

Fish Processing Licensing Board Recommendations

Fish Processing Licensing Policy Manual Review
Sections 1.6 and 2.1



Background

In a letter dated November 8, 2019, the Minister of the Department of Fisheries and Land Resources, the Honourable Gerry Byrne, asked the Fish Processing Licensing Board (Board), in light of changing economic, environmental, and resource issues, to conduct a comprehensive review of Sections 1.6 and 2.1 of the Fish Processing Licensing Policy Manual and provide the Board's recommendations on whether changes were needed.

As part of its review, the Board conducted a consultation with the industry (see Appendix A). The following steps were taken to ensure that the industry was aware of the review being conducted by the Board:

1. A letter was sent to each holder of a processing licence, advising them of the review and giving them an opportunity to either appear in person before the Board, or give a submission in writing;
2. A letter was sent to all indigenous groups giving them the same choices;
3. Advertisements were placed in the newspapers; and
4. Notice was placed on the Department of Fisheries and Land Resources website.

The Board spent a considerable amount of time looking at the number of fish processing licences at the time of the 1992 cod moratorium compared to the number of licences in the industry now. The number of primary processing licences have been dramatically reduced as the following chart shows.

	1990	2003	2019
Number of primary processing licences	221	122	69

We also looked at the regional distribution of licences. In 2003, the Dunne report recommended that the concept of "Strategic Plants" become a part of future licensing policy to address concerns about regional balance and distribution of processing. The Board noted in its review that a lot has changed in the years since the Dunne Report, in terms of the number of licences and their regional distribution. For example, on the south coast of the province, west of the Burin Peninsula, primary licences for species covered by the resource thresholds have gone from **ten licences to zero**. See Appendix B for maps showing the current location of licences, in particular, you can see the concentration of facilities on the Avalon and lower east coast, and the almost absence of licences on the south and west coast.

Processing licences for species covered under section 2.1 of the Fish Processing Licensing Policy Manual ordinarily existed in the following communities on the south coast, west of the Burin Peninsula before these policies were put in place; Harbour Breton, Hermitage, Gaultois, Burgeo, Ramea, Rose Blanche, Margaree, Isle aux Morts, Burnt Islands and Port aux Basques. Today, there are no primary processing licences for those species covered by resource thresholds in any of these communities.

The other issue that the Board looked at was the impact small companies have on the economics of rural areas of the province. There has been a great deal of mergers, acquisitions, and consolidation of production in the industry since the moratorium, resulting in very few small and medium sized operators left in the province. The use-it-or-lose-it provisions of Section 1.6, can be overly burdensome for smaller companies. Larger companies, multi-location companies, and multi-species companies, can move around enough fish to meet the minimum standards to maintain a licence. Smaller operators frequently do not have this option, and for them those minimums can be difficult and at times impossible to meet.

On the other hand, the Board feels that some minimums are necessary to prevent the retention of dormant licences. The Board believes that increasing the current minimums would place a difficult and unfair burden on smaller companies, and could force some to close in times of poor landings or poor markets. The Board believes that the right approach is to retain the standards as they are in the current policy, with some adjustment.

Recommendations

1.6 Maintaining Species (Minimum Production/Activity Requirements)

1. Current figures in table 1 are to remain the same, with the following changes:
 - Sea cucumber increase the minimum to 10 tonnes.
 - Change the qualifying period from one of two consecutive calendar years to two of five consecutive calendar years.

We believe this change in the qualifying period allows for fluctuation in landings and/or markets, which could affect the production of any given species. We also believe it lessens the burden on smaller producers to meet the minimum standards, and reflects a more realistic time frame for them. Larger companies have more options to move product from location to location, and the qualifying period and minimums are less relevant to them.

2. There is some confusion surrounding the maintenance requirement for In-Province retail processing licenses, secondary processing licenses, and aquaculture processing licenses. The policy states:

“In-Province retail processing licenses, secondary processing licenses, and aquaculture processing licenses are not restricted with respect to the species categories which may be processed, so there are no minimum production volumes required to maintain species category authorizations on these licenses. However, if there is no activity whatsoever under the authority of the license for one of the two consecutive calendar years, the license will be permanently cancelled”.

