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Overview

Baffin Fisheries Coalition ('Baffin Fisheries' or 'BFC') supports the basic objective and principles guiding the Nunavut Wildlife Management Board Allocation Policy for Commercial Marine Fisheries, and the role of the Fisheries Advisory Committee. Baffin Fisheries supports strengthening the NWMB's evaluation process with increased emphasis and priority given to:

1. Greater certainty for fisheries enterprises
2. Health, safety, and security
3. Inuit ownership and control
4. Transparency and public accountability
5. Continued emphasis on benefits to Nunavummiut
6. Increased cooperation among Nunavut Fisheries Enterprises

PART 1 – Allocation Guidelines - Overview

Baffin Fisheries is pleased to see that *Section 7, Allocation Guidelines*, has been identified as a priority area by the Working Group initiating the review of the NWMB Allocation Policy for Commercial Marine Fisheries. The following section outlines Baffin Fisheries overall view of allocation guidelines.

1. Certainty Principle

Confirm decision-making process and authority

First and foremost, fisheries enterprises must have assurances that the Allocation Guidelines shall be sole management system for determining individual commercial marine fisheries allocations and that the NWMB shall be the decision-making authority. Fisheries enterprises invest tens of millions of dollars in vessels, equipment, personnel, research and training. As Nunavut fisheries enterprises continue to grow and increase benefits and opportunities for Nunavummiut, the value of these investments will increase. Financial institutions supporting these investments require certainty and clear, established processes for determining allocations. Uncertainty will restrict access to capital and growth opportunities, and will put Nunavut fisheries enterprises at a disadvantage compared to other enterprises in the global seafood market.

Establish Benchmarks for Rollover

Large corporations cannot operate in a business environment that has the potential to change drastically every 12 months. While risk is inevitable, and oversight required, a review process that minimizes uncertainty will improve an industry's ability to make long term decisions and investments.



A clearly defined allocation review system would benefit from the establishment of quantifiable benchmarks that guarantee an allocation will be maintained over a five-year period. Benchmarks should set specific levels of performance for each area of review, and will therefore increase the objectivity of the evaluation process. When a company meets the established benchmarks, it would have assurance that its allocation will be maintained, barring any decrease in Total Allowable Harvest (TAH) for sustainability purposes.

Benchmarks would ensure that a Company's performance – under specific NWMB guidelines – determines its ability to maintain an allocation. Large corporations and their financial backers require certainty and an understanding that access to resources is not completely beyond their control. A system of benchmarks could achieve this, and allow the NWMB to receive assurance that specific stewardship, performance and benefits targets will be met.

Benchmarks should be set on a five-year basis to provide a reasonable degree of certainty, and should be established through a consultation process, including the NWMB, FAC, fisheries scientists, fisheries enterprises, and DFO. Benchmarks may include increasing or decreasing scales of measurement over the five-year period, as determined by the consulting parties.

2. Health, Safety and Security

HSE Evaluation Criteria Required

The health and safety of employees is the number one concern for any business. For high risk occupations such as commercial fishing, health and safety must dominate every aspect of the business. Health and safety must be a key aspect of all Nunavut Fisheries Enterprise annual reports and plans submitted to NWMB, and must be a core area of evaluation.

In 2012 the Government of Canada released a report indicating there were an unacceptable number of deaths and injuries in the Canadian fishing industry despite many initiatives and safety programs. The report cited causes such as inadequate training and oversight, a failure to wear personal flotation devices, and an inadequate culture of safety. On average, about 13 employees are killed on the job annually in the fishing industry deaths a year. This unacceptable number must be reduced – to zero.

There is an inherent danger in providing a rating score for the number of new employees hired from a specific region without also providing a rating score for health, safety and environment (HSE) metrics. These should include HSE training, HSE practices, orientation and operational oversight. Increased Inuit participation cannot come at the expense of the safety and well-being of Inuit employees. Training, orientation, oversight and safety performance must be factored into all business plans and reports, and into the evaluation of business plans and reports.



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In some cases, adequate training, orientation and preparation may slow the pace of increased employment. This must be factored into evaluations.

Security is also an issue for all fishing companies, particularly those that enter international waters or visit international ports. Employers must ensure vessels are safe and secure, and that no contraband material is ever smuggled into or out of Canada. The cost of vessel seizure is too great to permit this risk at any level. Vessel seizure or a forced interruption in fishing would have an immediate negative impact on a company's ability to deliver benefits as outlined in business plans.

