

# MAKIVIK CORPORATION

## THE “LAST IN - FIRST OUT” (LIFO) POLICY POSITION

# ABOUT MAKIVIK CORP.

- Inuit birthright established in 1975 pursuant to the JBNQA, the first modern land claim agreement in Canada.
- Not-for profit ethnic organization representing 12,000 Inuit residing in 14 coastal communities.
- Mandated to protect Nunavik Inuit rights, interests and financial compensation received through the JBNQA.
- Mandate:
  - Owning and operating profitable business enterprises.
  - Generating employment.
  - Socio-economic Opportunities.
  - Improving housing conditions.
  - Protection of Inuktitut, culture and the natural environment.

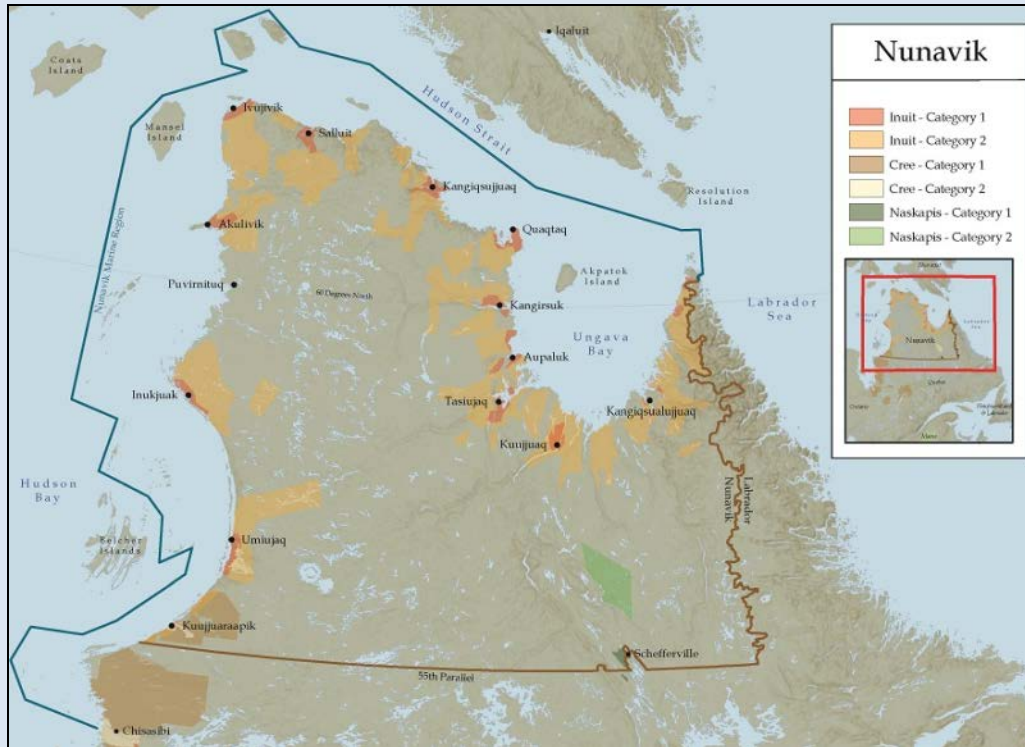
# MAKIVIK CORP. (CONTINUED)

- Makivik operates various wholly owned and Joint Venture companies.
  - Wholly Owned:
    - First Air, Air Inuit, Nunavik Creations, Nunavik Furs, Halutik Enterprises, Kautaq Construction, Nunavik Geomatics
  - Joint Venture:
    - Nunavut Eastern Arctic Shipping (NEAS), Unaaq Fisheries, Pan Arctic Inuit Logistics.



# ABOUT NUNAVIK

- Comprises the northern third of Quebec, north of the 55th parallel (covering over 500,000 square km).



- Inuit live in 14 Inuit villages spanning coasts of Hudson Bay, Hudson Strait and Ungava Bay.

# NUNAVIK

- None of the communities are connected by road and there is no connection with a road to the south.
- The region has a wealth of mineral and wildlife resources and great natural attractions.
- Population growth is 2.3% per year with 65% of the population under 29 years of age.
- Subsistence activities including hunting, fishing and trapping are still important for many as a source of food source.



