

FISHING FOR A BETTER FUTURE

A First Nations Business Case for a Second Phase of PICFI

INTRODUCTION

This proposal outlines a business case for renewal of the Pacific Integrated Commercial Fishing Initiative (PICFI) from 2012 – 2017 on behalf of British Columbia First Nations. PICFI, the most recent allocation transfer program on the Pacific coast, is a five-year sunset program that will conclude in March 2012 unless renewed. PICFI was established to achieve the goals set of Pacific Fisheries Reform, a Fisheries and Oceans Canada (DFO) policy initiated in 2005 in response to recommendations by two independent panels on post-treaty fisheries.¹ PICFI has been a step in the right direction but further action is needed to achieve the vision set in Pacific Fisheries Reform of defining and reconciling First Nations fisheries interests and achieving equitable treaty-based fisheries.

The proposal was prepared at the direction of the Economic Access Work Group that was established under the *Commitment to Action and Results* signed by the First Nations Fisheries Council (FNFC) and DFO in June 2010. DFO members of the workgroup qualified their input to the document as not representing a DFO policy or position since DFO was still at an early stage in its review of sunset programs. It builds upon direction provided at an Economic Access Work Group technical workshop held in Richmond BC on January 31 and February 1, 2011.

ISSUE

Treaties in British Columbia have been slow to address First Nations access to fisheries for economic purposes. PICFI is a stepping stone towards treaties that provides allocations or communal commercial licenses to First Nations through long term agreements and supports First Nation capacity in fishing and management. The PICFI program will conclude on March 31, 2012 however the program is just beginning to show results and requires more resources and time to show a substantial change in First Nation communities.

Canada has initiated several programs and policy changes over the past two decades to improve First Nations access to commercial fisheries and promote greater involvement in fisheries management. Since 1994 approximately \$210 million has been spent in the

¹ *Treaties and Transition: Towards a Sustainable Fishery on Canada's Pacific Coast* by the Joint (Federal-Provincial) Task Group and *Our Place at the Table: First Nations in the B.C. Fishery* by the First Nations Panel on Fisheries.

Pacific region and approximately \$610 million in the Atlantic region on transferring communal commercial fishing licenses, vessels and gear to First Nations. In the Pacific this has resulted in transfer of over 13% of all Pacific fishing licenses and quota to First Nations. PICFI has had positive impacts and is supporting new and viable business opportunities. However a larger base of licenses and quota is needed to ensure widespread success for First Nations seafood businesses.

The need to improve economic conditions for First Nations was recognized by the federal government in the 2011 Speech from the Throne and the Auditor General's June 2011 Status Report. Those statements pledge to renew and deepen relationships with First Nations and support First Nations economic self-sufficiency as an important element of future Canadian prosperity. In this respect, renewal of PICFI is timely since it will affirm Canada's commitment to building effective relationships and achieving self-reliant and prosperous First Nations communities.

A growing number of court decisions² have affirmed First Nations fishing rights and brought the need for fisheries reforms in Canada to the forefront. Most recently the Nuuchah-nulth fishing rights decision (*Ahousaht First Nation v. Canada*) was recently upheld up by the B.C. Court of Appeal and recognizes Nuuchah-nulth rights to catch and sell fish into the commercial marketplace.

The specter of unresolved fishing rights creates uncertainty for existing businesses and investors. Progress in the B.C. treaty process has been slow and is likely to continue until fisheries issues are addressed. Allocation transfer programs such as PICFI show the commitment by the Crown to address those issues in a substantive way. Other key issues that need to be addressed include food security, fisheries sustainability and meaningful First Nation engagement in fisheries management.

Unless PICFI is continued or replaced with a new and robust access program that meets the needs of First Nations, there will likely be a continued exodus from the treaty process and new court challenges. The PICFI program is on the right path and with the renewal and adjustments suggested later in this paper, will be a positive step towards reconciliation with First Nations, a revitalized treaty process and delivery of real economic benefits to First Nation communities.

FIRST NATION VISION AND GOALS

First Nations in British Columbia have a common vision for fisheries access:

² Including *R. v. Sparrow*, *R. v. Marshall*, *R. v. Gladstone* and *Ahousaht First Nation v. Canada* (the Nuuchah-nulth fishing rights decision)

As the original inhabitants, owners and stewards of the land and sea, First Nations require greater access to and joint management of all fisheries to support our communities, cultures, economies and conservation. We will work with other governments and third parties to ensure recognition of and respect for our title and rights. First Nations, over time will achieve a majority share of all aquatic resources, work together to conserve migratory fish stocks and resolve inter-tribal sharing.

Several goals relevant to PICFI have been identified in First Nations documents such as *Our Place at the Table* and the *BC First Nations Action Plan*. These include:

- **Sustainability** - Conservation of all fish stocks and fish habitat is the highest priority and sustainable use needs to account for the well-being of present and future generations. Economic sustainability needs to focus on the individual, family unit and community to produce meaningful results.
- **Food Security** – Ensure both opportunities to fish for food, social and ceremonial purposes and adequate quantities of fish to meet community needs as recognized by Section 35.1 of Canada's *Constitution Act*.
- **Economic Needs** – Achieve as an interim measure a minimum 50% share of all commercial fisheries for First Nations but recognize that it may reach up to 100% for some fisheries.
- **Management** – Recognize First Nations rights to manage and protect fisheries resources and habitat.
- **Accountability** – Hold fisheries managers and users accountable for their decisions and actions as related particularly to fisheries conservation and management.

