

Fraser MacDonald's Recommendations to the Committee, Introduction & Industry Overview.

Table of Contents

Recommendation Summary	Page 2
The Context for my recommendations.	
Short Term Recommendations	Page 2-7
Objectives for between 2019-2021	
Long Term Recommendations	Page 8-11
Objectives for between 2019-2030	
Introduction and Industry Overview	Page 12-17
Copy of Fraser MacDonald's Speaking Notes from Testimony of Feb. 5, 2019	Page 17-22
Appendices	Page 23
Table A	Page 23

Submitted by E-Mail: February 28/2019

Recommendation Summary:

In the following document, I will make 5 short term recommendations and 5 long term recommendations. Below my recommendations I will first briefly introduce myself, explain my concerns with the current licensing system and its socio economic impacts. I will explain in detail some history around ITQ evolution and license leasing in BC, explain why speculative investment has become more prevalent and how that has driven increased value of licenses and quota.

Recommendations to the Committee:

To successfully transition BC's fishing industry into the future, we must take a 2-stage approach that has both short-term and long-term objectives. This will ensure that we can meet a variety of objectives: conservation, reconciliation, increased participation by young people in the industry while maintaining industry economic stability during transition. It will also achieve the objective of having licenses and quota owned and controlled by active fish harvesters.

Short Term:

1. Public "Quota and License Registry"
2. Fair Sharing Agreement
3. Establish Crown Corporation
4. License Marriage & License Length Restriction Modernization
5. Consultation

Short Term – To be completed between Spring 2019 and December 2021

- 1. Public License and Quota Registry:** Create a clear, publicly accessible database that lists ownership of quota and licenses, and ensure that licenses and quota that are held in trust agreements and shell companies are correctly listed under the actual "owner" or the "controlling interest" that

controls the license/quota. Require that ownership records to this registry be a condition of the annual renewal of a license or quota with DFO. This registry is the essential first step to moving forward with transparency.

- 2. Fair Sharing Agreement:** Introduce the proposed “Fair Sharing Agreement” to ensure equitable distribution of value from leased licenses/quota. It should be prescribed fishery by fishery with input from all the participants in each fishery: quota/license owners, boat owners, hired skippers, crew, processors. Having fair sharing agreements in place as soon as possible is essential, and will ensure profitability for fish harvesters, profitability for processors while still providing return on investments, made in good faith by non-active license and quota owners. It will increase the purchasing power of the next generation of fishers and current non-owner fishers, thus allowing them the option to buy into the industry.

- 3. Establish Crown Corporation:** Create a joint Crown Corporation between the provincial and federal government, or a jointly funded provincial crown corporation with a licensing and industry regulatory function that is independent of the scope and the mandate of DFO. This crown corporation will become integral to the future structure of a fair and transparent fishing industry in BC. This crown corporation is not intended to impede or interrupt DFO’s jurisdiction, but rather utilize our provincial resources for a made in BC solution that can help address industry issues that are outside of DFO’s stated mandate and thus outside of the departments control.

Task the joint Crown Corporation to do the following:

- a) Act as a 3rd Party, independent leasing brokerage:** Using the newly created License and Quota Registry, the crown corporation will be the broker for license and quota leases between quota owners and fisherman during the period of ownership transition. The Crown

Corporation will then continue to act as the leasing brokerage for ground fish transferability and by-catch of Individual Transferrable Quotas (ITQs) in the future. This brokerage would operate within the rules set out by the “Fair Sharing Agreement” of each fishery and ensure compliance between license/quota owners and fishers. This would remove processors and fish buyers from the leasing and brokerage process, subsequently increasing the independence and freedom of active fishers while also creating a transparent and fair leasing system. It would also enable fishers to sell more of their catch locally through markets, Community Supported Fishery (CSF) and direct marketing. Any quota owner with leasable or transferable licenses/quota, would be required to work through this crown corporation in order to complete license transfers.

