



Alberni-Clayoquot Regional District

FISHERIES RESOURCE COMMITTEE MEETING

JUNE 23, 2014, 10:00 AM

Regional District Board Room, 3008 Fifth Avenue, Port Alberni, BC

AGENDA

	PAGE #
1. <u>CALL TO ORDER</u>	
Recognition of Traditional Territories.	
2. <u>APPROVAL OF AGENDA</u>	
<i>(motion to approve, including late items requires 2/3 majority vote)</i>	
3. <u>ADOPTION OF MINUTES</u>	
a. Fisheries Resource Committee Meeting held May 16, 2013	3-9
<i>THAT the minutes of the Fisheries Resource Committee meeting held on May 16, 2013 be received.</i>	
4. <u>PETITIONS, DELEGATIONS & PRESENTATIONS</u>	
a. Ms. Anna Johnston, West Coast Environmental Law, regarding Changes to Fisheries Law	
b. Mr. Andrew Thomson, Area Director, South Coast Division, Fisheries and Oceans Canada, regarding Areas of Mutual Concern	10-11
5. <u>CORRESPONDENCE FOR ACTION/INFORMATION</u>	
a. MINISTER OF FISHERIES AND OCEANS	12-13
Mitigation Funds Under Chapter 3 (Chinook) of the Pacific Salmon Treaty	
b. MINISTER OF FISHERIES AND OCEANS	14-16
Pacific Salmon Treaty Mitigation Fund and Retirement Eligibility for Salmon Troll Licences.	
c. CITY OF PORT ALBERNI	17-18
Correspondence forwarded from the City from Mr. Peter Finch regarding Economic Improvements and Fishing	
6. <u>REPORTS</u>	

- a. Department of Fisheries & Oceans Update – B. Shaw (Verbal)
- b. Ministry of Environment, Fisheries Update – D. Chalmers (Verbal)
 - Freezer Trawlers in the BC Grounfish Trawl Fishery (revised June 2014 report) **19-34**
- c. West Coast Aquatic Update – A. Day (Verbal)
- d. West Coast Local Issues – B. Irving/J. Osborne/T. Bennett
- e. Alberni Valley Local Issues – P. Cote/J. McLeman/J. Jack

THAT reports a-e be received for information.

7. UNFINISHED BUSINESS

8. ADJOURN



Alberni-Clayoquot Regional District

MINUTES OF THE REGIONAL FISHERIES RESOURCE COMMITTEE MEETING HELD ON THURSDAY, MAY 16, 2013

Regional District Board Room, 3008 Fifth Avenue, Port Alberni, BC

- DIRECTORS** Bill Irving, Chairperson, Mayor, District of Ucluelet
- PRESENT:** Tony Bennett, Director, Electoral Area "C" (Long Beach)
Josie Osborne, Mayor, District of Tofino
Jack McLeman, Councillor, City of Port Alberni
Cindy Solda, Councillor, City of Port Alberni
Penny Cote, Director, Electoral Area "D" (Sproat Lake)
Andrew Day, West Coast Aquatic Management
Bryan Rusch, DFO, Port Alberni
Don Hall, Nuu-chah-nulth Tribal Council
- REGRETS:** Dennis Chalmers, Province of BC
John Jack, Councillor, Huu-ay-aht First Nation
- STAFF PRESENT:** Robert Gunn, Contractor
Tracy Bond, Administrative Assistant

1. CALL TO ORDER

The Chairperson called the meeting to order at 10:06 am.

2. APPROVAL OF AGENDA

MOVED BY: Director Solda

SECONDED: Director Bennett

THAT the agenda be approved as circulated.

CARRIED

3. ADOPTION OF MINUTES

- a. **Regional Fisheries Resource Committee Meeting – February 7, 2013.**

MOVED: Director Bennett

SECONDED: Director Solda

THAT the minutes of the Regional Fisheries Resource Committee held on February 7, 2013 be received.

CARRIED

4. PETITIONS, DELEGATIONS & PRESENTATIONS

- a. **Mr. Andrew Thomson, Area Director, South Coast Division, Fisheries and Oceans Canada regarding areas of mutual concern.**

MOVED: Director Bennett

SECONDED: Director Solda

THAT Mr. Andrew Thomson, Area Director, South Coast Division, Fisheries and Oceans Canada be invited to address the Regional Fisheries Resource Committee.

CARRIED

Mr. Thomson thanked the Committee for the invitation to attend the meeting and advised that he will be happy to attend future meetings should he be available. Mr. Thomson answered questions from members of the Fisheries Committee.

1. Are there community funding sources and mechanisms there to aid our local enhancement and restoration concerns – ie: hatcheries?

Mr. Thomson advised that the salmon enhancement budget has been static. In the last 3 budget cycles the Fisheries Department have gone through cuts but the Salmon Enhancement Program (SEP) budget has been maintained. A new program to assist in habitat restoration programs will begin this Spring, with 10 million dollars set aside nationally for this. Mr. Thomson believes the Pacific Region is in a unique position to be able to take advantage of some of this funding.

2. What is the future DFO's revised of Use of Fish Policy?

Basics projects from past years will be funded for track 1, e.g. the PST test fishery has been rolled over, but the true meaning of this new legislation is still to be determined. For 2013 everything will keep going as in the past. The design of policies and guidance will come with public consultation which will determine with how best to deal with this new tool. DFO is conducting a Pilot Project in Cowichan. There will be a 2 day workshop focusing on the Chinook return and other species into the Cowichan River. A strategic approach on how we access what is limiting the returns. DFO is looking at possibly doing this in Barkley and Clayoquot Sounds as well. Sharing of information is of enormous benefit. Andrew Day advised that on June 10th & 11th West Coast Aquatic will be doing exactly what Mr. Thomson is discussing.

There was a discussion on use of funds for Track 2. Ocean ranching may be considered under Track 2 but one of the problems with ocean ranching is assigning public property to private interests. Net pen rearing behind port boat house is moving forward.

3. What is the possibility of using more of the salmon sports license fees for enhancement?

In 2013 the full \$6 tag fee will go to the Pacific Salmon Foundation.

4. Committee members inquired on the possibilities of greater community representation on DFO Management and Harvesting Advisory Committees.

Community representatives were not invited to meeting regarding Hake joint venture fisheries, at which policies were recommended that were detrimental to the interests of shore based processors.

Mr. Thomson apologized for the oversight. The Fisheries Committee members realize there may have been a mistake but the problem is there is an email list that leaves community representatives off. Why is this? The joint venture is a critical issue to West Coast Communities and this type of error is suspicious and concerning. Mr. Thomson feels in terms of community representation on DFO advisory committees the overall approach must be looked at, possibly a more structured and formal approach and a look at where the best seats for community representation are. Mr. Thomson will discuss with his DFO superiors and maybe follow up with this at a future meeting.

5. There was a discussion on the Pacific Salmon Treaty buy back. Mr. Thomson will get back to the Committee on how much of this has been used.

5. CORRESPONDENCE FOR ACTION/INFORMATION

a. MINISTER OF FISHERIES AND OCEANS

April 19, 2013, response to January 29, 2013 correspondence regarding the 2012 T'aaq-wiihak salmon demonstration fishery and upcoming 2013 season.

b. ALBERNI-CLAYOQUOT REGIONAL FISHERIES COMMITTEE

April 10, 2013, letter to Kathy Scarfo, Area G Troll Fleet regarding the Fisheries Committee offer of assistance.

MOVED: Director Bennett

SECONDED: Director Osborne

THAT correspondence a-b be received.