RECOMMENDATION

In order for First Nation seafood businesses to become successful they require sufficient volumes of fish and access to key anchor products. The seafood industry is a high operating cost and low profit margin business with major infrastructure requirements such as vessels, gear, licensing fees, monitoring, transport and processing facilities. Species diversification is essential due to the volatility of seafood markets and global competition from wild and aquaculture products.

To date, PICFI has facilitated the establishment of 25 Commercial Fishing Enterprises (CFEs) in British Columbia and each has been supported by an investment of \$4 to \$7 million in licence and quota acquisitions. The cost of anchor products such as a geoduck license is \$3.25 million and a 60,000 lb. halibut quota and license is \$3.0 million. Licence holdings need to increase significantly to support diversification and improve economic resiliency, enhance job creation, and create the conditions necessary for business success.

BC First Nations have recommended the continuation of the PICFI program for a second 5 year term (PICFI-2) with a requirement of \$ 450 million in federal support. The program will focus on the following primary activities:

1. **Commercial Access** will target approximately 20% of licenses and quota particularly for those high valued and highly profitable fisheries that have not yet been secured under the current PICFI, ATP or AAROM programs. A portion of the funds will be used to explore alternative management and access strategies, including aquaculture and stock enhancement as a means to achieve economic and social objectives of communities and CFEs.

By 2017 PICFI-2 will result in transfer of 33% of all license categories to First Nations in the form of communal licenses or allocations. This will generate stronger, more diversified and more resilient business opportunities for First Nations. Some funds will be directed towards acquiring vessels and processing-related infrastructure costs to support the developing businesses. It is anticipated that PICFI-2 will need \$ 365 million for license transfer³ and \$40 million for infrastructure to meet this target.

2. **Joint Management** will focus on strategies, recommendations and projects that improve First Nation engagement with DFO in fisheries management and in development of Integrated Fisheries Management Plans. This will include support for processes involving First Nations only (Tier 1), DFO and First Nations (Tier 2) and multi-stakeholder advisory forums (Tier 3). First Nations will have a greater role in management decision-making as their share of commercial fisheries increases. It is expected that Aboriginal Aquatic Resource and Oceans Management (AAROM) organizations will play a significant role in future management. One important issue to address will be food security and the management of fisheries to achieve food, social and ceremonial needs. The funding target is \$20 million.
3. **Capacity building** will continue to support training that assists development of communal commercial fishing and processing opportunities in First Nations communities. This includes safety and navigation training, other certifications required to harvest and process fish and development of at-sea mentoring initiatives. Funds for CFEs to support ongoing business management and development and training will also be required. The funding target is \$15 million.
4. **Enhanced Accountability** will support the continuing work by PICFI to develop standards and programs for the monitoring and traceability of fish within all First Nation, recreational and commercial fisheries. The funding target is \$10 million.

³ Estimate based on the cost to meet a 33% target for all fisheries (see Appendix 1) across all licence and quota categories. Note that this includes a 22.5% allowance for increases in 2010 licence and quota prices due to inflation and speculation.

The Incremental Approach – “Moving towards a treaty-based fishery”

First Nations recognize that an incremental, long term approach to transfer of fisheries access is likely necessary. As of June 2011, efforts of PICFI, ATP and AAROM programs have incrementally increased communal access to 13.4% of licenses and related quota at a cost of \$210 million. As proposed, PICFI-2 is anticipated to increase overall access to 33% by 2017 at an additional cost of \$340 million. Future programs beyond 2017 are expected to support the First Nations goal of a majority share by 2024, a full 30 years from the start of transfer programs in 1994. The proposed incremental approach represents a responsible and orderly transition. It is anticipated that once sufficient access is achieved the opportunity for treaty agreements between Canada, BC and First Nations will be significantly enhanced.

RATIONALE

Historical Context

Since time immemorial First Nations have relied on fish and fishing for their sustenance, culture, livelihood and generation of wealth. First Nations had elaborate inter-tribal trade and barter systems up and down the coast and between the coastal and interior regions. First Nations were the original commercial fishers and were sought and hired by canneries to operate vessels and work on the processing lines because of their knowledge and skill. Despite our historic use and connection to the resources of the seas and rivers, First Nations were marginalized within the commercial fishery over the past century as a result of government policies which favored the immigrant society and corporate interests. Commercial fishing licenses were originally issued to canneries and only gradually were independent fishing opportunities made available to the general public and First Nations. Another barrier was that First Nations fishers generally lacked access to capital to acquire a fishing vessel and gear and over time became displaced as participants in the modern fishery.