Fishing enterprises must acknowledge and address the risks and challenges associated with managing a workforce that is away from home for long periods. They must put in place training, orientation and employee assistance programs to adequately manage and support all new employees. Only if these measures are included in the valuation criteria, will improvements in safety and security take place.

After sustainability, Inuit ownership should be the top criterion for evaluation. With Inuit ownership and control, benefits and opportunities can be maximized over the long term, and expertise can be better developed among Nunavummiut. The NWMB should consider establishing a firm timeline within the Allocation Policy for fishing enterprises to assume Inuit ownership and control of the enterprise and vessels.

The ownership and control requirement should include firm timelines for *prohibiting the transfer of Nunavut resources for royalties*, except in temporary cases as outlined in Section 9 (b) and (c).

Allocation transfers to companies outside Nunavut result in the majority of economic benefits and opportunities leaving the territory. The allocation guidelines and scoring system must reflect the significance of this economic loss. The NWMB should provide a firm timeline for unacceptable allocation transfers, with strict penalties such as reduction of quota allocation.

The NWMB allocation process would benefit from increased transparency and public accountability. In particular, Baffin Fisheries proposes public review hearings for significant issues such as the setting of



five-year allocations, and when allocation decreases are considered (other than for scientific or sustainability reasons).

In addition to providing business plans, reports and supporting documentation, fisheries enterprises should be required to present their plans and benefits in a forum that is open to the public. This would create greater accountability and provide an opportunity for public scrutiny. Recognizing that public hearings are an onerous process, Baffin Fisheries suggests they respect commercial sensitivities, and be held only at long-term allocation periods, or every five years.

Additionally, if the NWMB or DFO seeks to significantly increase or decrease a company's allocation, all Nunavut enterprises should have an opportunity to hear the rationale behind the decision and question the increase or decrease in a consultative environment.

5. Continued emphasis on benefits to Nunavummiut

Measurement of Re-investment in Communities

Baffin Fisheries is pleased to see the NWMB's commitment to ensuring benefits to Nunavummiut. In addition to the existing review criteria, Nunavut may benefit from additional criteria measuring long-term investments and commitment to improving economic opportunities and social benefits in our communities. For example, the allocation review process may include scoring for re-investment of fisheries enterprise profits into the company for vessel acquisition, community infrastructure, processing, development of the inshore fishery, a legacy fund, or new opportunities to be identified by the fisheries enterprises.

6. Increased cooperation among Nunavut Fisheries Enterprises.

Baffin Fisheries supports the NWMB's position on cooperation among Nunavut fishing enterprises. However, the Allocation Policy may benefit from greater guidance and enforcement of Section 9 (C) which requires allocation holders to provide a 'first opportunity to fish' to Nunavut-owned enterprises with excess capacity to fish at a competitive rate. This section would benefit from greater clarity on scoring and measurement of this requirement in the review process.

Baffin Fisheries recommends that this requirement be confirmed for all areas, both inside and outside the Nunavut Settlement Area. Nunavut Fishing Enterprises that have a negative balance of allocation transfer strictly for royalty should be required to demonstrate that the first opportunity to fish has been provided to a Nunavut-owned enterprise. This requirement should be monitored on an ongoing basis, so that it can be enforced by the NWMB before transfers are made.

PART II – NWMB Allocation Policy Review Questions

1. Under what circumstances should new entrants to the fishery be considered?

Baffin Fisheries advises caution for allowing new entrants in to the fishery. Most importantly, Baffin Fisheries believes that allowing new entrants cannot come at the expense of sustainability. Additionally, new entrants should not negatively impact existing quota allocation holders who have invested in establishing the fishery and continue to meet performance criteria. New entrants must be brought in only when a series of science surveys indicates an increase in biomass and an overall increase in Total Allowable Harvest (TAH) is awarded; or when new commercial species are made available.

An increase in TAH should not, on its own, be rationale for allowing new entrants. With any increase in TAH, or introduction of new commercial species, current allocation holders must also receive consideration for a portion of the new harvest opportunities.

In order to continue to develop a strong fishery and build an economy around the resource, current allocation holders require consistency and growth opportunities with regards to allocations:

1. Current allocation holders have leveraged quota allocations and made multi-million investments in vessels, equipment, knowledge-transfer, training, and other areas based on future revenue projections. Limiting new quota allocations to new entrants, or reducing existing quotas, would weaken the business position of current allocation holders and place their investments at risk.
2. Nunavut fisheries companies must compete in global markets to sell turbot and shrimp. Economies of scale provide significant advantages and opportunities to remain competitive and grow the industry.
3. The Nunavut fisheries industry is a relatively new industry, with Nunavut enterprises still in the early stages of growth. Current allocation holders must achieve full Inuit ownership and full vessel ownership, and have a reasonable opportunity to reduce vessel debt levels before new entrants are introduced as competitors.
4. Strong Nunavut enterprises have the potential to grow beyond Nunavut's and Canada's borders and become strong international companies. Expansion to this next level creates a whole new level of economic benefits for Nunavummiut.