CARRIED

6. REPORTS

a. Department of Fisheries & Oceans Update – (Verbal)

B. Rusch, DFO, Port Alberni, provided a verbal update for the Department of Fisheries and Oceans. Area 23 Chinook forecast is just under 70,000 for the Somass which is quite a bit less than originally forecasted. The recreational fishery in the canal will close August 1st, the rest will be the same as last year. There will be no commercial fishery. Sockeye is quite a bit lower than forecast, only 350,000. This leaves room for a commercial fishery but at lower levels. In terms of management for area 23 the recreational fishery started May 1st. From May 1 to June 14, 2013 the limit is 2 a day and from June 15, 2013 a limit of 4 a day. The Maa-Nulth Fishery began this weekend. Area G opened on April 25th

and fishing continued until the closing at midnight on May 15th. Approximately 26,000 fish were caught. All year 36,000 fish caught. 76 boats maximum are active on any given day. The fishery will re-open in late August or early September. The TAC is 41,000. Regarding herring there are no final numbers yet but good spawning was observed in certain WCVI locations. There were early spawns (late Feb./early March) and fairly late spawns (late March.) Nootka had the most significant spawn. There was quite heavy coverage, probably the best in years.

A. Thomson advised that on April 1, 2013 the Fisheries Protection Program became regional. DFO is trying to stretch the recreational halibut fishery until fall, the maximum size of fish to be caught is 60 pounds.

b. Nuu-chah-nulth Tribal Council Update – D. Hall (Verbal)

With regard to the T'aaq-wiihak fisheries, D. Hall advised that the local DFO staff have been good to work with. The problems seem to come from Ottawa. The Nations requested a modest increase for their 2013 fishery including Chinook and other salmon and groundfish but this has not happened. The NTC requested that the 20 per cent holdback provision be removed from their fishery. Instead DFO reduced the already meager allocation to the five Nations from last year for the 5 Nations. Last year was 47000 pieces. This year the TAC, less the 20 per cent, is 37000 pieces. The fishing area was defined by the court decision but DFO is imposing additional constraints. The preliminary response a fishery request by the five Nations to pink salmon by DFO is no. DFO are saying the First Nations must follow the rules of Area G but the First Nations do not have the same amount of area to fish. Dealing with DFO is very frustrating. Decisions seem to be coming from Ottawa and Department of Justice. The NTC is looking at the Ling Cod TAC but DFO constraints are making it next to impossible to fish. Hopefully when the Court of Appeal ruling comes down it will be favourable for the NTC. At the moment it is hard to remain optimistic.

c. West Coast Aquatic Update – A. Day (Verbal)

A. Day updated the Committee on the Coastal Strategy and the marine spatial planning, salmon, float homes, and economic development. As part of the Coastal Strategy West Coast Aquatic have been working to produce marine spatial plans in Clayoquot and Barkley Sounds. The MSP Framework is being finalized and a Terms of Reference will be circulated for sign-off. In terms of salmon, this has been a difficult spring with the forecasted lack of Sockeye and Chinook, but the various parties have worked hard together to find solutions and stay focused on building a long term strategic plan and improved management framework. In terms of economic development WCA hosted a special session in early May. It was well attended and positive, with a number of next steps identified and keen interest to keep getting together. The

float home issue continues to be a difficult issue but the parties are coming to the table and working through issues.

PST Mitigation Economic Development Funds: West Coast Aquatic has been working with DFO and had a Draft Contribution Agreement for \$500,000 with respect to the PST mitigation funds. When WCA requested an update on how this was proceeding they were told that DFO was not going to continue with this Draft Agreement and would be posting on their website for bidding. A. Day read the email from Patrick Mahaux of DFO regarding the decision. WestCoast Aquatic Management Association will be required to enter the bid process and can only hope that they will be successful.

MOVED: Director Bennett

SECONDED: Director McLeman

THAT the Fisheries Committee send a letter to DFO giving the history of the Draft Contribution Agreement with regards to communities between DFO and West Coast Aquatic, expressing our support for West Coast Aquatic and mentioning West Coast Aquatic pilot.

CARRIED

A. Day noted that WCA will not lobby or advocate on behalf of local governments on this matter; they can supply factual information.

d. West Coast Local Issues – B. Irving/T. Bennett/J. Osborne (Verbal)

T. Bennett advised that the Coastal Community Network will be meeting onsite with Julia Passage float homes owners in early June.

J. Osborne advised that Tofino had just had their first Economic Development Advisory Committee meeting for the first time ever. For the first time in 15 years a sea otter has taken up residence in Tofino Harbour. Just finishing up on the paving project – new stairs and approach to boat ramp.

B. Irving advised that the two moth balled fish plants are once again open and processing for about 10 months of the year. This is 80 new jobs. A new business has started in Ucluelet. They will be raising live had fish in tanks to get them a little bigger before processing. There are 3 bus loads of workers now coming into Ucluelet each day from Port Alberni because of lack of affordable housing on the West Coast.

MOVED: Director Bennett

SECONDED: Director Solda

THAT verbal reports a-d be received.

CARRIED

f. **Alberni Valley Local Issues – P. Cote/ J. McLeman(Verbal)**

P. Cote discussed invasive species in Sproat Lake. The koi are spawning at the moment, they like shallow warm bays with lily pads. Something needs to be done very quickly as there is a very short window of opportunity. A. Thomson thanked P. Cote for bringing this to his attention. He advised that DFO have mechanisms to deal with this type of problem. No promises but will look into this. P. Cote advised that there are thousands of koi and some are 20 pounders. There are also Sun Fish and Bull Frogs and they are in the same bay as the koi right now.

MOVED: Director Cote

SECONDED: Director Solda

THAT the Fisheries Committee send a letter to Andrew Thomson, Area Director, South Coast Division, Fisheries and Oceans Canada regarding the koi problem in Sproat Lake and to follow up within 2 weeks.

CARRIED

Also find out who to contact in the BC Ministry of Environment regarding this issue.

J. McLeman discussed the Port Alberni waterfront, the tidying up of the plywood plant land and the Port Alberni Port Authority dock that now has more access.

MOVED: Director Cote

SECONDED: Director Osborne

THAT these verbal reports be received.

CARRIED

7. UNFINISHED BUSINESS

a. **Region Wide Fisheries Resource Database (3rd Draft) - Handout**

R. Gunn discussed the database with the Committee and requested that any changes or additions be sent to him within the next 10 days. An electronic version of the final draft will be sent to Committee members when the Minutes are sent out. Mr. Thomson advised that Mount Waddington has done a similar study and this is on their website.

MOVED: Director Solda

SECONDED: Director Osborne

THAT the Region Wide Fisheries Resource Database (3rd Draft) be received.

CARRIED

8. NEW BUSINESS

MOVED: Director Irving

SECONDED: Director Solda

THAT the Fisheries Committee send a second letter to the Province expressing the importance of having Provincial attendance at our meetings.

CARRIED

9. ADJOURN

MOVED: Director Cote

SECONDED: Director Bennett

THAT this meeting be adjourned at 12:50 pm.

