



Impacts of Last-In, First-Out Policy

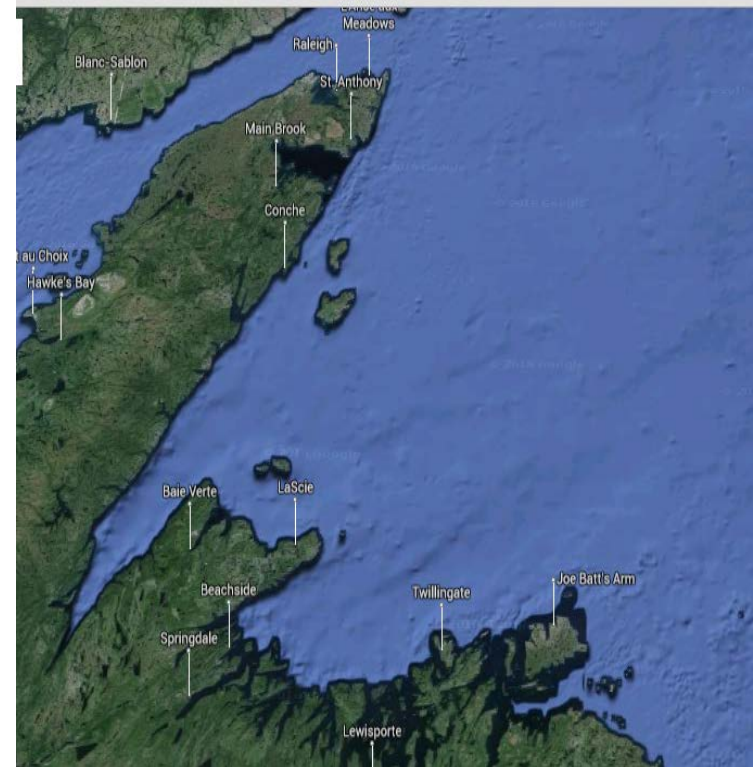
Presentation to Ministerial Advisory Panel

Newfoundland and Labrador Independent
Fish Harvesters Association

May 26th, 2016

Newfoundland and Labrador Independent Fish Harvesters Association

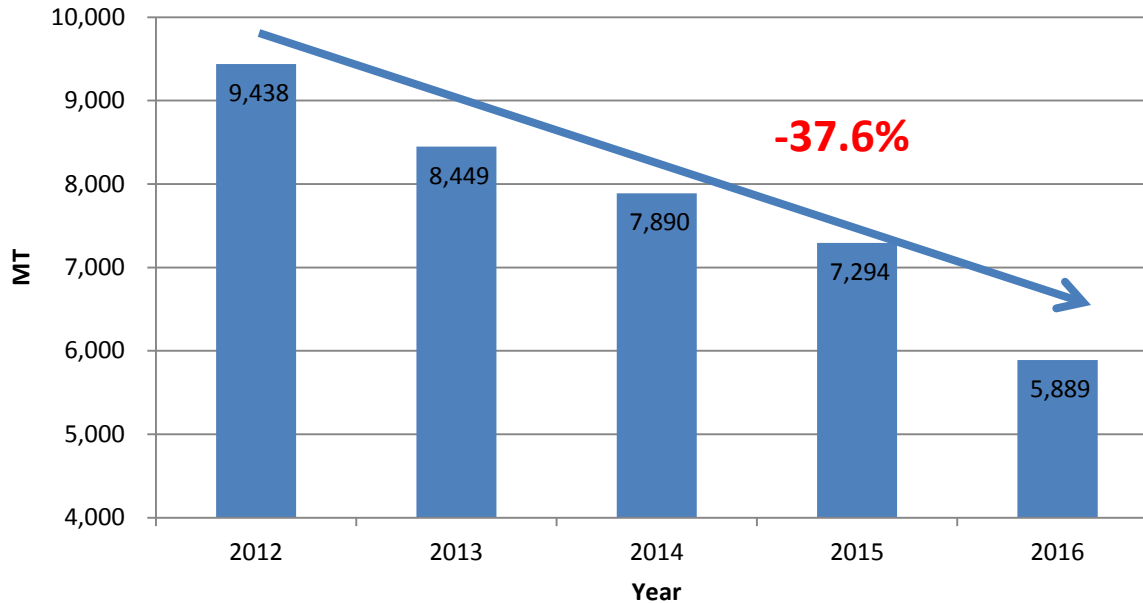
- Established in 2004
- NLIFHA represents enterprise owners in 3K
 - Vessels >40'
 - 175 harvesters
- Harvesters from small coastal communities
 - Rely on fishery for income
- Almost entirely dependent on shrimp & snow crab fisheries
 - 120 shrimp shares
 - 89 vessels
- Shrimp can represent between 60% & 70% of enterprise fishing income