Modern Context

DFO licensing policies have marginalized First Nations in commercial fisheries. Limited entry licensing started with the Davis plan in 1969 and led to the continually escalating monetary value of licenses. The Mifflin plan in the late 1990's reduced the salmon fleet by half and introduced area licensing leading to further declines in First Nation participation. And a movement to vessel and individual quota fisheries over the past 25 years has contributed to the decline. These policies along with fish stock declines have led to First Nations protest and occasionally violent conflicts on the rivers and seas of British Columbia as First Nations have sought to acquire a fair share of fish. Federal

government programs such as the Indian Fisheries Adjustment Program, special Native license categories and the Native Fishing Association have been insufficient to maintain First Nation participation in the modern fishery.

A series of landmark court decisions over the past three decades supported aboriginal rights and title to lands and resources and has caused Canada and British Columbia to develop reconciliation processes with First Nations such as the B.C. treaty process. Federal programs relating to fish have included AFS, AAROM and PICFI as described in the next section. These programs have had positive results but have not yet resulted in adequate access to fish for First Nations for food, social and ceremonial or economic purposes.

The figure below shows the current First Nation share of different commercial fisheries based on "F" licences and quota. There are approximately 6,186 commercial fishing licenses in British Columbia worth approximately \$1.3 Billion. Of these there are 829 "F" licenses or 13.4% of the total. Communal licences and quotas currently account for between 5% and 15% of most fisheries.

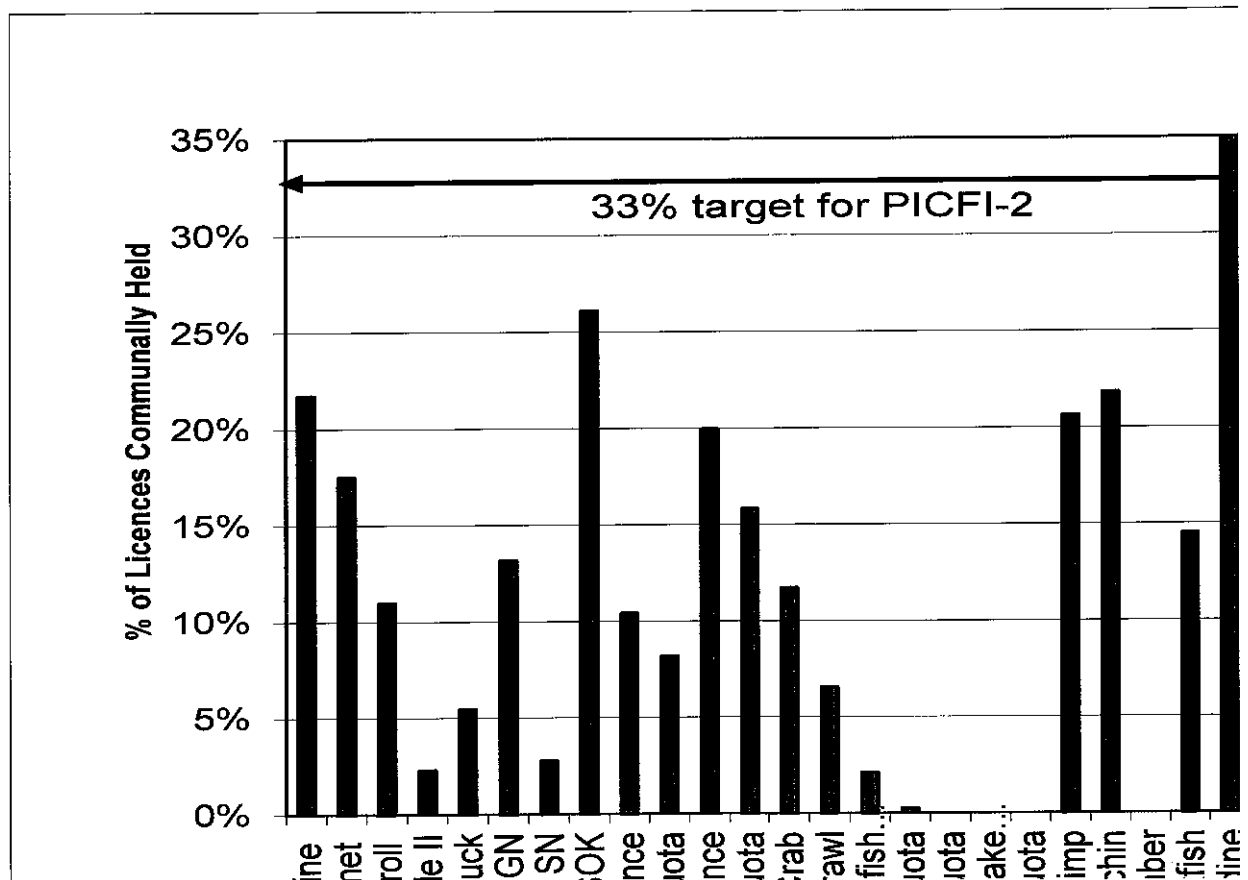


Figure 1. Percentage of all Pacific Region licences and quota that are communally held ("F" licences) as of June 2011

About \$ 312 million is required for PICFI- 2 to acquire about an additional 1,200 licences and associated quota to achieve the 33% target (Appendix 1). This estimate doesn't account for about \$15 million left in the PICFI budget for relinquishment of as of June 2011. It also doesn't include inflation or increases in licence or quota costs due to speculation. Based on this we anticipate that the actual cost of acquisition will be approximately \$ 365 million. In addition it is proposed that \$40 million be provided for infrastructure costs such as vessels, gear, processing facilities.