- b) Establish a loan board** for new entrants and existing fishers looking to start, expand or diversify their operation. This will address the current *complete lack of available independent capital (meaning not fishbuyer/processor) to fishers looking to buy into the industry*. Canadian Banks generally refuse to lend money on licenses/quota without at least a 50% deposit, and can be hesitant to lend money on boats, even with significant security. *This loan board should only be created, if, and when license reform has been put in place*. If this loan capital was made available under the current rules, and in a market where licenses and quota are hugely overvalued due to speculation, it would simply fuel license valuation the same way PICFI did, while leaving fish harvesters in a situation where fishing revenue would either not cover, or barely cover the interest portion of loans, never mind paying down principal.
- c) Quota or license lease bank:** The Crown Corporation could be funded to operate a buyback program that would buy back licenses or quota from “willing seller” retiring fishermen or investors. It could

then continue to fund its operations and buyback fund, by leasing these crown owned quotas and licenses out to certified owner operator fishers at a fair rate. This would create another avenue for new entrants or existing fishers to grow their operations and learn new fisheries before investing the capital required to buy the license. I believe a similar program is used in the Maine lobster fishery, as was mentioned in witness testimony on February 20, 2019. I believe that most retiring fishermen would prefer their licenses be sold to this type of program rather than to investor corporations. Fishermen love their industry and generally would rather see the future generation have a chance to continue their legacy, as opposed to furthering consolidation. The license bank could offer incentives to investors or retiring fishermen to sell to them through tax benefits and other means.

d) Owner Operator Certification: Create a clear and straightforward definition of what an owner-operator is. Create a process to certify owner-operators and use this certification for future eligibility for owner operator classified licenses. Establish training or mentorship programs to assist new entrants and increase the success of new commercial fishing enterprises.

4. “License Marriage” & Length Restrictions: Instruct DFO Pacific licensing department to create a new appeal board, or use the current appeal process but relax the current strict regulations. This appeal board could look at individual cases, brought to them by certified owner operators in which license marriage or length restriction rules are no longer necessary for conservation and are creating a barrier to a new entrant or growing commercial fishing enterprise.

a) ***Unstacking married licenses*** will allow large, expensive packages of licenses to be broken up and individual licenses sold to new entrants or existing fishers trying to diversify their fisheries. This would need to be done

only in specific situations, if it could be proven to DFO Pacific Licensing that the unstacking was directly related to promoting succession of a license to the next generation. This is not meant to increase fishing effort but address the issue of affordability.

b) ***Allowing length restriction changes*** in fisheries where the length restriction was initially put in place to limit fishing effort (i.e. prawn, crab, salmon etc.), but the fishery now has modern more effective fishing effort controls in place (i.e. trap limit, quota limit, area restrictions, 100% monitoring). The current length restrictions can force new entrants and existing fishers onto fish boats that are too small or ill-suited for the other fisheries they participate in, putting harvesters in danger. In some cases, length restrictions also force fishers to have multiple boats, separate boats that fit the license for each fishery they participate in instead of doing all the fisheries aboard one boat. Each of these boats requires operational costs such as insurance, maintenance, and moorage that create further unnecessary financial barriers to fishing enterprises.

- Additionally, when license are sold or transferred, they should maintain their maximum vessel length and not be permanently shrunk if the new vessel is shorter than the previous vessel. This would match the rules that apply to PICFI communal licenses held by FN CFE's. Over the course of the last 30/40 years, the length of licenses has slowly been shrinking in length due to vessel to vessel transfers. This rule could be applied from now on or a license's maximum vessel length (MVL) could be changed to reflect the original length when issued.

This should not be looked at as an industry wide change, but should be done on a situation specific basis with DFO Pacific Licensing if there is issues that make sense. Fisheries that do still use length restriction to limit effort should

be looked at differently than ones where length restriction has now been made redundant.