Fishing History

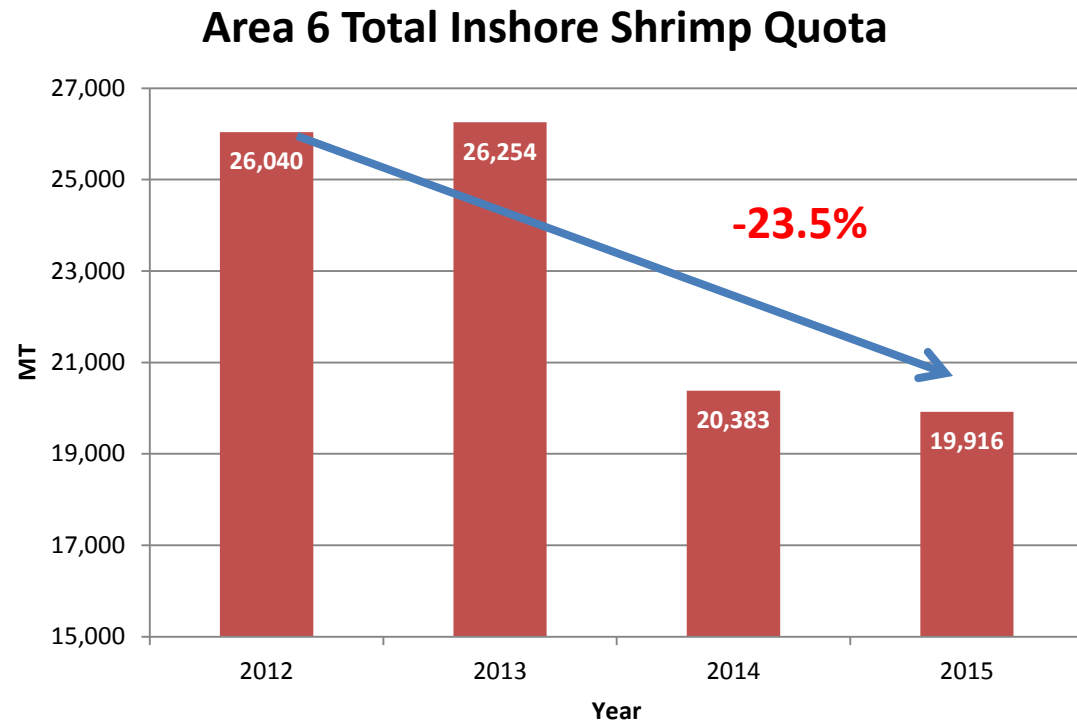
- Following groundfish moratorium our harvesters expanded into shellfish fishery
 - Substantial investment
- Depend on snow crab & shrimp for fisheries income
- No other significant fishery available
- Shellfish resource has declined considerably

3K Snow crab Quota



- Since 2008 snow crab landings have decreased 52%
- Poor resource prospects
- 19.2% reduction in quota for 2016

- 3K share of Area 6 resource declined by 18%
 - Offshore declined only 9%
- Shrimp fishery governed by LIFO principle
- Poor resource prospects
- Likely substantial cut to quota
 - Could be as high as 40%
 - Inshore will take brunt of cut



Northern Shrimp Fishery

- 1978 – 11 offshore licenses to 10 corporations
- 1979-1990 – additional six offshore licenses
- After collapse of groundfish need by inshore grew
 - Temporary licenses issued in 1997 to vessels < 65'
 - Temporary license converted to permanent licenses in 2007



