

Nadine Decker, Chairperson
Gander - New-Wes-Valley Regional Council of the Rural Secretariat



s.40(1)

March 20, 2015

Honourable Vaughn Granter
Minister of Fisheries and Aquaculture
Confederation Building
PO Box 8700
St. John's, NL
A1B 4J6

Re: Position Paper on Northern Shrimp Fishery Quota Allocation

Minister Granter

The fishery within this province, although complex, is critical to the viability of our coastal communities and region as a whole. In the past couple of years there have been significant developments regarding the Northern Shrimp Fishery. The shrimp fishery quota reductions, and the potential for more, have negatively impacted local enterprises and threaten some of our coastal communities. Please find attached a position paper *Northern Shrimp Fishery Quota Allocation* describing, to the best of our knowledge, some historical context to the shrimp fishery and suggestions on the application and interpretation of policies governing this resource.

Decisions cannot be changed retroactively at this point, but there are things that can be done now to ensure that similar results do not occur in the future. In fact, there are decisions that could be made now and in the future that would ensure the viability of the inshore fleet and our rural communities into the future.

It is accepted and understood that the management of the Northern Shrimp Fishery, as a natural resource owned by the people of Canada, is the responsibility of The Department of Fisheries and Oceans and ultimately the Minister of Fisheries Federally. However, it is also their responsibility to ensure that the best possible economic benefit of the resource is realized by those who own the resource. We believe there are a number of important factors that must be considered in determining the principles and policies to be used to administer and maintain this fishery.

There are indeed some policies and principles that are considered as general to the management of all natural resources and more particularly seafood resources, as well as specific policies and management principles that apply to this Northern Shrimp fishery. It would appear, as with many things, that the interpretation of the guiding principles and management policies by those who have the authority to make the

decisions is most critical to the results of those decisions. As it relates to the Northern Shrimp Fishery quota reductions, the inshore fleet has suffered and will suffer in the future substantially more than the offshore fleet. It is within the discretion of the Minister of Fisheries and Oceans to interpret, or remove, the policy of last in first out (LIFO). Stronger significance should be placed on the application of policies of adjacency, historic dependence and economic viability.

As you can appreciate, the issues within the current shrimp fishery are quite complex and likely not solvable by any one entity working alone. We hope you will take the position paper concepts under advisement and advocate to others most appropriate.

Best Regards,

 s.40(1)

Nadine Decker, Chairperson
Gander - New-Wes-Valley Regional Council

cc:

Honourable. Steve Kent, Minister, Health and Community Services, and Minister
Responsible for the Office of Public Engagement
Judith Hearn, Deputy Minister, Office of Public Engagement
Sheila Kelly-Blackmore, Chairperson, Provincial Council of the Rural Secretariat
Honorable Gail Shea, Minister, Fisheries and Oceans

Enclosure

APR 22 2015

Ms. Nadine Decker, Chairperson
Gander - New-Wes-Valley Regional Council of the Rural Secretariat

[REDACTED] s.40(1)

Dear Ms. Decker:

Thank you for your letter of March 20, 2015, and the attached position paper on the Northern Shrimp Fishery Quota Allocation.

Our government recognizes the importance of the inshore shrimp sector to the provincial economy. My department recently undertook a review of the socio-economic impact of northern shrimp reductions to determine the impacts on the provincial economy. The review confirms that application of Fisheries and Oceans Canada's "Last In, First Out" (LIFO) policy in future reductions to the northern shrimp Total Allowable Catch will be devastating to the inshore shrimp sector and rural communities in Newfoundland and Labrador, which rely on this fishery.

As you may be aware, an All-Party Committee has been established to address quota reductions in the northern shrimp fishery, and it has been advocating for the abolishment of the LIFO policy. The Committee is seeking a more equitable distribution between the inshore and offshore fleets that is based on the fundamental principles of adjacency and historical dependency.

Our government has been advocating for a new allocation method for northern shrimp that is balanced and fair for both the inshore and offshore sectors. We look forward to working with all stakeholders to ensure both sectors continue to make a meaningful contribution to the provincial economy and vibrant rural communities.

Once again, thank you for providing your view on the northern shrimp fishery quota allocation.