CARRIED

Certified Correct:

Bill Irving,
Chairperson



MEMORANDUM

To: Andrew Thomson

From: Alberni-Clayoquot Regional District Fisheries Resource Committee

Date: June 4, 2014

Subject: Discussion Items for the June 23, 2014 Alberni-Clayoquot Regional District Fisheries Resource Committee meeting

-
- Year End (Dec 2013) update on Pacific Salmon Treaty Program Troll Fleet Buy Back
 - number of vessels tendered and balance remaining in the account, and
 - what happens when the 10 years are up on the program?
 - Progress with community representation on the various fisheries advisory processes – can you provide an indication of those that already have community representation and some suggestions as to any other important ones that do not and perhaps should.
 - The future of the WCVI roe herring fishery given the events at the beginning of this season. What is the future outlook for the fishery?
 - Update on the 2013 hake season and the TAC for 2014
 - What is the plan for Area G trollers related to access to Fraser river sockeye?
 - How is the West Coast involved in new funds available for Small Craft Harbours?
 - How do we comment on DFO plans for quotas on salmon?
 - DFO promotion of health benefits of eating fish
 - Omega Pacific Fish Hatchery – copy of letter attached separately – this was referred to the Fisheries Committee from the Alberni-Clayoquot Board of Directors.



The Future of Salmon

Alberni-Clayoquot Regional District
3008 Fifth Avenue,
Port Alberni,
B.C.
V9Y 2E3

Omega Pacific Hatchery Inc.

PO Box 9, Port Alberni

BC, Canada V9Y 7M6

250.731.5043

camp@lincsat.com

March 7, 2014

Dear Regional District Members,
The Department of Fisheries and Oceans is currently facilitating their annual Integrated Fisheries Management Plan Meetings (IFMP). This is when local community groups are given the opportunity to submit Enhancement Projects for the upcoming 2014 fall season.

The Chinook Sub-committee of the Barkley Salmon Working Group has submitted six projects for our area which include Omega Pacific Hatchery to provide incubation and rearing services, community member's participation for labor, and the committee as a whole to raise money for Coded Wire Tagging, Fish Feed, Transport and Lab Fees for Fish Health Checks. Jan 31, 2014 was the deadline for submissions.

Department of Fisheries and Oceans generally meet to discuss the projects ahead of time, however, minimal opportunity was provided and we were directed to submit via email.

The "Draft IFMP" is now posted on the internet open for public comment. There are hundreds of projects listed to be undertaken by hundreds of organizations and community groups. Not one of our projects is included, despite being identical to others; as well two have been re-directed to other facilities.

Last year, once again, The Alberni-Clayoquot Regional District, City of Port Alberni in addition to numerous others, wrote letters to Mr. Andrew Thomson, South Coast Area Director, requesting the department take a pro-active approach for the better management of our local fisheries resource to include participation by Omega Pacific Hatchery. More important than ever, since the preliminary adult chinook returns to the Sarita River from smolts which Omega Hatchery grew in 2009 resulted in 15x greater oceans survivals than for the standard chinook smolts currently being released.

We would like the Regional District to organize a meeting with DFO's managers, our Barkley Salmon Sub Committee, and the City to discuss this in hope of including a few of the projects we proposed in our area. The IFMP Draft is open to public input to March 31, 2014.

Thank you,
Sincerely,

Carol Schmitt,

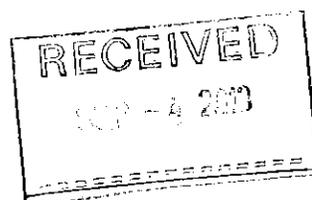
"Culturing Pacific Salmon Since 1980"



Ottawa, Canada K1A 0E6

AUG 27 2013

Mr. Cliff Atleo Senior, President
Nuu-chah-nulth Tribal Council
5001 Mission Road
P.O. Box 1383
Port Alberni, British Columbia
V9Y 7M2



Ms. Cindy Solda, Chair
Alberni-Clayoquot Regional District
3008 5th Avenue
Port Alberni, British Columbia
V9Y 2E3

Dear Mr. Atleo and Ms. Solda:

Thank you for your correspondence of May 31, 2013, addressed to my predecessor, the Honourable Keith Ashfield, regarding the mitigation funds under Chapter 3 (Chinook) of the Pacific Salmon Treaty.

While I regret that I cannot meet with you at this time, Fisheries and Oceans Canada (DFO) remains committed to working with West Coast Vancouver Island communities through the Economic Capacity-Building element of the Mitigation Program under Chapter 3 (Chinook) of the Pacific Salmon Treaty.

DFO did explore the option of entering into a Contribution Agreement for this element of the Mitigation Program, but Government of Canada financial management policies require that the funds be spent through a contract process. As such, a request for proposals was posted on MERX (Canadian Public Tenders) and proposals are now being assessed.

The contracting process is transparent, fair, and based on guidelines, procedures and legal requirements. The process does not preclude bidding by communities, groups of communities, or other candidates, provided they meet the mandatory requirements set out in the evaluation criteria in the Statement of Work; however, it does prohibit the involvement of potential bidders in the contract awards decision-making process. The timeframe for services for this contract has been set at two years because the duration of the mandate for the Mitigation Program under Chapter 3 (Chinook) of the Pacific Salmon Treaty is from 2010 to 2015.

.../2

Your interest in marine economic development is appreciated. The Department has an important role to play in terms of managing fisheries, small craft harbours and Canadian Coast Guard services. However, DFO's role is limited and a general discussion of marine economic development would need to include others, including the Province of British Columbia, West Coast Vancouver Island communities and other federal agencies. Marine planning initiatives, like the one undertaken by West Coast Aquatic, help identify opportunities for marine economic development that is compatible with the local and regional environment and existing uses and activities.

Thank you for writing about this important issue.

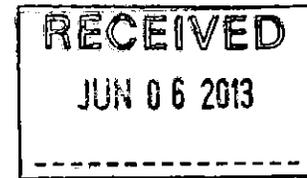
Yours sincerely,

A handwritten signature in cursive script that reads "Gail Shea". The signature is written in black ink and is positioned above the typed name.

Gail Shea, P.C., M.P.



MAY 31 2013



Ms. Cindy N. Solda
Chair
Alberni-Clayoquot Regional District
3008 Fifth Avenue
Port Alberni, British Columbia
V9Y 2E3

Dear Ms. Solda:

Thank you for your correspondence of April 8, 2013, regarding the Pacific Salmon Treaty (PST) Mitigation Fund.

I have attached the information that you requested on retirement eligibility for salmon troll licences (please see Appendix A). Applications for the most recent opportunity were due by May 10, 2013. The next opportunity for retirement is anticipated to be as early as June 2013. At that time, a new Voluntary Salmon Troll Licence Retirement application package will be mailed out to those who are eligible. Subsequent rounds are anticipated for September 2013 and December 2013, with a review after the December round.

Regarding economic planning, work through the Mitigation Program under Chapter 3 (Chinook) of the PST can, in fact, lead to accessing additional funding through pre-existing programs.

Within the next few months, Fisheries and Oceans Canada (DFO) expects that a multi-year contract will be in place that will allow economic development experts to work directly with communities to focus on the Mitigation Program's Economic Capacity-Building component. This will provide communities impacted by reductions in allowable harvest under Chapter 3 (Chinook) of the PST with tools to improve the economic capacity, including the following:

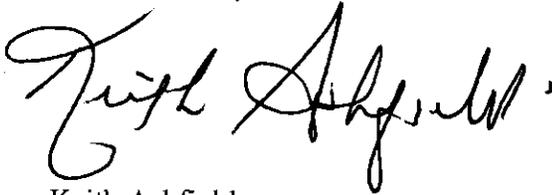
- Identifying needs related to economic capacity and prosperity;
- Developing economic action plans to address those needs;
- Helping communities implement action plans; and
- Helping communities fill out and submit applications for funding and grants available through pre-existing federal, provincial or local government, or other programs to address economic development needs.

