# Qikiqtaaluk Corporation

# Submission to the Ministerial Advisory Panel (MAP) on the Last In, First Out (LIFO) Policy in the Northern Shrimp Fishery


June 2016

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## Executive Summary

The enclosed document outlines Qikiqtaaluk Corporation's (QC) submission to the Ministerial Advisory Panel (MAP) established to provide advice to the Minister of Fisheries and Oceans on whether the Last In, First Out (LIFO) policy specific to the Northern shrimp fishery should be continued, modified or abolished.

QC is in a unique position in the Northern shrimp fishery, in that it holds 1.5 of the 17 offshore Northern shrimp licenses in this fishery, is also a member of the Northern Coalition (NC), and is one of four established entities in the Nunavut fishery. As a result, any decision on the LIFO policy could have significant implications for QC in terms of its southern allocations, the allocations provided to the Northern Coalition, and the direct allocations of shrimp to Nunavut.

This document provides a historical background on the development of the Northern shrimp fishery, the expansion in access and allocations that started in 1997, the development of the Northern Coalition, and of Nunavut's role and access to this fishery. The development of the Northern shrimp fishery in Canada for the first twenty years of its existence was undertaken solely by the offshore sector, who undertook the risk and expended the investment required to develop this fishery. As a result, in expanding access and allocations to this fishery to other groups, starting in 1997, a series of principles for this expansion were outlined which included protection of the status of the offshore sector, the setting of threshold levels for this sector based on 1996 quotas, and the identification of any new entrants as temporary.

After the emergence of Nunavut as a Territory, the implementation of its Nunavut Land Claims Agreement (NLCA), and DFO's acceptance of the recommendations of the report of the Independent Panel on Access Criteria (IPAC) in 2002, it has received a majority share of any subsequent allocations of commercial shrimp and turbot within its adjacent waters. This special consideration provided to Nunavut must be considered in any access and allocation decisions related to quotas in its adjacent waters.

Also included in this document is detail on Qikiqtaaluk Corporation, the benefits derived for Canada and more specifically Nunavut from its participation in the Northern shrimp fishery, and the potential implications of continuing, modifying or abolishing the LIFO policy on QC and its allocations. This detail illustrates that QC is a diversified company, active in various economic sectors, which provides major employment and other economic benefits to Nunavut and Canada both directly from its fishing operations as well as the other investments the success of these operations have enabled QC to undertake over the years. As an example, in 2015, the QC Group of Companies created 515 jobs with total earnings of over $13 Million, while achieving an Inuit employment level of 385 positions, for 75% of the total available positions. This does not include the direct employment in the fishery, which on QC's vessel averages 26 people per trip, including an average in 2015 of 8.6 Inuit employees per trip, earning over $1.86 million in wages, for 27% of total crew payments.

With QC's varied involvement in various aspects of the Northern shrimp fishery, the potential implications of policy changes also vary by Shrimp Fishing Area (SFA). These implications are outlined in this report. In general, QC continues to support LIFO and especially adherence to the 1996 threshold levels as critical for its ongoing economic viability. To maintain the year-round fishing required for economic viability, it remains critical for the offshore sector to maintain access to shrimp allocations throughout the range of SFAs. However, in Nunavut's adjacent waters, the special consideration provided through the Nunavut Land Claims Agreement and IPAC recommendations must be respected.

The MAP has outlined three main questions it is looking for guidance on from stakeholders. QC has outlined its position on these items throughout this submission and summarizes these questions and QC's position on each of them as follows:

1. *Should LIFO be continued, modified or abolished?*
   It is the view of QC that a one-size-fits-all approach to access and allocations in the Northern shrimp fishery does not work throughout the full range of Shrimp Fishing Areas. As a result, QC is recommending some changes to DFO's policy approach for this fishery.
2. *What key considerations (principles, objectives, stock status, etc.) should inform any decision to continue, modify or abolish LIFO?*
   QC is of the view that stock status based on scientific evidence has to be used in establishing the quota levels in each SFA and should not be influenced by access and allocations considerations. In terms of access and allocations, the guiding principles of adjacency, historical attachment and economic dependence, along with adherence to Land Claim provisions, should form the backbone of any policy platform for the Northern shrimp fishery, with consideration also given to any special considerations that may be applied in select areas.
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?*
   As outlined above, QC is recommending a policy approach that would vary by SFA, depending on the history of fishing in the area and any Land Claims and special conditions that would apply. In summary, for QC and its ongoing economic viability in the Northern shrimp fishery, the continued adherence to the threshold levels established in 1997 is paramount, especially in southern SFAs. QC generally supports LIFO but recognizes that special considerations, including adherence to provisions in various Land Claim Agreements, must be taken into account, such as in the northern areas off of Nunavut. A one-sized-fits-all approach does not work for all areas and as such QC is recommending a balanced approach where each of the principles of adjacency, historical attachment, economic dependence and Land Claim provisions are considered by the Minister.

## Introduction

On Friday, April 15, 2016, the Minister of Fisheries and Oceans, Minister Hunter Tootoo announced the appointment of a Ministerial Advisory Panel (MAP) that has been established to provide advice to the Minister on whether the Last In, First Out (LIFO) policy specific to the Northern shrimp fishery should be continued, modified or abolished. The MAP has been established with four independent members, consisting of the following individuals:

- Mr. Wayne Follett, former Regional Director General for DFO Newfoundland and Labrador region;
- Mr. Paul Sprout, former DFO Associate Assistant Deputy Minister and Regional Director General;
- Mr. Trevor Taylor, former Minister of Fisheries and Aquaculture, Government of Newfoundland and Labrador; and
- Ms. Barbara Crann, Consultant, BCS Consulting Services

As part of the MAP's mandate, it will accept written submissions from stakeholders in the Northern shrimp fishery, as well as holding in-person sessions in strategic locations. The following document consists of Qikiqtaaluk Corporation's written submission to the MAP. In addition, QC plans to present at the MAP session scheduled for Iqaluit on May 10, 2016 and is available to answer any questions from the MAP on an ongoing basis.

Qikiqtaaluk Corporation, through its Fisheries Division, is a major player in the Canadian shellfish and groundfish industries, holding 1.5 of the 17 available offshore shrimp licenses, as well as 6.7% of the allocations of turbot and shrimp allocated to Nunavut. The company is the majority partner in Qikiqtaaluk Fisheries Corporation (QFC), which owns a large factory freezer trawler, the Saputi, and harvests one of QC's shrimp licenses, along with its own share of the Nunavut allocations, as well as turbot and shrimp for other Nunavut and southern players. QC is also an equal partner with Makivik Corporation of Nunavik in Unaaq Fisheries, which holds the other offshore shrimp license.

Given this background, QC is in a unique position in the Northern shrimp fishery, as the only entity that not only holds offshore licenses, is also a founding member of the Northern Coalition, and is one of four established entities in the Nunavut fishery. As a result, any decision on the LIFO policy could have significant implications for QC in terms of its southern allocations (SFAs 4 to 7), the allocations provided to the Northern Coalition (SFA 5), and the direct allocations of shrimp to Nunavut in its adjacent waters (SFA 0-2 and Western and Eastern Assessment Zones). Therefore, an assessment of the LIFO policy and any potential changes for QC must include an analysis of the immediate and potential long-term implications of any such changes.

The enclosed submission includes each of the following elements required to complete this analysis and formulate QC's recommendations on the policy:

- History of the northern shrimp fishery and of the LIFO policy;
- QC's history in the Northern shrimp fishery;
- Development and history of the Northern Coalition;
- Nunavut's history in the Northern shrimp fishery and its history of access to adjacent resources;
- QC's investments in the Northern shrimp fishery and the benefits to the company and to Nunavut from its involvement in this fishery (employment, training, research, etc.);
- Impact of relevant documents/policies, i.e. 1997 Ministerial announcement on inshore shrimp expansion, Integrated Fisheries Management Plan (IFMP) for Northern shrimp, and Independent Panel on Access Criteria (IPAC) report, etc.;
- Implications of changing or maintaining LIFO for QC and its current and potential future allocations; and
- QC's recommendations to the MAP on the LIFO policy.

## Background/History

The following pages provide a historical background on the development of the Northern shrimp fishery, including the following elements:

- The development of the Northern shrimp fishery in Canadian waters;
- The expansion of the fishery in 1997 to include an inshore component;
- The development of the Northern Coalition; and
- The development of Nunavut's offshore fishery for its adjacent resources.

This historical background is important to understanding how the various elements of the Northern shrimp fishery have developed over time and what policies led to these developments.

### Development of the Northern shrimp fishery

The development of the commercial Northern shrimp fishery in Canadian waters can be traced back to the mid-1970s, with the identification of potentially commercial quantities of shrimp through exploratory fisheries undertaken by foreign offshore factory freezer trawlers.

As a result, an initial commercial quota of 8,100 tonnes was established in 1978 and shared amongst eleven new offshore licence holders. These were the first Canadian commercial licenses established to develop the fishery and they were distributed amongst Atlantic Canadian interests. Adjacency was a contributing factor to issuing these licenses, with five licences provided to interests in Newfoundland and Labrador, 2½ to Nova Scotia interests, 1½ to New Brunswick interests, and 2 to Quebec interests. In 1979, a twelfth licence was issued to aboriginal interests in Quebec through Makivik.

This situation continued until 1987, when four additional licences were issued to adjacent Northern interests (2 in Labrador; ½ in Quebec; and 1½ in Nunavut (QC)). The last offshore licence was issued to interests in Newfoundland and Labrador in 1991. This brought the number of total offshore licenses to its final and current number of 17, with a breakdown by region of 8 in Newfoundland and Labrador, 3½ in Quebec, 2½ in Nova Scotia, and 1½ in each of Nunavut and New Brunswick.

It is these 17 offshore license holders that were responsible for the development of the Northern shrimp fishery in Canada from the 1970s through the 1990s. Over this period of in excess of twenty years, as the fishery grew from the original 8,100 t in 1978 to 37,600 tonnes by 1996, the offshore industry moved to develop the fishery, moving from the utilization of foreign vessels to all Canadian flagged vessels by the early 1990s.

By 1996, commercial shrimp quotas were established for the full geographic range from Shrimp Fishing Area 0 off Baffin Island, to Area 6 off Newfoundland. The breakdown of quota by SFA is as outlined in Table 1.

| **Table 1:** 1996 TAC Levels for Offshore License Holders | |
|---|---|
| Shrimp Fishing Area (SFA) | Total Allowable Catch (TAC) |
| 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 |

The above description clearly outlines that for in excess of half of the time that the commercial Northern shrimp fishery has existed in Canada, it has solely been an offshore fishery. It was these offshore license holders who were responsible for making the investments required to develop this fishery. As such, in terms of the principal of recognizing historical attachment, it is these license holders who meet this imperative. In addition, the principal of adjacency has also largely been achieved through the distribution of these licenses throughout eastern Canada.

**Fishery expansion starting in 1997**

Beginning in 1997 the Northern shrimp fishery in Canadian waters experienced a period of significant quota increases, in keeping with greater abundances in several Shrimp Fishing Areas as determined through annual scientific surveys. As a result, the total available quotas increased from the 1996 level of 37,600 tonnes to a peak level of 176,868 tonnes in 2009. With the increase in quotas new temporary entrants were added to the fishery, including the inshore sector in Newfoundland and Labrador and various stakeholder groups.

Subsequent to this date, with declining survey results, total quotas have been reduced to a level of 112,775 tonnes in 2015. The most recent scientific survey results, as presented in the CSAS report: *AN ASSESSMENT OF NORTHERN SHRIMP (Pandalus borealis) IN SHRIMP FISHING AREAS 4-6 AND OF STRIPED SHRIMP (Pandalus montagui) IN SHRIMP FISHING AREA 4 IN 2015* indicates that these declines are continuing, “The February 2016 Stock Status Update of Northern and Striped Shrimp in SFAs 4, 5 and 6 (DFO 2016a) reported significant declines in resource status, particularly in SFA 6.”