Sincerely,



VAUGHN GRANTER, MHA
Humber West
Minister

- c. Honourable Gail Shea, Minister, Fisheries and Oceans Canada
- Honourable Steve Kent, Minister, Health and Community Services and Minister Responsible
for the Office of Public Engagement
- Ms. Judith Hearn, Deputy Minister, Office of Public Engagement
- Ms. Sheila Kelly-Blackmore, Chairperson, Provincial Council of Rural Secretariat

NORTHERN SHRIMP FISHERY ALLOCATION

POSITION PAPER

MARCH 2015

Through a nomination process individuals from larger and smaller communities are appointed by the Newfoundland Labrador Government to the Gander - New-Wes-Valley Regional Council. Members have varied backgrounds in economic, social, cultural and environmental matters and bring their collective experiences to discussions about the long term sustainable development of the region. Council develops policy and decision-making advice for submission to government. Council often holds public engagement sessions involving citizens and/or stakeholder group representatives, and conducts community-based research activities, to inform the development of advice documents. For additional information contact Office of Public Engagement – Rural Secretariat at 709-536-264 or visit: http://www.exec.gov.nl.ca/rural/regional_councils.html

NORTHERN SHRIMP FISHERY – BACKGROUND & CONTEXT

The Northern Shrimp Fishery commenced in the 1970's in the fishing areas identified through exploratory programs in the region from Baffin Island down to the Northeast coast of the island of Newfoundland. Initially there were seventeen shrimp fishing licences established and the quotas were based on an enterprise allocation formula. The fishery progressed to the point that it was identified that the shrimp stocks in the region had grown substantially and the Federal Department of Fisheries and Oceans (DFO) decided to issue temporary inshore licences, partly to compensate small fishing enterprises for the loss of the cod fishery due to the moratorium. This three year plan was announced in 1997 in conjunction with substantial quota increases for the existing offshore shrimp fishing fleet. The fishing quotas continued to increase over the years until 2006, when DFO announced that new entrants to the shrimp fishery would be frozen to establish stability in the industry. At the same time DFO announced that the temporary licences that had been issued to the inshore fleet would be converted to permanent licences, also in an effort to provide stability within the industry.

The offshore shrimp fishing fleet is comprised of twelve or thirteen factory freezer trawlers who fish in all areas of the northern shrimp fishing zone, in Areas 0 to 7, from Baffin Island to the waters off Greenland. There are seventeen licences held by corporate entities, some of which are Newfoundland and Labrador based while others are not. Part of this group is certain Aboriginal licences issued as part of land claims and aboriginal rights agreements. Most of the offshore fishing enterprises are represented by The Canadian Association of Prawn Producers, others are represented by Northern Coalition and one is represented by itself. The offshore fishery is a year round fishery which starts in the more southern fishing Areas of 5, 6 and 7 and extends into the more northern areas as weather and ice conditions permit. The product produced by these vessels is a frozen at sea, shell on product that is primarily sold into the Japanese and Asian market as well as to Western Europe.

The Inshore shrimp fishing fleet is comprised of smaller fishing enterprises prosecuting the fishery, from vessels ranging in size from 50 to 65 feet in length. These fishing enterprises are primarily based in the coastal communities adjacent to the fishing grounds and the licence allocations are based on area of residence. This fishery is a competitive fishery based on harvesting caps and individual trip limits. The inshore shrimp fishery is generally prosecuted from April to October of the calendar year, again depending on weather and ice conditions. The areas fished by the inshore shrimp fleet are Areas 4, 5, 6 and 7, with the bulk of the fishing done in Area 6. The inshore shrimp fishing fleet is represented by the Fish, Food and Allied Workers (FFAW) union and smaller local committees established by harvesters. This fishery is based on a fresh shrimp landing and a shell off cooked product that is landed in coastal communities and processed on land in the number of processing plants around Newfoundland and Labrador. This product is primarily sold into the United States and the European market.

In 2014, DFO announced quota deductions in the Northern Shrimp Fishery for both the offshore and inshore fleet sector quotas. The decision to reduce these quotas was based upon DFO science indicating a serious decline in the biomass of shrimp in the respective fishing regions. However, analysis of these quota reductions finds that the distribution of the quota cuts was heavily weighted on the inshore fleet by a large margin. The results of the quota cuts exacted in 2014 were a serious threat to the viability of both the inshore fishing fleet enterprises, as well as the viability of the onshore processing sector that rely on the product harvested by this inshore fleet.