SUPPORTING PROGRAMS AND RESULTS

All “building blocks” in place

Since 1994, DFO have created all the necessary building blocks to support an orderly and successful transition of commercial fisheries access to First Nations. The *Aboriginal Communal Fishing Licences Regulations* introduced under AFS allow the issuance of communal commercial fishing licences to First Nations. The Allocation Transfer Program (ATP) started the voluntary buy-back program. The Aboriginal Aquatic Resource and Oceans Management Program (AAROM) has brought First Nations together in larger organizations for collaborative management. PICFI provided an influx of capital to support CFEs with capacity and additional licence and allocation transfers. Conditions are right so that a major surge in transfers can quickly generate widespread success.

Aboriginal Fisheries Strategy – Allocation Transfer Program

The Aboriginal Fisheries Strategy (AFS) was created in 1992 to create a framework for management of fisheries consistent with the Sparrow decision. AFS also included a component for purchase and transfer of commercial fishing licenses with a modest annual budget of \$4M – \$8M per year. To date the Allocation Transfer Program (ATP) has spent \$85.3 M to purchase 362 or 5.9 % B.C. commercial licenses and some related quota. AFS also supported the negotiation of pilot sales agreements with First Nations for salmon in three major river systems in British Columbia. It is recommended that ATP should continue with license purchases as ATP licenses are accessible to all First Nations with AFS agreements whether or not they are part of a CFE required under PICFI.

AFS allows the negotiation of fisheries agreements and the *Aboriginal Communal Fishing Licences Regulations* provide flexibility in conditions for First Nations commercial fishing. A category “F” commercial licence can only be held by a First Nations community or enterprise. “F” licenses and community fish allocations are an excellent tool to support the growth of First Nations community-based fishing businesses.

Aboriginal Aquatic Resource and Oceans Management (AAROM)

AAROM was developed by DFO in 2004 to support First Nations participation in fisheries management. First Nations have formed regional bodies to participate in decision-making and received funding for capacity building and to hire skilled personnel. Several of the AAROM bodies have expanded their mandate to become CFEs within the PICFI program. It is expected that AAROM bodies will become a significant driver for many of the joint management and access related outcomes of PICFI.

The AAROM program has purchased 19 commercial licenses that have been converted to “F” licenses for distribution to First Nations organizations.

Pacific Integrated Commercial Fishing Initiative (PICFI)

PICFI was established in 2007 supported by a \$175 million budget over five years for commercial access, enhanced accountability, co-management and capacity building. To date this proposal-driven program initiated 25 commercial fishing enterprises throughout the province involving approximately 90 First Nations. \$115 million was budgeted for commercial license and gear transfers and as of June 2011, 427 or 6.9 % of coast wide licenses and some related quota valued at \$ 86.4M had been purchased.

Our Place at the Table originally estimated that about \$500 million was needed to achieve a 50% share of all commercial fisheries. The DFO minister initially indicated that the PICFI would be \$350 million to a large First Nations meeting in BC. In the end DFO announced a 5-year program for \$175 million. The rationale for the reduction was that PICFI was to be a pilot that would be assessed and expanded once it had matured.

In general the PICFI program experienced a slow start but has been viewed more positively now that the program has matured, goals and objectives have been clarified, a framework for substantive First Nations involvement in decision-making is in development, and communal commercial licenses are being transferred to CFEs.

PICFI Successes, Challenges and Opportunities

In 2010 DFO conducted a mid-term or formative evaluation of the relevance and performance of the PICFI program based on interviews and case studies. The seven major recommendations from the evaluation are summarized below:

1. DFO should show more flexibility on the requirements for aggregate bodies.
2. DFO should improve consultation and communication with First Nations possibly through a joint steering committee with First Nations representatives.
3. PICFI should continue to lead in the move toward a terminal fishery for salmon.

4. DFO should streamline application and approval processes and ensure adequate funding is available for First Nations to support the process.
5. DFO should continue to investigate the potential for cooperation with other federal agencies.
6. The Atlantic Integrated Commercial Fisheries Initiative (AICFI) model should be used judiciously. In particular lessons may be learned in the area of business plan development.
7. DFO should plan for the continuation of PICFI after 2012.

As the PICFI program enters its final year many of these recommendations have been addressed. The application process has been slow and some flexibility has been shown regarding requirements for aggregate bodies. DFO has been working with First Nations through an Economic Access Work Group that reports to DFO and the First Nations Fisheries Council. The work group has sponsored several workshops with First Nations and DFO over the past eight months. However some recommendations will only be fully explored once a second phase of PICFI is implemented.

