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Sent by email to: tsaata@nwmb.com

RE: QWB's comments to NWMB's *Allocation Policy for Commercial Marine Fisheries*.

The Qikiqtaaluk Wildlife Board appreciates the opportunity to provide written comments on NWMB's *Allocation Policy for Commercial Marine Fisheries*. A member of QWB's staff did participate at part of NWMB's May 17th, 2016 Working Group meeting and found the meeting to be very informative.

QWB's comments are directed towards the following sections of the policy:

Section 12: Multi-year Allocations

Section 14: Allocation Applications, *Annual Reports* and *Variance Reports*.

Appendix A, Section 5: Evaluation Process

Appendix B: Governance, Business, Benefits and Stewardship Plan Template

Appendix C: *Annual Report* Template

Appendix D: Evaluation Form for the Allocation Guidelines

The Qikiqtaaluk Wildlife Board appreciates the importance of commercial fisheries to many of the Qikiqtaaluk Hunter and Trapper Organizations and communities. Due to our small staff base and multiple responsibilities, QWB has been unable to fully engage in fishery matters. I hope these comments represent the starting point for ongoing participation in future fishery discussions with the various participating organizations.

Many thanks,

Jame Qillaq, Chair
Qikiqtaaluk Wildlife Board

QWB's recommendation to the NWMB's *Allocation Policy for Commercial Marine Fisheries*.

Hunter and Trapper Organizations (HTOs) are important community organizations mandated to represent their membership on wildlife and environment issues. These organizations have been in operation since before the creation of Nunavut. Although the Nunavut Land Claims Agreement (NLCA) has defined specific responsibilities for the HTOs, their role continues to evolve and develop, including involvement in Nunavut's commercial fisheries industry. While the Qikiqtaaluk Wildlife Board (QWB) see this development as positive, QWB would like to remind the Nunavut Wildlife Management Board (NWMB) that HTOs are community based organizations with a large organizational mandate and limited staff and board support to meet their ever growing responsibilities and interest. While QWB whole heartedly recognizes the important role HTOs play in both Nunavut's political and commercial landscape, it also strongly advocates that those working with HTOs have a responsibility for providing HTOs with the necessary administrative, operational and training support to aid their participation in new ventures. This support is most likely provided when explicitly stated as a requirement for those working with HTOs.

In being aware of this fact, and in keeping with the spirit of *the Allocation Policy*, which emphasizes community partnership and responsible governance, QWB recommends that *the Allocation Policy* be updated to extend governance responsibilities, namely fiscal reporting responsibilities, to include HTOs. In following this recommendation, sections of this policy would have be updated to include evaluating future applications on the work being done to ensure HTO are up to date on their legal standing status. QWB feels this recommendation is necessary as HTOs are not-for-profit organizations and have specific reporting requirements, as per Nunavut's *Societies Act*.

QWB also recommends that that the *Allocation Policy* be updated so that reporting requirements include specific requests on HTO financial reporting. As HTOs receive royalties as partners within commercial fishery ventures, not requiring HTO accountability for those funds limits their participation and fiscal responsibilities. This does not encourage HTOs to engage with their membership on how the funds from this common resource is reinvested back into their community. This is unfortunate, as QWB believes that these discussions, over time, can help shape future visions of corporate responsibility within Nunavut's commercial fisheries. In short, QWB believes this policy has a responsibility to request that HTOs demonstrate their viability within the industry. Formalizing such requests would encourage the HTOs to see the various responsibilities connected to the fisheries, a necessary step in diversifying Inuit employment within the industry.

As fishery royalties represent a significant injection of funds into the HTO, the *Allocation Policy* must take into account the specific legal requirements of the HTOs in maintaining their status as organizations through legal registries, including the

requirement that HTO membership approval on all HTO financial statements and budgets. Having a policy that does not explicitly respect HTO's fiscal reporting responsibility challenges the integrity of the HTO as an organization. It is unclear as to why a policy that is explicit in its commitment to working with HTOs would not have safeguards to ensure HTOs remain in good legal standing.