Full details on the quota levels by SFA and by entrant are provided in Table 2. A total of 14 new temporary entrants were introduced to the fishery during the period of growth, with the majority of increases being provided to the inshore sector. To understand the principles and policy implications utilized in expanding the quotas and entrants to the fishery, it is critical to consider the Ministerial statements and directives dating back to 1997.

**Table 2: PROFILE OF ACCESS TO NORTHERN SHRIMP 1996-2015 (tonnes)**

| SFA | Fleet/Interest | 1996 | 1997 | 1998 | 1999 | 2000-2001 | 2002 [3] | 2003 | 2004-2005 [4] | 2006-2007 [5] | 2008 | 2009 [8] | 2010 [8] | 2011 [8] | 2012 [8] | | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | Offshore | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 500 | Offshore | 500 | 500 | 500 |
| 1 | Offshore | 8,500 | 8,500 | 7,650 | 9,350 | 9,350 | 12,040 | 12,980 | 14,246 | 14,246 | 14,246 | 14,246 | 14,246 | 14,246 | 14,246 | Offshore | 14,246 | 14,246 | 14,246 |
| | Nunavut | | | | | | | 1,000 | 3,722 | 3,722 | 3,722 | 3,722 | 3,722 | 3,722 | 3,722 | Nunavut | 3,722 | 3,722 | 3,722 |
| | Makivik | | | | | | | 187 | 449 | 449 | 449 | 449 | 449 | 449 | 449 | Makivik | 449 | 449 | 449 |
| **Total** | | **8,500** | **8,500** | **7,650** | **9,350** | **9,350** | **12,040** | **14,167** | **18,417** | **18,417** | **18,417** | **15,583** | **15,583** | **15,583** | **12,750** | | **11,333** | **11,333** | **8,500** |
| 2 EAZ | Offshore | 3,500 | 5,250 | 5,250 | 5,250 | 5,250 | 5,250 | 5,250 | 5,250 | 5,250 | 5,250 | 5,250 | 5,250 | 5,250 | 5,250 | DS West Offshore | 5,250 | 4,813 | 4,813 |
| | Offshore Licence Holders (Expl. *P. borealis* E of 63°W) | | | | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 | Davis Strait east offshore (expl Borealis E of 63 W) | 1,750 | 1,604 | 1,604 |
| | Nunavut (Expl. E of 63°W) | | | | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 | 1,750 | Davis Strait Nunavut east (expl E of 63W) | 1,750 | 1,604 | 1,604 |
| | Nunavut (Exploratory *P. montagui* inside NSA) | | | | | | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | Davis Strait east/west Montagui Bycatch | 1,100 | 410 | 410 |
| | | | | | | | | | | | | | | | | NU - E Montagui | 805 | 301 | 301 |
| | | | | | | | | | | | | | | | | NK - E Montagui | 345 | 129 | 129 |
| | | | | | | | | | | | | | | | | NU - E Borealis (byc) | 200 | 183 | 183 |
| | | | | | | | | | | | | | | | | NK - E Borealis (byc) | 50 | 46 | 46 |
| **Total** | | **3,500** | **5,250** | **5,250** | **8,750** | **8,750** | **10,750** | **10,750** | **10,750** | **10,750** | **10,750** | **10,750** | **10,750** | **10,750** | **10,750** | | **B- 9,000 M- 2,250** | **B- 8,250 M- 840** | **B- 8,250 M- 840** |
| | | | | | | | | | | | | | | | | | **11,250** | **9,090** | **9,090** |
| 3 WAZ | Holders (*Pandalus montagui* in SFAs 2/3/4 West of 63W) | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 | 3,300 | 3,300 | 3,300 | 3,300 | 3,300 | 3,300 | 3,300 | 3,300 | NU -W Montagui | 2,500 | 2,930 | 3,069 |
| | Nunavut (Exploratory *P. montagui* inside the NSA) | | | | | | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | NK - W Montagui | 2,500 | 2,930 | 3,069 |
| | *Pandalus borealis* (bycatch) [6] | | | | | | | | | 400 | 400 | 400 | 400 | 400 | 400 | NU - W Borealis | 750 | 1,040 | 1,040 |
| | | | | | | | | | | | | | | | | NK - W Borealis | 750 | 1,040 | 1,040 |
| **Total** | | **1,200** | **1,200** | **1,200** | **1,200** | **1,200** | **2,200** | **4,300** | **4,300** | **4,700** | **4,700** | **4,700** | **4,700** | **4,700** | **4,700** | | **6,500** | **7,940** | **8,218** |
| | | | | | | | | | | | | | | | | | **B - 1,500 M- 5,000** | **B - 2,080 M - 5,860** | **B -2,080 M -6,138** |
| 4 | Offshore | 5,200 | 5,200 | 8,008 | 8,008 | 8,008 | 8,008 | 8,008 | 8,008 | 8,008 | 8,908 | 8,908 | 8,908 | 8,908 | 10,166 | Offshore | 10,394 | 10,394 | 10394 M- 6,138 |
| | Inshore | | | 312 | 312 | 312 | 312 | 437 | 437 | 437 | 537 | 537 | 537 | 537 | 677 | Inshore | 702 | 702 | 702 |
| | Innu | | | | | | | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | Innu | 750 | 750 | 750 |
| | Offshore competitive [7] | | | | | | | 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | 1,125 | Offshore competitive | 1,125 | 1,125 | 1,125 |
| | Nunatsiavut Government | | | | | | | | | | | | | | 300 | Nunatsiavut Governme | 300 | 300 | 300 |
| | NSRF | | | | | | | | | | | | | | | NSRF Survey | 1,700 | 1,700 | 1,700 |
| | | | | | | | | | | | | | | | | Montagui (bycatch) | 4,033** | 4,033** | 4,033** |
| **Total** | | **5,200** | **5,200** | **8,320** | **8,320** | **8,320** | **8,320** | **10,320** | **10,320** | **10,320** | **11,320** | **11,320** | **11,320** | **11,320** | **13,018** | | **14,971** | **14,971** | **14,971** |

| | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 5 | Offshore | 7,650 | 7,650 | 7,650 | 7,650 | 7,650 | 7,650 | 7,650 | 7,650 | 7,650 | 7,650 | 7,650 | 7,650 | 7,650 | 7,650 | Offshore | 7,650 | 7,650 | 7,650 |
| | Northern Coalition | | 6,120 | 6,120 | 6,120 | 6,120 | 6,120 | 6,120 | 6,120 | 6,120 | 6,120 | 6,120 | 6,120 | 6,120 | 6,120 | Northern Coalition | 6,120 | 6,120 | 6,120 |
| | Innu | | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | 510 | Innu | 510 | 510 | 510 |
| | LIA (NG) | | 510 | 510 | 510 | 510 | 510 | 1,260 | 1,260 | 1,260 | 1,260 | 1,260 | 1,260 | 1,260 | 1.26 | Labrador Inuit Assoc. | 1,260 | 1,043 | 1,260 |
| | Cartwright (Inshore) | | 510 | 510 | 510 | 510 | 510 | 710 | 710 | 710 | 710 | 710 | 710 | 710 | 710 | Cartwright | 710 | 652 | 710 |
| | LMN (NCC) | | | | | | | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 750 | Labrador Métis Nation | 750 | 533 | 750 |
| | Inshore Aff. Cod/Crab Fishers (Cartwright to L'anse au Claire) | | | | | | | 3,400 | 3,400 | 3,400 | 3,400 | 3,400 | 3,400 | 3,400 | 3,400 | Inshore Aff. Cod/Crab Fishers (Cartwright to L'anse au Claire) | 3,400 | 2,409 | 3,400 |
| | Inshore Aff. Cod/Crab Fishers (Northern Peninsula) | | | | | | | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | Inshore Aff. Cod/Crab Fishers (Northern Peninsula) | 400 | 283 | 400 |
| | Offshore competitive [7] | | | | | | | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | Offshore competitive3 | 2,500 | 1,770 | 2,500 |
| **Total** | | **7,650** | **15,300** | **15,300** | **15,300** | **15,300** | **15,300** | **23,300** | **23,300** | **23,300** | **23,300** | **23,300** | **23,300** | **23,300** | **23,300** | | **23,300** | **20,970** | **23,300** |
| 6 | Offshore | 11,050 | 11,050 | 13,360 | 14,603 | 14,603 | 14,603 | 15,833 | 15,833 | 15,833 | 16,612 | 16,612 | 14,603 | 13,928 | 14,603 | Offshore | 14,603 | 13,559 | 13,559 |
| | SABRI | | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | SABRI | 3,000 | 3,000 | 3,000 |
| | Innu | | | | | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 0 | 807 | Innu | 807 | 0 | 0 |
| | Fogo Island Co-op | | | | | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 0 | 542 | Fogo Island Co-op | 542 | 0 | 0 |
| | Inshore | | 9,050 | 29,840 | 41,029 | 41,529 | 41,529 | 52,599 | 52,599 | 52,599 | 59,613 | 59,613 | 41,529 | 35,459 | 41,293 | Inshore | 41,293 | 31,637 | 31,637 |
| | Inshore aff. Cod fishers (N pensinula North 50-30) | | | | | | | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 0 | 0 | 0 | Inshore aff. Cod fishers (N pensinula North 50-30) | 0 | 0 | 0 |
| | Inshore affected Cod fishers (LNS North 50-30) | | | | | | | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 0 | 0 | 0 | Inshore affected Cod fishers (LNS North 50-30) | 0 | 0 | 0 |
| **Total** | | **11,050** | **23,100** | **46,200** | **58,632** | **61,632** | **61,632** | **77,932** | **77,932** | **77,932** | **85,725** | **85,725** | **61,632** | **52,387** | **60,245** | | **60,245** | **48,196** | **48,196** |
| 7 | NAFO Reg Area[1] | | | | | 1,000 | 1,000 | 2,167 | 2,167 | 3,675 | 4,176 | 5,010 | 5,010 | 3,206 | 2,004 | NAFO Reg Area | 1,438 | 718 | |
| | Offshore | | | | | 1,000 | 1,000 | 2,017 | 2,017 | 3,778 | 4,365 | 5,344 | 5,344 | 3,230 | 1,872 | Offshore | 1,377 | 716 | |
| | PEI Consortium | | | | | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 | PEI Consortium | 1,500 | 1,075 | **CLOSED** |
| | Inshore | | | | | 2,500 | 2,500 | 6,566 | 6,566 | 12,297 | 14,209 | 17,396 | 17,396 | 10,514 | 5,985 | Inshore | 4,007 | 1,791 | |
| | Miawpukek FN | | | | | | | 750 | 750 | 750 | 750 | 750 | 750 | 750 | 643 | Miawpukek FN | 278 | 0 | |
| **Total** | | | | | | **5,000** | **5,000** | **10,833** | **10,833** | **18,325** | **20,824** | **24,990** | **24,990** | **15,994** | **10,000** | | **7,162** | **3,582** | |
| **Overall** | | **37,600** | **59,050** | **84,420** | **102,052** | **110,052** | **115,742** | **152,102** | **156,352** | **164,244** | **175,536** | **176,868** | **152,775** | **134,534** | **135,263** | | **135,261** | **116,582** | **112,775** |

1 - NRA allocation is not included in total TAC
2 - 1996 TACs represent "threshold levels" above which "temporary" access is provided
3 - 2002 increase because NAFO quota in 2001 for SFA 1 was not taken. NAFO quota was increased from 65,000 to 85,000 in 2001 and Canada takes 17% of the offshore portion (5/6).
4 - In SFA 3, a catch limit of 3,800 t was in place from 2000 to 2002 pending further scientific assessment of the resource in this area. The official quota was set at 1,200 t. For SFAs 2 to 6 the season is Apr.1 to Mar 31; for SFAs 0, 1 and 7 the season is Jan 1 to Dec. 31.
5 - Includes 7,492t increase in 3L.
6 - The quota of 400t is for bycatch of P. borealis while directing *P. montagui* .
7 - Prior to 2007, this was a scientific quota
8 – In SFA 1, individual quotas remain the same with the caveat that once TAC reached, fishery is closed.
** SFA 4 Montagui Bycatch not included in total

bycatch

On April 23, 1997 the Honourable Fred Mifflin, Minister of Fisheries and Oceans, announced a 57 percent increase in the TAC for Northern shrimp. A copy of the press release and backgrounders on this increase are provided as Appendix 1. These documents clearly outline that four fundamental principles were outlined to govern access to the expanded fishery:

- The conservation of the resource will be paramount;
- The viability of the existing enterprises will not be jeopardized. Current Northern shrimp license holders will retain their full 1996 allocation in all Shrimp Fishing Areas – 37,600 tonnes. Existing license holders will share the increase in SFA 2 and some will share the increase in SFA 5;
- 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 quotas in each of the six shrimp fishing areas;
- Adjacency will be respected, which means that those who live near the resource will have priority in fishing it.