As a complement to the DFO mid-term evaluation First Nations organizations have identified the following successes and opportunities:

Successes of PICFI

1. **Securing access:** A broad range of commercial licenses have been secured, converted to communal licenses and distributed to CFEs. Allocations to date have assisted communities, put First Nation fishers to work and developed enthusiasm and interest in many communities. Long term license and quota transfers will further solidify new fishing businesses and better meet the expectations of communities.
2. **Collaboration between First Nations:** The initial PICFI guidelines suggested that First Nations groups that worked together in a single CFE would have priority within the program. This process required time but brought many neighboring nations together to work collaboratively to support successful aggregate CFEs. Many of the CFEs are AAROM groups.
3. **Business planning:** The PICFI requirement for a comprehensive business plan that was vetted by both DFO and an independent panel was beneficial. Most CFEs hired highly-qualified consultants from the seafood industry to help develop business plans. These consultants, many with decades of experience, helped to develop strategic and business plans that focused on fisheries or ventures with a high probability of success.
4. **Comanagement:** PICFI has provided funding that has enhanced First Nations capacity to engage in on-going fisheries management dialogue and processes.

This has included hiring of First Nations staff at province-wide and regional levels.

5. **Increased Accountability:** The program has supported improved accountability and traceability of catch in all fisheries. This is critical to sustainable management of fish stocks over the long term.

Two case studies are described in Appendix 2 to better illustrate the effects of PICFI on a coastal and interior First Nation community.

Opportunities and Recommendations for PICFI-2

1. **Leadership and policy development** – The program should be led by a steering committee with equal membership from DFO and First Nations (maximum 6 people) that meet at least three times per year to make recommendations on program policy and delivery to senior officials. This approach has been utilized successfully in the AICFI.
2. **Effective consultation** – A formal technical working group consisting of a maximum of 15 to 20 persons, including DFO is recommended. First Nations representatives from each of the participating 14 regions of British Columbia (potentially AAROM groupings) would provide sub-regional perspectives and allow for efficient consultation. This group should meet at least three times per year.
3. **Regional funding allocations and eligibility criteria** – A sound allocation framework must be used for overall funding allotments including eligibility criteria that are supported by First Nations.
4. **License acquisition** – The current system of voluntary relinquishment has worked well for most licence categories. Alternative strategies may be needed to acquire license or quota not being offered for sale and to reduce speculation on licence values. These include developing a professional license acquisition team to approach large corporations and brokers and purchase priority licences and quotas through the regular marketplace. Over the course of the PICFI program very few highly valued licenses have been voluntarily offered for sale to PICFI. For instance geoduck, blackcod, groundfish trawl and sea cucumber are currently poorly represented. Innovative means must be developed to bring these licenses to the table.
5. **Species Diversification and Volume** – As learned on the east coast with AICFI, the key to seafood business sustainability and viability is sufficient volume to support an “economy of scale” and diversification into a range of fisheries. CFEs

need at least one or two licences need to be in highly valued and profitable fisheries. Both can be addressed through PICFI-2 as part of increased commercial access.

Policy Issues for PICFI-2

The following needs of First Nations must be considered within the general DFO policy framework for the federal government and PICFI:

1. **Recognition of Title and Rights** – Communal commercial access must reflect the priority accorded to title and rights. This includes the principle of adjacency where priority is given to First Nations for access to fishery resources within their traditional territory.
2. **New and Expanding Fisheries** – New or expanding commercial fisheries should not proceed until efforts are made to allocate fishing opportunities to First Nations. The sardine fishery is an example where 50% of licences were allocated to First Nations when a fishery began. Opportunities need to be provided to First Nation in aquaculture. Preferential First Nations access to aquaculture tenures and broodstock and policies that support First Nation access to enhanced production could help to leverage investment and First Nation engagement in these areas.
3. **Communal Access Agreements and Flexible Licence Conditions** – Communal licenses should be provided on a perpetual basis to the CFE and not be tied to on-going AFS, AAROM or PICFI agreements. Long term “evergreen” conditions will support business development and allow licenses and quota to leverage investment that could support additional access and development. Terms and conditions for allocations or “F” licenses should be developed jointly between DFO and First Nations and include innovative means to support social needs and enhance job creation in communities. For example many First Nations are interested in mosquito fleets that allow several small vessels to fish under a single communal license or quota. Vessel length restrictions may not be necessary for some fisheries such as Dungeness crab that already have limits on the number of traps.
4. **Management of Funds/Value for Money** - Alternative structures should be considered to manage government funds that support PICFI to enhance value for money. One option to consider is creation of a First Nations Trust or Capital Corporation as a vehicle to receive and manage program funds with governance provided by a joint First Nations – DFO board. This could allow for greater involvement by other federal departments. Advantages would be First Nations ownership of decisions and greater flexibility in meeting First Nation objectives that would result in more integrated and responsive programming.

5. **Central Licensing Bank** – An independent, First Nations operated licensing bank could be considered as a venue for First Nations to broker, trade or lease communal licenses with other First Nations or fishermen. This central organization could also provide business services and advice to CFEs through in-house professionals.
6. **Professional Certification of Fishers** – Changes to Transport Canada regulations for piloting and operating a fishing vessel over the past decade have led to many experienced First Nations commercial fishers no longer qualifying to fish without significant retraining. Active First Nation fishers should be grandfathered and exempted from current regulations provided that they can demonstrate proper experience and knowledge of safety practices.