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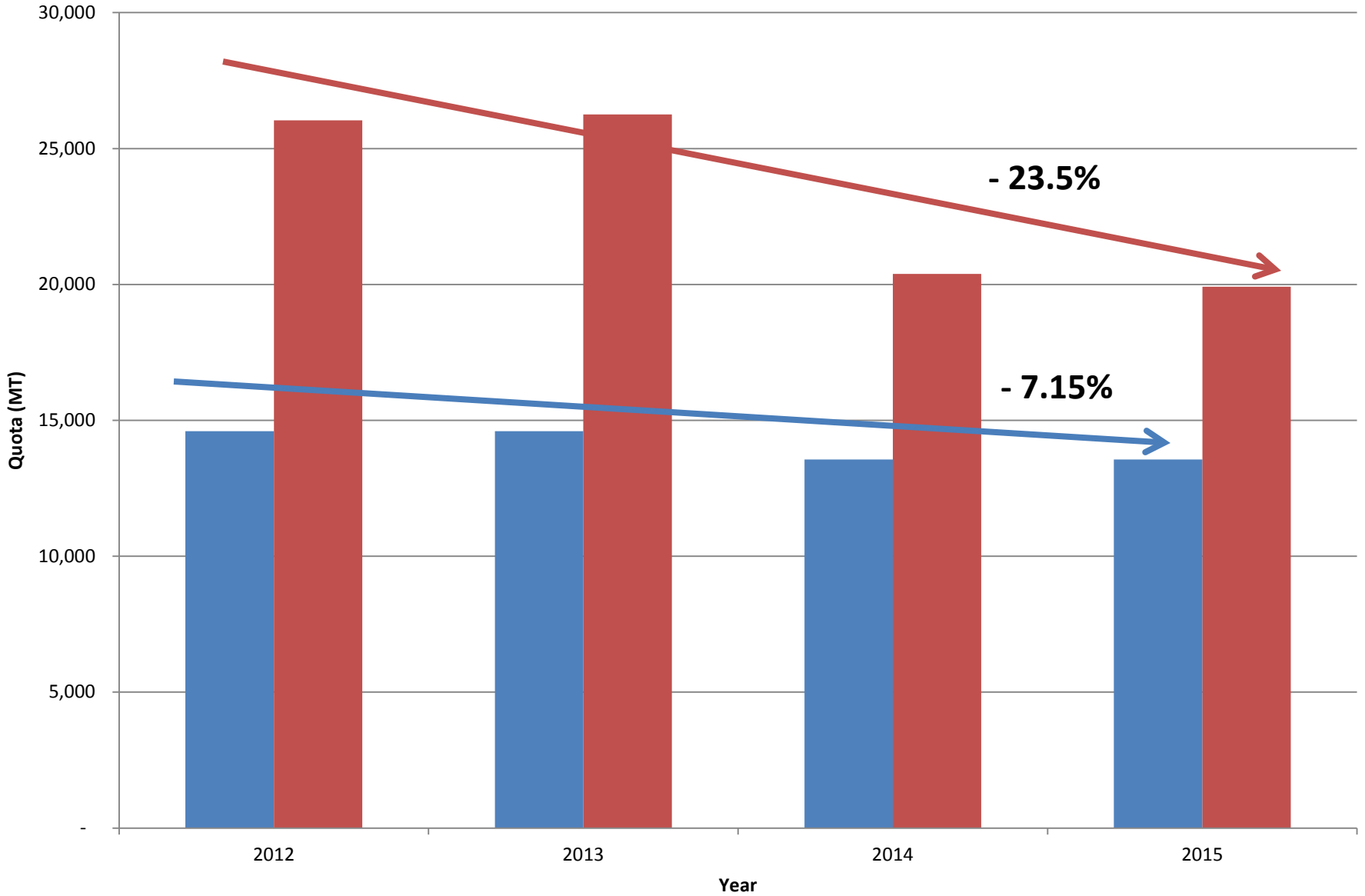
- With introduction of temporary licenses sharing principles introduced
- Provided offshore shrimp license holders minimum allocation of 37,600MT (combined for all areas)
- If collective quota in all areas greater than threshold new licenses would be introduced

LIFO

- First described by DFO in 2003
 - Protect licenses with longest history
 - Ensures minimum offshore allocation to support viability
 - Results in disproportionate decrease to quotas
 - Offshore compared to Inshore
 - Does not consider inshore dependence on resource

Offshore vs Inshore Shrimp Quota Area 6

■ Offshore Quota ■ Inshore Quota



Importance

Inshore

- 250 vessels – 97.5% of catch landed in NFLD
- Catch processed in NFLD
- Support operation of 10 plants, 1,500 jobs– important to coastal communities
- Significant economic spinoffs
- Dependence on shrimp increase with decreases in other fisheries (such as snow crab)
- Inshore fleet has harvested 100% of quota
- Limited mobility & hence options

Offshore

- 11 vessels – 56.5% of catch landed in NFLD
- Majority held by companies outside NFLD
 - Involve significant foreign ownership
- Offshore shrimp processed at sea & offloaded in Europe
- What is landed in NFLD reexported for processing in other countries
 - In some cases competes with inshore shrimp
- Offshore fleet does not harvest 100% of its quota
- Year round season & not constrained to a single region
- Access to other species (i.e. turbot)
- All significant refit & maintenance takes place outside of Canada
 - Exporting jobs