Early in 2015, it appeared that DFO science regarding the Northern shrimp biomass was again indicating that a significant reduction in quota cuts would be required and likely exacted by DFO in the 2015 fishing season. In the event that DFO had continued with its previous formula for quota reductions, heavily weighted against the inshore fleet sector, it is likely to have a devastating effect on the inshore shrimp fishery as a whole. The individual inshore fishing enterprises are primarily small enterprises based in local outport communities around the coastline. Rural communities reliant on the shrimp fishery will be seriously affected to the point that some, if not all, would no longer be viable.

In the Gander New-Wes Valley Region we have two such communities, namely Twillingate with the Notre Dame Seafoods shrimp plant and Seldom, Fogo Island with the Fogo Island CO-OP shrimp plant. The consequences of the lack of viability of these fishing enterprises will seriously affect the viability of the respective communities in a multitude of ways, including a reduction in local employment and a reduction in the use of the local supply of products and services that generate an economy in these communities. The results will be both direct and indirect to the residents of the community in that, not only will those residents directly involved in the fishing industry be affected but all residents of the community will be affected by the reduction in the generation of a local economy.

These circumstances will be compounded in the communities where there are fishing enterprises based there as well as a Shrimp processing operation that directly employs hundreds of local residents. These processing operations are huge economic generators in these small, again rural, outport communities. The actual dollar amount of the losses to these communities will be in the millions and in some cases have a potential effect on the viability of the actual communities. The loss of the local economic generation may well result in the closing of local businesses that currently rely on the fishing enterprises and the processing operations to remain viable. The potential ripple effect will in some cases be devastating. With this potential for the stated consequences it is absolutely crucial that DFO examine its current processes in policy application in its analysis when considering any future quota cuts to our fishery resources.

AN ARGUMENT FOR FURTHER EXAMINATION OF POLICY APPLICATION

There are indeed some policies and principles that are considered as general to the management of all natural resources and more particularly seafood resources, as well as specific policies and management principles that apply to this Northern Shrimp fishery. It would appear that the interpretation of the guiding principles and management policies by those who have the authority to make the decisions is most critical to the results of those decisions.

According to the document known as Multi-Year Integrated Fisheries Management Plan (IFMP) dated 2007, there were established objectives with strategies and management measures included. It is stated clearly that at that time the inshore fishing permits were changed to permanent licences the principle of last in first out (LIFO) would be established to protect what was referred to as the traditional shrimp fishery fleet. However, it could be argued that this policy applies to both the offshore fleet and the inshore fleet equally, as the distinctions between these fleets and the nature of the methods of harvesting and processing are clearly different and might therefore establish two separate fisheries.

The general principles that guide the administration and management of the shrimp fishery are also clearly stated with the foundation being that the shrimp in our waters is a common property resource that belongs to the people of Canada. Access to the resource shall be guided by a number of principles regarding conservation of the resource in that, if it is determined the conservation of the resource will be compromised, access will not be granted. The principle of the recognition of Aboriginal and Treaty rights will be observed. The principle of equity will be applied in a fair, consistent and transparent manner that is accountable to ensuring fair treatment for all.

The issue of the conservation of the resource will be considered as the primary principle and take priority before the principle of access is addressed. In the present circumstances facing this fishing industry, scientific information will require that a reduction in the fishing quota is necessary to protect the bio-mass consistent with the principle of conservation. The decision making then moves to the next step of access and determining how the quota reductions will be applied by Fisheries and Oceans. In determining the appropriate method for allocating access there are three significant criteria that must be considered:

1. Adjacency
2. Historic Dependence
3. Economic Viability

These three criteria have no specific priority but rather they are to be considered in conjunction with each other as they relate to the specific fishery. In consideration of these criteria relative to the shrimp fishery they all hold a significant amount of weight.

Adjacency

The principle of adjacency is simply that priority of access to a particular fishery should be granted to those licence holders who are in closest proximity to the resource, as they should gain the greatest benefit from it. The implied assumption is that these local harvesters and their local communities should be the largest beneficiaries of the resource. As was stated earlier, and is clearly obvious in the present circumstances, this is absolutely the case regarding the inshore shrimp fleet in that they are adjacent to the resource and they are heavily reliant on this fishery for economic viability. In addition, the coastal communities that these harvesters are based in are as well heavily reliant on the economic activity generated by this fishery, and both would suffer severe setbacks with further large reductions in the quotas for the inshore fleet. In relative terms, this circumstance would not be applicable to the offshore fleet except in very specific locations where the owners of the licences are based in rural communities and the offshore product is landed onshore to be processed, as is the case of some aboriginal and Newfoundland and Labrador licence holders.