# SOCIOECONOMIC CHALLENGES

- Cost of living in Nunavik is very high and region faces major economic and social challenges.
- Inuit pay income tax and sales tax but enjoy only limited access to the services and infrastructure found elsewhere in Quebec.
- Other challenges: lower educational attainment levels (only 53% of Inuit aged 20-64 graduated from high school), high unemployment rates, and overcrowded housing.





# JBNQA

- The first modern day Canadian comprehensive land claim (includes compensation, lands, education, health, etc.).
- Settled by the Cree and Inuit in 1975.
- Provided \$225 million in compensation to the James Bay Cree and Inuit to be paid by Canada and Québec of which Makivik received \$ 91 Million.
- Upon signing, several institutions were created including:
  - Kativik Regional Government.
  - Kativik School Board.
  - Nunavik Regional Board of Health and Social Services.
  - Landholding Corporations.

# NILCA

- The Nunavik Inuit Land Claims Agreement came into effect July 10, 2008. Applies to the offshore region around Québec and northern Labrador
- Includes overlap (jointly owned) regions with the Cree of Eeyou Itschee and the Inuit of Nunavut and Labrador.
- Includes ownership of lands, capital transfers, the creation of Institutions of public government to address wildlife, land management and development impact issues, and wildlife compensation regime.
- Nunavik Inuit own 80% of the islands, including surface and subsurface in the Nunavik Marine Region (Nunavik Inuit Lands are approximately 5,300 square km).
- \$86 Million in capital transfers and associated funds.
- Wildlife compensation regime.
- Institutions of Public Government (NMRWB, NMRIRB, NMRPC).



# MAKIVIK & THE SHRIMP FISHERY

- Makivik is a license holder since 1979.
- The licence currently operated in partnership with Newfoundland Resources Ltd., a Newfoundland-based company that operates the vessel “Newfound Pioneer”.
- In 1987 DFO awarded additional license to be held by Unaag Fisheries, a 50/50 joint venture between Makivik and Qikiqtaaluk Corporation.
- Makivik focused on training Inuit crew members and developed strong partnerships with major national and international fishing companies.
- At its peak, 60% of the crew fishing Makivik’s licence were Inuit.



# MAKIVIK'S REPUTATION

- Makivik has reputation for being a successful and responsible licence holder in northern shrimp fishery.
- Since 1978, Makivik has played important role in developing research capacity and overall development of viable shrimp fishery in Hudson Strait and Davis Strait in addition to SFA 6.

