern communities. Our fishers are professional and many become leaders in these communities because of the recognition given to their profession. Our crew members currently have many senior/officer positions on vessels operating in the Northern Shrimp Fishery including the position of captain.

RESPONSE TO QUESTIONS

1. Should LIFO be continued, modified or abolished?

- a. The response from our members was not consistent, however, collectively the Coalition supports the continuation of LIFO for the following reasons:
 - i. Threshold levels were established in 1997 for each Shrimp fishing area;
 - ii. Success of the Northern Shrimp Fishery has been based on access to all fishing zones;
 - iii. This creates a year round fishing plan with full time well paying permanent jobs;
 - iv. Jobs in this fishery are very attractive to Northern residents largely because of the very limited opportunities for good jobs in the North and the high monetary rewards attached to the position.

- b. Northern Coalition totally supports adjacency and land claims and have pushed for quota increases to be mainly based on those two principles. However, we have to consider the following:
 - i. Would the offshore Shrimp fishery be the viable fishery it is today if everything was based on adjacency;
 - ii. If Northern groups only had access to SFA 1 and the EAZ and WAZ would this be a profitable fishery?
 - iii. The history of the development of this fishery was based on heavy fishing in the Northern Zones; this may happen again;
 - iv. All Shrimp fishing areas have to be treated the same.

Policy and past practice supports the continuation of LIFO. The threshold levels were established in 1997 and LIFO became a part of the Northern Shrimp Management Plan in 2000. This was recognized by the FFAW in a letter to the Minister. The Ernst & Young review concluded that the LIFO policy was properly applied.

RESPONSE TO QUESTIONS

1. **Should LIFO be continued, modified or abolished?** *(continued)*

Changes to long term policy on allocations could have a detrimental effect on the fishery. The Northern Shrimp Fishery has been well managed and has always placed conservation of the resource at the forefront of all decisions. This happens because participants felt this was important to the long term future of their own business. In 1997 new entrants were given “temporary access” to the resource. Again quoting from the Mifflin announcement:

“There will be no permanent increase in harvesting capacity. Participation by new entrants will be temporary and will end for those SFA’s where quotas decline in the future and the established thresholds are reached. The thresholds will be defined as the 1996 quota in each of the six fishing areas.”

2. **What key considerations (principles, objectives, stock status, etc.) should inform any decision to continue, modify or abolish LIFO?**

Conservation of the resource has to remain at the forefront of any change to LIFO. The health of the resource has to be protected so that a viable fishery is sustained at reasonable exploitation levels. The policies established and commitments made in 1997 have to be considered in any decision to continue, modify or abolish LIFO. These policies were reinforced by successive Ministers and there would have to be compelling reasons to change the policies that have managed this fishery for the last nineteen years. This fishery has been well managed with careful consideration to protection of the base (existing seventeen licence holders) while at the same time letting the fishery grow for the benefit of adjacent users groups.

The key considerations that should influence any decision to continue, modify or abolish LIFO will still remain the considerations that were used to build the fishery over the last thirty five years. The fishery currently has many different user groups with each group placing different levels of priority on the principles on which this industry is based.

RESPONSE TO QUESTIONS

- 2. What key considerations (principles, objectives, stock status, etc.) should inform any decision to continue, modify or abolish LIFO? (*continued*)**

The fishery should be managed by clear principles or policies including the following:

- Conservation of the resource
- Land claims
- Adjacency
- Historical dependence
- Viability of existing fleet
- Maximization of employment
 - Priority to full time jobs

- 3. If you support changing or abolishing LIFO, what would be the elements of a new access and allocation regime for the Northern Shrimp Fishery?**

We don't support changing or abolishing LIFO however, the elements of a new access and allocation regime would have to include the following:

- a) Conservation of the resource
- b) Land claims
- c) Adjacency
- d) Historical dependence and participation

A, B and C above are (in our opinion) motherhood statements and will have to play a key role in any new access and allocation regime.

