

Baffin Fisheries Follow up Submission to NWMB 2016 Allocation Policy Review Sessions

Wild, sustainable, cold water seafood



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1. Introductory Comments:

Baffin Fisheries supports the following principles for an improved Nunavut Enterprise Allocation Process:

1. The allocation process should be simplified.

- The process should support the growth and sustainability of *all* Nunavut fisheries enterprises that meet benchmarks.
- The process should be transparent and diminish the potential risks for subjective decision-making, political influence, controversy, and delays.
- The process must clearly establish the roles, rights and responsibilities of NWMB, Industry and DFO, and have mechanisms to hold all parties accountable. Stakeholders must demonstrate in writing their commitment to the process.
- 2. The process should establish requirements/benchmarks for companies to maintain existing quota allocations and qualify for future allocations from increased TAC.
 - Companies that comply with NWMB requirements should not be at risk of losing quota allocations.
 - Each company should be evaluated on its own performance, not against the performance of other companies.
 - Benchmarks should be evaluated on a pass/fail basis to minimize subjective decisions.

3. The process should commit to a firm, five-year allocation review cycle.

- This is necessary to protect and support economic stability, investments, commitment of community benefits, and opportunities for growth.
- We need a firm commitment from DFO that it will adhere to the five-year cycle.

4. The process should promote cooperation and harmony among Nunavut enterprises.

- The process should unite industry and stakeholders to work together for increased benefits for all Nunavummiut.
- The process must not cater to one Nunavut enterprise growing at the expense of another.
- The process should foster overall industry growth, not be structured to create allocation winners and losers.



2. Review of the NWMB's Allocation Policy for Commercial Marine Fisheries

Issue	NWMB Slideshow Notes	Additional Comments (October 2016)
Guidelines	General	Guidelines should evaluate three basic requirements:
		Economic Viability & Performance
		Benefits to Nunavut
		Health, Safety and Environment
		Evaluation should be by means of a checklist of requirements that must be met in order for allocation holders to maintain their allocations.
	Add guidelines concerning health,	All enterprises must have in place:
	safety and security	 Acceptable Fit for Work & Drug and Alcohol Policy
		Acceptable Employee Assistance Program
	Inuit ownership should be top	100% Inuit ownership of company and vessels is necessary for maximizing
	criterion, with a firm timeline for	benefits to Nunavut. The NWMB must support and give priority to
	enterprises to assume Inuit ownership and control	companies that have demonstrated 100% ownership of vessels.
	System should reflect loss of	Policy should ensure Nunavut companies have first right to fish allocations
	benefits due to transfer of	held by Nunavut companies. This will ensure maximizing benefit of the
	allocations for royalties	resource for Nunavut.
		The process should recognize that each NU enterprise is at a different stage of growth and different levels of investment.
	Additional criteria measuring long	To ensure accountability, Boards of Directors should be required to
	term investments	demonstrate to NWMB, and to shareholders, that they have approved and
		are satisfied with the Company's business strategy and fiscal management.
	Providing "first opportunity to fish"	Companies should demonstrate that other NU companies have had full and
	to other Nunavut enterprises	fair opportunity to harvest surplus allocations outside of swapping
		arrangements.



Evaluation Process	Identification of quantifiable "benchmarks" which, when met, would guarantee no change to an individual enterprise's allocations during allocation term Public fora for presentation of	The five-year application process should become a checklist of requirements necessary to maintain quotas. The process should be structured to compel companies to work with the Board, not against each other, to maximize benefits. Companies should be evaluated on their performance. See Suggested Evaluation Criteria below Goal is transparency and accountability; other methods may achieve same result.
FAC	applications No comment	FAC should be independent of Industry, but should consult with industry
TAC	No comment	throughout process.
New Entrants	New quotas should be available to all Current allocation holders must achieve full ownership before new entrants are allowed New applicants must demonstrate: Benefits equal to or beyond those provided by current allocation holders Capability to harvest 100% of allocation, or 100% of the value of the allocation if allocation swaps are developed (simple transfer of allocation for royalty should not be permitted) Scale of operations that is viable with the resources made available	As a result of further industry consultation and recent changes in economic viability, BFC is simplifying its position on new entrants: A stable allocation system must be established <i>before</i> new entrants should be considered, therefore new entrants should <i>not</i> be considered in the next five-year allocation review under any circumstances, When new entrants are considered, NWMB and DFO should engage in a consultation process with industry. An impact analysis should be carried out before new entrants are considered. Current literature suggests strengthening a small number of enterprises and supporting vessel ownership and vertical integration provides far greater benefits than introducing new entrants. ¹ If new entrants are considered in the future, they should have no negative impact on existing allocation holders. If the NWMB's goal is to involve more communities in the fishery, other options should be considered. If a new entrant is aligned with an existing allocation holder, the application must be considered as an increase for the existing holder, rather than new entrant.