In one instance the policy states that there are no minimum production volumes but in another instance it states that the licence will be permanently cancelled if there is no activity in one of two consecutive calendar years. The board is recommending that the above statement be revised to state the following:

“In-Province retail processing licenses, secondary processing licenses, and aquaculture processing licenses are not restricted with respect to the species categories which may be processed; however, if there is no activity whatsoever under the authority of the license for one of the two consecutive calendar years, the license will be permanently cancelled”.

2.1 Resource Threshold

The Board looked at the current number of licences and the geographic distribution of these licences, and it is obvious that there is an ongoing consolidation of operations, both by location and by company. The impact of threshold limits has been extensive. The limits are so high that it is unlikely that any more licences will be issued in the species covered by this section for a very long time. It is leading us to an industry of larger and larger companies. They have the luxury of being able to consolidate, close plants, allow licences to lapse, and never worry about a new licence for a smaller operator that could provide some jobs and economic activity for an area.

Under the current policy, because the threshold limits are “**MANDATORY**”, there is no option for the Board to consider any application of any kind in the critical species covered under the threshold provisions. Locally landed species cannot be processed by a local company, even if it makes the difference between that operation surviving or failing.

We believe that the industry has changed dramatically since the 2003 Dunne Report, and that we have arrived at a point in time when it is once again time to manage the processing industry by including all factors in assessing applications for processing. They include the following criteria currently included in the policy manual:

1. Resource threshold
2. Resource availability
3. Economic consideration for companies and regions
4. Regional balances
5. Location criteria
6. Proximity for the resource and all other relevant sections covered in the policy manual

The Board recommends the following:

1. The elimination of the mandatory provisions of the resource threshold limits and that they now be one of the many considerations for the assessment of an application for a processing licence.
2. Changes to the harvesting threshold that reflect the reality of the current levels of quota. The industry has downsized dramatically and we believe the time has

come to lift what is effectively a freeze on licences, and allow a return to proper management of the licensing process. The Board is arm’s length from government and did not exist in the more chaotic days before its creation. The goal of downsizing the industry to a manageable size, we believe, has been achieved.

Harvesting thresholds have some relevance as a guide for the Board, but it should only be one of many factors, not the one and only. Fisheries change, such as the relatively new sea cucumber industry. There is a re-emerging redfish fishery developing in the Gulf region. We believe the Board process will work if allowed to, and the sea cucumber industry is a good example. Currently the Board and the Provincial Government’s hands are tied on all species covered by harvesting thresholds. No matter how good a proposed operation is, if it is for a species covered by resource thresholds, it cannot be entertained, it must be dismissed. It is important to note that there are under-utilized species covered under the headings of groundfish and pelagics, for which the Board cannot entertain a request for a licence under the current rules.

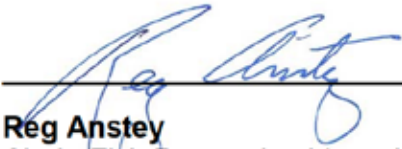
We are proposing the following chart with lower, more realistic levels for this sector and strongly recommend that it no longer be **mandatory**.

Section 2.1: Resource Threshold	
Species Category	Average Tonnes Per Active License
Shrimp	4,000
Snow Crab	2,000
Groundfish	1,000
Pelagics	1,600

If this recommendation is accepted, there are changes required elsewhere in the manual to reflect this recommendation.

The Board is also recommending that the policy manual be reviewed every five years to ensure that it reflects the reality of an industry that changes frequently, in terms of resource availability and markets.

The Board would like to thank the Minister for the opportunity to conduct this review and hopes our recommendations are helpful.