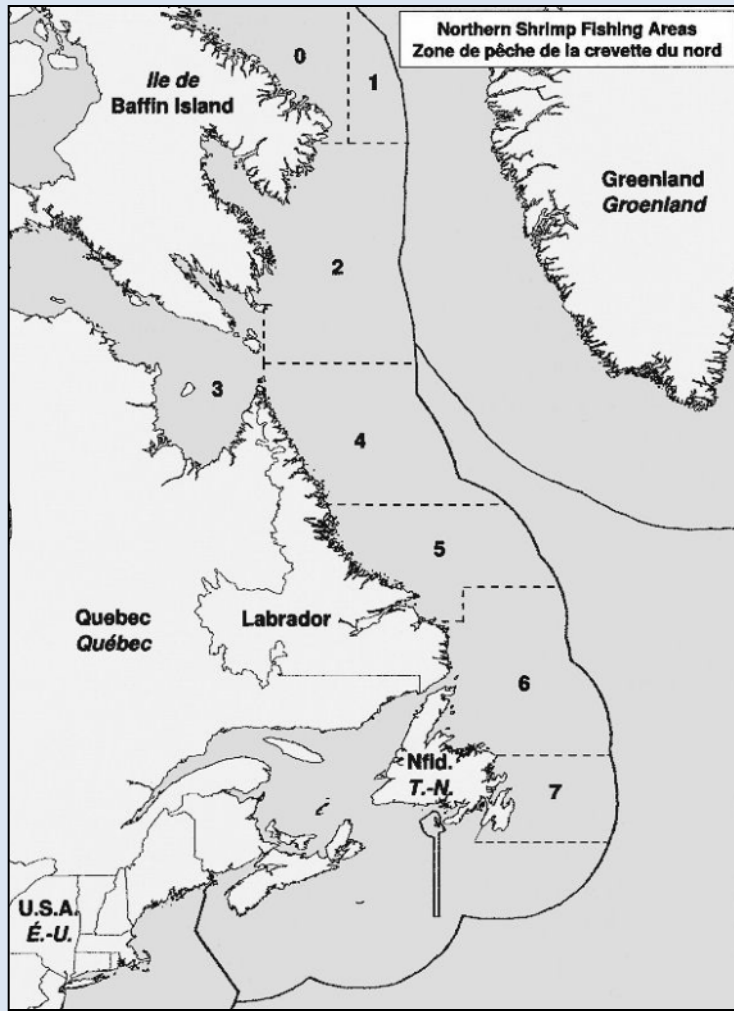


# THE MAKIVIK LICENCE

- Makivik received licence in 1979 prior to the signing the NILCA.
- Makivik participated on the same footing as non-Aboriginal licence holders in developing fishery.
- In 1979-1981 period, the Makivik licence gave restricted access to Ungava Bay/ Hudson Strait and to areas ICNAF/NAFO 0A and 0B.
- As a condition of licence DFO required Makivik to purchase a Canadian vessel - a first generation purpose-built shrimp trawler the *M/V Lumaq*.



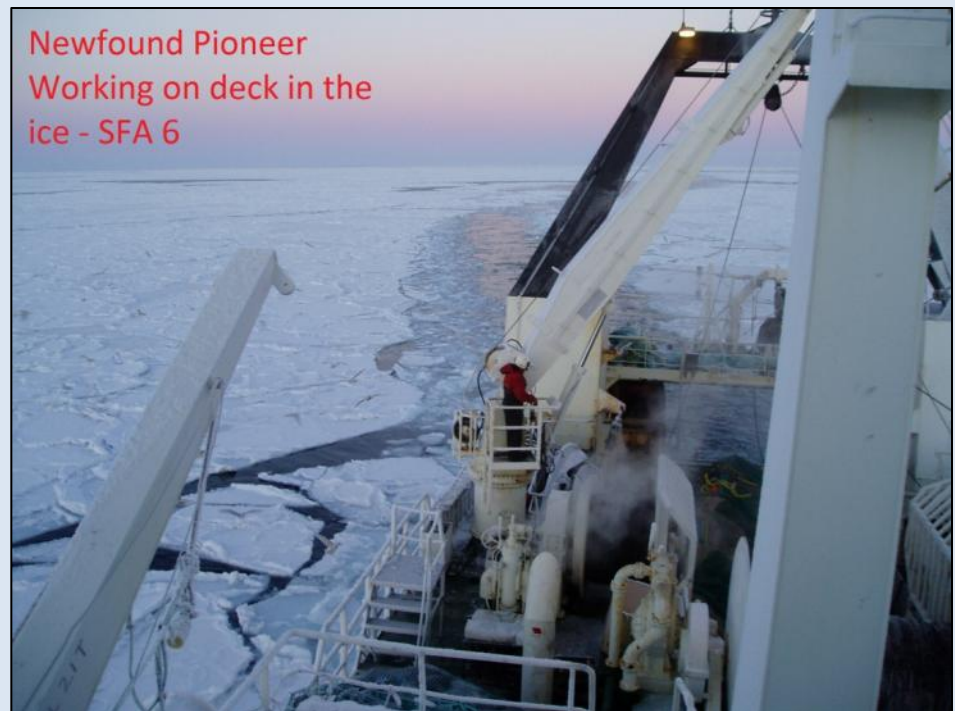
# ADDITIONAL ACCESS



- Makivik originally had access to additional shrimp stocks straddling border with Greenland allowing for a winter fishery.
- Access to Greenland waters ceased with the country's implementation of "Home Rule".
- DFO then granted Makivik full access to all Atlantic shrimp fisheries via its licence.