The backgrounders to the press release detail how the sharing principles were determined for the new increase, the resultant distribution, and the principle of adjacency. The sharing arrangements for the increase were determined based on a call for industry views and proposals issued in November 1996. "Almost 160 submissions were received from individuals, groups, provinces and municipalities across Atlantic Canada." In addition to the four fundamental principles outlined above, additional principles used in determining the sharing arrangements included:

- Priority will be given to increasing participation of aboriginal people in the established commercial fishery;
- Priority access 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;
- Employment will be maximized in both the harvesting and processing sectors where possible.

On the principle of adjacency, the backgrounder makes the following points:

> "Certain fundamental principles underlie the sharing of the increase in the 1997 Northern shrimp Total Allowable Catch (TAC). One of the most important principles is adjacency.
>
> Put simply, adjacency is the principle that those who reside next to the resource or have traditionally fished in those waters should have priority access to it. This principle is used throughout the Canadian fisheries and is recognized internationally.
>
> This principle is strongly supported by coastal communities and fishers. Therefore, it is not surprising when DFO asked the fishing industry what principles it thought should

underlie the sharing of the 1997 Northern shrimp TAC, close to 90 percent of the 160 submissions recommended adjacency as a significant principle. Further consultations in St. John's confirmed this."

The principles outlined for the expansion of the Northern shrimp fishery make it clear that the existing offshore license holders are to be protected, with minimum threshold levels set at the 1996 levels as previously provided in Table 1. In addition, it is clear that in the 1997 documents any new entrants would be considered as temporary, to be maintained only while resource levels supported these increased quotas.

A review of Table 2 illustrates that adjacency was the primary determining factor utilized by the Department in identifying new entrants and the distribution of additional quotas. In keeping with the principles outlined in 1997, the offshore sector primarily participated in increases that were provided in northern fishing areas, from SFAs 2 to 5. For SFA 6, the offshore sector only experienced minor increases in quotas as compared to new entrants (10% to offshore, 90% to inshore and new entrants), resulting in its share of the total quotas in this area dropping from 100% in 1996, to 19.4% in 2009. With the subsequent reductions in quota in SFA 6, in 2015 the offshore still only maintains 28.1% of the available quota.

The Integrated Fisheries Management Plan (IFMP) for Northern shrimp identified Last In, First Out (LIFO) as a policy position for DFO in this fishery since 2003. The section on Quota Sharing Arrangements stated the following: "To ensure that the viability of the traditional, offshore fleet was not jeopardized, the 1996 quota levels in each SFA were set as thresholds. Sharing will only take place in a particular SFA, if the quota rises above the 1996 threshold in that SFA. If quotas decline in future years back down to the thresholds, the sharing will end and the new, temporary entrants will leave the fishery. The overall 1996 quota for all SFAs combined (37,600 t) is also used as a threshold to determine sharing. Thus, a major decline in one or more SFAs could preclude further sharing in any SFA. Should there be a decline in the abundance of the resource in the future, temporary participants will be removed from the fishery in reverse order of gaining access – last in, first out (LIFO)." This policy position remains in the current IFMP.

**Background on the Northern Coalition**

The Northern Coalition was established in 1996 to protect existing shrimp allocations for its member companies. This non –profit organization is comprised of six community based groups representing in excess of 20,000 aboriginal Inuit and Metis people located in remote northern communities. These companies came together due to their common goals and objectives, which included increasing employment, benefits and infrastructure development in the north. Together these six companies are adjacent to the full geographic extent of Shrimp Fishing Areas 1-6 from Grise Fjord, Elsmere Island, Northern Quebec and coastal Labrador. All members of the

Northern Coalition are offshore license holders who played a significant role in the development of the Northern shrimp fishery since its inception in the early 1980s and can demonstrate dependency and historical attachment to this fishery. The group includes only northern entities from Labrador, Nunavik and Nunavut, as outlined below:

- Labrador Fishermen's Union Shrimp Company (LFUSC), Labrador – 2 licenses;
- Torngat Co-operative, Labrador – 1 license;
- Nunatsiavut Group of Companies, Labrador – 1 license;
- Qikiqtaaluk Corporation, Nunavut – 1 license;
- Makivik, Nunavik – 1 license; and
- Unaaq, split 50/50 between QC and Makivik – 1 license.

In 1997, the Northern Coalition was provided with 6,120 tonnes of quota in SFA 5 and has maintained this quota at that level ever since.

**Nunavut's history in the Northern shrimp fishery**

As previously outlined, Nunavut interests have been involved in the Northern shrimp industry since 1987, with the issuance of 1.5 offshore Northern shrimp licenses to the Baffin Region Inuit Association, which are currently held by Qikiqtaaluk Corporation (QC). Through the late 1980's and the 1990's, Nunavut's share of its adjacent shrimp resources was limited to the 8.33% share represented by these offshore licenses, with no direct provision of shrimp allocations to Nunavut.

Through the establishment of Nunavut as a distinct Territory in 1999 and the implementation of the Nunavut Land Claims Agreement (NLCA), the federal government made a commitment to sharing quota allocations in Nunavut's adjacent waters directly with Nunavut interests, through the Nunavut Wildlife Management Board (NWMB). This level of commitment was strengthened with the federal government's acceptance of the recommendations of the Report of the Independent Panel on Access Criteria (IPAC) in November 2002.

With respect to the NLCA, Section 15.3.7 specifically states that:

> *Government recognizes the importance of the principles of adjacency and economic dependence of communities in the Nunavut Settlement Area on marine resources, and shall give special consideration to these factors when allocating commercial fishing licenses within Zones I and II. Adjacency means adjacent to or within a reasonable geographic distance of the zone in question. The principles will be applied in such a way as to promote a fair distribution of licenses between the residents of the Nunavut Settlement Area and the other residents of Canada and in a manner consistent with Canada's interjurisdictional obligations.*

Specific reference to the Nunavut situation was outlined in the IPAC report on the following quote and addressed in Recommendation #6, as also provided below:

***During the course of its consultations, the Panel examined the situation prevailing in Nunavut, which panel members came to regard as a special case. The Panel found that Nunavut does not enjoy the same level of access to its adjacent fisheries as do the Atlantic provinces.[1]***

**Recommendation # 6**

In keeping with the spirit and intent of the *Nunavut Land Claims Agreement*, and the fair and consistent application of the adjacency principle, the Panel therefore recommends that:

*No additional access should be granted to non-Nunavut interests in waters adjacent to Nunavut until the territory has achieved access to a major share of its adjacent fishery resources[2].*

Subsequent to the IPAC report and the federal government's recognition of the special consideration to be provided to Nunavut, a majority of subsequent allocations of new commercial fishery quotas in Nunavut's adjacent waters have gone directly to Nunavut. Specific instances include the following:

- 2003 increase in SFA 1 shrimp, Nunavut received 51% of the increase;
- Increases in 0A turbot, Nunavut has received 100% of these increases;
- Increases in 0B turbot, Nunavut has received 90% of these increases and Makivik the remaining 10%; and
- New Eastern and Western Assessment Zone shrimp allocations, Nunavut and Nunavik have shared the full increases based on their adjacency.

As a result, Nunavut has been able to increase its share of adjacent commercial fishery allocations, as detailed in Table 3. Since 2004, Nunavut's share of adjacent shrimp and turbot resources has increased from 16,580 t (37.8%) to 22,671 t (44.3%).

Nunavut's position of being provided with special consideration on its adjacent resources by DFO until it receives an equitable share remains. As a result, LIFO has not been implemented on the reductions in shrimp quotas which have occurred in SFA 1. In addition, the 2003 IFMP also stated that "Management measures under this Plan will apply to Land Claim Areas (i.e. Nunavut Settlement Area, Nunavik Inuit Marine Region) when they are approved by the body responsible for the management of those areas (i.e. Nunavut Wildlife Management Board (NWMB), Nunavik Marine Region Council)." NWMB has no record of approving LIFO as a management measure for Nunavut's adjacent waters.

[1] See IPAC, 2002
[2] See IPAC, 2002

**Table 3**

| **Offshore and Nunavut Shrimp and Turbot Allocations** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Nunavut's Share 2004 vs 2015** | | | | | | | | |
| Zone | Area | Species | 2015 | | | 2004 | | |
| | | | | NU Share | | | NU Share | |
| | | | TAC | t | % | TAC | t | % |
| ***Shrimp*** | | | | | | | | |
| | | | | | | | | |
| SFA 0 | | Borealis | 500 | 44 | 8.8% | 500 | 44 | 8.8% |
| | | | | | | | | |
| SFA 1* | | Borealis | 18,417 | 4,978 | 27.0% | 18,417 | 4,978 | 27.0% |
| | | | | | | | | |
| **EAZ** | | | | | | | | |
| > 100 ' | DS W | Borealis | 4,813 | 425 | 8.8% | 5,250 | 463 | 8.8% |
| > 100 ' | DS E | Borealis | 1,604 | 142 | 8.8% | 1,750 | 154 | 8.8% |
| > 100 ' | DS -E/W | Montagui | 410 | 36 | 8.8% | 0 | 0 | 0.0% |
| | | | | | | | | |
| Nunavut | DS-E | Borealis | 1,604 | 1,604 | 100.0% | 1,750 | 1,750 | 100.0% |
| | | | | | | | | |
| Nunavut East | NU-E | Montagui | 301 | 301 | 100.0% | 6,300 | 3,291 | 52.2% |
| Nunavik East | NK - E | Montagui | 129 | 0 | 0.0% | 0 | 0 | 0.0% |
| Nunavut East | NU - E | Borealis | 183 | 183 | 100.0% | 0 | 0 | 0.0% |
| Nunavik East | NK - E | Borealis | 46 | 0 | 0.0% | 0 | 0 | 0.0% |
| | | | | | | | | |
| **WAZ** | | | | | | | | |
| Nunavut West | | Montagui | 3,069 | 3,069 | 100.0% | 0 | 0 | 0.0% |
| Nunavik West | | Montagui | 3,069 | 0 | 0.0% | 0 | 0 | 0.0% |
| Nunavut West | | Borealis | 1,040 | 1,040 | 100.0% | 0 | 0 | 0.0% |
| Nunavik West | | Borealis | 1,040 | 0 | 0.0% | 0 | 0 | 0.0% |
| | | | | | | | | |
| ***Total Shrimp*** | | | 36,225 | 11,821 | 32.6% | 33,967 | 10,680 | 31.4% |
| | | | | | | | | |
| ***Turbot*** | | | | | | | | |
| | | | | | | | | |
| 0A | | | 8,000 | 8,000 | 100.0% | 4,400 | 4,400 | 100.0% |
| 0B | | | 7,000 | 2,850 | 40.7% | 5,500 | 1,500 | 27.3% |
| | | | | | | | | |
| ***Total Turbot*** | | | 15,000 | 10,850 | 72.3% | 9,900 | 5,900 | 59.6% |
| | | | | | | | | |
| ***Total*** | | | 51,225 | 22,671 | 44.3% | 43,867 | 16,580 | 37.8% |
| | | | | | | | | |
| *SFA1 - DFO has reduced the allowable harvest in SFA 1 for 2015 to 8,500 t, without reducing the individual allocation levels. Once the 8,500 t level of harvest is reached, the fishery would be closed. | | | | | | | | |

## Qikiqtaaluk Corporation

Qikiqtaaluk Corporation, through its Fisheries Division, is a major player in the Canadian shellfish and groundfish industries, holding 1.5 of the 17 available offshore shrimp licenses, as well as a share of the allocations of turbot and shrimp allocated to Nunavut. The company is the majority partner in Qikiqtaaluk Fisheries Corporation (QFC), which owns a large factory freezer trawler, the Saputi, and harvests one of QC's shrimp licenses, along with its own share of the Nunavut allocations, as well as turbot and shrimp for other Nunavut and southern players. QC is also an equal partner with Makivik Corporation of Nunavik in Unaaq Fisheries, which holds the other offshore shrimp license.