THE LASTING BENEFITS OF PICFI

PICFI will create jobs in First Nations communities and generate profits for First Nation businesses. In the broader context PICFI will directly contribute to meeting goals of communities, governments, industry and the people of Canada as follows:

- **Reduces Conflict** - Litigation and or direct action are currently seen by most First Nations as the best avenue to make progress on fisheries issues. Successful court outcomes such as the Gladstone decision and the Nuuchahnulth fishing rights decision encourage litigation by First Nations. Litigation ties up provincial and federal courts and costs governments and First Nations many millions of dollars over time. These funds will be better spent on allocation transfer initiatives such as PICFI. “Peace on the water” will be possible once a reasonable First Nation share is achieved. First Nations will also more readily support final treaty settlements in British Columbia.
- **Savings to Canada** - The PICFI program will create new jobs in First Nations communities and significantly reduce social assistance paid out by government in those communities. There will be social benefits for families and individuals as First Nations communities become working communities and net generators of wealth. Fisheries is a promising area for economic development for First Nations and fisheries assets will provide opportunities for successful economic development with the support of agencies such as AANDC and Industry Canada.
- **Enhanced Regional Economies** – Coastal communities have experienced the movement of licences and quota from rural to urban areas for several decades. PICFI will reverse this trend and restore a flow of jobs, wages and profits to coastal communities and regional economies. Successful First Nation fisheries will also have spin-off benefits to nearby communities.

- **Improved Fisheries Management** – An increased First Nations share of fish is stimulating partnerships with existing commercial fishers and with fishing and processing companies. Greater participation in commercial fisheries provides First Nations with a greater voice in management and supports meaningful engagement in fisheries management including bi-lateral discussions with DFO (Tier 2) and multi-party planning and advisory processes (Tier 3). This supports the goal of an integrated commercial fishery where First Nations and other Canadians work within a similar management framework.
- **Social Benefits for First Nations** – Economic fisheries can provide significant social benefits and support First Nations' traditional customs, practices and skills. Fishing jobs are cherished in First Nations communities and this cultural fit helps to assure a high degree of success for fishing-related development. The fishing and processing sectors can provide job opportunities for women and youth that are often scarce in First Nation communities. New and meaningful job opportunities can help to build strong family and community ties that were once present around the fishery and increase the general health and welfare of First Nations communities.

RISKS AND OTHER CONSIDERATIONS

- **A Priority for Canada ?** – PICFI-2 must be a priority for Canada despite the current climate of fiscal restraint and the desire for balanced budgets. Without a new and substantive fisheries re-allocation program in British Columbia, business certainty in the seafood sector will be impacted, treaty-making will continue to falter and the courts will begin to fill with First Nations seeking remedies to fisheries allocation issues.
- **Public Support** – Sixty percent of British Columbians support the right of First Nations to sell fish for economic purposes according to an independent survey completed for the First Nations Fisheries Council in November 2010⁴. Voluntary buy-backs have proven successful at allocation transfers and created market demand and opportunity for fishers to retire from the industry at a fair market price. PICFI-2 is expected to continue to meet this demand and continue to support the orderly transfer of fishing opportunities to First Nations.
- **License Speculation** – With approximately \$70M available in each of the next five years of the proposed PICFI-2 program there is some risk that speculation may artificially increase license and quota prices. One possible strategy to avoid this

⁴ 87% of British Columbians supported First Nation rights to sell for food, social and ceremonial purposes and 69% of that group also supported First Nations rights to sell for economic purposes. See: <http://www.fnfisheriescouncil.ca/index.php/council-news/1225-results-of-public-perception-audit>.

would be to modify the relinquishment process and directly target large license holders or corporations at the front end of the program.

- **Common Inter-Tribal Sharing Approach** – There is a concern that some First Nations outside of the program or within CFEs may not be satisfied with allocations within the program relative to others. The First Nations Fisheries Council is already working on an inter-tribal sharing approach that will provide guidelines for PICFI-2 and should alleviate or eliminate this issue.
- **On-the-Ground Results** – PICFI is on track to meet its goal of transferring \$115 million in licences, quota and fishing equipment or gear to First Nations. All the building blocks are now in place to support this progressive move towards First Nations prosperity in Pacific fisheries. Thus far a handful of positive First Nations case studies exist in BC and many more are on the verge of success. Once sufficient transfer of commercial fishing opportunities occurs through a well-supported PICFI-2, change will be evident and fish, the backbone of First Nations old economy, will again become a large part of the new economy.

APPENDIX 1

Table 1 – Estimated funding requirements to achieve a 33% share of communal licences (“F” category) and quota for First Nations.