Multi-year	Supports current five-year period	Long-term allocation periods provide certainty around investment, delivery
allocations	identified in Policy	of benefits, and economic viability. Given past practice, NWMB should seek
		written agreement from DFO that it will honour five-year review period,
		and should move towards an enterprise-allocation model over the course
		of five years.
		Company viability should not be threatened on an annual basis through
		unnecessary threat of allocation modification.
Increases/Decreases	Allocation modifications must take	Again, the NU fishing industry is still young. Nunavut enterprises need
to TAC	into account the entire fisheries	additional allocations and certainty to ensure growth and an ability to
	resource affected and the entire	compete globally.
	industry affected	Nunavut enterprises should be given first opportunity to propose sharing
		arrangements for new TAC, as demonstrated in the 2016 shrimp increase.
Annual	Allocation modifications should only	Annual performance reviews should include opportunity to meet with
Performance	be considered at the full application	NWMB to provide update and share confidential information.
Reviews/Format of	year	Annual review provides NWMB opportunity to highlight any areas of
Annual Reports and	Supports current Annual Review	concern, issue warnings if necessary.
Plans	process	Annual reports should provide a general update of enterprise activity and
	Add 2 categories (to address	demonstrate accountability of Boards of Directors.
	recommended additional allocation	Long-term planning can be measured through capital investment,
	guidelines):	investment in Nunavut, and economic viability.
	Health, Safety and Security	
	Long-term Planning	
Appeals Process	Public forum when allocation	The ultimate goal is transparency and accountability. NWMB should
	modifications are proposed	provide enterprises and their Board members with the opportunity to
		meet with the NWMB Board to discuss allocations and process. Meeting
		must be held when allocation modifications are made or proposed.

(1) For example, refer to Coombs R., Coffey, J., Dale, A., and J. Snook (2010). Northern Shrimp Policy Paper: <u>An Analysis of the Development and</u> <u>Management of the Nunatsiavut Pandalus borealis Fishery</u>, (page 45). Torngat Joint Fisheries Board, Torngat Wildlife, Plants & Fisheries Secretariat Series 2010/03.



3. Suggested Evaluation Criteria

Baffin Fisheries supports a process that evaluates and validates Nunavut Enterprises on their performance, and establishes a mutual agreement whereby allocations are maintained when benchmarks for the individual company are met. The proposed process seeks to avoid a confrontational review that threatens allocations each year, creates uncertainty, or obliges Nunavut Enterprises to harm each other's business in order to grow (the zero-sum game).

The goal of the proposed Nunavut Enterprise Evaluation Process is to outline basic criteria that must be met in order for an allocation holder to maintain allocations. Benchmarks will provide opportunity for NWMB oversight and accountability for allocation holders, while ensuring stability for the industry.

Goal	Measure	Benchmark/Definition	Notes
1. Benefits to Nunavut	Inuit Employment	 Enterprises must demonstrate: Minimum Inuit participation rate in factory and on deck for commercial fishing vessels. Minimum Inuit participation rate in management and other positions, to be achieved over a reasonable time period. Confirmation of Board of Directors oversight of investments in 	Discussion required among all 4 enterprises to recommend to NWMB how targets should be set. Benchmark should be based on threshold agreed upon by industry and NWMB. Enterprise Boards of Directors must confirm to the NWMAB in writing, that they have
	Nunavut	 investments in: Capital spending (including Nunavut infrastructure) Cash payments to communities Expenses 	the NWMB, in writing, that they have established and are monitoring benefits strategies. They must report on reinvestment plans at annual reviews and in annual reports. This will empower Boards to make decisions and direct investment in creative and beneficial ways.
	Equal opportunity to NU enterprises	Enterprises must demonstrate, to the satisfaction of NWMB, that equal opportunity to harvest surplus quota has been provided other NU enterprises	Quota swapping is a necessary practice to ensure vessels have access to quota year- round. Therefore, quota swaps should not be subject to the same requirements.



