



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



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BAFFIN FISHERIES

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	<p>Guidelines should evaluate three basic requirements:</p> <ul style="list-style-type: none"> • Economic Viability & Performance • Benefits to Nunavut • Health, Safety and Environment <p>Evaluation should be by means of a checklist of requirements that must be met in order for allocation holders to maintain their allocations.</p>
	Add guidelines concerning health, safety and security	<p>All enterprises must have in place:</p> <ul style="list-style-type: none"> • Acceptable Fit for Work & Drug and Alcohol Policy • Acceptable Employee Assistance Program
	Inuit ownership should be top criterion, with a firm timeline for enterprises to assume Inuit ownership and control	100% Inuit ownership of company and vessels is necessary for maximizing benefits to Nunavut. The NWMB must support and give priority to companies that have demonstrated 100% ownership of vessels.
	System should reflect loss of benefits due to transfer of allocations for royalties	<p>Policy should ensure Nunavut companies have first right to fish allocations held by Nunavut companies. This will ensure maximizing benefit of the resource for Nunavut.</p> <p>The process should recognize that each NU enterprise is at a different stage of growth and different levels of investment.</p>
	Additional criteria measuring long term investments	To ensure accountability, Boards of Directors should be required to 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" to other Nunavut enterprises	Companies should demonstrate that other NU companies have had full and fair opportunity to harvest surplus allocations outside of swapping arrangements.



Multi-year allocations	Supports current five-year period identified in Policy	Long-term allocation periods provide certainty around investment, delivery 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 to TAC	Allocation modifications must take into account the entire fisheries resource affected and the entire industry affected	Again, the NU fishing industry is still young. Nunavut enterprises need additional allocations and certainty to ensure growth and an ability to compete globally. Nunavut enterprises should be given first opportunity to propose sharing arrangements for new TAC, as demonstrated in the 2016 shrimp increase.
Annual Performance Reviews/Format of Annual Reports and Plans	Allocation modifications should only be considered at the full application year Supports current Annual Review process Add 2 categories (to address recommended additional allocation guidelines): <ul style="list-style-type: none"> • Health, Safety and Security • Long-term Planning 	Annual performance reviews should include opportunity to meet with NWMB to provide update and share confidential information. Annual review provides NWMB opportunity to highlight any areas of concern, issue warnings if necessary. Annual reports should provide a general update of enterprise activity and demonstrate accountability of Boards of Directors. Long term planning can be measured through capital investment, investment in Nunavut, and economic viability.
Appeals Process	Public forum when allocation modifications are proposed	The ultimate goal is transparency and accountability. NWMB should 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: [An Analysis of the Development and Management of the Nunatsiavut Pandalus borealis Fishery](#), (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: <ol style="list-style-type: none"> 1. Minimum Inuit participation rate in factory and on deck for commercial fishing vessels. 2. Minimum Inuit participation rate in management and other positions, to be achieved over a reasonable time period. 	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.
	Investment in Nunavut	Confirmation of Board of Directors oversight of investments in: <ul style="list-style-type: none"> • Capital spending (including Nunavut infrastructure) • Cash payments to communities • Expenses 	Enterprise Boards of Directors must confirm to 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.

	Research	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.	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
2. Health, Safety and Environment	Stewardship & Sustainability	Must ensure that all DFO regulations and requirements are met with no infractions.	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.



Governance

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.