Reg Anstey
 Chair, Fish Processing Licensing Board

March 25, 2020

Date

Appendix A

List of Presenters

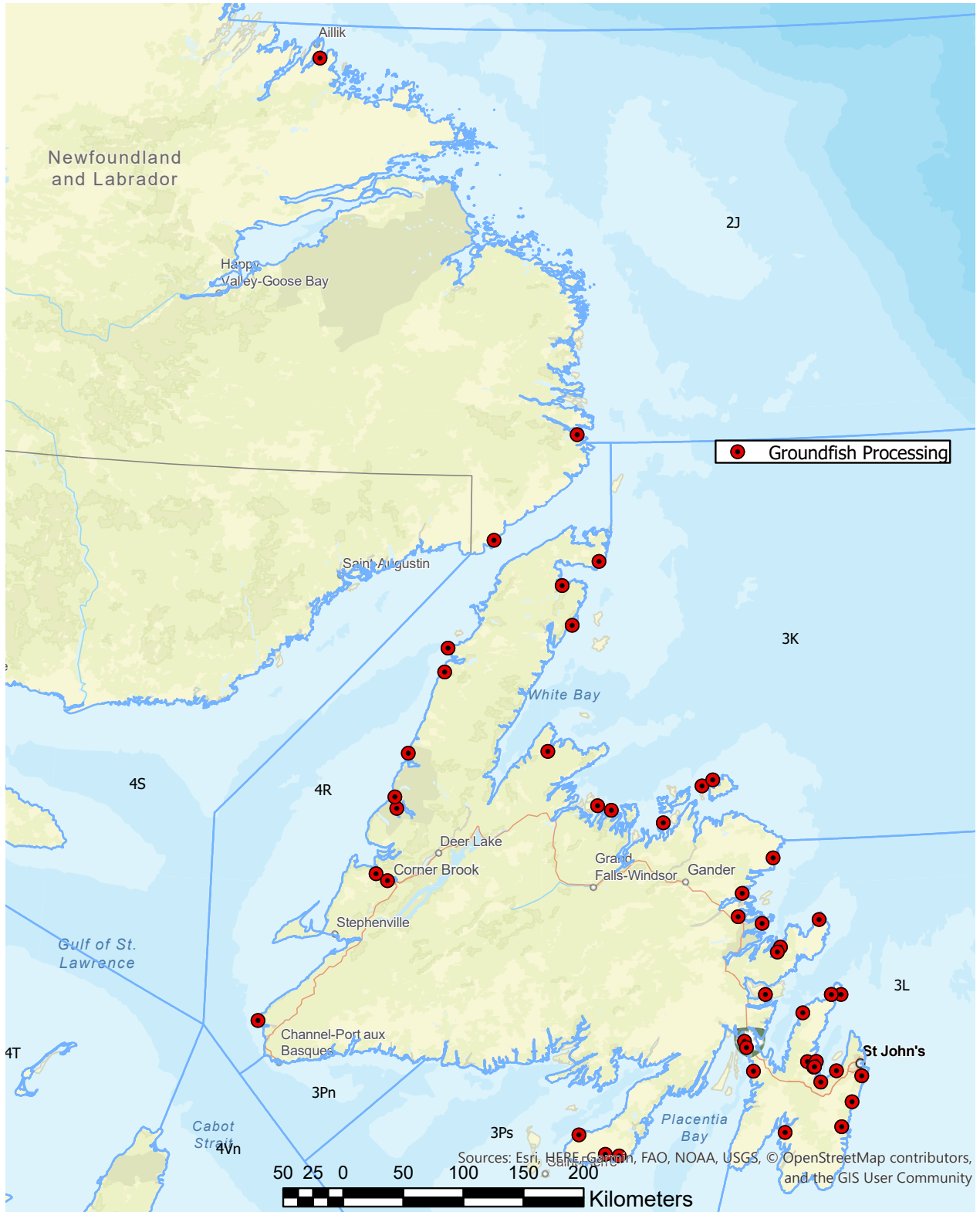
1. Derek Butler - Association of Seafood Producers
2. Keith Sullivan - FFAW/UNIFOR
3. Jason Roberts – Dorman Roberts Ltd.
4. John Osmond - Codroy Seafoods Inc. (conference call)
5. Karl Sullivan - Barry Group of Companies (written submission)
6. Jerry Hodder – Hodder’s Shellfish Inc.
7. Barb Genge – Mayor of Main Brook (conference call)
8. Dan Meade – Dandy Dan’s Fish Market Ltd.