# OTHER LICENCE HOLDERS

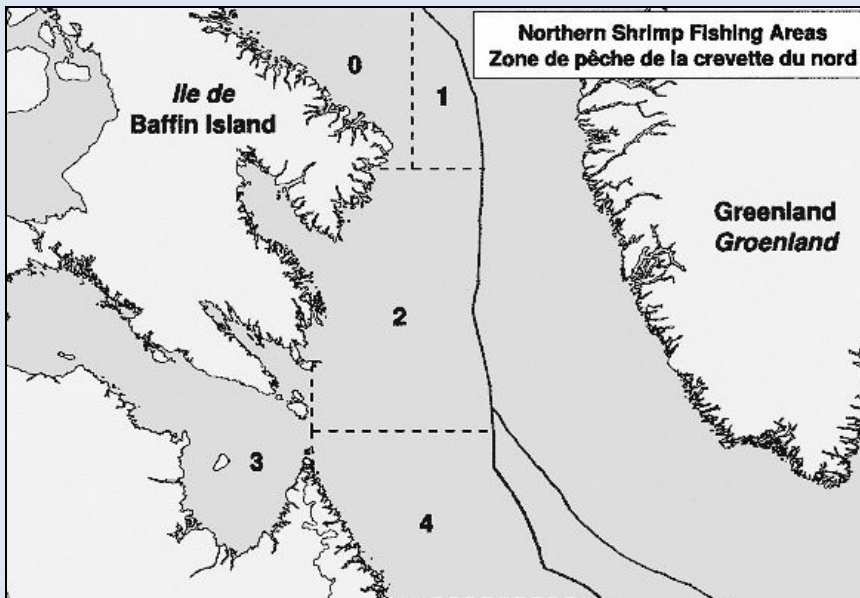
- After the first year of the fishery in Ungava Bay, 11 other license holders gained full access to the area although it was still considered to be an exploratory fishery at this point.
- During 1984-1986, Makivik had foreign charter arrangements to fish quota from SFAs 1-6.





# SHRIMP FISHING AREA 1

- By the end of 2014-2015, Makivik harvested 100% of its allocation in all SFAs excluding SFA 1. SFA 1 is located at the northernmost part of Davis Strait.

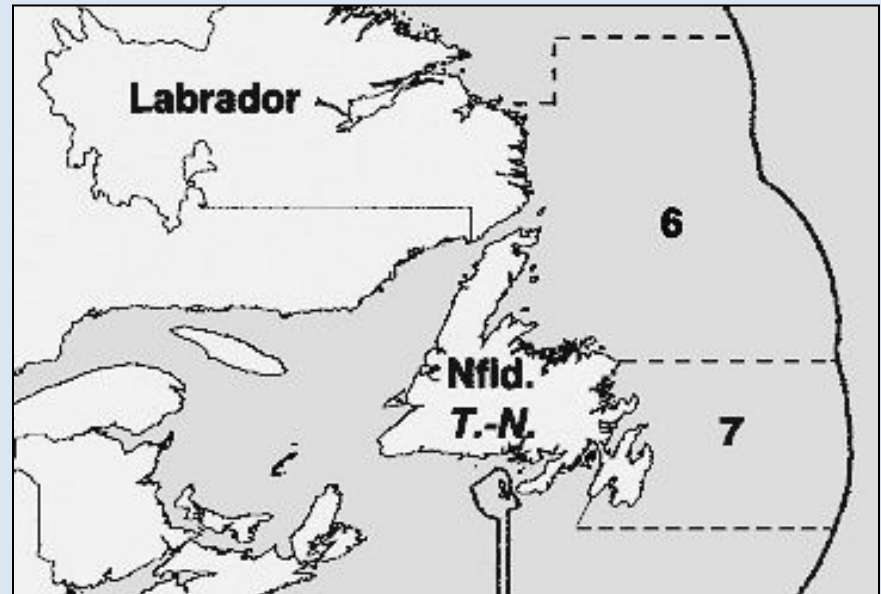


- Shrimp populations are variable in SFA 1 resulting in extremely low catch rates.
- Shrimp is not in sufficient quantities to make SFA 1 economically viable.