For example: I will use an example I know personally. A boat that fishes spot prawns and offshore albacore tuna. The number of prawn licenses over 40-42' is small and access to one longer than 42' is hard to secure due to limited supply. The modern spot prawn fishery has a 300 trap/license limit, so the length restriction is a leftover regulation from the early days of the limited entry fishery before our current spot prawn management measures were put in place. As it does not affect fishing effort, it is now a redundant regulation that is prohibitive for fishery participants who need to participate in multiple fisheries to be economically viable. In my personal example, in order to fish prawns on my multiple fishery boat, I ended up buying a 40' boat to ensure my access to a leasable prawn license each year. On this vessel, I also fish offshore albacore tuna 75-400 nautical miles offshore, and then longline halibut, often when the weather on our coast can be violent and unpredictable. Because I had to ensure my access to a prawn license to make the boat economically viable, I now spend three months each summer far offshore in a 40' boat. I then smash around the west side of Haida Gwaii each spring and fall in this 40' boat because of prawn license length restrictions. I can tell you that when I am offshore fishing tuna in 40 knots of wind (74kmh) and 3-5m seas, or long lining ground fish in similar conditions, for safety reasons, I wish I could be on a 50' boat, like the ones that I ran as a hired skipper for years before buying my own boat. Instead, I push my 40' boat to the limits of what it is capable of and wonder why license length restrictions still exist as waves crash over the top of the cabin. By simply creating flexibility for length restriction rules in situations like this, multiple fishery harvesters could appeal to DFO Pacific, explain their situation and hopefully be granted the ability to fish on a boat that is safe for the fisheries they participate in. Lengthening a prawn license's maximum vessel length for example, to 50' from 40' would not affect prawn conservation, or effort

distribution, as the boat would still only be able to fish 300 traps per day, but it would ensure safe operation during other fisheries. This should be considered within reason, for example, lengthening an 18' prawn license to 60', would not increase effort, but it could increase the distribution of that effort. This is why it needs to be done on a case-by-case basis. **This is a simple change that could have considerable benefits to young fishers and new entrants and improve the safety of commercial fishing in the Pacific Region.**

5. **Consultation:** Establish a communication system between DFO Pacific and current fishers who are potentially not being consulted by the current fishery Advisory Board process. The advisory boards can require members to own licenses or quota to participate, and many people working in the industry today, don't own either license or quota. These are people who could be boat owner/operators, work as hired skippers or deckhands. These fishers need to be part of shaping the future of the industry, as they will be the ones who carry the industry into the future. This process needs to continue throughout the duration of the transition period and beyond.

Long Term - To be completed between 2020 - 2031

Long Term:

1. Transition Schedule
2. Allowable Business Structure
3. Ground Fish Transferability
4. Foreign Ownership
5. Reconciliation

1. **Transition Schedule:** Create a clear timeline between 2020-2031 that lays out a divestment schedule for current license and quota owners/investors who are not active fisherman, and do not intend to

actively fish. See the following sample divestment schedule example provided as a guide:

Specific to quota fisheries: Using 2019 quota ownership as the baseline for the following figures. From 2022-2024 75% of quotas can be leased out by the owner, from 2025-2027 50% of quotas can be leased out by the owner, from 2027-2030 only 20% of the quota can be leased out by non-active fishers.

After 2031 only owner-operators will be eligible to hold target species quota (e.g. black cod or halibut) and fishing licenses and quota.

License holders must be designated owner-operators by the year 2031, and a certified owner operator may only buy any license sold after 2030.

This time line would allow a long enough period to ensure a smooth, gradual transition. It would give our industry the time to:

- build our harvesting capacity and make sure that we can effectively harvest our resource in the future under an owner operator type licensing regime.
- allow time to attract more young entrants, train and mentor the next generation in boat ownership, fishing technique and business.
- Reintegrate trained and capable younger commercial fishers who have left the industry for other careers because of the lack of a stable future in our fisheries.
- Ensure there will be no harvesting shortfalls, due to lack of harvesting capacity that would negatively impact our fish buyers, processors and exporters ability to be profitable and economically viable. As they are instrumental in the future of a profitable fishing industry made up of fish harvestors and fish buyers/processors.

2. *Company Structure and Bookkeeping / Tax Planning:* Requiring any licenses and quota to be registered in the owner's personal name on the registry, would still allow for future certified owner/operators to continue to use incorporated small businesses for the ownership of their

boats and businesses, maintaining tax and accounting structure common to small business.