The following pages provide detail on QC and its involvement in the Northern shrimp fishery, the benefits that have been derived for Nunavut from QC's involvement in the offshore commercial fishery, and the potential implications of the maintenance or changing of the current LIFO policy on QC's position in the fishery.

### Background/History in the Northern shrimp fishery

QC has been a significant player in the Canadian offshore fishery since 1987, with the issuance of one full offshore shrimp license directly to QC and another license shared with Makivik under Unaaq – a total of 1.5 of the 17 licenses issued

From 1987 through 2005 QC's license was fished on a royalty basis by external companies – provided a significant cashflow to QC for investment in other business interests.

In 2005, QC undertook a detailed strategic business planning process and decided to become a direct investor in the offshore fishery. The company evaluated partnership proposals and entered into an agreement to form QFC, a joint venture with majority control by QC from the outset. QFC purchased the Saputi, a factory freezer trawler (FFT), and entered the fishery utilizing QC's shrimp license and Nunavut commercial quotas that were allocated to QC by the NWMB.

From 1987 through 2014 Unaaq's license was fished on a royalty basis by external companies, with one half of the royalties flowing to QC. A decision made from 2015 onward that Unaaq's partners (QC and Makivik) would individually decide how to allocate their share of the license quota.

Over the years, QC has also made significant investments in training and research and development toward the development of Inuit capacity and the identification and development of resources adjacent to Nunavut. Such investments helped lead to the development of the 0A turbot fishery and, as a result, the emergence of Nunavut as a significant player in the Canadian fishing industry.

The following pages provide further detail on QC and its Fisheries Division, considering the structure and ownership of the organization, and its current position in the fishing industry.

The Company/Organization - Structure and Ownership:

Qikiqtaaluk Corporation is an Inuit Birthright Development Corporation with over 35 years in business in Nunavut.

Outlined below are the Mission, Vision and Strategic Goals for Qikiqtaaluk Corporation. These provide the basis on which all QC ventures operate, including QC's Fisheries Division.

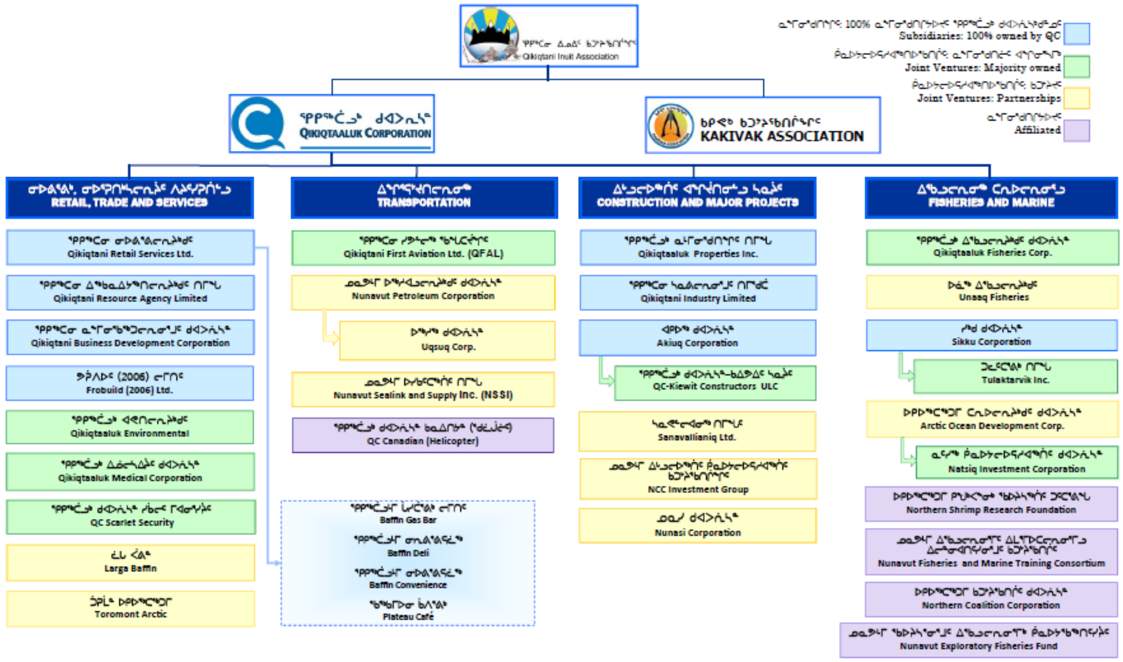
- *QC's Mission:* To create meaningful economic, employment and career development opportunities for Inuit.
- *QC's Vision:* To own and operate "good businesses" that build on the spirit of the Nunavut Land Claims Agreement.
- *QC's Strategic Plan Goals:*
    - Sound Direct Investments: - make investments that achieve strategic goals, earn an economic return and preserve capital.
    - Community Capacity Building – Contributing to community well being and wealth.
    - Promote employment and career opportunities.
    - Uphold Inuit values and protect the air, earth and people.
    - Fostering a strong sense of pride in our businesses and people.
    - Participate in the emerging global economy.

QC is incorporated under the Canada Corporations Act, and is governed by its By-Laws and the Qikiqtani Inuit Association (QIA) Corporate Governance of Controlled Organizations Policy. QC is a wholly owned subsidiary of QIA, the organization that represents the Inuit of the Qikiqtani region, created as its development arm. Members of the QC Board of Directors are appointed by the QIA Board.

As Figure 1 indicates QC's operations include: Offshore fisheries for Turbot and Shrimp, Marine and Air transportation services, Public-Private Partnership project development (P3s), Property Assessment, Construction, Real Estate, Property Management, Environmental Management Services, Petroleum Distribution, Retail Operations and Inuit Human Resources Employment Agency Services. The company is a large, diversified entity that in 2015 employed in total 515 personnel through these operations, which included 75% Inuit employment.

All the members of the QC Board of Directors and QC Officers are Beneficiaries; as well as 63% of the QC's corporate staff.

**Figure 1:** QC's Group of Inuit-Owned Companies, Joint-Ventures and Partnerships




Qikiqtaaluk Corporation's Fisheries Division

The fisheries activities of Qikiqtaaluk Corporation are currently organized under the Fisheries and Marine Services Sector of the company and include Qikiqtaaluk Fisheries Corporation and Unaaq Fisheries.

Within QC's corporate operations, the current and future fishing related activities are managed through the Fisheries Division.

*Qikiqtaaluk Fisheries Corporation (QFC)*

Registered in 2005, QFC is a majority **Inuit-owned fishing company** that focuses on offshore trawler operations and harvesting of QC´s and Nunavut quotas. The current major asset of the company is the offshore trawler Saputi, which is 100% owned by QFC.

| | |
|---|---|
| **QFC's Mission:** | To maximize profit and royalties to the shareholders and Nunavut from QC´s and Nunavut fishing resources in a sustainable manner<br>To maximize Inuit jobs on the trawler Saputi over the long term<br>To sustainably harvest QC´s and Nunavut´s allocations and bring maximum value from the resources<br>To grow the company in a sustainable manner |

*Unaaq Fisheries*

Unaaq Fisheries is equally owned by QC and Makivik Corporation of Nunavik and was established as a corporate entity to hold the offshore shrimp license provided to these entities. Since its inception, the coldwater shrimp allocations under the Unaaq license have been fished under royalty contract by established fishing operators, with the owners equally splitting the benefits.

On a go-forward basis, with the recent expiry of the royalty fishing contract, the co-owners of Unaaq agreed to individually manage their share of the allocations provided under their offshore license. As a result, QC's Fisheries Division undertook an assessment of the optimal approach to achieving maximum returns and benefits to Nunavut from this valuable resource.

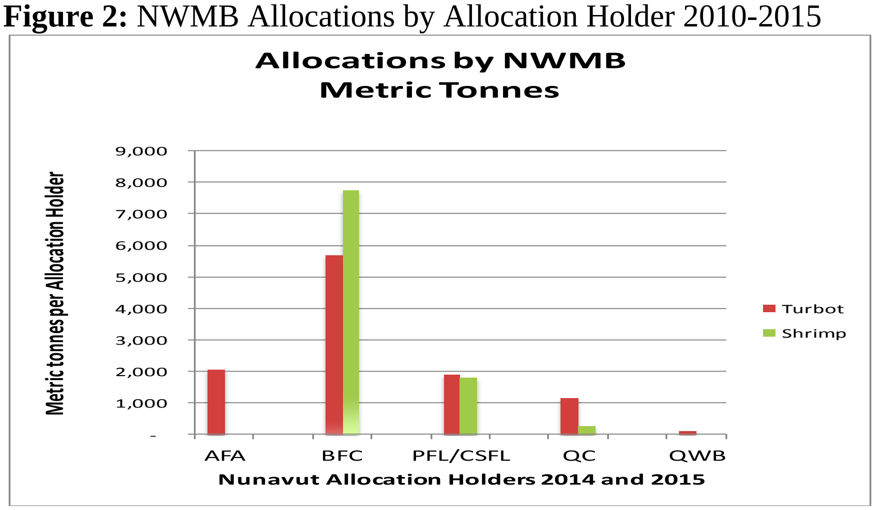
<u>QC's Fisheries Division's Current Position</u>

Quota allocations

As previously discussed, QC's Fisheries Division is an important player not only in the adjacent Nunavut commercial fishery but also in the overall Canadian commercial offshore fishery. QC owns 1.5 of the 17 offshore commercial shrimp licenses in the Canadian fishery. QC is the only Nunavut fishing interest to have direct ownership of quotas outside of Nunavut's adjacent waters through DFO. A total of 4,595 tonnes of core and Northern Coalition *P. borealis* and *P. montagui* quotas are currently held under each of these offshore licenses.

In addition, QC applies regularly for access to a portion of the turbot and shrimp allocations provided for Nunavut. As demonstrated in Figure 2, QC has a very small share of both the turbot and shrimp allocations provided through this process, 10.5% and 2.3% respectively, for a total of only 6.6% of the total Nunavut allocations.

**Figure 2:** NWMB Allocations by Allocation Holder 2010-2015



Harvesting performance

QFC, with its vessel the Saputi, harvests a combination of shrimp and turbot from a variety of sources, including: shrimp from QC's offshore license; shrimp and turbot from QC's share of the Nunavut allocations; and shrimp and turbot from a variety of other Nunavut and non-Nunavut sources.

This vessel was purchased in 2005 at a cost of $10,200,000. Strategic investments have been made in the Saputi to maximize productivity and reliability and, as a result, maximize performance. These investments have provided positive results, with greater productivity and returns.