.../2

Regarding the Area G troll fishery for this year, domestic sockeye returns are such that opportunities for the Area G troll fishery are unlikely. DFO has received, and is reviewing, a proposal to access coho in Area G. Additional details on any opportunities will be communicated to the fleet as soon as analysis is completed.

Thank you for taking the time to write with your concerns.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Keith Ashfield". The signature is written in a cursive, flowing style with a large initial 'K'.

Keith Ashfield

Attachment

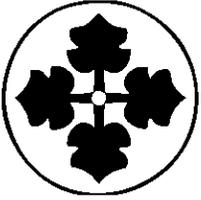
Appendix A - Salmon Troll Licence Eligibilities Retired

Rounds 1, 2, 3 and 4 are complete and selections from Round 5 have been made. Results to date are summarized in the table below.

Retirement Round	Applications Received	Licence Eligibilities Retired			
		Area F	Area G	Area H	Total
Round 1	46	0	6	0	6
Round 2	62	11	8	6	25
Round 3	39	4	4	2	10
Round 4	36	4	5	1	10
Round 5 ^a	46	6 ^a	4 ^a	1 ^a	11 ^a
Total to date	229	25^a	27^a	10^a	62^a

Notes:

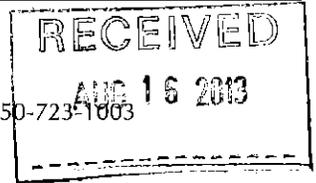
^a The Department made offers to retire 15 salmon troll licence eligibilities in round 5; however, 10 relinquishment agreements (with the possibility of an 11th) have or will be submitted. Subject to final paperwork being completed, there could be six Area F, four Area G, and one Area H salmon troll licence eligibilities retired.



CITY OF PORT ALBERNI

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4850 Argyle Street,
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Fax: 250-723-1003



File #: 0470-30

August 13, 2013

Alberni Clayoquot Regional District
3008 Fifth Avenue
Port Alberni, BC V9Y 2E3

ATTN: Russell Dyson, CAO

Dear Russell:

At a regular meeting on August 12th, 2013, Council for the City of Port Alberni received the attached email from Peter Finch with regards to improving the recreational fishery and suggesting commercial fishing from Chub Point to the Somass River be stopped to allow maximum return of all salmon species.

Council directed that the email be forwarded to the ACRD Fisheries Resource Committee for their review.

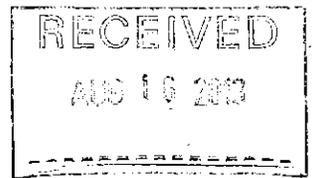
Yours truly,
CITY OF PORT ALBERNI

Davina Hartwell

Davina Hartwell
City Clerk

c. Peter Finch
Department of Fisheries & Oceans

J:\Clerks\Letters\ID G HRDACA\2013\Fisheries Committee_PFinch_Aug14.docx



From: Peter Finch P.Eng
Sent: Tuesday, July 23, 2013 10:22 AM
To: bluebirdmotel@shaw.ca; rob@islandtimebt.com; info@wendykerr.ca; jmcln@shaw.ca; cindysolda@me.com; dWASHINGTON@alberniengineering.com; John Douglas
Cc: Ken Watson
Subject: Economic improvements and fishing

One of the excuses for your excessive tax increase was for you to work at improving the city economics. Well recreational fishing is obviously one of the drivers. Yet I do not see any of you working to improve this industry. By pound this is the best return that can be gotten per fish caught. Especially to Alberni where the commercial fishery brings minor benefits but recreational fishing visitors bring major benefits.

This year the commercial fishery, in operation early, has succeeded in making the sockeye recreational fishery "spotty". Now it would appear the over fishing by the commercial fleet has succeeded in allowing far too few fish to escape to the lakes. The recreational fisher is taking the hit as we are now reduced to 2 fish per day. (this is hardly necessary as few if any recreational fishers are limiting out). The outlook for the return of this year's spawn will be low, affecting future canal returns and fishing. A commercial seine fishery was run in the China Creek area where several boats cleaned this area of nearly all sockeye. Since then, under the guise of being a 'test' fishery, a commercial seiner has been commercially fishing in the zone from lone tree to the narrows. What are you doing to stop this type of blatant attempt, largely successful, to destroy the recreational fishery? The fishery that is probably one of the biggest draws to get people to actually come and spend in Alberni. This year in particular with the Chinook closure we need to maximize the recreational use of the other salmon species.

Can you please advise us as to what you are doing, or planning to do, to enhance the recreational fishery? One of my recommendations would be to stop all commercial fishing in the canal, from Chub Point to the Somas river. This would allow a maximum return of all salmon species as well as truly make us the "Salmon Capital of the World" and drive a thriving recreational fishery and the economic return to the city.

Peter Finch

Port Alberni

ENTERED

E.I. ✓

FREEZER TRAWLERS IN THE BC GROUND FISH TRAWL FISHERY

Prepared for: Province of British Columbia,
Corporate Governance, Policy and Legislation Branch

Prepared by: Stuart Nelson,
Nelson Bros Fisheries Ltd
stu@nelsonbroconsulting.com

Date: March 28, 2014 (revised June 12 2014)



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INTRODUCTION

The British Columbia hake fishery is the largest on Canada's Pacific coast in terms catch volume. Hake is a low-valued species, however, so the vessels and processing operations involved in the fishery generally seek high throughput volumes to generate adequate returns.

While the bulk of the BC hake fleet delivers whole fresh product to shore-based facilities for processing, the fleet now includes four freezer trawlers—Viking Enterprise, Osprey, Northern Alliance, and Raw Spirit—that dress and freeze their catch at sea. The scale of the four freezer trawlers is larger than most vessels in the fresh fleet, and the vessels are relatively new to the fishery, with two in operation for about eight years, and two having been commissioned in the last two years.

The scale and novelty of the vessels in the BC fishery has aroused some attention, both positive and negative. The Province of BC, taking the view that objective baseline information is required, has commissioned Nelson Bros Fisheries Ltd to prepare this paper to shed light on the freezer trawler segment of the BC hake fleet.

BACKGROUND

In this section background information is provided to convey some context for the entry of freezer trawlers into the BC hake industry. Following are summaries of:

- The evolution of the BC hake industry.
- Key attributes of the hake resource.
- Hake TAC and landings trends.

EVOLUTION OF THE BC HAKE INDUSTRY

The hake fishery in BC has seen a steady evolution, encapsulated as follows:

- Prior to 1978, before the introduction of the 200-mile limit, hake was entirely harvested by foreign factory vessels. There was virtually no involvement in the hake fishery by Canadian participants.
- In 1978 Canadian involvement began. In the absence of significant shore-based processing capacity in BC, an arrangement was made whereby Canadian trawlers would deliver to foreign factory motherships. The Canadian fishing industry (represented by the Hake Consortium of BC) contracted with foreign interests to purchase and process hake caught by BC trawlers. This became known as the Joint Venture, or JV fishery. The foreign factory ships accompanied the fishing fleet, taking on-grounds deliveries, and processing the catch on the spot.
- A shore-based BC hake processing sector began to emerge, and by the 1990s, shore processing was conferred a priority over utilization of the BC hake catch. The Total Allowable Catch (TAC) was allocated entirely to BC vessels for delivery to BC shore plants. The exception was that if the expected catch was surplus to the planned needs of the shore-based sector, and all key stakeholders agreed, then a JV fishery could be allowed.