Importance to Inshore Harvesters

- Revenue - \$52,600,000 for 120 3K shares
- Each inshore enterprise employs up to 5 individuals
 - Based on 89 vessels – 445 harvesters
- Average crew wages - \$55,000
 - \$25,000,000 (\$1,720/MT)
- Economic Spin Off – \$120,000
 - \$12,000,000 (\$813/MT)
- Inshore shrimp fishery in division 3K contributes nearly \$40 Million to economy
 - Does not include benefits achieved from onshore processing

Continued

- Each pound of shrimp harvested creates \$1.15 in economic spinoffs
 - Costs associated with harvest & offload
- 2015 inshore 3K quota 32 Million pounds
 - Potential 2016 quota to decrease by 40% or more
 - 19,200,000lbs
- Decrease of 12.8 million lbs results in loss of \$15 million
- Reduction in quota & financial loss will be greater under application of LIFO

**Application of LIFO could lead to
closure of inshore shrimp fishery**

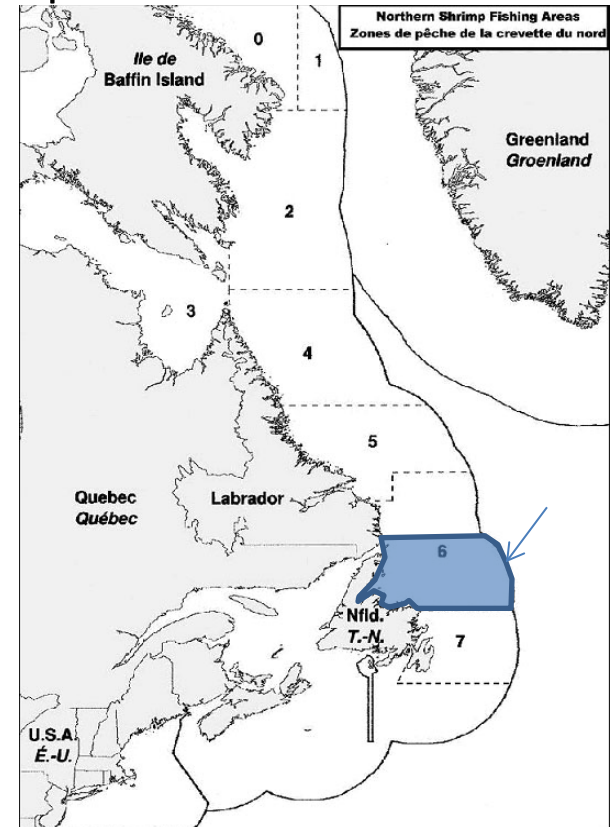
Arguments against LIFO

- Adjacency
- Economic Dependence
- Catches
- Ill-Defined Concept
- Investment



Adjacency

- Adjacency overriding principle by DFO in determining how quota allocated
- 1997 sharing principles mentioned adjacency as important factor
- 3K members immediately adjacent to Area 6
- Offshore sector includes corporations from
 - Nunavut, NS, PEI, QC, & NFLD
 - Some have significant foreign ownership