2. Health, Safety and Environment	Research Stewardship & Sustainability	Must demonstrate that a financial commitment has been made to science and research activity and that the enterprise has provided proportionate commitment to all joint R&D activity. Must ensure that all DFO regulations and requirements are met with no infractions.	Contribution to research should be based on consultation between industry and NWMB; individual company financial obligations should be proportional, based on DFO allocations to each companies NWMB and enterprises may meet at any time to discuss additional safeguards and measures that may be required.
	Employee Health, Safety and Wellbeing	All allocation holders must have and maintain: Acceptable Fit for Work/Drug & Alcohol Policy and an Acceptable Employee Assistance Program	NWMB should ensure industry best practices are a requirement for Nunavut fisheries enterprises. Enterprises must also devote sufficient resources to enforce and maintain policies.
	Training	Enterprises should be required to remit proportionate share of NMFTC industry fees, based on all DFO allocations for all species	
3. Economic Viability & Performance	Strong Balance Sheet & Long term profitability	Enterprise must demonstrate adherence to accepted accounting practices and demonstrate it is operating in a fiscally responsible manner.	Discussion may be required to determine how this is measured or demonstrated.
	Nunavut control of assets/share of profit	All viable quota (or quota equivalent if quota swaps employed) must be harvested by 100% Nunavut-owned enterprises and vessels (or at a minimum, Nunavut-owned enterprises must be given full and fair opportunity to harvest).	Due to different stages of growth and different scales of enterprises, NWMB should work with companies to set targets that ensure Nunavut companies are gaining full share of control and profit over time. A benchmark process that provides greater security of allocations will create a stronger incentive for companies to maximize benefits.



	Corporations Act requirementsBoard required to submit annual report	
	Adherence to all Nunavut Business	meetings etc.
Governance	Min. 75% Inuit Board members	Not necessary to provide minor details of
	be competitive.	
	requirement, and that royalty agreements must	enterprises that have met their benchmarks.
	enterprises may require time to meet this	proportionately among existing Nunavut
	Nunavut. However, it recognizes that some	allocation. This allocation should be shared
	all profits and benefits should accrue to	limit should result in temporary loss of
	harvested with Nunavut-owned assets, and that	Failure to achieve this within established time
	requirement that all NU allocations should be	of profits and re-investment return to Nunavut.
	In general, BF supports an across-the-board	NWMB should set time limits that ensure 100%
	the benefit of the fishing resource for Nunavut.	
	100% ownership of vessels, that they maximize	
	The allocation process should favour Inuit companies that demonstrate, as a result of	
	communities rather than southern companies.	
	based on maximizing benefits to Northern	
	A leading benchmark for allocations should be	
	communities they represent.	
	delivery of direct and tangible benefits to the	
	Companies should be able to demonstrate	



4. Highlights of revised Nunavut Enterprise Allocation Process:

- The best opportunity for growth in the Nunavut fishery is to build on the strength of the existing companies.
- A process that advances toward permanent enterprise allocation for companies that comply with NWMB requirements will yield greater certainty, increased investment and enhanced benefits for Nunavummiut.
- Clear requirements, combined with the certainty of a minimum five-year allocation period, would protect investments and enhance an enterprise's ability to compete globally, grow the business, integrate vertically, and increase benefits to Nunavummiut.
- Promotes cooperation among all Nunavut Fisheries Enterprises, supporting Inuit Qaujimajatuqangit.
- Empowers Inuit leaders and Boards of Directors to define how they will reinvest industry profits in communities and encourages development of innovative, Inuit-led plans to maximize benefits.



Appendix 1 – notes to Slide 9, Evaluation Process Consensus

Evaluation Process – Consensus

- Include explicit direction in the Policy to include evaluation form with preliminary recommendations provided to applicants
- Revise Annex 2 schedule to provide more time shift 3 months earlier?
- Develop quantifiable metrics for evaluation of applications
- Include greater detail on the process for recommending and applying allocation penalties
- Remove subjectivity in evaluation while maintaining discretion of FAC and NWMB
- Note Baffin Fisheries supports the removal of subjectivity and discretion throughout the process.



Appendix 2 – notes to Slide 14, New Applicants Consensus

New Applicants- Consensus

- Consideration of new applicants should ensure that viability of current allocation holders is not negatively affected
- Increase in TAC, new species, or emerging fisheries are best opportunity for new entrants
- BFC caveat: there should be no new entrants in the next five-year allocation period in order to give existing enterprises opportunity to mature and ensure all Nunavut allocations are harvested by Inuit-owned companies and vessels. When new entrants are considered, NWMB and DFO should engage in a consultation process with industry. An impact analysis should be carried out before new entrants are considered.
 - Increase in TAC Yes
 - New/Emerging fisheries Yes/No? with separate scoring requirements?
 - Under-utilized Yes/No?



Appendix 3 – notes to Slide 23, Format of Annual Reports Consensus

Format of Annual Reports and Governance, Business, Benefits and Stewardship Plans-Consensus

- Should be revised to provide information required through evaluation process (quantitative)
- BFC Clarification: Annual reports in non-allocation years should simply provide a general update of enterprise activity and demonstrate accountability of Boards of Directors.



Appendix 4 – notes to Slide 25, Format of Annual Reports Consensus

Appeal Process

It is our understanding that all parties agreed fishing enterprises should have the right to a meeting with the NWMB Board in the event of an allocation modification.