In 2012, an investment of approximately an additional $7.0 M helped extend the vessel by 12 metres, freezing changed from a Freon based system to an ammonia system and additional freezing equipment was installed. As a result, this increased fishing time, reduced non-productive steaming time and provided the potential to complete two additional trips per annum.

For 2015, a further major investment of $3.4 Million has been made by QFC, which will further increase productivity. During this refit the vessel's main engine was overhauled, two auxiliary engines were replaced, and complete overall of crewing and galley facilities. Upgrades and maintenance completed under these investments has also added to vessel safety, reliability, and crew comfort, and has helped ensure an additional vessel life of 5 - 10 years. With the commitment made to investment and upgrades on the Saputi, it is now one of the top producing vessels in the Canadian fleet.

To utilize the Saputi on a year-round basis in order to maintain viability, QFC has had to obtain quotas outside of QC on a royalty basis. Over the past five years QFC has had to lease 25% of the shrimp and 51% of the turbot it has harvested from outside sources. Any cuts to available quotas which may be brought about through a change in policy will impact negatively on the resources available to QC from its own and external sources, directly impacting on viability. This is particularly important with respect to allocations in southern areas which QC must access in order to keep fishing during the winter period, when northern allocations are inaccessible due to ice conditions. In addition, one of the factors contributing to this requirement to lease outside quotas and pay royalties to other companies has been the very small share of Nunavut's shrimp and turbot allocations held by QC, as outlined in the previous section.

**Benefits to Nunavut**

Employment Impacts

The operations of QC's Fisheries Division produce a combination of both direct and indirect employment impacts which provide significant opportunities both for Inuit from Nunavut and for other fishers from southern Canada, largely from Newfoundland and Labrador. With an average crew complement of 26 and up to 14 trips per annum, the Saputi creates up to 364 trip positions per annum. In terms of direct employment impacts from fishery operations for Inuit the primary source is employment on QC's majority owned vessel, the Saputi. Over the past several years, QC has made a concerted effort to increase the level of Inuit employment on its vessel, as outlined in the following Table 4 and in Figure 3. Over the past three years average Inuit crew per trip has improved from 4 to 8.6, an improvement of 115%.

**Figure 3:** Saputi Average Inuit Crew Per Trip 2010 - 2015

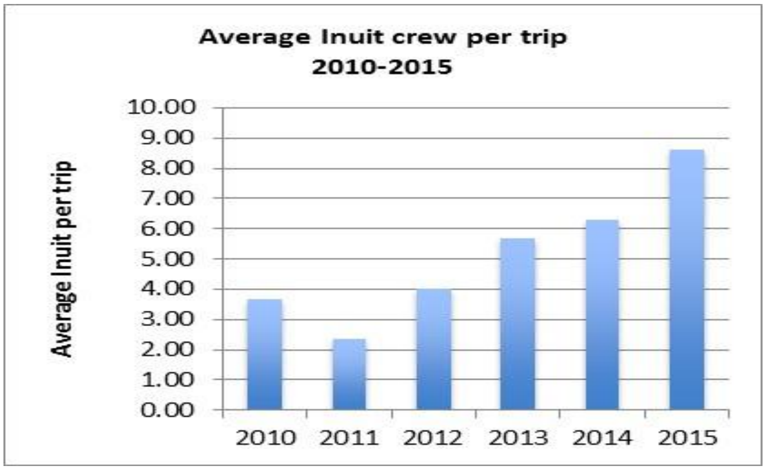



**Table 4:** Saputi Direct Employment 2010 – 2015

| HISTORICAL DIRECT EMPLOYMENT | | | | | | |
|---|---|---|---|---|---|---|
| INUIT CREWING ON SAPUTI | | | | | | |
| **trip #** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| **1** | 0 | 1 | 3 | 4 | 4 | 10 |
| **2** | 4 | 2 | 3 | 5 | 6 | 7 |
| **3** | 3 | 2 | 3 | 5 | 5 | 8 |
| **4** | 4 | 1 | 6 | 6 | 6 | 11 |
| **5** | 2 | 1 | 6 | 5 | 3 | 11 |
| **6** | 3 | 2 | 3 | 7 | 7 | 9 |
| **7** | 2 | 1 | | 7 | 8 | 7 |
| **8** | 3 | 5 | | 7 | 10 | 6 |
| **9** | 2 | 4 | | 6 | 9 | 8 |
| **10** | 4 | 2 | | 4 | 5 | 9 |
| **11** | 4 | 3 | | 7 | 5 | |
| **12** | 2 | 2 | | 5 | 8 | |
| **13** | 4 | 2 | | | 6 | |
| **14** | 4 | | | | | |
| **15** | 2 | | | | | |
| **16** | 1 | | | | | |
| **Total** | **44** | **28** | **24** | **68** | **82** | **86** |
| Average per trip | 3.67 | 2.33 | 4.00 | 5.67 | 6.31 | 8.60 |
| * 2012 Saputi on extended refit, vessel extension | | | | | | |
| ** 2015 Saput on refit from mid-February to mid-May | | | | | | |

The number of Inuit crew per trip varies with species harvested since total crew varies from 23 to 28 on average when fishing shrimp and turbot respectively. There is also a variation in the number of Inuit crew when fishing turbot versus shrimp. Historically, there has been more interest by Inuit crews in fishing turbot versus shrimp because turbot prices were substantially higher than shrimp prices, therefore crew members earned more when fishing for turbot. However, over the past couple of years market prices have increased substantially for shrimp, and today based on average earnings per fishing day the crews make as much fishing shrimp as they do fishing turbot. With decreases in worldwide shrimp supply and strong demand we expect shrimp returns and crew earnings to remain reasonably stable at a high level.

In 2015, during the fishing period Inuit provided 71% of the total factory crew and 32% of the total vessel crew on the Saputi. In terms of payments to the Inuit crew, in 2015 over $1.86 million in payments were made, for 27% of total crew payments. As well, it is estimated that an additional $600,000 has been paid to Inuit crew by the Clearwater vessels harvesting QC's share of the Unaaq quotas. While progress was made in number of Inuit employed and overall earnings there is the need to continue to focus not only on increasing the number of Inuit working on the vessel but on moving Inuit into more responsible positions on the vessel, to increase their share amounts. In 2015, as in previous years, Inuit are still only employed in factory positions, the lowest paid positions on the vessel.

**It is critical for readers to fully understand that QC views the direct vessel crewing benefits as only one small portion of the potential employment benefits to Nunavut from its fishing allocations**. Unfortunately, with the lack of adequate port facilities in Nunavut, the Nunavut offshore fishing industry is forced to offload elsewhere and, as such, the direct employment benefits available to Nunavut are limited mainly to on the vessels and on-shore management. As long as this situation remains the direct employment benefits and potential spin-off employment benefits (offloading, fueling, vessel supply, maintenance services, etc.) from the offshore fishery will remain limited.

In an attempt to address this situation, QC is working to support efforts to have a full port facility developed on the coast of Baffin Island, potentially in Qikiqtarjuaq. QC has made it clear to the federal and territorial governments that the proposed port developments in Iqaluit and the small craft harbour in Pond Inlet will not meet the needs of Nunavut's offshore fishing industry. Iqaluit, located at the far reaches of Frobisher Bay, well away from the Baffin Island coast and the offshore fishing grounds, is not a viable alternative for offloading and resupply. A small craft harbour will not have the capacity to handle large offshore factory freezer vessels. In addition, QC will also be seeking to make investments in development of the inshore fishery in Nunavut, where opportunities do exist to increase direct employment impacts for local Inuit.

Ever since QC obtained its 1.5 offshore shrimp licenses, the company has been utilizing the royalties and profits from its fishery allocations to support its expansion of activities into other areas, many of which provide much greater opportunities for Inuit employment. The high levels of royalties and profits achieved through the fishery operations are utilized to help support QC's other activities, in a model similar to that utilized successfully by the Labrador Fishermen's Union Shrimp Company (LFUSC) in Labrador.

Although the opportunities for direct Inuit employment in the fishery may be limited to date, QC's corporate operations and many of its subsidiaries have achieved very high levels of Inuit employment, largely as a result of the returns available from QC's fishing activities. On a corporate level, all the members of the QC Board of Directors and QC Officers are Beneficiaries; as well as 63% of the QC's corporate staff. This is inclusive of the administrative, financial and human resource staff who help provide support to the Fisheries Division.

High levels of Inuit employment have been achieved in several of QC's operations. In 2015, the QC Group of Companies created 515 jobs with total earnings of $13,091.617, while achieving an Inuit employment level of 385 positions, for 75% of the total available positions. Of the total payroll over $8.1 Million or 62% was paid to Inuit employees. Note that these employment numbers do not include the direct employment to Inuit in the fishery.

Training Supports

Qikiqtaaluk Corporation has and continues to be fully supportive of the training activities for the Nunavut fishery being led by the Nunavut Fisheries and Marine Training Consortium (NFMTC). Prior to 2005 QC organized and implemented its own fisheries related training courses. However, since February 2005 it has funnelled all of its fishery related training through the NFMTC. QC has participated as an industry partner in funding the NFMTC since its inception, has served on its executive, and believes that the NFMTC is the best vehicle to support the training of Inuit into the future.

The success of the NFMTC is demonstrated by its reputation as one of the best federally funded aboriginal skills development vehicles that have ever been established. As well, success is further demonstrated by the results in terms of the number of courses provided, the move to higher level courses over time, and the high level of successful course completion, as provided in the following table.

As Table 5 indicates NFMTC has helped to train a solid group of Inuit employees currently being utilized by the Nunavut fishing industry. It has been reactive to the needs of the industry, adjusting its programs and priorities to meet the industry needs.

QC will continue to provide financial support to the NFMTC based on its share of Nunavut fishery allocations. Although NFMTC has been very successful in preparing Inuit for the fishery, it is also incumbent on the companies to support their workers by providing policies and services to ensure they are able to participate as desired in the fishery and have the opportunities to progress in their careers. QC is now putting more emphasis in house on Inuit crewing and has assigned an employee to handle the crewing logistics, data collection and reporting, as well as gathering harvesting statistics.

Investment in Inshore Fisheries Development

The future development of the inshore fishery in Nunavut will be important to maximizing the benefits from Nunavut's fish resources. QC plans to invest in the development of the inshore fishing industry through a number of initiatives, including: investment in new small, fast fishing vessels in collaboration with members communities as a pilot project for inshore development; and completing a revised portable fish plant study for potential future investment.

Another initiative which QC will lead starting in the 2016 is organizing a fisheries forum in Iqaluit with regional HTA and community representatives to review options for development of the inshore fishery and its contribution to community development.

Research and Development Investments

Support for science and research and development in the Nunavut fishery is critical for both the sustainability of the existing fishery and for the diversification of the offshore fishery and development of the inshore fishery. QC has and continues to be a supporter of the funding provided for collaborative industry initiatives in science and research and development through NOAHA's Research and Development Fund. This funding was used to support the annual multi-species survey and other research initiatives such as the multi-year porcupine crab research study.

NOAHA's priorities as it relates to science in the north is to do the following:

- Develop and implement multi-year exploratory fisheries programs;
- Develop and implement multi-year experimental fisheries programs;
- Develop and implement multi-year stock assessment programs and other programs as required to advance the fisheries.

In addition to providing collaborative financial support for science surveys with the Nunavut industry, QC also provides additional financial support to the Northern Shrimp Research Foundation's annual surveys.

Along with collaborative initiatives with Nunavut and Canadian industry partners, QC plans to lead its own research and development initiatives, as it has done in the past. For example, past activities have included research with the Marine Institute of Memorial University on reducing the impacts of trawling. Going forward, in an attempt to assess further diversification opportunities for Nunavut's offshore fishery, QC will be submitting proposals to DFO for exploratory surveys as species are identified.