- 3. *Ground Fish Transferability:*** Enforce owner-operator policy for ground fish target species (Halibut, Lingcod, Sablefish) by 2031. Allow for 100% transferability between owner-operators of choke species and by-catch species within the ground fish fishery to maintain conservation objectives. Allow for 25% transferability of each vessel's quota limit to ensure conservation objectives are maintained, and the fishery can continue without Total Allowable Catch (TAC) overages.
- 4. *Foreign Ownership:*** Enact policy that prevents future foreign ownership of licenses and quota to ensure that Canada regains and maintains sovereignty over our common property resource and to ensure food security for Canadians. Ensure that current foreign-owned quota/licenses are divested back to Canadian ownership by 2030, following the schedule for the rest of the quota and licenses owned by non-fishers. If this repatriation of access becomes an issue due to Canada's trade commitments (e.g., FIPA) then DFO could use other tools at their disposal to enforce the harvestability of foreign owned access. E.g. conditions of license, Integration Fisheries Management Plan (IFMP), etc.
- 5. *Reconciliation:*** Briefly, from what I understand, PICFI was created to increase economic opportunities for coastal First Nations, allowing community members to participate in the commercial fishery. Providing training, experience and mentoring for community members that would aid their success as commercial fisher harvesters. PICFI's stated objectives have not been realized as intended, in my opinion. It is recommended that Coastal First Nations that have been the recipient of licenses or quota through PICFI be tasked with making their communal licenses or quota exclusively available to their own band members. This will remedy the current reality in which many bands with communal PICFI licenses tender bids and lease these licenses back to the open

market to the highest bidder, with little to no consideration for band member access. This simple change would create opportunities to indigenous fish harvesters who want to commercially fish, who live in their traditional territories and want to raise their kids traditionally in their community with a connection to the ocean. In my experience, band councils often use PICFI assets as a revenue source and community members who seek access to a communal license lose out as they cannot compete with the open free market.

If individual band owned Commercial Fishing Enterprises (CFE) have surplus licenses/quota that are being underutilized, there should be a process where they can enter the unused license or quota into a pool, where any indigenous fisher, regardless of band or nation could apply to fish this communal license. In my opinion, if introduced and enforced, this changes would create the opportunities, well-paying jobs and connections to the ocean for coastal indigenous fish harvesters that were intended by PICFI all along. These PICFI communal classified licenses would, in essence, become owner/operator licenses, where the band or nation is the “owner” and any band members could be the “operator” of the communal license. This will require consultation with all coastal first nations, who participate in PICFI. This consultation would involve band councils *and* band members. For example, a coast-wide advisory board could be set up, made up of experienced indigenous fishers who would be elected by their community to represent them in finding a solution. My suggestions above are simply an example of how licensing reform could work in tandem with reconciliation.

I think PICFI is important and that it was done with good intentions. I believe that if its implementation is improved it could be an effective solution to reduce industry barriers facing indigenous coastal fishers.

Introduction and Industry Overview

My name is Fraser MacDonald, and I am a first generation fisherman from Nanoose Bay on Vancouver Island. I am a director on the BC Tuna Fisherman's Association and a board member of the False Creek Fisherman's Wharf in Vancouver. I would like to thank the committee for the opportunity to meet with you on February 5, 2019, to testify about my 14 years experience in BC's commercial fishing industry.

I am grateful that you have undertaken this study at such a crucial time for our industry. By inviting so many witnesses from all sectors of the industry to speak to you about their experiences, I hope you now have a better understanding of the severity of the issues facing BC's fishing industry. I hope it is clear to you how important it is that the Minister takes action from the recommendations of this study in a most timely manner.

As you have heard throughout this review, the way licensing policy has evolved in the Pacific Region has successfully established BC as a global leader in sustainable fisheries management. Unfortunately, the architects of the current management systems did not anticipate the socio-economic effects of their policies. Although over the years, these policies have greatly benefitted both fish stocks and fishermen active in the 1980s and 1990s, they have never been updated to address the ownership transition of quota to the next generation of fisher harvesters. This is becoming an important issue as the original generation of ITQ owners start to age into retirement. Many good decisions were made over the 30 years that ITQ's evolved and this is partially why halibut and ground fish are pillars of stability in BC's fisheries from an ecological perspective.

Unfortunately, this system has created unanticipated consequences, and now almost 3 decades into the ITQ system we are facing a crisis in the industry.

As an example, if a current owner-operator were to buy the TAC % equivalent of 10,000 lbs of halibut quota, the net profit made by catching that quota, would not even cover the interest on the money borrowed to buy it.