The historical attachment and dependence on the overall fishery would play a far different role in the allocation regime in a new fishery than the reconfiguring of an existing fishery. Participation in the existing fishery just can't be ignored or forgotten in any redefinition of an existing fishery. The guaranteed threshold levels also have to be considered in any new fishery. The possible legal liability of reducing committed quotas below levels that are available to the fishery should also be considered.

SUMMARY

LIFO has its roots in the 1997 management plan and has been continually supported and reinforced by every Minister since Minister Mifflin. Five resource declines since 1997 have followed LIFO principles. The offshore fishery is a successful, profitable fishery that has been developed based on sound business practices and policies consistently applied by DFO. The offshore Shrimp fishery is not only prosecuted by large corporations. There are Aboriginal, community groups and cooperatives that depend heavily on this fishery and have full participation in this fishery. The offshore Shrimp fishery has provided tremendous benefits to Northern regions contributing to the growth and development of the area. The decline in SFA 6 will mean considerable plant closures in Newfoundland and Labrador whether LIFO is maintained or abolished.

The offshore fishery requires access to SFA 6 to have a continuous year round fishing plan. Ice conditions restrict fishing in the northern zones for a significant portion of the year. The removal of the offshore fishery from SFA 6 could be the start of the eventual demise of the offshore Shrimp fishery. The industry requires access to all Shrimp fishing areas and therefore the policies should be consistent throughout all areas.

APPENDIX 1 – MEMBERS INFORMATION

Qikiqtaaluk Corporation (QC)

QC is wholly owned subsidiary of Qikiqtani Inuit Association (QIA). It is Inuit Birthright Corporation and development arm of the QIA with over 35 years in business in Nunavut. QC's mission is *“To create meaningful economic employment and career development opportunities for Inuit”*.

QC own 1.5 of the 17 Northern Shrimp licences. Majority partner in Qikiqtaaluk Fisheries Corporation (QFC), owners of M.V. Saputi that harvests both Shrimp and turbot. All Board members and officers are Beneficiaries.

An integrated company with following operations:

- Offshore Fisheries for Shrimp and turbot
- Marine and air transportation services
- Public private partnership project development
- Property assessment
- Construction
- Real estate
- Property management
- Environmental management services
- Petroleum distribution
- Retail operation
- Inuit Human Resources Employment Services

Investments in the Fishery

Saputi was purchased in 2005 for \$10,200,000. An additional \$7,000,000 was invested in 2012 to extend the vessel by 12 meters, and increase carrying capacity by 40%.

Capital improvements of over \$3,400,000 were made in 2015.

The vessel creates 364 trip positions per annum.

Profits from the offshore fishery are used to support its expansion activity in other areas, many of which provide greater opportunities for Inuit employment.

Real estate value of \$65,000,000.

APPENDIX 1 – MEMBER INFORMATION

Investment in the Fishery *(continued)*

Overall Impact

In 2015, 515 jobs were created with total earnings of \$13,091,617 plus \$2,400,000 of Inuit salaries in the fishery division. This includes 385 Inuit positions; 75% are beneficiaries of the Nunavut lands claims agreement.

Other

Provide financial support for science surveys.

Supports Inuit training.

Invests in the development of the Inshore Fishery Industry.

Labrador Fishermen's Union Shrimp Company Limited

Canadian controlled private company owned by bona fide full time fishers of Southern Labrador from L'Anse Au Clair to Cartwright.

The company has restrictions on dividends so any profits realized by the company are maintained for development of infrastructure along the Labrador Coast. LFUSCL own 2 of the 17 Northern Shrimp licences. The current operations include:

- 5 inshore fish processing plants
- 2 middle distance vessels
- 50% ownership in MV Northern Eagle
- Employed and / or provided services to over 1,200 individuals in 2015

Torngat Fish Producers Co-operative Society Limited

Torngat Fish Producers Co-operative Society, Limited (Torngat) is an aboriginal co-operative incorporated in 1980 by fishers and plant workers from the Northern Coastal Labrador communities.

APPENDIX 1 – MEMBER INFORMATION

Torngat Fish Producers Co-operative Society Limited *(continued)*

The primary purpose of Torngat is to strive to fulfill its mandate as outlined in its By-Laws. The mandate consists of Promoting, on a co-operative basis, the economic interests of members and of communities in the electoral district of Torngat Mountains; act for and on behalf of the members as the selling agent for their products; acquire, and use to the benefit, financial or otherwise, of the members, licenses and fishing rights of all kinds; etc.