Licence Description		No. of Licences							No. Lic.	Average	Cost to
		All	Communal Licences						Needed to	cost per	meet target
Type	Species	Licences	Total	ATP	PICFI	Other	Total %	1/3 target	meet target	licence	
A - S	Seine	276	60	27	26	7	21.7%	92	32	\$196,000	\$6,253,968
A - G	Gillnet	1,406	246	135	103	8	17.5%	468	222	\$47,000	\$10,443,306
A - T	Troll	538	59	18	41	0	11.0%	179	120	\$69,000	\$8,290,626
CO/A	Schedule II	519	12	8	4	0	2.3%	173	161	\$8,500	\$1,367,030
G	Geoduck	55	3	0	3	0	5.5%	18	15	\$3,250,000	\$49,773,750
HG	Roe Herring GN	1,268	167	38	129	0	13.2%	422	255	\$56,000	\$14,293,664
HS	Roe Herring SN	252	7	4	3	0	2.8%	84	77	\$170,000	\$13,075,720
J	Herring SOK	46	12	3	0	9	26.1%	16	4	\$275,000	\$1,100,000
K	Sablefish-licence	48	5	2	3	0	10.4%	16	11	\$200,000	\$2,196,800
L	Halibut- licence	436	87	44	43	0	20.0%	145	58	\$55,000	\$3,200,340
R	Crab	222	26	17	8	1	11.7%	74	48	\$512,000	\$24,538,112
S	Shrimp Trawl	245	16	13	3	0	6.5%	82	66	\$18,000	\$1,180,530
T	Gndfish T-licence	142	3	0	2	1	2.1%	47	44	\$37,800	\$1,674,011
W	Prawn/Shrimp	252	52	17	35	0	20.6%	84	32	\$547,000	\$17,458,052
ZC	Red Urchin	110	24	10	13	1	21.8%	37	13	\$35,000	\$442,050
ZD	S. Cucumber	85	0	0	0	0	0.0%	28	28	\$300,000	\$8,491,500
ZN	Rockfish	262	38	26	11	1	14.5%	87	49	\$96,000	\$4,727,616
ZS	Sardine	24	12	0	0	12	50.0%	8	0	\$10,000	\$0
Total		6,186	829	362	427	40	13.4%	2,060	1,231		\$168,507,074
Groundfish Quota Description		Total Quota *	Communal Quota (% of total)					% Needed	Average	Cost to	
Type	Species	(millions of pounds)	ATP	PICFI	Other	Total	1/3 target	to meet target	cost per pound	meet target	
K	Sablefish-quota	3.0	1.2	7.0	0.0	8.2	33.3	25.1	\$37.00	\$27,905,400	
L	Halibut- quota	6.6	9.5	6.3	0.0	15.8	33.3	17.5	\$40.00	\$46,094,400	
T	Groundfish-uncut	89.4	0.0	0.2	0.0	0.2	33.3	33.1	\$1.25	\$36,944,550	
T **	GF - Turbot	33.1	0.0	0.0	0.0	0.0	33.3	33.3	\$0.00	\$0	
T **	GF - Hake (Gulf)	20.5	0.0	0.0	0.0	0.0	33.3	33.3	\$0.00	\$0	
T	GF - Hake	148.2	0.0	0.0	0.0	0.0	33.3	33.3	\$0.65	\$32,077,890	
									Total	\$143,022,240	

Explanation of columns:

All Licences/Total quota = all BC commercial licences or quota; Total Communal Licences = communal or "F" licences in Pacific Region; ATP: "F" licences/quota held by Allocation Transfer Program; PICFI: "F" Licenses/quota held by PICFI; Other = F licences/quota held through AAROM or other programs; Total % = percentage of total licences; 1/3 target = number of licences or quota to meet 1/3 target; No. of Lic./% Needed to meet target = licences or % of total quota needed to meet 1/3 reallocation target; Average cost per licence/pound = average cost per licence and quota from Nelson (2010); Cost to meet target = total cost to buy licences or quota to meet 1/3 reallocation target

Notes:

* Quota as of March 31, 2010 from Stuart Nelson (2010)

** No value accorded to Gulf hake and turbot as there was no market for these species (Stuart Nelson 2010)

Sources of Data:

Stuart Nelson (2010). West Coast Fishing Fleet: Analysis of commercial fishing license, quota and vessel values. Prepared by Nelson Brother Fisheries Ltd. for DFO Pacific Region. March 31, 2010.

Department of Fisheries and Oceans (2010). Personal communication with Anna Benke regarding "F" licence and quota totals by program as of June 21, 2011.

APPENDIX 2 – Case Studies

Kitasoo Seafoods

The Kitasoo/Xaixais Nation is utilizing PICFI to support their diversified seafood processing operation based in the village of Klemtu on the B.C. central coast. Kitasoo Seafoods Ltd. is involved in fisheries, aquaculture and tourism and is 100% community owned and operated. PICFI is providing fishing opportunities to community members and supporting value-added processing at its community-owned processing plants. Klemtu has a population of 400 of which 60 are currently employed in the seafood sector.

Kitasoo Seafoods acquired a portfolio of fishing licences over the years and PICFI provides additional diversification, employment as well as fishing and processing revenues. Like many other small coastal communities Klemtu was hit hard by limited entry and the centralization of fish processing in the 1960s. By the 1970s individual band members held only a handful of salmon gillnet vessels and licenses. About that time the Kitasoo Band acquired a herring spawn-on-kelp license that provided consistent revenues up until about the 1990s. Circumstances changed for the better in the 1980s when the Band got involved in a new sea cucumber fishery in their territory and were granted 6 sea cucumber licenses. Through careful management of license revenues and reinvestment the Band built a new fish processing plant in the mid-1980s. Beginning in the 1990s Kitasoo obtained a salmon and herring seine, as well as herring gillnet, red urchin and halibut licences through the DFO Allocation Transfer Program (ATP). In 2011 the PICFI program provided additional halibut quota and a prawn license, and this was supplemented by a second prawn license from ATP.