I will explain briefly, in my opinion, why speculative investors have been buying into groundfish quota. Currently, the price of ITQ quota and many licenses are so high that there are two main types of buyers who can afford to purchase them. The first is retiring fishermen who have done well in the industry over the past 30-40 years and are looking to invest their retained capital in leasable fishing assets as retirement income. The second are non-fisherman investors or large corporations. What is driving speculation in Halibut for instance is that if the annual International Pacific Halibut Commission (IPHC) stock assessment shows improved stock, and BC's Total Allowable Catch (TAC) increases, the percentage of the TAC they own would increase in volume. For example, if an investor held the TAC % equivalent of 10,000lbs of halibut quota, valued currently at between \$900,000 and \$1,200,000 and the TAC increases by 25%, their 10,000lbs would increase to 12,500lbs, meaning a net gain of between \$225,000 to 300,000 in value. This is just on 10,000lbs, if you were to do the same calculation based on 1% of the TAC, you are talking about net gains in value of between 1.350,000 and 1,800,000. So contrary to what some halibut ITQ owners may say, this makes halibut ITQ a pretty good investment if the person is watching stock management and IPHC decisions. In 2016 this is precisely what happened, the IPHC increased BC's TAC by 25% (Simpson 2016). Currently, BC's TAC is now sitting at approximately 50% of what it was in the mid to late 2000s, as significant cuts have been made over time to reduce pressure on stocks. This has left many investors to speculate that after many years of reductions, the TAC will again increase as recruitment of juvenile fish increases, creating the potential for substantial investment returns for quota owners. While they wait and speculate on a TAC increase, they know they can still earn a significant return on their investment through lease income. It should be noted that while quota owners saw large cuts to the TAC, and thus their % of the TAC over the past

10 years, quota valuations and increased lease prices over the same period have more than made up for the loss of TAC. If anything the reduction in TAC has impacted buyers profits, not quota owners, because buyers make their profits from margins made on volume, quota owners simply increased their lease prices and watched the market value for their ITQ more than double.

In essence, we have quota and license prices that are incredibly overvalued due to this investor speculation. This crisis means there is no possible way for the next generation to start a fishing enterprise as their parent's generation did. When younger fishers try to fish, for example, halibut or sablefish, they face two significant barriers. Firstly, with costs of \$800,000 to over \$5,000,000 to purchase quota, it is impossible to get credit to finance such a purchase. Secondly, the income potential is not enough to pay for the purchase. The only option is to lease access to quota from the previous generation at a price that can barely cover harvesting costs, and that has driven up the cost of domestic seafood to consumers. I believe, if we continue down this path without correction, in the future the only buyers for the quota that comes up for sale will be government --through the Pacific Integrated Commercial Fishing Initiative (PICFI) or large, vertically integrated corporations, neither of which are active fish harvesters. Unchecked, we can expect corporate consolidation to increase to a point where a handful of large processing companies, both foreign and domestic will exclusively own and control access to Canadians' common property resource.

From the perspective of sovereignty, I am extremely concerned about the significant and growing concentration of corporate control over our fisheries resource. From what I've read, there appears to be no clear mechanism to prevent a Canadian-owned company from amassing licenses and quota, and nothing that could stop that company from being taken over by a foreign corporate owner in the future. As I mentioned during the Q&A portion of my testimony on February 5th, I met with 3 high-level representatives from a Chinese food distribution and fishing company in 2013 who were interested in buying a boat and license package (cost of \$1 million

+) with me to fish for spot prawns. They were very eager to secure access to both spot prawns and shrimp as shrimp was in massive demand in their market in mainland China and they needed to increase their guaranteed supply. They informed me that they had bought ten shrimp trawl licenses that year and were interested in buying a processing plant in Prince Rupert. I believe this company and others are still an active player in license speculation in BC's commercial fisheries.

I believe that foreign interest in buying our seafood products is great and presents great opportunities for almost every fishery on our coast. However, it is my opinion, as I mentioned in my recommendations that these foreign interests should be limited to buying and exporting products and should not be authorized to own access to our fisheries.