Although the fisheries application cycle and the financial reporting cycles of the HTOs do not currently line up, there are measures the policy can adopt to ensure that HTOs are more up to date on their reporting. For example for the first 5 years of this new policy a point system could focus on improvements made from previous fiscal years. By setting this requirement, and by building this expectation that is shared by the HTO and their partner venture, QWB believes that the HTOs can develop an organizational culture that includes keeping up to date with their fiscal reporting duties that will allow for up to date reporting to be included in the application process for the fisheries.

Introduction:

Prior to commenting on the various sections of this policy, QWB will first provide an overview of its role, highlighting its relationship with the Hunter and Trapper Organizations (HTOs) in the Qikiqtaaluk Region, the Government of Canada and the Nunavut Wildlife Management Board. QWB believes outlining this relationships provides the necessary contexts from which to best understand QWB's recommendations for the *Allocation Policy*.

The Qikiqtaaluk Wildlife Board:

The QWB is an organization mandated under section 5.7.4 of the Nunavut Land Claims Agreement. As outlined in section 5.7.5, it has a board of directions made of up the representatives of the region, namely the chairs of the 13 HTOS of this region, plus an independent QWB chair.

The responsibilities of QWB are outlined in sections 5.7.6 (a) – (d) of the NLCA, which specifically references wildlife responsibilities related to regional allocation and the regulation of that allocation.

QWB's relationship with the Government of Canada and the Nunavut Wildlife Management Board:

An additional aspect of QWB's responsibility is outlined in section 5.7.13 of the NLCA: *Adequate funding for the operation of HTOs and RWOs shall be provided by the NWMB.*

This section cites QWB's main administrative and financial responsibility. The Government of Canada, via the department of Indigenous Affairs and Northern Government, provides all HTOs and the QWB with operational funding. This funding is organized and channeled via the NWMB. NWMB then coordinates and assembles the required financial reporting to be returned to the Government of Canada. This means that QWB is responsible for ensuring the necessary financial reporting requirements are met by QWB and all the HTOs in its region. Coordinating the financial reporting for 14 entities is a lot of work and requires continual support, focus and attention. This work is necessary to ensure continual access to yearly operational funding.

Since 2013, all RWOs and HTOs in Nunavut began working to establish a centralized accounting system. The direction for this system came from NWMB, who was providing solutions to improve the quality and consistency of financial reporting across the territory. While this direction came from NWMB, the responsibility of implementation and training for this new system fell to the independent RWOs, with bookkeeping services being provided by the Nunavut Inuit Wildlife Secretariat (NIWS).

Extensive and on going work has been completed by QWB to implement centralized accounting in this region. It has included hiring of new staff, significant communication and outreach to the HTO boards via operational visits, training at the board and manager level and the actual setting up of financial processes to meet the reporting requirements. This work has provided QWB with important lessons and has redefined its organizational culture.

Specifically, it is through its operational visits to HTOs that QWB staff have come to appreciate the specific support required by HTOs connected to Nunavut's commercial fisheries. QWB believes that the structural support of *Allocation Policy* can help facilitate the organizational growth of the HTOs, at both the organizational and board level, to become more efficient participants in commercial ventures such as fisheries.

HTOs and Nunavut's Legal Registries:

HTOs are not for profit organizations, a legal standing confirmed by Nunavut Legal Registries. HTOs are responsible for maintaining their status as a requirement for their operational funding from the Government of Canada.

Although HTOs are not for profit entities, they can have a business arm. With 9 of the 13 HTOs involved directly in commercial fisheries with one of the two private fishing companies in Nunavut, many of the Qikiqtaaluk HTOs have a business arm.

QWB is not directly involved with the business arm of the HTOs. QWB's interests lay solely with the HTOs as organizations and their status with legal registries. Under Legal Registries, in order to maintain their not for profit status, HTOs must account for all dollars it receives, including funds received from the business arm (such as fishing royalties). As a requirement of the not for profit status, any funding received by the HTO must be used for the benefit of its membership. There are many ways in which HTOs can accomplish this goal.

While QWB takes the accountability of HTOs board to its membership seriously, for the purpose of this submission, we focus on the importance of financial accountability, namely the approval of yearly budgets and the presenting of financial statements (Income statement and Balance sheet) to its membership, including variance reports throughout the year.