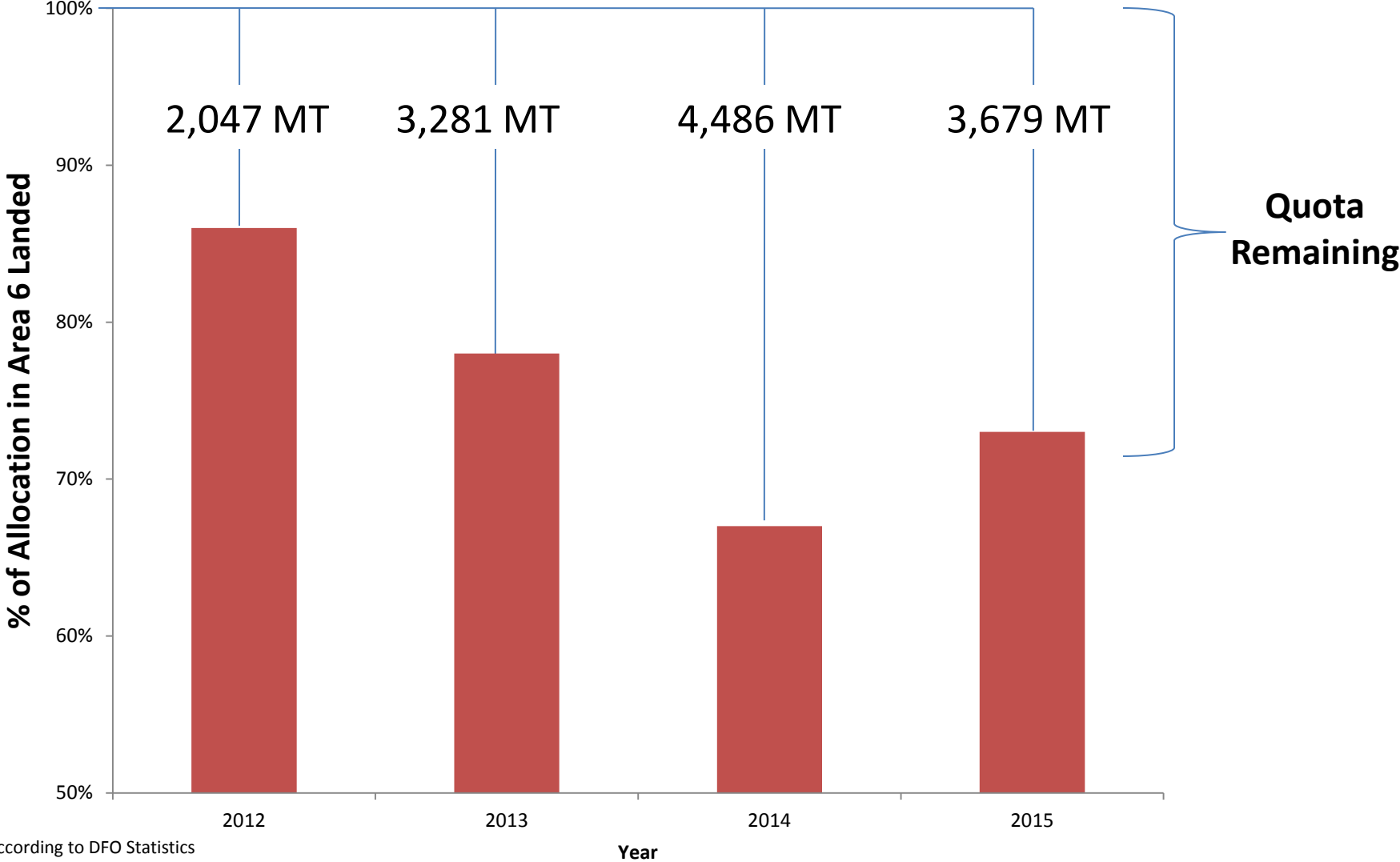
Catches

- 3K fleet has harvested 100% of its allocation
- DFO quota reports indicate that offshore has only caught 76% on average since 2012
 - 13,400MT remaining in water
- Offshore have other areas & alternative fisheries
 - Such as turbot

Offshore Quota Harvested

■ Offshore Quota Harvested

**13,000MT uncaught in Area 6
(2012-2015)**



According to DFO Statistics

III-Defined Concept

- LIFO is open to interpretation
 - Clearly favoring offshore sector
- 2007 all temporary permits converted to permanent licenses
- 2007 IFMP stated that LIFO principle now applies to “new participants/allocations”
 - Description of what new participant/allocation was not provided
 - Inshore license holders should not be considered new entrants/participants
- LIFO policy should therefore not apply to inshore license holders

Investment

- Federal licensing policy has encouraged our harvesters to rationalize fleet
 - Combining
- Substantial investment & debt
 - Access to fishery significantly reduced by LIFO
- Typical 3K shrimp license with quota valued at over \$800,000



Request

- Inshore should have exclusive rights to Shrimp Fishing Area 6
 - Major area for inshore fisheries
 - Snow crab, groundfish, etc
 - Offshore has significant quotas in areas further North
 - Will remove 12 month fishing pressure
 - Inshore harvest June to October
 - Egg bearing shrimp not caught
 - Release eggs in April/May
 - Eliminate bridging of uncaught quota – unacceptable practice when stock is in distress according to DFO
 - Area 6 was not one of the original areas for offshore licenses

Summary

- 3K Inshore fishery provides 445 at sea jobs
 - Equating to incomes of over \$24.5 million
- Each pound of shrimp harvested by inshore contributes \$1.15 to economy
 - Not factoring in plant employment
- Shrimp can represent 60-70% of an enterprise's income

A person wearing a green long-sleeved shirt and a red jacket is kneeling on a large pile of red mulch. The person's head is bowed, and their hands are near the ground. The mulch is a vibrant red color and appears to be made of wood chips or similar material. The background is dark, possibly a shadowed area or a dark surface. The text "Thank You" is overlaid in white at the bottom center of the image.

Thank You