# SHRIMP FISHING AREA 6

- Makivik is increasingly concerned over the status of the shrimp population in SFA 6.
- SFA 6 produces a large percentage of Makivik's revenue from the entire fishery, holding one third of its Borealis allocation.
- The area continues to be a very important component for winter fishery.



# IMPACT OF THE SHRIMP FISHERY

- For over 37 years, revenues from fishery have been invested in infrastructure, training, wages, and research.
- Since 1997, the fishery has generated over \$25 million. The SFA 6 winter fishery generates 35% of this revenue.
- Makivik’s net revenues from fisheries grew from \$829,111 to \$4,400,000 between 2011 and 2015.
- This revenue contributed from 7% to 20% towards Makivik’s overall revenue in the period 2011 – 2015.

SHRIMP FISHERIES CONTRIBUTION TOWARDS MAKIVIK REVENUES (2011-2015)					
FISCAL YEARS	2011	2012	2013	2014	2015
Net Revenue	\$829,111	\$1,605,534	\$1,488,385	\$3,539,504	\$4,400,000
% of Total Revenues (excl equity in subs)	7%	20%	15%	20%	12%

# RESEARCH & EMPLOYMENT



- Makivik contributes \$77,000 per year to Northern Shrimp Research Foundation and \$52,000 per year to annual survey billing.
- The shrimp fishery makes up a significant component of Makivik's current total of 2,149 employees.
- As an employer, Makivik contributes over \$104,209,000 in benefits and wages to the regional economy.

# MAKIVIK'S CONTRIBUTION TO THE ECONOMY

- Makivik builds companies to make profits so it can re-invest into the social economy.
- Not all businesses are intended to make profit – social economy
- Makivik's profits are invested in helping build stronger, healthier, and more sustainable communities.



# REVENUE REINVESTMENT

- From 2011-2015, Makivik’s contributed \$16,500,000 to the communities in Nunavik.
- This reinvestment expands the benefits of the fishery as support for other economic development activities and the diversification of the regional economy.
- Revenue from the fishery has helped Makivik meet important social, cultural and economic goals.

MAKIVIK CONTRIBUTIONS TO COMMUNITIES IN NUNAVIK (2011-2015)					
FISCAL YEARS	2011	2012	2013	2014	2015
Makivik Contribution to Communities	\$ 4,928,166	\$ 1,783,671	\$ 3,181,340	\$ 3,281,358	\$ 3,321,000

# EMPLOYMENT CHALLENGES

- The economy of Nunavik is based largely on government services, resource extraction, and tourism.
- The high costs of doing business, small remote markets, limited transportation, housing issues, and low education and literacy rates limit economic diversification and expansion.
- Unilingual Inuit face great challenges in finding employment.
- The shrimp fishery has created hundreds of good paying jobs and opportunities to learn valuable skills and work habits that are attractive to more young people.
- The fishery supports a strong, diverse economy as well as optimism and pride in Nunavik – two things that can often be in short supply in a tough economic environment.



# LOSS OF THE FISHERY

- Makivik is acutely aware of the positive impact the fishery has on the region's economy and how critical it is to its wellbeing going forward.
- A decline or disappearance of the shrimp fishery would have a harsh and immediate impact on Nunavik.
- Consequences include increased unemployment, low self-esteem, and the loss of important role models with a resulting increase in social problems.



# LAST IN FIRST OUT

## - BACKGROUND

- The Northern shrimp fishery expanded in 1997 when shrimp populations began to grow rapidly.
- The fishery was based on a clear understanding that as shrimp populations declined, there would be reduced quotas and participants would leave the fishery in the reverse order in which they joined.



# FEDERAL SUPPORT OF LIFO

- DFO Ministers have explicitly supported the LIFO policy as a key management tool. LIFO also clearly a part of the IFMPs 2003, 2007.