A historical example of this loss of sovereignty, within a BC setting is Alcan. The current owner of the once Canadian owned Alcan, is now global mining giant Rio Tinto, who, through Alcan, now own the water rights to a Canadian river (the Nechako) and all aspects of how it flows - in perpetuity. Rio Tinto is now able to control the volume of water released into the river system and also to sell hydropower generated by this Canadian river back to Canadians for a profit. When the water rights were initially granted to Alcan, I assume the lawmakers never anticipated that in the future a foreign company would be controlling the flow of water through a major Northern BC salmon and sturgeon watershed with on-going social and economic cost to Canadians. Instead of increasing corporate concentration, we need to return the jurisdiction of our coastal fisheries to local communities members active in the industry. We need to enact policy changes to ensure that we harvest our resource sustainably and transparently, primarily using a small boat fleet that will maximize coastal jobs and landed value of our product.

Currently, a considerable portion of the profit from the landed value of our west-coast fishery is being diverted to people and corporations who own the quota and

licenses each season. As a result, many fishermen and almost all new entrants are forced to fish multiple fisheries each year to make a living wage that can support our families. In an average season, a fish harvester may be paying out in excess of \$400,000 in lease payments between multiple fisheries. Increasingly lowering the landed value that flows to the active fisher is precisely how **not** to manage a sustainable fishery. That money does not get spent in coastal communities, and is removed from the local economy. However, if fishing operations were to retain a fair share of the profit from harvesting, both captains/crew, and owner operators could make a fair living for our families. There would be more money available to do proper maintenance of the boat, invest in safety equipment and new cleaner technologies. All this spinoff spending would create job opportunities for support industries on the coast. Fishers would be making more by harvesting less fish, leaving more in the water for the next season. Rather than spending the majority of the year at sea, people could fish less, allowing them time at home with their family and time to participate in the health of their community. By ensuring that in the future, fair profits from the landed value of fish flow to the fish harvesters, every fisher can reduce their annual fishing effort and actually increase conservation. Fish harvesters are the stewards of our resource, we spend more time on the water and in the coastal ecosystem than ENGO's, DFO and industry investors combined and we want to make sure our kids get the chance to fish the same stocks we do today.

I believe it is now time to put in place policies that will phase out investor ownership of access to the harvesting part of the industry over the next 10-12 years. In a healthy, sustainable fishing industry, only active fishermen should be able to own access to a fishery. Non-fishing interests, both Canadian and foreign, will continue their involvement in the buying, trading and marketing of catch, but be should be excluded from the profit from the harvesting portion of the industry. We need to continue to support our Canadian fish buyers by continuing to increase trade and international market access and ensuring compliance with sustainability certification programs. Strong and successful fish buyers are a vital pillar in our

fishing industry. Fishers and fish-buyers have a symbiotic relationship and need to work together to ensure future mutual success.

I urge the committee members to see past partisan objectives, form a consensus and work together to put forward recommendations that are good for coastal economies, businesses, jobs and the coastal ecosystem. This will be good for the coast, the economy and all Canadians. We are at a pivotal time in our industry. Recommending policy changes that will create a prosperous future for coastal BC should be an urgent and common priority for all of us.

Thank you for your time and for listening to my concerns and reading and considering my recommendations.

Fraser MacDonald's Speaking Notes from Testimony on February 5th, 2019

"Good afternoon, Mr. Chair, committee members, I would like to thank you for granting me the opportunity to speak to you today.

My name is Fraser MacDonald, I'm a first generation fisherman from Vancouver Island, I'm 32 years old, and I have been commercial fishing for 14 years. I own two small fishing vessels and participate in three fisheries each season; spot prawns, albacore tuna troll and halibut long lining. I own no licenses and lease everything I fish.

Today I will tell you about my personal experience within BC's commercial fishing industry and specifically my experience relying on the lease market. I will describe how the current and past licensing policies have created roadblocks for me and other fishers in my position.

Without a doubt, the licensing policies that were introduced in BC over the past 25 years have helped stabilize and improve the management and sustainability of our fisheries. The benefits have increased the market value of our common resource and made BC a world leader in management.