Over the past 30 years this Co-op has worked diligently to continue the fishery with development and growth at the forefront for the benefit of our communities along the North Coast of Labrador. Over the past few years this Co-op has worked closely with the newly formed Nunatsiavut Government to bring our long history and expertise of the commercial fishery in attempts to provide increased employment and growth for future generations.

The Co-op has processed a wide variety of seafood products since its establishment. Similar to other producers in the Province, The Co-op was adversely affected by the groundfish and salmon moratoria. This adversity has been overcome by diversification into the processing of other species, particularly shellfish. The Co-op established a successful snow crab operation in 1997 in Makkovik.

The Co-op is currently active with fish processing in the communities of Makkovik and Nain with processing of snow crab, Greenland Halibut (Turbot) and arctic char.

Labrador Inuit Capital Strategy Trust

The Labrador Inuit Capital Strategy Trust (LICST) was created by the Nunatsiavut Government in 2006 to:

“Provide financial, management, economic, and other assistance for the pursuit of economic and socio-economic strategies that establish, promote, assist, or otherwise foster employment, business and other relationships and undertakings which enable or are intended to enable Eligible Beneficiaries to gain or acquire additional experience, knowledge, skills, assets and property of any kind having economic value”.

APPENDIX 1 – MEMBER INFORMATION

Labrador Inuit Capital Strategy Trust *(continued)*

LICST provides independent oversight over the Nunatsiavut Government’s business interests held by the holding company Nunatsiavut Group of Companies. The LICST is able to carry out its broader mandate with funding from the earnings of Nunatsiavut Group of Companies. There are five Trustees, each one a Nunatsiavut beneficiary and appointed by the Nunatsiavut Government.

Nunatsiavut Group of Companies

The Nunatsiavut Group of Companies (NGC) formerly known as the Labrador Inuit Development Corporation (LIDC) is the business arm of the Nunatsiavut Government. Reporting to the LICST, the business lines include marine transportation, air transportation, commercial real estate, construction, remote camp operations, logistics, heavy civil and approximately 30 years in the commercial fishery operations. NGC brings capacity and expertise to projects in Labrador and beyond.

Nunatsiavut’s mission is *“To create wealth in trust for Nunatsiavut Beneficiaries by owning profitable, sustainable businesses.”*

Nunatsiavut’s vision is *“To be an Inuit led business leader in the North.”*

Over the last 30 plus years NGC has grown exponentially organically and through acquisition, in the past 6 years it has transformed from a not for profit entity to a for profit entity with revenues growing from \$3 to \$40 million. During that time NGC has been able to build Human Resource and equipment capacity and the fishery has been a key contributor. NGC will continue to play a major role in the fishery and invest back into the industry while at the same time building the region of Nunatsiavut through other investments corporately and socially. NGC is majority owner in Pikalujak Fisheries and have very experienced partners. Annually, the organization employs approximately 350-400 people in various fields of which approximately 45% are beneficiaries of the Labrador Inuit Land Claim Agreement (LILCA).

APPENDIX 1 – MEMBER INFORMATION

Makivik Corporation

Inuit birthright established in 1975 pursuant to the JBNQA, the first modern land claim agreement in Canada. A not-for profit ethnic organization representing 12,000 Inuit residing in 14 coastal communities. Mandated to protect Nunavik Inuit rights, interests and financial compensation received through the JBNQA by:

- Owning and operating profitable business enterprises
- Generating employment
- Socio-economic Opportunities
- Improving housing conditions
- Protection of Inuktitut, culture and the natural environment

Makivik operates various wholly owned and joint venture companies:

- Wholly owned - First Air, Air Inuit, Nunavik Creations, Nunavik Furs, Halutik Enterprises, Kautaq Construction, Nunavik Geomatics
- Joint venture - Nunavut Eastern Arctic Shipping (NEAS), Unaaq Fisheries, Pan Arctic Inuit Logistics