*“Participation by new entrants will be temporary and will end for those SFAs where quotas decline in the future” (Minister Mifflin 1997).*

*“The removal of access privileges will be based on the “last in first out” principle .... The “last in first out” principle will be applied to these (2000) allocations, as it will be applied to all other temporary access to the fishery” (Minister Dhaliwal 2000).*

*“I can confirm that this principle (LIFO) will be in the new multi-year IMFP and will only be subject to land claims obligations” (Minister Hearn 2007).*

*“This policy is an objective of the Integrated Fisheries Management Plan and has provided a foundation for access and allocation for this fishery” (Minster Shea 2010).*

# BENEFITS OF THE LIFO POLICY

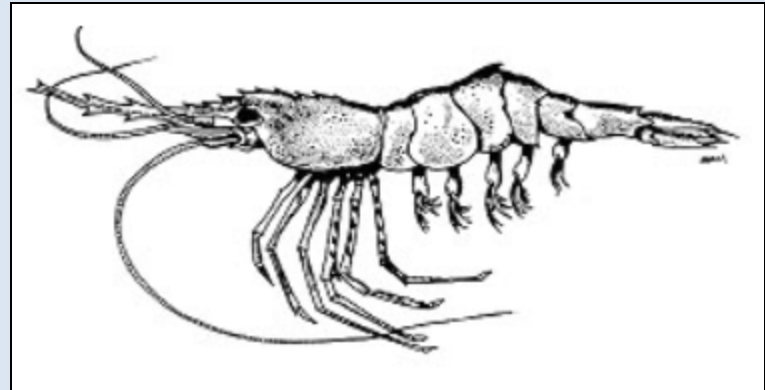
- The LIFO policy was implemented:
  - To extend the benefits of the fishery to a greater number of entities during a period of bounty.
  - To ensure that a clear policy was in place to protect the resource and traditional licence holders when the resource declined to a certain threshold.
- In 2010 shrimp populations began to decline.
- The LIFO policy was always understood as a way to protect the primary developers and investors in the fishery and to ensure a stable, sustainable fishery.

# MAKIVIK'S INVESTMENTS

- Makivik has been involved in the fishery for 35 years as one of the earliest participants.
- The fishery could not have been developed and sustained if based on shifting, tentative and short-term policies.
- Makivik and other early entrants assumed the risks and effort required to develop the fishery.
- Business planning, training of Inuit crews, investment plans, research, and capacity development require long term planning and effort to develop and implement.
- Reduced quotas for traditional offshore licence holders, particularly in the winter fishery, threatens the positive impact and the economic viability for some stakeholders.

# APPLICATION OF LIFO POLICY

- Application of the LIFO policy in 2010 and 2011 resulted in the removal of two Special Allocation holders.
- Makivik and other licence holders believe quota reductions and the LIFO policy works, has been properly implemented, and should continue to be applied to future quota reductions in the fishery.
- This conclusion is shared by Ernest and Young in the review conducted on behalf of DFO.





# A PREDICTABLE FRAMEWORK

- Makivik recognizes that some entrants who joined the fishery during its expansion are reluctant to accept the LIFO policy. They joined in good faith and accepted the agreed policies and practices of all participants.
- Current research indicates shrimp populations are declining and that further quota reductions are needed.
- A predictable and established policy framework must continue to be the basis of the Northern shrimp fishery.
- Makivik believes that the stakeholders most responsible for developing the fishery must be allowed to continue to access sufficient quotas to remain viable and strong.

# MINISTERIAL ADVISORY PANEL

- Makivik does not consider the information gathering process of the MAP as true and sufficient consultation as per: Section 35 of the Constitution or the Nunavik Inuit Land Claims Agreement (NILCA).
- NILCA requires Canada to conduct real and meaningful consultations with Makivik in key areas that include marine and fishing activities.
- Changes to the LIFO policy will require further consultations with Makivik according to the terms, obligations, and responsibilities that are constitutionally protected in the NILCA.

# CONTINUING THE LIFO POLICY

- Makivik favours continuing the LIFO policy when determining how quota reductions are allocated.
  - Sustainable fisheries cannot be developed based upon shifting, unpredictable policies.
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- Shifting LIFO policy is not fair to those traditional licence holders who have invested so much in the fishery and have operated in a responsible manner.



# CORE PRINCIPLES

- Makivik believes that significant changes to LIFO or other quota reduction allocation policies must take into account three core principles of DFO's fishery policies:
  1. Land Claims.
  2. Historical dependency.
  3. Adjacency.
- Any policy discussions about of the future of the fisheries will be unsuccessful if they do not embrace these three principles as central tenets.