While full, unfettered competition is important for maximizing economic value in certain markets, the relative scarcity and fragility of Nunavut's natural fisheries resources require prudent resource management. The NWMB and DFO recognize that resource stewardship, sustainability, benefits to Nunavummiut, Inuit ownership, and the development of a strong, viable fishing industry are more important than allowing free or broad access to the resource. The NWMB ensures competition and maximization of benefits through its comprehensive review process, rather than a wide-open market, BFC supports this position.



2. How should new applicants be evaluated?

Under the conditions listed above, and within the allocation guidelines set by the NWMB, new applicants must provide a viable business plan and fishing strategy that demonstrates the following:

- Social and economic benefits equal to or beyond the level provided by current allocation holders. For example, new entrants may provide novel proposals such as plans to make country food available to communities, new processing opportunities, or means of harvesting new species.
- Capability to harvest 100% of allocation, or 100% of the value of 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 by NWMB
- Ability to work cooperatively with current allocation holders and assurance that Nunavut-owned enterprises will be given the 'first opportunity to fish.'
- Capability and business planning that ensures participation in science, research, and training activities to ensure long term sustainability of the resource, and opportunities for Nunavummiut.

3. How should increases and decreases in Nunavut allocations be managed?

The NWMB should only consider allocation modifications that are supported by sound, respected scientific data, and the principles of stewardship and sustainability. The NWMB should not consider modification of current Nunavut allocations without compelling reasons under the established allocation policy, or a strategic plan that outlines the rationale, specific goals, measures of success, and review mechanism. In either case, to ensure the viability of long-term investment strategies for existing allocation holders, allocation modification should only be considered at the five-year review cycle.

In the case of an allocation reduction, the allocation holder(s) affected must be given a legitimate opportunity to present arguments outlining their position, and the NWMB must ensure it has a mechanism to hear and review arguments before rendering a final decision. A public hearing process, as outlined above, would increase transparency and understanding.

Allocation reductions are punitive for existing companies which have invested heavily to build the industry. No reductions for existing successful harvesters should be considered where the Company has met or exceeded all criteria established under the review process. Business decisions and investments are made based on an understanding of the allocation process and scientific evidence supporting harvesting.

Under no circumstances should TAH allocation reductions be considered where there is no scientific evidence warranting it.



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When considering any allocation modification, the NWMB must consider equally the areas inside and outside the NSA. It must consider the entire fisheries resource affected and it must consider the entire industry affected by allocation modification. No decision should be made for an area in isolation, nor for a company's allocation in a single area.

Longer, consistent periods for allocations create greater certainty in business markets and allow Nunavut companies to obtain better financing terms and therefore to invest in growth, which increases benefits to Nunavut. Baffin Fisheries recognizes that fishing enterprises must also be kept accountable to the NWMB and meet all benefits put forth in business plans and forecasts.

A clearly defined allocation review system would benefit from the establishment of quantifiable benchmarks that guarantee an allocation will be maintained over a five-year period. Benchmarks should set specific levels of performance for each area of review, and will therefore increase the objectivity of the evaluation process. When a company meets the established benchmarks, it would have assurance that its allocation will be maintained, barring any decrease in Total Allowable Harvest (TAH) for sustainability purposes.

Where a company continues to miss targets or expectations related to Inuit ownership, involvement and benefits, stewardship, or transparency, BFC is supportive of the NWMB's authority to take corrective action after a warning period, without having to wait for the next five-year review cycle.

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5. How can the Governance, Business, Benefits and Stewardship Plans and Annual Reports be improved?

All plans and reports required by the NWMB are valuable in analyzing the overall effectiveness of Nunavut fishing enterprises, and benefits contribution. Baffin Fisheries has identified two *new* areas which it believes would better ensure the development of long-term benefits to Nunavut, and therefore the value of plans and reports. Accordingly, Baffin Fisheries suggests that the following categories be added to the review process and to reports submitted:

i. Health, Safety, and Security

The health, safety and security of employees is the number one concern for any business. For high risk occupations such as commercial fishing, health and safety must dominate every aspect of the business. Health and safety must be a key aspect of all Nunavut Fisheries Enterprise annual reports and plans submitted to NWMB, and must be a core area of evaluation.