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- The BC shore-based processing sector initially focused on production of surimi, primarily for Asian markets. Fillets were soon added to the product mix. Processing was centered in Ucluelet, with a plant also operating in nearby Port Alberni. The plants and equipment were highly specialized for hake production. In the early 2000s surimi production ceased to be viable for shore-based operations, and a switch to headed and gutted (H&G) product was effected.
- The emergence of H&G markets for BC hake, generally bound for Eastern European markets, opened up the business to a host of BC processors and buyers, as the equipment to produce the product was generic, and strong demand attracted new entrants.
- The evolution of the hake industry has also been influenced by the adoption in 1997 of the Individual Vessel Quota/Groundfish Development Authority (IVQ/GDA) plan. This plan allowed vessel/quota holders to better plan their fisheries, and gave interests not directly invested in the fishery, such as coastal communities, a greater profile in the fishery management process.

Hake is a very new fishery that has already seen considerable change. Allocation decisions surrounding hake have at times been highly contentious. Positions—and perceptions—regarding shore-based versus at-sea processing are highly entrenched.

ABOUT THE HAKE RESOURCE

Some key points regarding the Pacific hake resource relevant to this analysis are:

1. Hake is a large biomass that also exhibits considerable volatility. TACs have fluctuated significantly over the years.
2. It is a trans-boundary stock, managed through Treaty arrangements with the USA. The Treaty specified both scientific and management arrangements, and prescribes a division of the TAC to the nations (73.88% to the USA, 26.12% to Canada). Though the stock ranges from southern California to Alaska, the bulk of the resource is found in waters south of the 49th parallel for most of the year.
3. The distribution of the stock during the fishing season (traditionally May through October) varies considerably from year to year, influenced by oceanic and environmental factors. Some years, the stock is abundant in Canadian waters that are proximal to southwest Vancouver Island, and delivery by vessels to Ucluelet or the Lower Mainland is facilitated. Other years, the resource is more dispersed along the BC coastline, and vessels are challenged to deliver cost effectively to these locations.
4. It is a highly perishable fish that presents logistical challenges for shore-based delivery—unless fish distribution is optimal. Ideally, the fish should be processed within a day or two of capture.

These characteristics of the hake resource have strongly influenced the above-described evolution of the hake industry.

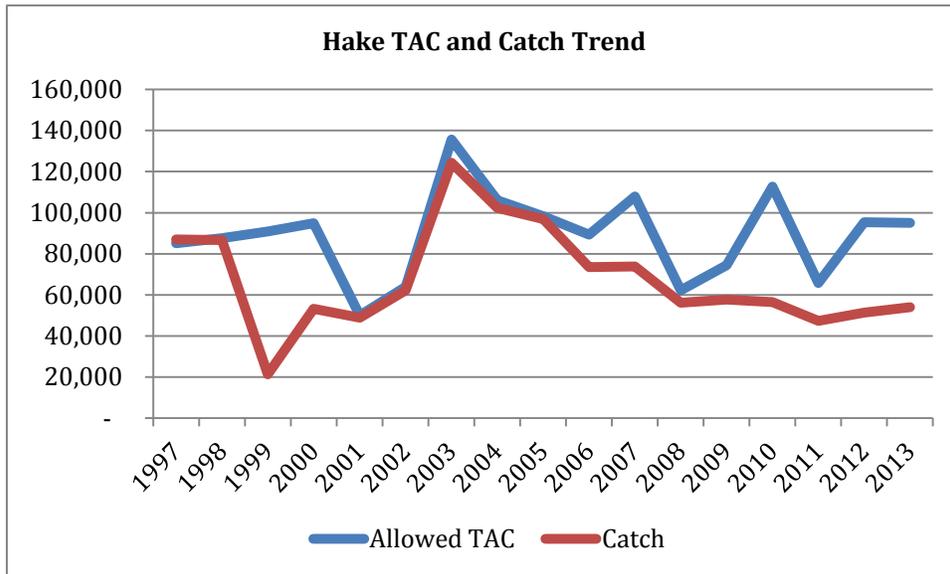
STUDY: FREEZER TRAWLERS IN THE BC GROUND FISH FISHERY (DRAFT)

HAKE FLEET: HARVEST AND EFFORT LEVELS

While hake TACs are very large relative to other BC fisheries, and the trawl fleet has ample capacity to exploit them, the fleet has nevertheless struggled at times to fully utilize TACs in recent years.

Catch vs. TAC

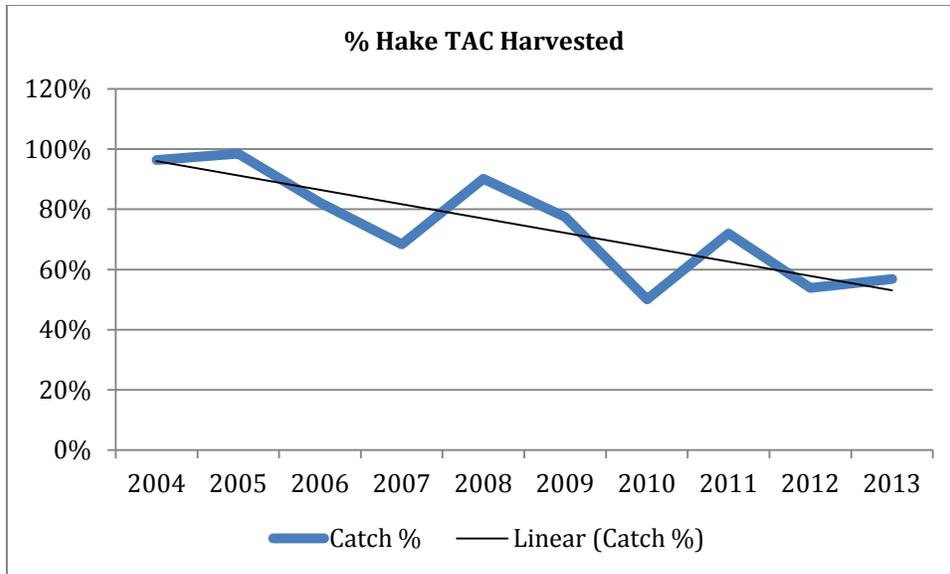
The following chart confirms the volatility of the hake TAC, and reveals that the BC trawl fleet has periodically failed to fully utilize it. In past years, catch shortfalls were most related to market conditions; that is, low market demand and prices stifled fishing efforts. This was true, for instance, in 1999 and 2000, when weak surimi markets caused Ucluelet shore-based plants to curtail production.



More recently, however, the frequent failure to fully harvest available TACs is due to problematic hake distribution and abundance. The “preferred” abundance pattern—considered to be the norm in the past—saw thick schools of hake summering in the waters adjacent to southwest Vancouver Island. This pattern suited Barkley Sound area processors perfectly, and even worked for fresh deliveries to Lower Mainland operations. More typical of current patterns, however, are hake that are thinly and intermittently distributed throughout the BC coast.