# MAKIVIK'S SUCCESS

- Makivik has been one of the earliest stakeholders involved in the development of the Northern shrimp fishery.
- Makivik has developed the shrimp fishery in a responsible, sustainable manner according to the spirit and the letter of its licensing agreements.
- Makivik's success has been based upon clearly defined and understood policies and regulations that have enabled it to effectively plan and invest since its first licence was approved.

# FUTURE OF THE FISHERY

- The Northern shrimp fishery may be in a long-term decline.
- The loss of the fishery will have a substantial negative impact of Nunavik's economy and its people.
- Unlike many of the other licence holders in the fishery, Makivik does not have access to other fish resources.
- If the fishery eventually has to close, Makivik should be one of the last to leave the fishery, and only after great consideration is made to finding a replacement resource.





# SPECIFIC SFAs – SFA 0

- **SFA 0/NAFO 0A** – 500 tons Total Allowable Catch (TAC).
  - Fishing effort has been limited with marginal success and it an experimental fishery.
  - Nunavut would be given priority of additional access.
  - NILCA does not provide Nunavik/Makivik with any rights of access.
  - Makivik has not fished this area.

# SPECIFIC SFAs – SFA 1

- **SFA 1** – 8,500 tons TAC.
  - 4,171 tons allocated for land claim groups with Makivik receiving 449 tons.
  - Makivik has history in SFA 1 going back to 1979.
  - Makivik has a strong case for larger allocation based on land claims, adjacency and historical attachment.
  - A complication is that SFA 1 may fall under Canada/Greenland bilateral discussions.

# SPECIFIC SFAs – SFA 2

- **SFA 2** east of 63/Davis Strait east – 1,600 tons TAC.
  - An area with irregular success. Failed to produce as originally anticipated. Now classified an opportunity fishery.
  - Makivik fishes this area - adjacent and within the NILCA.
- **SFA 2** West of 63/Davis Strait west – 4,813 tons TAC.
  - 5,775 tons set aside for Nunavut.
  - Productive fishery within adjacency and the NILCA.
  - All increases are subject to a maximum of 15% for Enterprise Allocation (EA) holders.
  - NILCA entitles Nunavik to a percentage of any new TAC.

# SPECIFIC SFAs – SFA 3

- **SFA 3/NU/NK** east and west – 2,309 tons (Borealis) and 6,568 (Montagui) TAC.
  - There is a sharing arrangement between the two management regimes for this stock.
  - Area was originally researched in 1978-1980 by Makivik proving an historical attachment in addition to land claims agreements.
  - Makivik commits additional funds to the Northern Shrimp Research Foundation (NSRF) for scientific research in this area.

# SPECIFIC SFAs – SFA 4

- **SFA 4** – 14,971 tons (Borealis) and 4,033 (Montagui) TAC.
  - Active fishery for both species.
  - Borealis allocation includes 2,825 tons that provides financial support for research with 1,752 tons being allocated as a special allocation.
  - This is an adjacent area, part of the NILCA, and there has been a historical dependence on the area.

# SPECIFIC SFAs – SFA 5

- **SFA 5 – 10,090 tons TAC**
  - An extremely important area for Makivik. It has fished this area since it received its EA. The allocation from this area is considered essential.
  - In addition to an EA of 450 tons, Makivik also is allocated 874 tons through the Northern Coalition (NC) and 437 tons through the Unaaq portion of the NC.
  - As part of the NC, Makivik is a member of the northern group comprised of adjacent and aboriginal groups with offshore EAs.



# SPECIFIC SFAs – SFA 6

- **SFA 6** – 48,196 tons TAC.
  - TAC includes 13,599 tons for offshore, 31,637 tons for inshore, and 3,000 to St. Anthony Seafood (Clearwater).
  - A sharp increase in stock from 1987 onward increased the importance of the fishery to Makivik.
  - The increase occurred simultaneously in SFA 7.
  - The current EA is 797 tons plus 50% of Unaaq's allocation of 398 tons.

# Makivik Corporation

## The “Last In - First Out” (LIFO) Policy Position



## Thank You!