Historic Dependence

The issue of historic dependence is not quite as clear cut to analyze, given that the entire northern shrimp fishery has a relatively short history. The principle is that access to the fishery should be weighted in favour of those harvesters who have historically participated and relied upon the fishery, including those who initially developed the fishery. Given the young history of this particular fishery the application of this criteria is not completely obvious, in that the nature of the prosecution of the fishery,

and in some cases the actual harvest itself, are considerably different between the inshore fleet and the offshore fleets. It could easily be argued that the offshore fishery that existed, and would naturally be considered as historical, was not altered in any way by entry into the fishery by the inshore fleet. In addition, access to the resource for the offshore fleet remains the same, in that the licencing allows them to fish a number of fishing areas which are not permitted to be fished by the inshore fleet. It could be rationalized that although both fleets are licenced to harvest the northern shrimp fishery they are quite different and mostly distinct to themselves. This leads to the argument that both fleets ought to have access to the resource at least equally, as is consistent with past quota allocations given that historical dependence can be established for both fleets.

Economic Viability

The criteria of economic viability is premised on the principle that decisions of access to the resource be based on promoting rather than compromising the economic viability of the current harvesters. Included in the economic viability consideration is the ability to prosecute the fishery and the promotion of stability within the industry from the harvesting sector to the processing sector. In the broader interpretation, factors such as return on investment and value added to the industry as a whole have to be considered. Within these considerations is the value in economic generation and stability of employment in both the harvesting and processing sector, as it relates to the coastal communities reliant on this fishery.

A WAY FORWARD

It seems that in the past, and potentially in the future, the Minister of The Department of Fisheries and Oceans has, and may continue to make decisions regarding the allocation of quota in the northern shrimp fishery based primarily on the underlying principle of LIFO. When you consider all of the factors and principles that are to be applied it is obvious that a strict interpretation of the LIFO policy, without equally significant consideration given to the other fundamental principles, will result in devastating consequences for the inshore shrimp fishery. The effect will not only be to the licenced harvesters and their enterprises but by extension to all of the coastal communities that they are attached to. This same effect, but magnified to a large degree, will be felt in those coastal communities who not only rely on the harvesting sector but also rely heavily on the processing sector where plants are located. It has been suggested that any reductions in the quota in future will be disastrous to the inshore fishing enterprises and may result in the closure of some shrimp processing plants reliant on the inshore shrimp fishery.

The appropriate way to deal with the issue of quota allocation between the offshore and the inshore fleets is to observe the necessity to reduce quotas based upon conservation of the resource and to do so in a manner that is not devastating for either fleet. The goal must be to proportionally balance any quota reductions that may be required, based upon the analysis of sound, scientific information, between the two fishing fleets. This proportional balance would still have an economic consequence however it would be shared by both the offshore harvesters and inshore harvesters rather than shouldered by only one, with devastating consequences. To make the quota reduction decisions in this manner would be to observe all of the principles of access to a common property resource that is owned by the people and administered by the government.

The obvious conclusion is that the inshore shrimp fleet has suffered and will greatly suffer in future, substantially more than the offshore shrimp fleet, if the current application of the policy of LIFO is continued. It is within the discretion of the Minister of Fisheries and Oceans to make interpretations of the policies and management principles, as well as to regulate access to a resource based on those interpretations. In the event that the LIFO policy is interpreted as not to apply to the current fleets, the other management principles and policies would guide the decisions of the Minister in the allocation of quota. The principle of adjacency would then take on a greater position of importance and priority in decision making. It is clearly based upon the principle of adjacency that the distribution of the quota reductions in 2014 is totally adverse to the intention of the policy, as the inshore shrimp fleet that ought to benefit the most from this fishery in fact did not. The application of these principles in future quota reduction decisions, those of Adjacency, Historic Dependence and Economic Viability, would strongly support the viability of the inshore fleet as well as the future viability of the rural communities who rely on the resource.