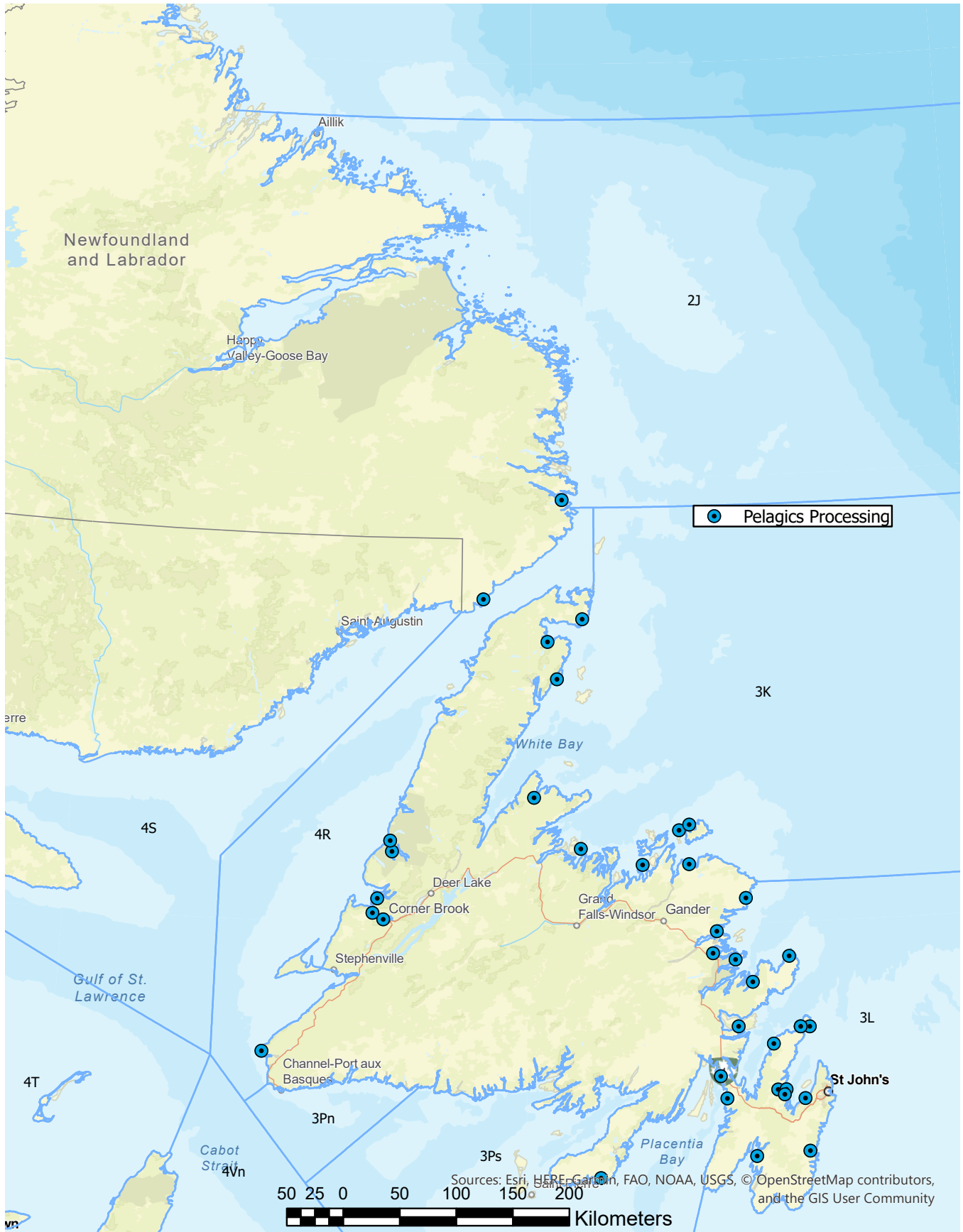
Other Consultations

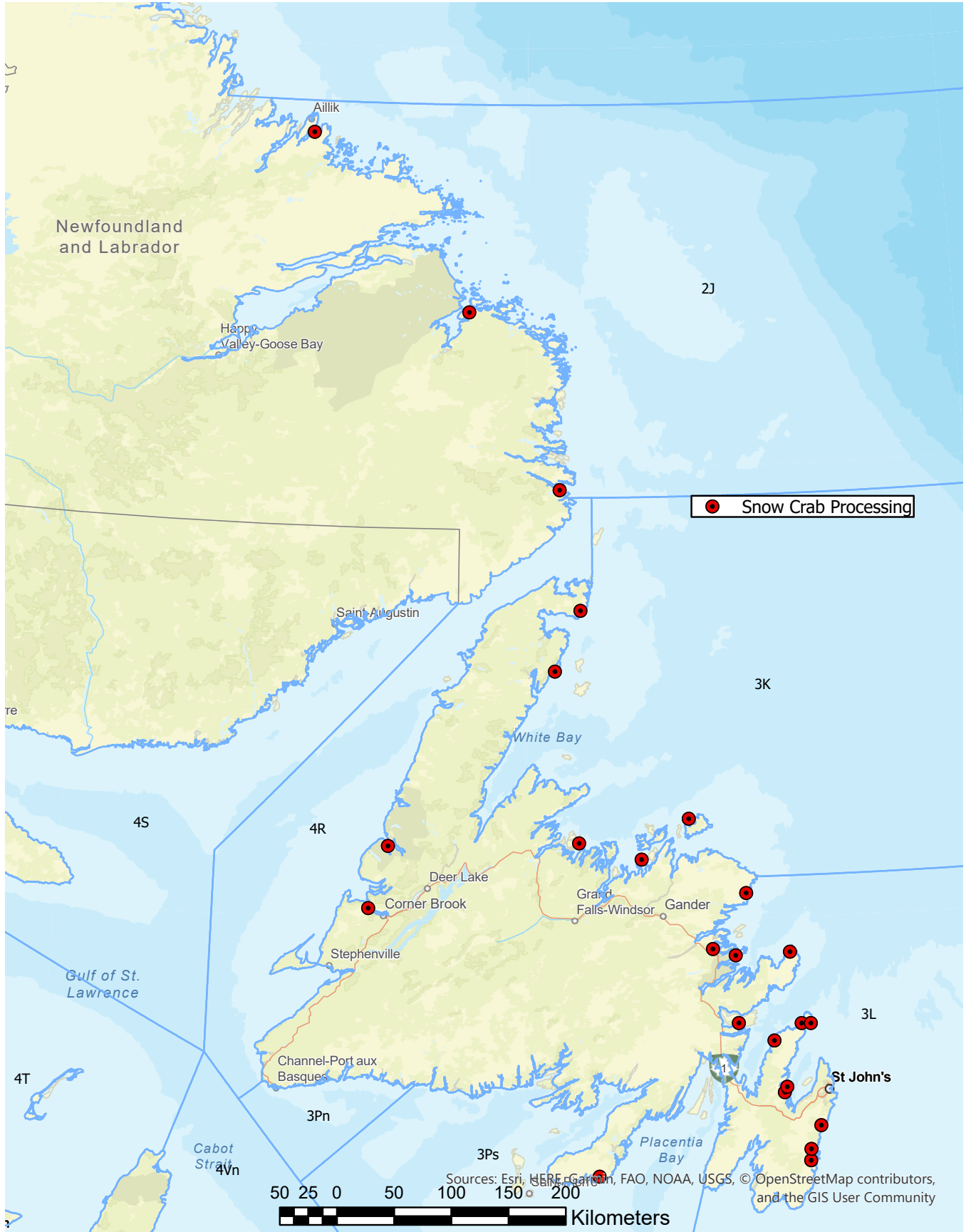
9. Department of Fisheries and Oceans Canada
10. Provincial Department of Fisheries – Nova Scotia