These are basic financial reporting requirements and QWB appreciates the amount of work needed to meet these requirements at various levels: HTO board, manager and membership. It is extensive, time consuming work that does require a team of employees providing support to ensure a continued discussion on the financial cycle throughout the year. Specifically, this work requires communication, outreach and training. QWB believes this important financial requirement has been sorely overlooked within the *Allocation Policy*, and therefore, believes the *Allocation Policy* needs to be updated to include this legal and financial requirement. Doing so will

allow the vision of the *Allocation Policy*, specifically its commitment to ensuring that the commercial fishing industry engages with HTOs/Nunavut communities, that communities participate more fully in the industry and to that tangible investments are made for future growth and development. Not doing so is a real disservice to Nunavut, as it limits active Inuit participation within the various aspects of the fishing industry. Limiting Inuit involvement to employment only challenges the industry from becoming really rooted in Nunavut. QWB understands that to meet this requirement, a change to the relationship between commercial ventures and the HTOs would have to be forged. QWB believes doing so would be beneficial for both parties.

Allocation Policy for Commercial Fisheries

Throughout the *Allocation Policy* itself, QWB took note of various statements affirming the importance of local community involvement in the commercial fisheries industry. The policy continually states its commitment to ensuring “wide distribution of tangible benefits to Nunavummiut” (Page 1). QWB appreciate the vision of the NWMB to see this policy as being more a statement on allocation; that it must also consider “fundamental socio-economic, governance, business, employment and development issues – including access by communities and other competing for limited fisheries resources and benefits” (Page 3). QWB notes the particular emphasis placed on developing the industry through partnership and via Inuit and Nunavummiut employment and training.

This vision is well articulated within the principles guiding the *Allocation Policy*. The following were of particular interest to QWB:

- Fisheries are a common resource (#2),
- In terms of allocation, preference should be given to Nunavummiut (#5),
- Special consideration should be given to the economic dependence of communities to the fisheries (#7),
- The importance of supporting economically viable fishing enterprises, particularly fishers that have a successful history in a particular fishery (#9)

More specifically, QWB took particularly notice of principle # 8 and #10:

8. A prosperous Nunavut-controlled fishery requires substantial involvement of viable commercial ventures sponsored or owned by Regional Wildlife Organizations (RWOs) and Hunter and Trapper Organizations (HTOs) (NLCA S.5.1.2(a)(iii) and 5.6.39).

10. A prosperous Nunavut fishery that contributes to the creation of wealth, employment, training and educational opportunities for Nunavummiut requires substantial reinvestment of revenues received from one of Nunavut’s most valuable common property resources.”

Section 7: Allocation Guidelines for Nunavut's Commercial Marine Fisheries:

Although Section 7 was not identified specifically within the NWMB call out for comments, for QWB's submission, this section highlights important aspects that are central to QWB's recommendation.

Section 7 outlines the governance requirements for participation in the industry, including:

- Section 7.1: Governance and Business Capacity
 - (a) Open, transparent and accountable operations;
 - (b) Viable commercial venture; and
 - (c) Positive history in the fishery.

Focusing specifically on (b) Viable commercial venture, viable is defined as an ability to "demonstrate viability – including suitable business planning, capacity to harvest and/or process fish resource, responsible stewardship, relative economic rerun, value added to the fishery, stability of employment and economic benefits to Nunavut." (pg. 8)

- Section 7.2: Inuit Involvement
 - (a) RWO/HTO/Nunavut Community Ownership/sponsorship of the economic enterprise;
 - (b) Inuit ownership of the economic enterprise;
 - (c) Adjacency of the community to the fishing area; and
 - (d) Economic dependence of the community of the resources.

Sections (a) & (b) point specifically to the importance of HTO involvement in the fisheries industry, and the benefit such partnerships provides. In fact, additional points are provided to those companies that have partnerships with HTOs.

- 7.3: Benefits to Nunavummiut.
 - (a) Employment of Nunavummiut, especially Inuit;
 - (b) Ownership of the economic enterprise and/or the vessel(s) by one or more residents of Nunavut; and
 - (c) The provision of direct benefits to Nunavut.