In some cases, adequate training, orientation and preparation may slow the pace of increased employment. This must be factored into evaluations.

Security is also an issue for all fishing companies, and should be measured as a key component of business plans, reports, and the evaluation process.

ii. Long-term Planning

Nunavut Fishing Enterprises must plan for long-term, sustainable growth and delivery benefits. Plans and Annual Reports should include notes on long-term planning, including reinvestment in Nunavut, and timelines for maximizing Inuit ownership and eliminating the simple sale of allocation for royalty.

6. What procedures in the Allocation Policy need to be clarified or added?

Overall the allocation process would benefit from increased clarity and certainty. Improved clarity and certainty improve an industry's ability to make long term decisions and investments, and therefore deliver increased benefits and opportunities that come with growth.

i. Benchmarks

A clearly defined allocation review system would also benefit from the establishment of quantifiable benchmarks that guarantee an allocation will be maintained over a five-year period. Benchmarks should set specific levels of performance for each area of review, and will therefore increase the objectivity of the evaluation process. When a company meets the established benchmarks, it would have assurance that its allocation will be maintained, barring any decrease in Total Allowable Harvest (TAH) for sustainability purposes.

**ii. Inuit Ownership**

After sustainability, Inuit ownership should be the top criterion for evaluation. With Inuit ownership and control, benefits can be maximized over the long term. The NWMB should consider a firm timeline in the Allocation Policy for ownership requirements.

iii. Health, Safety, and Security

Benchmarks and evaluation criteria should be added for measuring and enforcing the highest standards of health, safety and security.

iv. Long term Investment

The Policy would further benefit from the introduction of an evaluation criterion for measuring the reinvestment of profits in the industry and communities. Fish harvesting enterprises should be encouraged to reinvest profits in long term growth, and in new fisheries-related opportunities for Nunavummiut beyond the commercial offshore fishing industry.

v. Specific Value for Each Area of Evaluation Criteria

The Allocation Policy would also benefit from greater clarity on the scoring of elements within each Guideline listed under Section 7 of the Allocation Policy document: Governance and Business Capacity, Inuit Involvement, and Benefits to Nunavummiut. Each of these sections appears to have three or four areas where points are awarded. For example Section 7.1 has three areas worth 30 points and Section 7.2 has four areas worth 40 points. The policy would benefit from clarification of the value and prioritization of each measure used, including any new sections to be added.

vi. Commercial Viability

The Policy would also benefit from greater clarity on the measurement process for *commercial viability*. While BFC acknowledges and agrees with the evaluation criteria listed under Section 7.1, the Policy would be strengthened by greater clarity on the measurement of capacity to harvest, relative economic return, value added to the fishery, and stability of employment. In addition, these criteria should be scored on a five-year basis, but subject to a pass/fail benchmark analysis at annual evaluations.

vii. First Opportunity to Fish

The Allocation Policy would also benefit from greater guidance and enforcement of Section 9 (C) which requires allocation holders to provide a 'first opportunity to fish' to Nunavut-owned enterprises with excess capacity to fish at a competitive rate. This section would benefit from a mechanism for preventing unnecessary allocation transfer to non-Nunavut companies during each fishing season.

7. What guidelines should be used to allocate commercial marine fisheries resources?

1. Sustainability of the Resource
2. Inuit ownership and control, and the establishment of Inuit-owned enterprises with the knowledge, skills and resources to effectively harvest and manage the resource.
3. Health, Safety and Security
4. History in the fishery and contribution to its development



5. Planned long-term benefits to Nunavummiut, including development of new opportunities, such as inshore fisheries and other activities which lead to self-sufficiency for HTOs.
6. Growth potential of Inuit-owned enterprises including potential to grow beyond Nunavut borders
7. Community development

8. How should allocation guidelines be evaluated and scored?

- Discussed above in Allocation Guidelines – Overview, and in Questions 3-6.

9. How can, or should existing allocation holders include all Qikiqtaaluk communities?

The NWMB may consider:

- Development and support for an annual general meeting of all HTOs to discuss opportunities and cooperation
- Including increased community involvement as part of review criteria, and assign specific scoring values to various initiatives
- Development of an industry-wide legacy fund to share among all communities.

10. If an appeal process for the Fisheries Advisory Committee's recommendations were to be implemented, what parts of the recommendations should be subject to this process?

The NWMB may consider:

- First, a paper review to ensure all relevant information was considered, and all processes followed.
- In the event of allocation modifications, allocation holders should be given an opportunity to address, in a public hearing process, all aspects of the evaluation and allocation recommendation.