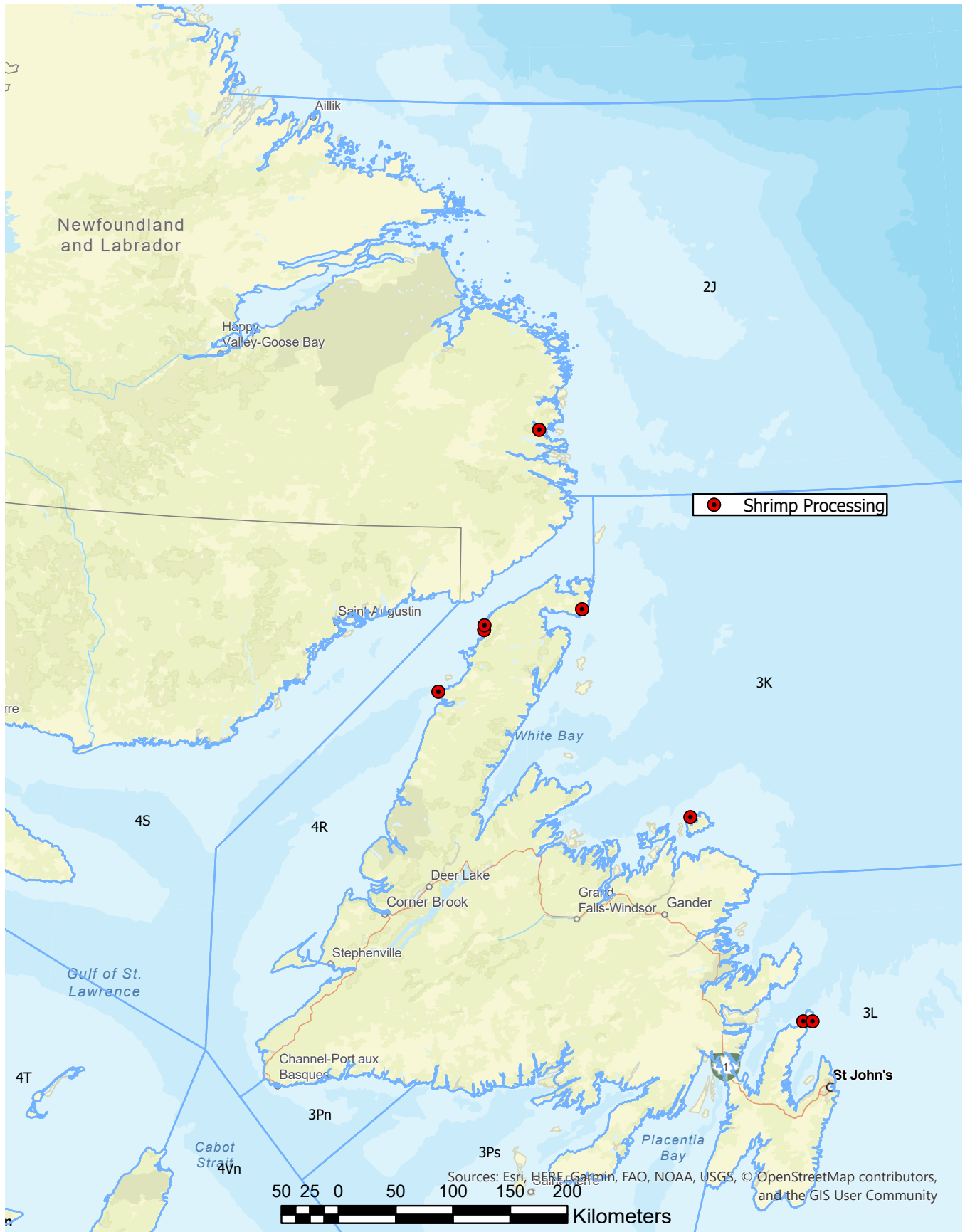
Appendix B

Maps showing 2019/20 primary processing license holders for groundfish, pelagics, snow crab and shrimp. Note: Some locations may contain more than one licensed fish processing plant.











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