## Table 5:

| Nunavut Fisheries and Marine Training Consortium | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Training Statistics** | | | | | | | | | | | | |
| | **2015-16** | **2014-15** | **2013-14** | **2012-13** | **2011-12** | **2010-11** | **2009-10** | **2008-09** | **2007-08** | **2006-07** | **2005-06** | **TOTALS** |
| ***Courses Delivered*** | | | | | | | | | | | | |
| STCW | 2 | 2 | 3 | 0 | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 10 |
| Pretraining | 4 | 4 | 5 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17 |
| Presea | 2 | 4 | 2 | 2 | 3 | 3 | 2 | 3 | 6 | 6 | 6 | 39 |
| Bridgewatch | 2 | 2 | 2 | 2 | 1 | 1 | 0 | 1 | 2 | 1 | 0 | 14 |
| Deckhand | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| Helmsman | 4 | 4 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12 |
| Extended SVOP | 4 | 4 | 3 | 4 | 6 | 4 | 0 | 0 | 0 | 0 | 0 | 25 |
| SVOP | 0 | 0 | 4 | 0 | 0 | 4 | 6 | 7 | 0 | 0 | 0 | 21 |
| QMP | 2 | 2 | 2 | 2 | 2 | 2 | 0 | 1 | 0 | 0 | 0 | 13 |
| FM IV | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 2 |
| FM III | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| Inshore Fishing | 1 | 2 | 2 | 3 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 10 |
| Small Engine Repair | 0 | 0 | 1 | 0 | 1 | 3 | 0 | 0 | 0 | 0 | 0 | 5 |
| Watchkeeping Mate | 1 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| Netmaking | 0 | 0 | 0 | 0 | 0 | 2 | 1 | 1 | 1 | 0 | 0 | 5 |
| MED-A1 | 2 | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 5 |
| First Aid | 1 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| Longline | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 2 |
| Forklift Training | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Fisheries Observer | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 2 | 1 | 0 | 4 |
| Vessel Maintenance | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Engine Room Rating | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 2 |
| Engine Pretraining | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| Cargo Vessels | 1 | 1 | 1 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 |
| Service Contracts | 2 | 0 | 4 | 2 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 11 |
| | | | | | | | | | | | | |
| **Totals** | **30** | **29** | **37** | **24** | **21** | **26** | **11** | **14** | **11** | **8** | **6** | **217** |
| | | | | | | | | | | | | |
| ***Number of Course Participants*** | | | | | | | | | | | | |
| Participants Enrolled | 230 | 260 | 276 | 207 | 169 | 227 | 97 | 123 | 64 | 57 | 73 | 1,783 |
| Participants Completed | 217 | 239 | 265 | 184 | 154 | 220 | 91 | 111 | 58 | 41 | 56 | 1,636 |
| Completion Rate | 94% | 92% | 96% | 89% | 91% | 97% | 94% | 90% | 91% | 72% | 77% | 92% |

QC has also been holding discussions with the Marine Institute of Memorial University of Newfoundland and is evaluating the opportunity to become the industry sponsor for a new Chair in Northern Fisheries Research to be established at the Institute. This will be a major step forward for fisheries research in Nunavut, providing a dedicated team of scientists, post-docs, and graduate students to work on fisheries research issues and priorities in northern waters. An alternative for this Chair is to approach NOAHA to become the sponsor, thereby including the full Nunavut offshore industry.

R&D is also required to develop the potential of Nunavut's inshore fish resources. QC plans to support projects, either individually or through NOAHA, such as: further inshore turbot fishery studies in Pond Inlet and Clyde River; pilot studies on inshore, fast fishing vessels; and an updated study on portable fish plant development.

<u>Member/Community Investments</u>

Qikiqtaaluk Corporation is the only participant in the Nunavut fishing industry that is owned by an organization that represents all of the communities in the Qikiqtani region. QC is already a major employer of Inuit throughout the region and invests in communities both directly and through its parent QIA.

On a go-forward basis, following is a list of some of the fishery and non-fishery community investments planned by QC over the coming years:

- Organizing a fisheries forum in Iqaluit with regional HTA and community representatives to review options for development of the inshore fishery and its contribution to community development (2016);
- Partnership with community groups/individuals for purchase and operation of small, fast inshore fishing vessel(s) - potential in Pangnirtung, Clyde River, Pond Inlet or Qikiqtarjuaq;
- Feasibility study for modular self contained processing plant – for Qikiqtarjuaq. These particular plants are pre approved by the Canadian Food Inspection Agency (CFIA), and hundreds of them are being used as meat packing plants throughout Canada and the U.S.;
- Winter test fisheries for turbot in Clyde River and Pond Inlet, through NOAHA;
- Port development work with community of Qikiqtarjuak;
- Support for a breakfast program in schools throughout the region;
- Support for a scholarship fund for those pursuing post-secondary education from throughout the region; and
- Utilizing royalties/profits to support the community development activities of the Qikiqtaaluk Business Development Corporation (QBDC).

In order to assist the Qikiqtani communities with building capacity and creating local economic development, QC has established a new division, the QBDC, that has a mandate of creating Partnerships, introducing innovation and new technologies and securing investments to focus on key economic and societal benefits in the Qikiqtani region such as:

- Transportation
- Energy & Resource Development
- Inshore Fisheries Development
- Micro-Manufacturing and Food Security
- Promoting Inuit Culture & Heritage
- Affordable Home Ownership
- Environmental Stewardship

It is envisioned that QBDC will establish formal objectives and partnerships with all Qikiqtani Communities through existing or future Community Development Corporations.

Dividends to Shareholder – QIA

QC also pays dividends to its 100% shareholder, the Qikiqtani Inuit Association. These dividends are payable on an annual basis based on profits achieved. QIA uses these dividends to fund its activities in support of Inuit throughout the Qikiqtani region.

Other Investments and Benefits

Additional benefits to be derived from QC's activities in the fishing industry will come from two primary activities:

- QC's plan to take a leadership role in the Nunavut fishery; and
- QC's investments in marketing and promotion.

In both of these areas, the financial contributions and effort expended by QC will benefit not only QC but the entire Nunavut fishing industry.

To establish QC as a leader in lobbying for the Nunavut fishery, the activities will include:

- Taking an active leadership role as members of NOAHA and NFMTC;
- Member of the Fisheries Council of Canada;
- Member of the World Ocean Council, QC has joined as the first northern fishery representative from Canada; and
- Participating in turbot management meetings, Northern Shrimp Advisory Committee (NSAC) meetings and as a member of the Canadian delegation to Northwest Atlantic Fisheries Organization (NAFO) meetings;

QC's investments in marketing and promotion will include:

- Promotion of QC and Nunavut as a producer of top quality product in world markets, through a new fisheries website, participation in major industry trade shows (Boston, China, Brussels), development of multi-language species and fact-sheet brochures, and ensuring the QC logo and the Truly Wild logos are prominently displayed on all product packs produced by QC vessel(s);

- o Continuing as the only Nunavut fishing player who is helping to fund the new market development activities of CAPP (in China, Korea, etc.), along with MSC certification support; and
- o Promoting the Nunavut fishing industry as an important industry and excellent choice for career development within Nunavut (recent ad placement in Nunatsiaq News).

**Implications of LIFO on QC**

With allocations of shrimp throughout all existing fishing areas provided through its offshore licenses, membership in the Northern Coalition, and status as a member of the Nunavut fishery, Qikiqtaaluk Corporation will be impacted by the continuation of the LIFO policy or any changes that are made to revoke or alter the policy. This section considers those potential implications by Shrimp Fishing Area.

Attached in Table 6 is a breakdown of the shrimp quotas currently held by QC, by source and by SFA. In total, QC holds 7,121 tonnes in shrimp allocations from all sources. This includes 3,721 t under its own license, 1,860 t as its share of the Unaaq license, 1,311 t in special allocations through its membership in the Northern Coalition, and 229 t as a member of the Nunavut fishing industry. In addition, this table shows which of the allocations are actually economically viable to fish at present, which precludes the allocations in SFA 0, 1 and 7, a total of 1,364 t (bringing the fishable amount down to 5,757 t). With 1,843 t provided to Clearwater under the agreement for QC's share of the Unaaq quotas, this leaves a total of 3,914 t available to QC to fish on its vessel, the Saputi. To have a viable fishing operation on the Saputi, it is imperative that the vessel fish as much of these allocations as possible on an annual basis, along with QC's allocations of turbot in Nunavut's adjacent waters (2,080 t) and any allocations that the company is able to secure on a royalty basis from other Nunavut and non-Nunavut allocation holders.

QC is highly dependent on shrimp allocations in more southern areas to ensure it has the ability to fish on an ongoing basis, when ice conditions are not suitable in the North. Of the fishable biomass available to QC shown in Table 7 a total of 37.6% is in SFA 5 and 20.4% in SFA 6, for a combined total of 58.0% of the company's fishable biomass. As such, the maintenance of these allocations is extremely critical to the future viability of QC's fishing operations.

***SFA 6:*** The continued implementation of LIFO and the 1996 threshold limits in SFA 6 would ensure that the offshore license holders would maintain a total TAC of at least 11,050 t until the total TAC for the area fell below this level. For QC, this would provide a threshold level of 650 t of shrimp in this area, lower than the current 798 t but still a significant and important southern resource. Any changes to LIFO that would impact on this threshold level would negatively impact on economic viability.

**Table 6:** QC's Current Shrimp Allocations

| | TAC | 2016-2017 | | | |
|---|---|---|---|---|---|
| | | Total | Less not Fishable | Fished by CSLP | QC Fishable |
| <u>**QC Shrimp Quota**</u> | | | | | |
| SFA 0 | 500 | 29 | -29 | | 0 |
| SFA 1 17 licence holders | 14,246 | 838 | -838 | | 0 |
| SFA2 Davis Strait West (0B) West of 63 W | 4,813 | 283 | | | 283 |
| SFA2 Davis Strait East (0B) East of 63 W | 1,604 | 94 | | | 94 |
| Davis Strait East/West montagui bycatch | 410 | 24 | | | 24 |
| SFA 4 (2G) | 10,394 | 611 | | | 611 |
| SFA4 (2G) NSRF comp | 1,700 | 100 | | | 100 |
| SFA 4 (2G) Comp | 1,125 | 66 | | | 66 |
| SFA 4 Montagui Bycatch | 4,033 | 237 | | | 237 |
| SFA 5 (2H) | 7,650 | 450 | | | 450 |
| SFA 5 (2H) NSRF Comp | 2,500 | 147 | | | 147 |
| SFA 6 (2J) | 13,559 | 798 | | | 798 |
| SFA 7 | 716 | 42 | -42 | | 0 |
| **Subtotal - QC** | **63,250** | **3,721** | **-909** | **0** | **2,812** |
| | | | | | |
| Unaaq SFA 0 | 500 | 15 | -15 | | 0 |
| Unaaq SFA 1 | 14,246 | 419 | -419 | | 0 |
| Unaaq SFA 2 DS West | 4,813 | 142 | | -142 | 0 |
| Unaaq SFA 2 East of 63 west | 1,604 | 47 | | -47 | 0 |
| Unaaq Davis Strait East/West montagui bycatch | 410 | 12 | | -12 | 0 |
| Unaaq SFA 4 | 10,394 | 306 | | -306 | 0 |
| Unaaq SFA 4 Comp NSRF | 1,700 | 50 | | -50 | 0 |
| Unaaq SAF 4 Comp | 1,125 | 33 | | -33 | 0 |
| Unaaq SFDA Montagui competitive | 4,033 | 119 | | -119 | 0 |
| Unaaq SFA 5 | 7,650 | 225 | | -225 | 0 |
| Unaaq SFA 5 Comp | 2,500 | 74 | | -74 | 0 |
| Unaaq SFA 6 | 13,559 | 399 | | -399 | 0 |
| Unaaq SFA 7 | 716 | 21 | -21 | | - |
| **Subtotal - Unaaq** | **63,250** | **1,860** | **-455** | **-1,406** | **0** |
| | | | | | |
| **Special Allocations** | **6,120** | | | | |
| QC SFA 5 Northern Coalition | | 874 | | | 874 |
| Unaaq SFA 5 Northern Coalition | | 437 | | -437 | 0 |
| **Subtotal - Special Allocations** | **6,120** | **1,311** | **0** | **-437** | **874** |
| | | | | | |
| **NWMB Administered Allocations** | | | | | |
| NWMB - SFA1 P.borealis | 3,722 | - | | | 0 |
| NWMB - SFA DS Exp. E of 66W P. borealis | 183 | - | | | 0 |
| NWMB - SFA NU E of 66W P. montagui | 301 | - | | | 0 |
| NWMB - SFA NU E of 66W bycatch P.borealis | 1,604 | 229 | | | 229 |
| NWMB - SFA NU W of 66W P.montagui | 3,069 | - | | | 0 |
| NWMB - SFA NU W of 66W P.borealis | 1,040 | - | | | 0 |
| NWMB - 3B EAZ/WAZ | | - | | | |
| **Subtotal - NWMB** | **9,919** | **229** | **0** | **0** | **229** |
| | | | | | |
| **TOTAL SHRIMP** | **79,289** | **7,121** | **-1,364** | **-1,843** | **3,914** |