The utilization of hake TACs expressed in percentage terms for the last 10 years, is shown below:

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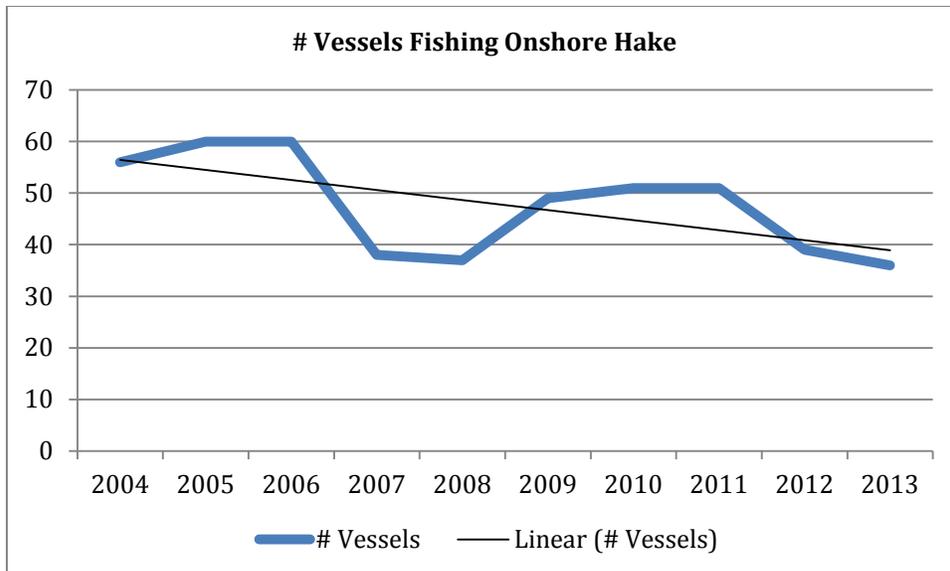


The clear downward trend is troubling on a few fronts:

- There is substantial socio-economic benefit to Canada left on the table.
- If Canada consistently fails to utilize its TAC, there is concern that the USA may press, with some rationale, to gain a larger share of the TAC for American fleets upon expiry of the current Treaty.
- Since the catch of the freezer trawlers is included in the values, the downward trend for the fresh/shore-based sector of the fleet is even more pronounced.

Number of Vessels

The number of vessels participating in the hake fishery follows a cyclical pattern, though the overall trend is downward.

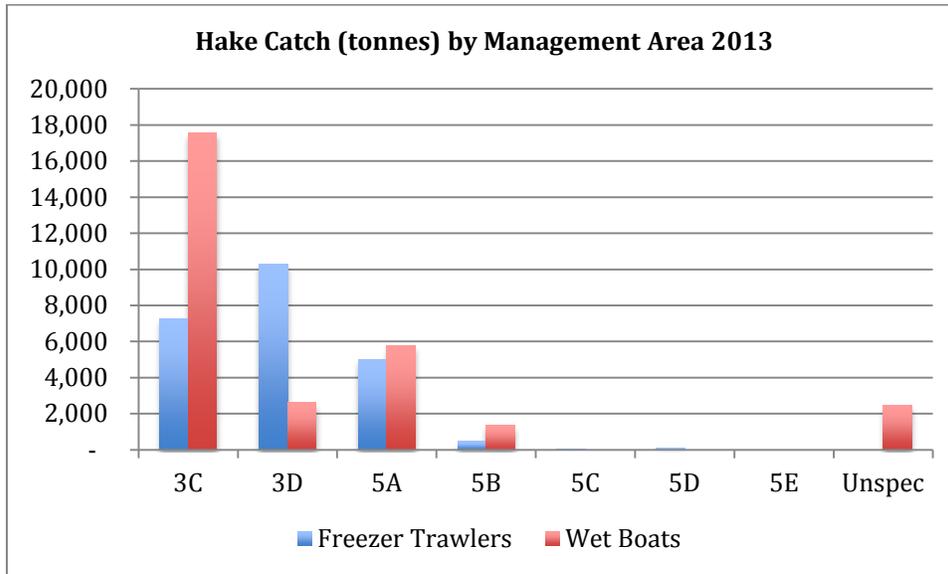


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The reason for the trend is not certain, though it seems likely that recent challenges in catching fish have caused many hake quota owners to opt to lease out to other vessels, rather than attempt to catch the fish themselves. In this regard, the freezer trawlers provide a demand for hake IVQ on the lease market.

Location of Catch

The next chart shows, for the 2013 season, the breakdown of catch by DFO management area for the 32-vessel fresh fleet vs the 4-vessel freezer trawl segment.



As expected, wet (fresh) vessel effort centered in area 3C (south west Vancouver Island), with about 60% of the sector's catch in this region. Area 5A (top end of Vancouver Island) saw the second largest catch level (20%) for the fresh fleet; fish caught in this area may be processed in Port Hardy or trucked to plants on southern Vancouver Island or the Lower Mainland.

The freezer trawler catch was more evenly dispersed between southern, northern, and top-ends of Vancouver Island. The largest catch concentration was in area 3D (northern Vancouver Island).

The total catch for the 32-boat fresh fleet was about 30,000 tonnes, while four freezer trawlers caught about 23,000 tonnes. Over 40,000 tonnes of TAC was left uncaught.

This result demonstrates a reality of the hake fishery: unless large volumes of fish are harvestable in area 3C, the fresh fleet will struggle to attain high catch volumes and satisfactory utilization. The primary reasons for this are difficulty catching economical loads of fish, cost (fuel being a major one), and time to transport perishable fish to shore-based plants. By contrast, the freezer trawler segment can work on hake schools wherever located, without regard for perishability, and without needing to shuttle fish to processing sites.

POLICY ENVIRONMENT

Key elements of the policy and regulatory environment governing BC's trawl fleet are summarized in this section.

BC AT SEA PROCESSING POLICY

The following is quoted from the report "Discussion Paper on At-Sea Processing" (Nelson, 2004).

The 1980 At-Sea Processing policy (still in effect) states:

In the interest of providing for social stability, offshore processing will be limited to fishermen who process their own catches only. Exceptions will apply only where the fish species cannot be economically processed in existing shore-based facilities.

The policy allows fishermen to dress, freeze, package, and ice their own fish. Further processing is prohibited unless an exception is granted by the Province.

Exceptions to the policy may be considered when:

- *There are no existing shore-based facilities or limited processing capabilities in the harvest area.*
- *The quality of the raw material deteriorates so quickly after landing that the fishery cannot be adequately served by shore-based processing facilities.*
- *The product is underutilised.*

In many of BC's commercial fisheries, fishermen take advantage of the exemption to the offshore processing prohibition that allows them to dress, freeze, package, and ice their own fish. Examples include:

- Salmon trollers virtually always deliver a dressed product, sometimes iced, and sometimes frozen at sea.
- Halibut fishermen deliver dressed, iced fish.
- Prawn fishermen often freeze their catch onboard and place it cartons that can be directly shipped to Japanese customers.
- Sablefish (black cod) fishermen deliver a "J-cut" product (head and guts removed), either iced or frozen on board.
- Groundfish trawlers freeze their thorny-head catch onboard.

None of these practices has aroused any apparent contention. In fact, product that is frozen at sea (known as FAS) is beginning to develop a marketing niche, as consumers recognize that FAS product provides a high-quality alternative to fresh.

Further processing of fish is barred by policy. The same prohibition that precludes groundfish trawlers from filleting their catch on board precludes a salmon gillnetter from filleting a fish at a public sales float for a customer.

The four freezer trawlers dress, freeze, and package their catch under the same policy as the balance of the BC commercial fishing fleet.