Section (a) states there is a point system in place for the number of Inuit employees, and that additional points are granted to Inuit employed above entry level, including management levels (pg. 10) QWB notes that management levels also includes responsibilities such as financial reporting.

Section (c) defines direct benefits to include market development, investment in training. For QWB, it believes training in fiscal reporting, as part of the necessary business governance of fisheries, is included under this section.

Specific recommendations:

Section 12: Multi-year Allocations

- QWB recommends that multi-year allocations be downgraded from 5 years to 3 year terms as to encourage participation of new entrants into Nunavut's Commercial Fisheries. QWB understand that any new entrants into this industry requires proof of significant financial and administrative organization. QWB believes that ventures that are able to meet such requirements should be granted access to Nunavut's allocation.

Section 14: Allocation Applications, *Annual Reports* and *Variance Reports*.

Appendix A, Section 5 – Evaluation Process

- Under Section 5.2 “Annual Performance Review”, QWB recommends that an addition be made to the Annual Report requirement; that all companies in partnership with HTOs include an update of their partner HTO legal registries standing.

Appendix B – *Governance, Business, Benefits and Stewardship Plan Template*

As outlined in this section, an identifying purpose of the “Governance, Business, Benefits and Stewardship Plan” is:

- 1) 2 (b) To ensure that allocation recipients have a clear and viable plan to effectively manage the public resource they are entrusted with and thereby increase overall benefits to Nunavummiut. This approach is consistent with the *Nunavut Fisheries Strategy*. Which identified business and organizational capacity development as one of its key objectives.
- QWB recommends that explicit reference be made to include specific training support to HTOs, particularly related to the fiscal governance.
- 2) Section 4 outlines key factors to be included in the applicants plan, two bullet are of particular interest to QWB:
 - Identify the legal relationship between the applicant group and managing organization (if different).
 - Identify and demonstrate any history of good governance on the part of the applicant.

- QWB recommends that a request for the legal standing of the participating HTO be included, as well as including a list of any board training offered on behalf of the core company.
- 3) Under Section 4, Business Factors, two bullets are of particular note:
 - Provide copies of the most recent audited consolidated income statement, balance sheet and cash flow statements;
 - Provide projected general budget for the fiscal year, including income from all sources and anticipated expenditures for all projects and administration
- QWB recommends these requirements be extended to include partnering HTOs.
- 4) Under section 4, Benefits Factors, the following bullet is of particular note:
 - Any plans to re-invest revenues into non-fisheries based activities.
- QWB recommends this requirement can be extended to HTOs, with HTOs providing approved budgets for their royalties by their membership.

Appendix C – Annual Report Template

- 5) Section II, 2, C requests information on Training & R&D Benefits,
 - QWB recommends that HTO related training be identified under “Other Training”.
- 6) Section II, 2, E, requests commitments for upcoming season, including training.
 - QWB recommends HTO specific training be included under this section
- 7) Section IV, makes various references to Financial statements,
 - QWB recommends hat such requirements can be extended to partnering HTOs, either past fiscal year.

Appendix D – Evaluation Form for the Allocation Guidelines

Question: How should allocation guidelines be evaluated and scored?

- 8) Section 1, positive history in the fishery
 - Demonstrate collaboration with other industry participants to benefits the industry and maximize benefits to Nunavut.

- QWB recommends scoring be extended to include HTO collaboration
- 9) Inuit Involvement
 - Demonstrate ownership/sponsorship by one or more RWOs , HTOs or Nunavut communities:
- QWB staff wish to point out the importance of HTO partnership.

Additional Comment:

Section 8 of the policy states that QWB with assistance from Nunavut Inuit Wildlife Secretariat, is to continue discussions with the regions' communities regarding the potential identification and establishment of Exclusive Community Economic Fishing Zones with the NSA.

NIWS provides booking, financial and administrative report, tasking them with this responsibility falls outside their responsibility, therefore, this section should be revised to state something along the following lines:

“ QWB with the assistance from the appropriate co management partners, shall continue discussions with the region's communities regarding the potential identification and establishment of Exclusive Community Economic Fishing Zones within the NSA.”