***SFA 5:*** For SFA 5, where the current TAC is 23,300 t, QC has 1,471 t of fishable biomass available. Implementation of LIFO to deal with any reductions in this area will have an immediate impact on QC, as the level of Offshore competitive quota (2,500 t total or 147 t for QC) will be included in the initial cuts. As long as the total TAC for SFA 5 remains in excess of 15,300 t, under LIFO the threshold level (7,650 t) and the Northern Coalition amount (6,130 t) will remain in place. A more precipitous drop in the TAC or a change away from LIFO could impact negatively on QC's allocations in this most important fishing area. However, it is anticipated that a greater consideration of the principles of adjacency and economic dependence would also be in QC's favor, as a member of the adjacent Northern Coalition and given the high level of economic dependence on this area.

***SFA 4:*** Similarly, any reductions in SFA 4, where the current *P. borealis* quota is 14,971 t, would result in immediate cuts to QC's allocations under the LIFO policy, with the most recent quota additions in this area being for the NSRF survey (1,700 t total or 100 t for QC). The potential loss of this allocation, which is utilized to provide funding for the annual shrimp survey in the north, would be devastating for the industry. If the SFA 4 allocation would be reduced to less than 13,018 t, the offshore allocation would also be impacted under LIFO. At under 10,320 t, the offshore competitive quota would start to be reduced. LIFO implementation in SFA 4 would result in a sharing of the pain amongst the various stakeholders but would also impact on the ability to complete the critical annual scientific surveys in this and other areas. As such, it is important to consider the impacts of the policy and not just its application as a one-size fits all solution. Under a move away from LIFO, once again QC would expect to be shielded from significant impacts due to adjacency to this resource and the company's economic dependence on the stock.

***EAZ/WAZ:*** The former areas known as SFA 2 and 3 have been reconfigured as the Eastern and Western Assessment Zones and new quotas have been added since 2013 in the Hudson Bay area which has solely been split between Nunavut and Nunavik (under the relevant Lands Claims). Adjacency has been recognized as paramount in this area, with the only non-Nunavut or Nunavik quotas remaining for the offshore in the Davis Strait area (4,813 t in DS W, 1,604 t DS E, and 410 t *P. montagui* in DS E/W). QC supports the continued application of adjacency as the guiding principle in the new zones. For the DS E area, these exploratory quotas for the offshore and Nunavut are equal in size and were introduced at the same time, while the offshore is the only participant in the DS W fishery. QC would support any future increases in the EAZ/WAZ zones being distributed based on adjacency (shared by Nunavut and Nunavik), while decreases could utilize LIFO as in DS W only the offshore sector would be impacted while in DS E the offshore and Nunavut would equally share the reductions.

***SFA 1:*** SFA 1 (Davis Strait) is a joint Canada-Greenland stock, the management of which is the subject of regular meetings between the two countries. The Scientific Council of NAFO completes annual assessments of this shrimp stock. The long term sharing formula for this stock between Canada and Greenland is 17% and 83%, respectively. The Scientific Council of NAFO recommended a 15,000 tonne increase in the shrimp TAC in 2003, which translated into an additional 2,127 tonne quota allocation for Canadian SFA 1 and brought the total SFA 1 allocation to 14,167 tonnes. A further 25,000 tonne increase occurred in 2004, adding an additional 4,250 tonnes to the Canadian quota allocation, to reach 18,417 tonnes.

Prior to 2003, the Canadian quota in SFA 1 was allocated among the 17 offshore license holders involved in the fishery, including the 1.5 licenses held by Qikiqtaaluk Corporation. In 2003 the increase in quota was shared between the existing offshore license holders (940 t), Nunavut (1,000 t) and Makivik (187 t). The 2004 increase was also distributed to the existing offshore license holders (1,266 t), Nunavut (2,722 t) and Makivik (262 t).

Since 2004, there have been decreases recommended by NAFO for SFA 1 in 2009, 2012, 2013 and 2015. These reductions decreased the total Canadian quota to 15,583 t in 2009, 12,750 t in 2012, 11,333 t in 2013 and 8,500 t in 2015. However, rather than applying these reductions to the current allocation holders, DFO decided to maintain the individual quotas at their existing levels, with the understanding that if the overall reduced quota levels were reached, the fishery would be closed. As a result, based on the existing overall quota of 4,979 t (including QC's offshore share), Nunavut fishers have the potential to harvest up to 59% of the reduced 8,500 t quota. This has not been an issue in recent years as the SFA 1 fishery has not been viable to fish.

Since Nunavut only began receiving direct access to SFA 1 in 2003, it would feel the most direct and largest impact from implementation of the LIFO policy in this area. The potential implementation of LIFO in SFA 1, see Table 7, would totally remove Nunavut from this adjacent fishery. This would be totally unreasonable and unfair for Nunavut, especially given the special consideration required under the NLCA and IPAC. This demonstrates that LIFO cannot be seen as applicable across all areas.

**Table 7:** Impact of LIFO on Nunavut's Share of SFA 1 TACs

| | Existing TACs | % of Existing | LIFO TACs | % of LIFO |
|---|---|---|---|---|
| Offshore License Holders | 14,246 | 167.6% | 8,500 | 100% |
| Nunavut | 3,722 | 43.8% | 0 | 0% |
| Makavik | 449 | 5.3% | 0 | 0% |
| Total TAC | 8,500 | 100% | 8,500 | 100% |

**Recommendations to the MAP**

As outlined in this document, Qikiqtaaluk Corporation is in a unique position in the Northern shrimp fishery and has the potential to be significantly impacted in a positive or negative position depending on the Minister's decision on LIFO.

Qikiqtaaluk Corporation is recommending to the Ministerial Advisory Panel that a balanced approach be taken to the continued implementation of the LIFO policy or to making changes in the policy. The interests of the offshore shrimp license holders must be taken into account, as these are the entities that were responsible for the development of the Northern shrimp fishery in Canada and the entities that have made major investments in this fishery and provided significant benefits to eastern Canada. As previously outlined, an independent review of economic impacts of the offshore shrimp sector by a respected economist from Newfoundland and Labrador has shown that the offshore sector provides per tonne benefits equal to or exceeding those provided by the inshore sector.

In addition, adjacency and other considerations, including economic dependence, historical attachment and Land Claims adherence, have and must continue to be considered as guiding principles in quota allocations by DFO. The distribution of offshore licenses does largely respect adjacency and the provision of allocations to new entrants was in the vast majority of cases based on adjacency. For Nunavut, DFO's acceptance and continued implementation of the NLCA and the IPAC recommendation on access to adjacent resources remains paramount and QC supports the application of adjacency as a primary principle in the distribution of any future increases in commercial quotas.

Based on the above and the detail provided in this submission, Qikiqtaaluk Corporation is recommending the following approaches to LIFO by Shrimp Fishing Area:

- *SFAs 0 to 2 and Western and Eastern Assessment Zones, i.e. Nunavut's adjacent waters:* The implementation of LIFO is not recommended for these areas given the special consideration provided to Nunavut by DFO through the acceptance of IPAC and through the NLCA. Although the previous section has outlined that QC currently has a very minor share of the quotas directly provided to Nunavut in its adjacent waters, it does support the special consideration for the territory on an ongoing basis;
- *SFAs 4-5, i.e. Labrador's adjacent waters:* Increases in allocations in Labrador's adjacent waters have largely gone to local and northern interests. LIFO implementation in 2014 in SFA 5 impacted not only on the inshore and local interests but also on the offshore sector's competitive allocation. No special conditions have been established for this area and as such, QC is recommending the continued implementation of the LIFO policy. If altered or abandoned, QC supports adjacency, economic dependence and adherence to Land Claim provisions as primary principles to be applied;

- *SFA 6-7, i.e. Newfoundland's adjacent waters:* LIFO has been implemented in these areas and QC is of the view that this policy should continue. For SFA 6, the inshore sector and other interests benefitted from the temporary allocations provided since 1997 to a much larger extent than the offshore sector. With the significant reductions in quotas being experienced in this area, LIFO is the only fair way to ensure that the offshore sector is maintained at a level at or above its 1996 threshold level. The 1997 expansion principles and the IFMP clearly outlined that the increases were temporary and that LIFO would be implemented to deal with any decreases. The prior review of this policy completed in 2012 also found that the Minister properly implemented the policy.

The MAP has outlined three main questions it is looking for guidance on from stakeholders. QC has outlined its position on these items throughout this submission and summarizes these questions and QC's position on each of them as follows:

1. *Should LIFO be continued, modified or abolished?*
   It is the view of QC that a one-size-fits-all approach to access and allocations in the Northern shrimp fishery does not work throughout the full range of Shrimp Fishing Areas. As a result, QC is recommending some changes to DFO's policy approach for this fishery.
2. *What key considerations (principles, objectives, stock status, etc.) should inform any decision to continue, modify or abolish LIFO?*
   QC is of the view that stock status based on scientific evidence has to be used in establishing the quota levels in each SFA and should not be influenced by access and allocations considerations. In terms of access and allocations, the guiding principles of adjacency, historical attachment and economic dependence, along with adherence to Land Claim provisions, should form the backbone of any policy platform for the Northern shrimp fishery, with consideration also given to any special considerations that may be applied in select areas.
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?*
   As outlined above, QC is recommending a policy approach that would vary by SFA, depending on the history of fishing in the area and any Land Claims and special conditions that would apply. In summary, for QC and its ongoing economic viability in the Northern shrimp fishery, the continued adherence to the threshold levels established in 1997 is paramount, especially in southern SFAs. QC generally supports LIFO but recognizes that special considerations, including adherence to provisions in various Land Claim Agreements, must be taken into account, such as in the northern areas off of Nunavut. A one-sized-fits-all approach does not work for all areas and as such QC is recommending a balanced approach where each of the principles of adjacency, historical attachment, economic dependence and Land Claim provisions are considered by the Minister.

## Appendix 1

## 1997 Press Release and Backgrounders

*Fisheries and Oceans Canada*

# *News Release*

NR-HQ-97-24E

April 23, 1997

**MIFFLIN ANNOUNCES 57 PER CENT INCREASE FOR NORTHERN SHRIMP QUOTAS**

ST. JOHN'S -- Fred Mifflin, Minister of Fisheries and Oceans, today announced a 57 per cent increase in the Total Allowable Catch (TAC) for northern shrimp, a move that will bring new jobs and millions of dollars to fishing communities. In making the announcement, he outlined the key elements of the 1997-1999 shrimp management plan.