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AT SEA PROCESSING POLICY IN OTHER JURISDICTIONS

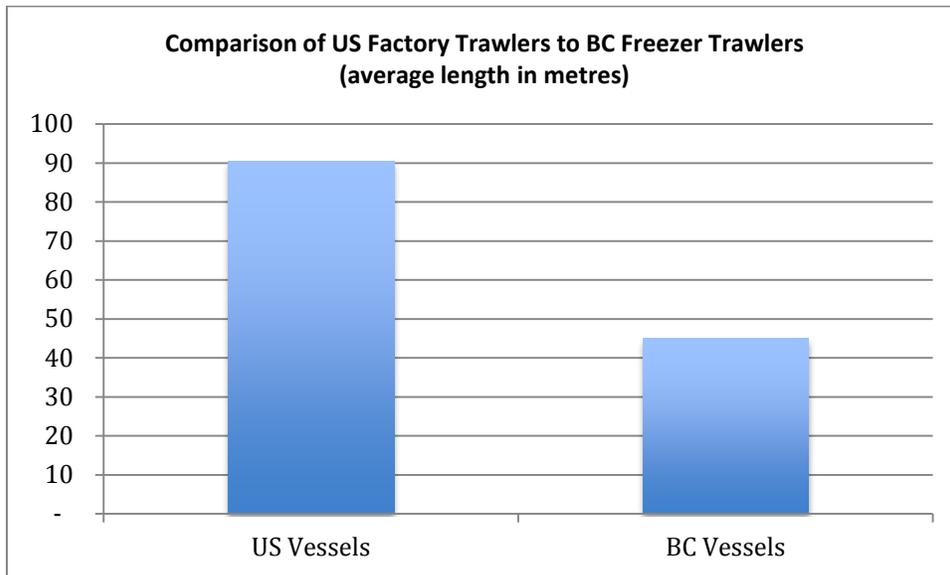
A discussion paper prepared by Nelson in 2004 compared BC's at sea processing policy to that of other jurisdictions including: Atlantic Canada, Alaska, Washington State, Iceland, and New Zealand.

The comparison concluded with the observation that "regulations limiting at sea processing are either non-existent or less-restrictive in the areas surveyed than in BC."¹

The USA hake fishery, managed under Treaty with Canada, and conducted primarily off the Washington and northern Oregon coasts, provides a direct comparison to BC. In the USA fishery the hake TAC is divided amongst three sectors as follows²:

- Shore-side sector (fresh vessels delivering to shore plants): 42%
- Catcher-processors (factory trawlers that process their own catch): 34%
- Motherships (at sea factory vessels that take deliveries from fresh vessels): 24%

Unlike BC, catcher processors are not restricted to dressing and freezing their catch, and vessels produce a variety of product forms including fillets. Compared to BC, the American catcher processor vessels are extremely large, about double the length on average of the BC freezer trawlers, and have exponentially greater capacity. They typically participate in Bering Sea pollock fisheries as well as hake.



¹ BC's At Sea Processing Policy. Nelson and Blewett. 2004. p 12-13

² Pacific Whiting Conservation Cooperative website "About PWCC." Note that hake is usually referred to as whiting in the USA.

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According to Pacific Whiting Conservation Cooperative literature, 6-7 catcher processors participate in the hake fishery annually. The calculated catch for these vessels for the 2013 season is shown below:

2013 Season (tonnes)	USA Catch	Allocation	Indicated Share
Catcher processor sector	229,413	34%	78,000

This volume far exceeds the 2013 catch by BC freezer trawlers (23,000 tonnes) and indeed eclipses the total Canadian hake catch (54,000 tonnes).

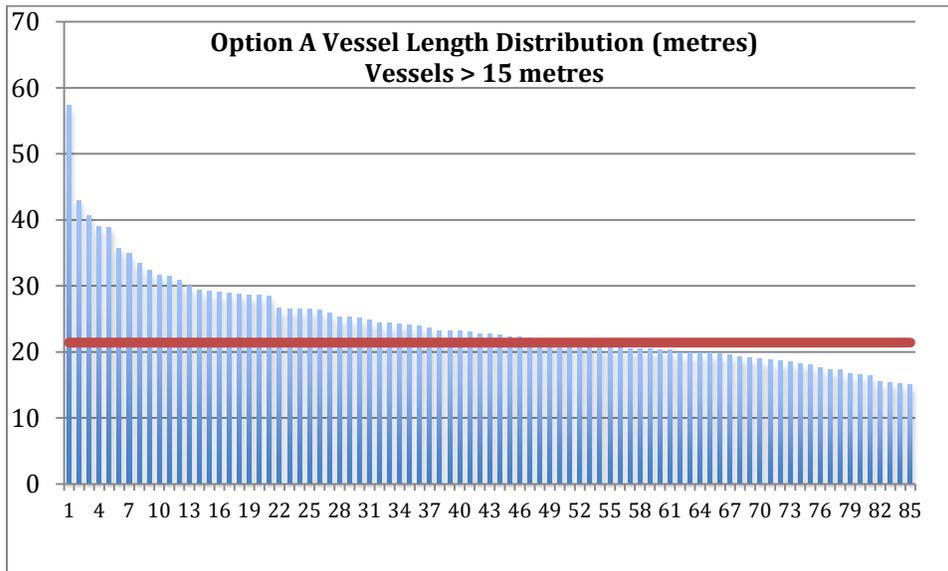
It is clear that the larger hake fishery in the lower 48 states is far more weighted to at sea processing than BC's fishery.

FISHERY MANAGEMENT POLICY

The IVQ/GDA plan that governs the conduct of the groundfish trawl fishery (including hake) is extremely complex. This management plan was developed jointly by stakeholders that included DFO, fishermen, processors, the Coastal Community Network, and the fishermen's Union. It sought a balance between business and social considerations.

A key part of the vision for the trawl fleet was to limit consolidation of the fleet; that is, prevent an undue amount of quota from being stacked upon a small number of large vessels. A series of rules were developed in this regard, including:

- Vessel length restrictions—each trawl licence had a maximum length restriction to prevent owners from replacing existing vessels with significantly larger ones. The chart below shows the distribution of vessel length for the trawl fleet. Each bar on the chart represents a single vessel, and while the four freezer trawlers are among the five longest vessels in the industry, they are not aberrantly larger than others in the fleet. The average vessel length is 21.4 meters.



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- Holdings caps—each trawl licence was capped at certain amounts of overall quota holdings; this was to prevent the fleet from collapsing onto too few³ vessels.
- Species caps—for each quota (groundfish is a multi-species, multi-area fishery), vessels were capped at a maximum holdings percentage; this was a further safeguard to prevent too few vessels from hoarding key species.

The intent of these (and other) regulations was to give the fleet adequate flexibility to adapt to changing market and resource conditions, while preserving a diverse fleet with a reasonable number of vessels.

The IVQ/GDA plan rules, coupled with at-sea processing policy, have provided the latitude for the freezer trawl vessels owners to import sizeable vessels and assemble economic parcels of hake IVQ. Conversely, they preclude operators from:

- Bringing in USA-sized ships (licence length restrictions).
- Appreciably growing the amount of quota they place on their vessels (holdings and species caps); the freezer trawlers are, to use industry parlance, “capped out.”
- Producing fillets, surimi, or other product forms that require processing other than dressing/freezing.

RULES ON OWNERSHIP

The policy framework under which the trawl industry operates includes several safeguards to prevent pyramiding of quota onto too-few vessels, and affords protections for shore-based processors (including limits on at-sea processing, and priority allocations of fish). However, there is nothing to preclude:

1. Foreign interests from buying into the BC trawl fishery⁴ (or any other fishery).
2. Individual interests from buying multiple fishing or processing units in BC fisheries.

This is in stark contrast to the American fishery system, where severe concentration and ownership limits are in place, but not atypical of Canadian natural resources generally, where a high degree of ownership by foreign interests is common.

Currently, the four freezer trawlers are owned by bona-fide Canadian interests. A significant groundfish operation (including hake and groundfish quota, vessels, and processing facilities) is now owned by an American parent company.

³ While “too few” vessels is referred to, the architects of the IVQ/GDA plan did not specify specific fleet-counts by fishery. They recognized the fleet would specialize into different business models. Overall, they envisaged a 60-80 boat working trawl fleet (including both groundfish and hake). The fleet has remained within these bounds according to periodic reviews of the IVQ/GDA plan.