Simultaneously though, these policies have ***attached a value to access, this is something that should never have been allowed to value, be bought or sold or invested in.*** From the start, these quota's and licenses should never have been opened up to free market, but they were, and now the license and quota markets more closely resemble a speculative stock market than a fisheries management tool. The implementation of this system created winners and losers then, and today, while some lost out and left the industry or were priced out, other were initially granted ITQ allotments and limited entry licenses that valued to a point where they are worth millions of dollars. BC's access to harvest fish was privatized and profited off.

This privatization of access has created insurmountable entry costs and what I will call a lost generation of fishers. I have watched this take place within my own group of friends, in 2008, there were 15 men and women from my close network of friends who actively commercial fished, in the 2018 season there were 3 of us left from that group. My friends chose to leave commercial fishing, often reluctantly for other careers because they could not see a stable and profitable future for themselves in the industry. Buying a boat and license package was financially unrealistic due to the high cost and the lack of access to capital for young people trying to invest in the industry. This exodus has caused a serious labour shortage for crew and is foreshadowing a successional crisis that we will soon face as the current generation of fishermen ages out towards retirement.

In 2011 after a couple of seasons working as a hired skipper I realized I needed to increase my earnings if I wanted to make a decent living as a commercial fisherman. Buying a vessel would increase my share of the catch's revenue so I started looking

for a boat. The price of a prawn license for the boat that I bought at the time was \$750,000 putting the amount for a boat and license package at almost a million dollars. As licenses were out of my price range, I would rely on the lease market to secure my access. I used the equity in my home to finance the \$200,000 needed to buy a live prawn boat and gear.

The year I bought my boat happened to coincide with the full implementation of the PICFI program which for the better part of 5 years created an extremely volatile and uncertain lease market for many fisheries but for the prawn fishery in particular. From my experience, and as the committee heard yesterday from Chris Cook, PICFI's stated objectives have not been achieved. In addition, PICFI has created many adverse effects for the industry as a whole. For time's sake, I will submit to the committee a written summary of my observations of PICFI's implementation. My biggest obstacle as a boat owner was securing access to leasable licenses. I had to convince fish buyers to take a chance on someone new, guaranteeing them my product if they would cover the lease costs upfront for me. Paying a lease upfront is a condition demanded by almost all leasors. I learned quickly that banks aren't keen on approving a \$50,000 line of credit for a 26-year-old seasonal business owner, regardless of equity or a co-signer. I learned the hard way, that if you don't come from an established fishing family, entering the industry without owning a license is nearly impossible. The uncertainty of access each year was very stressful and made growing a business extremely challenging. It was only because of stubborn optimism that I managed to keep my fishing business moving forward. These challenges were witnessed by many of my close friends and reinforced their lack of faith in the licensing system.

In 2017 I bought my 2nd boat, a 40ft fibreglass freezer troller capable of fishing prawns, tuna, halibut and salmon. This boat's versatility meant that if one fishery was poor, I could rely on income from other fisheries and still put a year together. With my previous lesson's learned I was not about to buy another boat without making sure I had secure access to licenses. An offer was made to me by a

processing company to form a partnership, and after some negotiation, we came to an agreement and I bought the boat. This arrangement meant that I had purchase financing, access to their pool of licenses and quota and access to operating credit. In return, they will maintain a minority stake in the boat and have first access to my product as long as they are willing to pay market value. I will say that the company's partnership offer was forward thinking and our partnership is mutually beneficial and I am happy with how things are going. But not all fishers I speak to who are in partnerships with fish buyers feel this way as every company is different, and this isn't a solution that can work for everyone.

As has been previously explained, halibut ITQ owners get paid upfront for their quota, often before halibut season opens and usually by processing companies who have to secure quota to ensure their market share of the catch. As processors work on margins their business is one of scale, the more quota they can secure in their pool the more they can market and the more money they can theoretically make. This has turned most fish buyers into quota and license brokers which adds a substantial financial and administrative burden to companies whose primary objective is to buy fish, process it and market it. The current structure completely insulates quota owners from price fluctuations during the season and leaves 100% of the risks on the fisherman and fish buyers.