The TAC will increase to 59,050 tonnes this year from 37,600 tonnes last year. Based on the average price per tonne for northern shrimp, the fishery will generate about $75 million of additional revenue this year, bringing its total value to $215 million.

The Minister also said the increase is made possible by the fact that shrimp is an abundant and growing resource, widely distributed in most areas of Newfoundland and Labrador, as outlined in the 1996 Stock Status Report. The catch in the shrimp fishery rose from 5,000 metric tonnes in 1985 to 30,000 metric tonnes in 1996.

The 1997 quota will increase in Shrimp Fishing Area (SFA) 2 by 50 per cent and in Areas 5 and 6 by 100 per cent. The current quota levels will remain in the other four areas.

"It is a great opportunity to take advantage of the available resource to create new jobs for inshore fishermen and onshore plant workers who are eager to be part of such a viable industry," said Mr. Mifflin.

Access to this expanded fishery will be governed by four fundamental principles worked out in consultation with the fishing industry:

- The conservation of the resource will be paramount.
- The viability of the existing enterprises will not be jeopardized. Current Northern Shrimp licence holders will retain their full 1996 allocation in all Shrimp Fishing Areas -- 37,600 tonnes. Existing license holders will share the increase in SFA 2 and some will share the increase in SFA 5.

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- 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 quotas in each of the six shrimp fishing areas.

- Adjacency will be respected, which means that those who live near the resource will have priority in fishing it.

"In regard to the allocation of increases in Shrimp Fishing Areas 5 and 6, which are situated off the shores of Labrador and Newfoundland, I have been guided by the long-standing principle of adjacency," the Minister said. "Those living closest to this stock will benefit from it."

The Department of Fisheries and Oceans will conduct a scientific survey in NAFO Division 3L to determine the abundance of shrimp. Due to the 3L moratorium, there will be no commercial fishing in this area in 1997.

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The backgrounders related to this announcement are available on the automated Fax-On-Demand service of Fisheries and Oceans. They are immediately retrievable -- to users with a touchtone phone and a fax machine -- 24 hours a day, 7 days a week.
To retrieve, dial **1-416-362-1447** and follow the voice prompts.

| NUMBER | BACKGROUNDER |
|---|---|
| 38 | NORTHERN SHRIMP |
| 39 | ADJACENCY |

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This news release and related backgrounders are available on our web site at **http://www.ncr.dfo.ca/Home.htm**

# Backgrounder

**B-HQ-97-24**

## NORTHERN SHRIMP

**Total Allowable Catch (TAC)**

| Shrimp Fishing Area (SFA) | Total Allowable Catch (TAC) | | Increase in TAC |
|---|---|---|---|
| | 1996 | 1997 | |
| SFA 0 | 500 | 500 | 0 |
| SFA 1 | 8,500 | 8,500 | 0 |
| SFA 2 | 3,500 | 5,250 | 1,750 |
| SFA 3 | 1,200 | 1,200 | 0 |
| SFA 4 | 5,200 | 5,200 | 0 |
| SFA 5 | 7,650 | 15,300 | 7,650 |
| SFA 6 | 11,050 | 23,100 | 12,050 |
| Total | 37,600 | 59,050 | 21,450 |

**Sharing Principles**

To determine how an increased total allowable catch (TAC) in the northern shrimp fishery should be allocated fairly, the Department of Fisheries and Oceans issued a call for industry views and proposals in November, 1996 on developing an appropriate sharing formula.

Almost 160 submissions were received from individuals, groups, provinces and municipalities across Atlantic Canada. The proposals were reviewed at a public meeting held in St. John's in January.

Based on this input, sharing arrangements were developed using the following principles:

- Conservation of the resource is paramount.
- Viability of existing enterprises will not be jeopardized.
- Current northern shrimp licence holders will retain 37,600 tonnes that was allocated to them in 1996. Where TAC exceeds 37,600 tonnes, temporary access will be given to new entrants.
- Adjacency will be respected, which means that those who live near the resource will have priority in fishing it.

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- Priority will be given to increasing participation of aboriginal people in the established commercial fishery.
- Priority access 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.
- Existing licence holders will share some of the increased TAC (7,870 tonnes).
- Employment will be maximized in both the harvesting and processing sectors where possible.

These principles will be applied to each Shrimp Fishing Area (SFA).

**Sharing of Increase in TAC**

SFA 2

| Quota Recipient | 1997 Quota (t) |
|---|---|
| Existing Licence Holders | 1,750 |
| Total (TAC) | 1,750 |

SFA 5

| Quota Recipient | 1997 Quota (t) |
|---|---|
| Northern Coalition (Existing Licence Holders) | 6,120 |
| Inshore vessels (< 65’) | 1,530 |
| Total (TAC) | 7,650 |

SFA 6

| Quota Recipient | 1997 Quota (t) |
|---|---|
| Special Allocation – N. Peninsula | 3,000 |
| 4R/4S fishers (north of 50°30’ N) | 2,000 |
| 3L fishers | 2,000 |
| Resident SFA 6 fishers (< 65’) South of 50° 30’ N | 3,000 |
| Resident SFA 6 fishers (< 65’) North of 50° 30’ N | 2,050 |
| Total (TAC) | 12,050 |

**Management of Increase in TAC**

The management of the increase in TAC for new entrants will be done by Local Management Boards in each area. The Boards will be represented on the Northern Shrimp Advisory Committee which is responsible for making recommendations on TAC levels and management measures.

*Fisheries and Oceans Canada*

# *Backgrounder*

**B-HQ-97-24**

## ADJACENCY

Certain fundamental principles underlie the sharing of the increase in the 1997 northern shrimp Total Allowable Catch (TAC). One of the most important principles is adjacency.

Put simply, adjacency is the principle that those who reside next to the resource or have traditionally fished in those waters should have priority access to it. This principle is used throughout the Canadian fisheries and is recognized internationally.

The principle is strongly supported by coastal communities and fishers. Therefore, it is not surprising when DFO asked the fishing industry what principles it thought should underlie the sharing of the 1997 Northern Shrimp TAC, close to 90 per cent of the 160 submissions recommended adjacency as a significant principle. Further consultations in St. John's confirmed this.

How will adjacency work in the 1997 northern shrimp fishery?

In 1997, the increase in the TAC -- 21,450 tonnes -- will be divided among existing licence holders and new entrants into the shrimp fishery largely on the basis of adjacency.

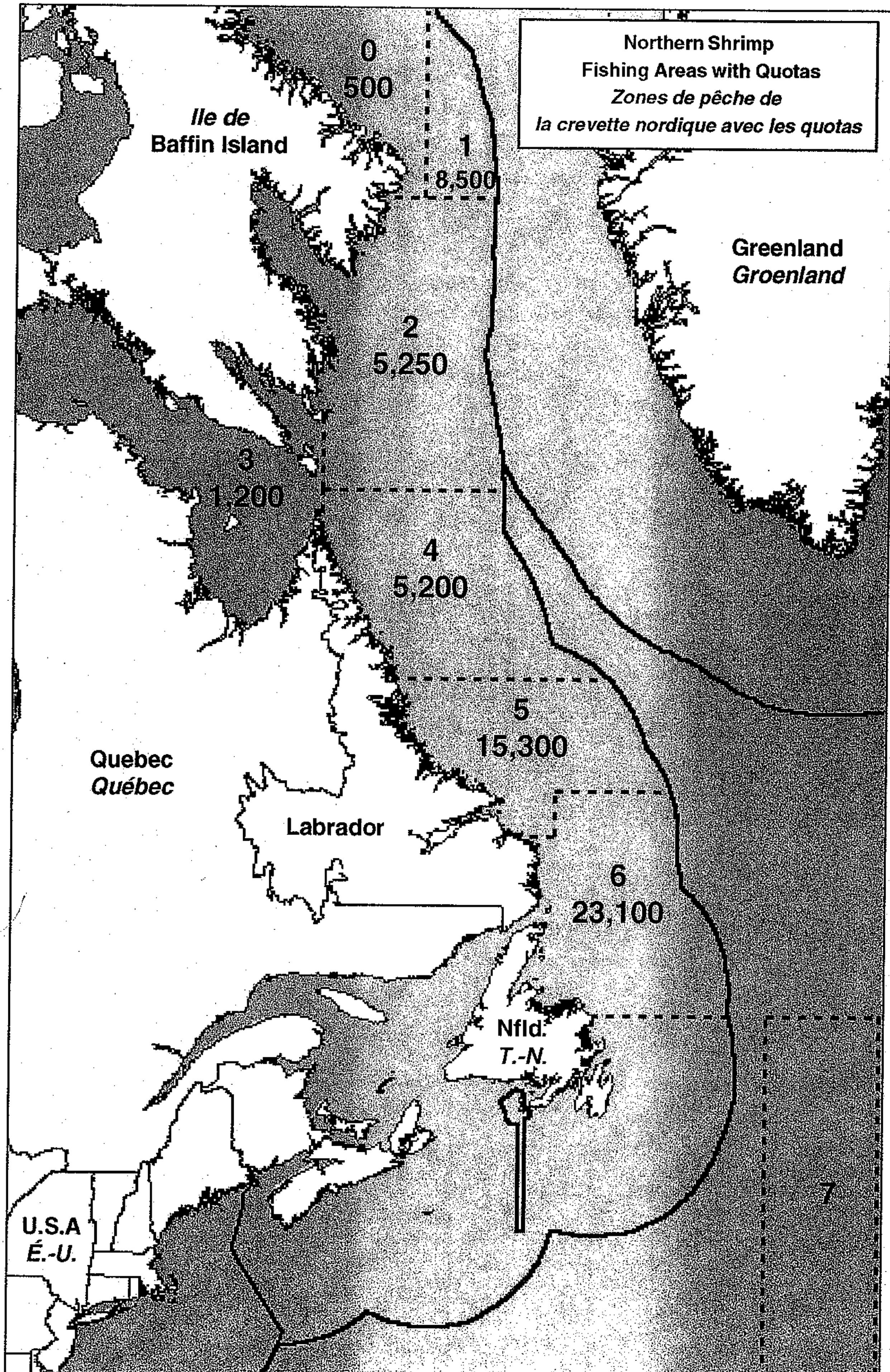
In Shrimp Fishing Area 5, the TAC will increase by 7,650 tonnes. Licence holders in the Northern Coalition, which represents user groups and Aboriginal interests residing in the area of L'Anse au Clair, Labrador through northern Quebec to Arctic Bay, Baffin Island, will receive 6,120 tonnes of the TAC increase. Aboriginals who reside in this area will share in this allocation. Inshore fishermen adjacent to area 5 will receive 1,530 tonnes.

In Shrimp Fishing Area 6, the TAC will rise by 12,050 tonnes.

A special allocation of 3,000 tonnes for the northern part of the Great Northern Peninsula which takes in communities from Goose Cove to Big Brook, has been granted.

Fishers in NAFO areas 4R and 4S will receive 2,000 tonnes and those in NAFO area 3L will also receive 2,000 tonnes because they are adjacent to Area 6 and have had access to the area. Those fishers who reside immediately adjacent to Area 6 will be allocated 5,050 tonnes, with 3,000 tonnes going to fishers south of 50° 30' N and the balance will be allocated to fishers north of 50° 30' N.

**APRIL 1997**


Northern Shrimp
Fishing Areas with Quotas
Zones de pêche de
la crevette nordique avec les quotas
0
500
1
8,500
Ile de
Baffin Island
Greenland
Groenland
2
5,250
3
1,200
4
5,200
5
15,300
Quebec
Québec
Labrador
6
23,100
Nfld.
T.-N.
7
U.S.A
É.-U.

# Northern Shrimp 1979-1997
## *Crevette Nordique 1979-1997*