⁴ Foreign interests have only to form a Canadian corporation to hold the fishing licences/quotas.

BC'S FREEZER TRAWLERS

In this section specific information on the four freezer trawlers is provided.

BUSINESS FUNDAMENTALS

The business case for the four freezer trawlers is encapsulated as follows:

- Potential to target under-utilized species; predominantly hake but also pollock and arrowtooth flounder. The TACs for these species are rarely fully harvested.
- Vessel owners are also substantial owners of hake IVQ; can utilize own fish.
- Ability to follow fish stocks wherever located without the need to offload regularly. Lesser dependence on abundance of hake in area 3C (southern Vancouver Island).
- Dressing and freezing at sea, when raw material is still extremely fresh, produces a very high quality product; the inherent perishability of these species is not an issue for FAS production.
- Large holding capacity reduces the frequency of offloads (leaving the fishing grounds).
- Exploit strong demand for H&G products, particularly in Eastern Europe.
- Cost effective production.
- Some costs borne by shore plants are not applicable, such as municipal and property taxes.
- Ability to return offal to the sea (the natural flushing action of the open ocean renders the offal harmless).
- Earn financial returns through efficient production and achieving economies of scale.
- Supply of suitable used vessels in other jurisdictions with limited re-fit required (none of the four BC freezer trawlers were purpose-built or purchased new).

Conversely, freezer trawlers face some disadvantages compared to shore-based processing operations:

- Limited by policy to dressing and freezing. Shore plants are free to produce any product form (such as fillets or value-added), a valuable option when markets are ever changing.
- Limited, because of licensing and vessel configuration to targeting hake, pollock, and arrowtooth flounder. Shore plants can diversify into a range of other species such as salmon, herring, and shellfish. Thus, the freezer trawlers are vulnerable to resource or market glitches for these species.
- At sea processors bear some additional or incremental costs compared to shore-based operations, such as fuel (a major expense) and moorage. Repairs and maintenance costs are likely higher, employees (crew persons) earn higher rates, and capital cost (vessel purchase and refit) is significant.
- Current inability to derive value from offal (because of vessel size constraints and equipment costs), whereas shore plant can render offal into valuable byproducts (meal and oil).

STUDY: FREEZER TRAWLERS IN THE BC GROUND FISH FISHERY (DRAFT)

In essence, freezer trawlers enjoy a competitive advantage compared to shore operations arising from their mobility, efficiency, and product quality. The current pattern of hake distribution in BC waters favours freezer trawlers over fresh boats that deliver ashore. The business model is highly reliant on access to a healthy hake resource and Eastern European market conditions, however; should either or both of these factors deteriorate significantly, then the viability of the vessels would be undermined.

EXPENDITURE METRICS

The four freezer trawlers represent a new and substantial chunk of capital investment in a BC fishery that has seen very little new vessel construction or replacement in the last 25 years. While most of the vessels in the wet/fresh trawl fleet are now 30-40 years old (nearing or having reached the end of their service cycles), the freezer trawlers, imported from overseas fisheries, are 10-15 years old. This is new by BC standards, but these vessels were sold by their former owners to enable upgrade to more modern craft.

The operating expenses incurred by the four freezer trawlers, for key categories, are shown for an average year in the following table⁵:

Freezer Trawler Aggregate Annual Expenses	Amount (\$millions)
Fuel	\$5.8
Observer program	0.5
Groceries	0.3
Payroll (captain, crew, wages, shares)	8.2
R&M (labour & materials)	3.0
Insurance	0.6
Moorage/docking charges	0.3
Unloading	1.6
Packaging materials	0.8
Trucking	1.6
Ocean freight	3.1
Cold storage	0.5
Total	\$26.5

This scale of economic activity is substantial. The vessel owners indicate that the vast majority of these expenditures are made to local (BC) suppliers of goods and services. At least 40% of crew members reside in Vancouver Island communities, while most of the balance dwell in the Lower Mainland.

One of the freezer trawlers is based out of Port Alberni. Local officials report that the economic impact of the vessel is significant, and that they view this vessel as an “anchor tenant” that can be used to attract other fish boats to the port.

Municipal governments in both Port Alberni and Ucluelet are taking a broad view of commercial fishing vessels that use their harbours; they see harbours, not merely as places where vessels moor, but as engines for meaningful economic activity.

⁵ Expense data provided by each of the owners of the four freezer trawlers. Data is aggregated to preserve confidentiality.

STUDY: FREEZER TRAWLERS IN THE BC GROUND FISH FISHERY (DRAFT)

FREEZER TRAWLERS VS SHORE BASED PROCESSING

This is not an “either-or” issue: both types of hake processing generate important socio-economic benefits. While owners of shore based plants, and the communities in which they operate, would prefer that *all* the fish was processed ashore, this preference belies fundamental attributes of the hake fishery:

- In every jurisdiction where hake—or comparable low-value white fish—are harvested, at sea processing is an important component of the business, because of the competitive advantages of the business model.
- In BC, the distribution of the hake stocks, particularly in recent years, has meant that wet/fresh boats have been unable to provide a consistent, high-volume supply of hake to shore based plants throughout the season. Without a freezer trawler segment, overall BC hake utilization would be even lower than it has been in recent years.
- The policy and regulatory environment in BC balances flexibility for participants to implement varying business models, with safeguards to prevent undue fleet rationalization. The freezer trawlers are operating within the bounds of this long established framework.
- Shore based plants enjoy certain advantages over freezer trawlers, particularly the ability to diversify into other species and product forms.
- The operations of the four freezer trawlers should not be confused with the Joint Venture fishery, where foreign factory motherships are periodically contracted to purchase fish from the BC hake trawlers. The JV requires a year-to-year exception (that must be agreed to by all hake stakeholders including shore-based processors and community representatives) that creates an allocation separate from the shore allocation. The freezer trawlers operate under the shore allocation, quite apart from the JV.
- The owners of the four BC hake trawlers are without exception also invested in groundfish trawl assets, on both the harvesting and processing sides, in the fresh/wet boat sector. They are choosing to operate in both spheres, not shunning one in favour of the other.

With fundamental fishery attributes in place that have contributed to the early success of the freezer trawler segment, it is simplistic to think that hake processing can be the exclusive domain of shore-based plants. Community representatives opined that a four-vessel freezer trawl fleet comprises an acceptable segment of the hake fishery.

OUTLOOK

While an objective analysis of the BC hake fishery supports a conclusion that freezer trawlers fit strategically into a competitive industry, anxiety about the future make-up of the fleet was expressed by community interests.

Will the number of freezer trawlers, now at four, grow further?

If the fleet is left to self-adjust, it is uncertain how much, if any, the count of freezer trawlers will grow. On one hand:

- The success of the existing freezer trawlers may attract more entrants.
- The policy framework allows vessels to enter the segment, providing pertinent vessel length, holdings caps, and species caps are adhered to.

On the other hand:

- The high capital cost of freezer trawlers poses a daunting impediment to entry.
- Operators considering investment in additional freezer trawlers may gauge that diminishing returns will be accrued as the segment size grows.
- It is uncertain if the business fundamentals—access to the hake resource and strong H&G markets—will prevail in order to support freezer trawler operations.

Community leaders expressed a fear that future growth of the freezer trawler segment will begin to erode access to fish for shore based plants, particularly those plants located in small communities. They call upon government to develop a vision regarding hake industry make-up to ensure an orderly and rational evolution of the hake business going forward.

APPENDIX

Map of DFO Groundfish Management Areas