I had an experience in 2017 fishing leased halibut quota that illustrates how the current system is not balanced. In April 2017, I leased 32,000lbs of halibut quota through a buyer for \$7.50/lbs, and this was the going lease rate at the time. The landed price had been between \$9-\$10 for the past two seasons, so we were hoping to get about \$2/lbs gross to the boat after paying our lease. By August, the landed price had fallen to \$7.50/lbs, so we waited right till the end of the season hoping the price would come up and in October there was a small profit to be made. However, because of a mechanical breakdown, we were unable to catch our entire quota before the season closure which meant I had to "carry over" the additional quota that I didn't catch into 2018.

Unfortunately, the landed price of the fish at the opening in March 2018 a few months later was only \$7.50/lbs the same price I had leased the fish for 12 months earlier. The 16,000lbs of quota I landed in April 2018 created no profit for my operation, but I still had to pay my crew and cover the costs of harvesting the fish. I arranged to borrow \$30,000 from the buyer who leased the fish for me so we could pay my crew cover expenses.

The two quota owners whom I leased from in 2017 got cheques for \$120,000 each for their quota. My crew and I spent a month on the water and landed over \$250,000 worth of fish, and I finished \$30,000 farther behind from where I started. Not including the \$50,000 in capital investment I spent on boat upgrades and gear rigging the boat for long-lining. Going fishing and losing money on a trip is very much a reality in this business and I accept that financial risk every time I leave the dock. However, it is a lot easier to accept a loss when the landed value of the fish simply doesn't cover the trip's expenses. In this case, the landed value was substantial; but my crew and I just weren't in on the take.

One point I'm sure all stakeholders can agree on is if we continue operating how we are now, eventually we will not have enough active fishermen left to sustain the harvest requirements of the industry. Fishing is both a trade and an art; it takes years of on the water experience to master, which means we need to start reforming our licensing policy now to avoid a critical labour shortage.

It is essential that recommendations from this study aim to solve the problems we face today and not just band-aid their symptoms. We need urgent action with set timelines for industry and DFO to introduce balance to the leasing market and ensure fair distribution of wealth from the landed value of our fish. A one size fits all policy won't work, it has to be done fishery by fishery, but it needs to happen quickly, any delay strategies from the corporate side in balancing the wealth distribution is in my opinion extremely short-sighted.

Looking at the long-term, we need to find common ground, look at where we need to be in 10 years as an industry and then design and implement well thought out, specific policies that will get us there. I see a sustainable fishing industry in BC's future being made up of fisherman and fish processors/buyers. The timelines for the industry's future must allow sufficient time for investors and retiring fisherman to divest and retire with dignity. The fishing industry is tight-knit, and many of the retired investor-fishermen are still mentors and close friends to active fishers.

In conclusion, I think that there is a recognition here that our system is not working as it was intended too and I think it is crucial that we seize this opportunity to transition our industry into a brighter future.

Thank you very much for listening to my experiences and opinions today.”

Citations:

Turris, Bruce R. 2010. "A Rejoinder to E. Pinkerton et Al, the Elephant in the Room: The Hidden Costs of Leasing Individual Transferable Fishing Quotas." *Marine Policy* 34(3): 431–36. Retrieved from <https://www.sciencedirect.com/science/article/pii/S0308597X09001444> (February 22, 2019).

Simpson, Ian. 2016. "Analysis of Commercial Fishing Licence, and Quota Values Prepared for Fisheries and Oceans Canada, Pacific Region." 34-37. Retrieved from http://salishseas.ca/wp-content/uploads/2017/12/2016_Valuation_Study_CMG_-REVISED.compressed.pdf (February 22, 2019).

Appendix:

Appendix A. The relationship between ex-vessel value and halibut quota lease price and quota price in Canadian dollars (Turris 2010).

A (year)	B (lease price S/lb)	C (ex-vsl price S/lb)	D (quota price S/lb)	E (b/d %)	F (b/c %)	G (c/d %)
1998	2.28	3.10	21.54	11	74	14
1999	2.24	4.04	24.88	9	55	16
2000	2.90	4.96	30.82	9	58	16
2002	2.88	4.49	31.11	9	64	14
2004	3.20	4.30	36.39	9	74	12
2005	2.43	4.32	37.84	6	56	11
2006	2.27	4.44	30.64	7	51	14
2007	3.10	5.22	34.12	9	59	15
2009	3.25	5.00	35.00	9	65	14