Additional assets have allowed the business to expand and realize value-added opportunities. In 1995 Kitasoo bought the 60 ft seine vessel Alexis Jane and a second seine license that allowed it to fish the whole coast for salmon. In 2000 Kitasoo built a second processing plant. In 2005 Kitasoo bought a 60 ft. vessel as a full-time packer for the processing plant. In 2011 Kitasoo expects to fish its halibut quota on the Alexis Jane for the first time and to both fish and process prawns in 2012. In late 2011 cold storage and blast freezing facilities will be expanded at the processing plant. One of the keys to success is that all licences are managed by Kitasoo Seafoods. After years of work the Kitasoo plant is now in a position to process most of the catch from the community licences as well as custom processing species such as urchin and geoduck for others.

Over time Kitasoo has been able to use its assets as leverage to form strategic partnerships. The 6 sea cucumber licenses allowed Kitasoo to partner with a major processor and led to the Kitasoo plant processing 40% of the entire B.C. quota. Kitasoo began experimenting with salmon farming in the mid-1980s and by the late 1990s had partnered with one of the largest companies in the world. Today Kitasoo is the 5th largest farmed salmon processor in B.C.

The seafood sector is once again a cornerstone of the Kitasoo economy. With careful management and 30 years of hard work Kitasoo Seafoods Ltd. built a viable seafood company that employs over 60 people for the majority of the year with an annual payroll of \$1.2M and gross revenues of over \$2.5M. Without the fishing licences that were used to build the business those 60 people would potentially be drawing social assistance. Diversification is a key to

adapting to changing circumstances. The once lucrative herring spawn on kelp and sea urchin fishery have not produced any revenue since 2004 and other species like halibut, sea cucumber and farmed salmon processing have supported the company. Kitsoo Seafoods Ltd. is seeking more diversity and volume through key licence acquisitions to continue modest growth and maintain jobs in Klemtu. Programs such as PICFI are vital to survival and future prosperity by providing access to high-valued species like geoduck, halibut and sea cucumber that can anchor the business and provide support through lean times.

Secwepemc Fisheries Commission Case Study

The Secwepemc Fisheries Commission (SFC) conducted a successful PICFI demonstration fishery in 2010 focusing on Fraser sockeye. The demonstration fishery built upon previous feasibility studies by SFC. The SFC represents nine communities with a combined population of about 8,000 people within the Thompson River drainage that includes the sometimes highly productive Shuswap Lake sockeye and healthy summer chinook runs. SFC is part of the Shuswap Nation Tribal Council (SNTC) that advocates on matters of common Secwepemc concern, including self-government and the settlement of the aboriginal land title question.

SFC opportunities to participate in in-river commercial fisheries during the first years of PICFI were limited by poor Fraser sockeye returns. This changed in 2010 when SFC managed one of several economic opportunity fisheries offered to First Nations in the mid- and upper-Fraser. SFC has conducted six years of feasibility studies into in-river commercial fishing that looked into harvest, processing, transport, marketing and sales. Under PICFI SFC has conducted project analyses and evaluation required for preliminary business plan development. In 2010, the unexpected arrival of significant PICFI fishing opportunities led to a partnership between SFC and Esh-kn-am Investments. The 2010 Fraser River sockeye return was over 25 million of which the Canadian catch was approximately 10 million.

PICFI supports a move towards more terminal salmon fisheries that will assist with conservation of weak stocks and achieving goals set by the Wild Salmon Policy as well as providing economic opportunities for interior First Nations. Up to June 2011 PICFI had purchased about 170 salmon licences and the majority are intended to support in-river fisheries. PICFI licences are converted to a stock specific allocation that was provided in-season to SFC through an Aboriginal Communal Fishing Licence for sockeye, chinook and pink. In 2010 the SFC-Esh-kn-am's combined commercial Fraser sockeye allocation was over 1.1 million. A portion of the SFC-Esh-kn-am catch was processed at the Siska Fish Plant which was operated by Esh-kn-am.

Due to the large return of Late Shuswap-Adams sockeye in 2010 the SFC identified a need for a landing site on Kamloops Lake that was capable of moving large volumes of fish. Several possible options were investigated before the final site was chosen. SFC then obtained permission for temporary access to cross private property to the lakeshore. SFC also worked closely with DFO habitat protection staff to minimize any disturbance to the foreshore habitat and with the B.C. Ministry of Environment to obtain approvals for site improvements. Most of the sockeye were caught by a small purse seine boat in Kamloops Lake and by beach seine in the Thompson River. The chinook were largely caught using a small gillnetter with a drum in the lake. The SFC catch accounted for 153,426 sockeye and 953 chinook. This was less than the

allocation of 550,000 sockeye and 2,500 chinook, but a good result considering that the sockeye purse seine fishery hadn't been tested in the lake before.

The 2010-11 project helped to form better linkages and develop stronger collaborations between SFC and Esh-kn-am. PICFI assisted SFC to develop a plan to coordinate marketing of SFC and Esh-kn-am commercially caught fish. SFC and Esh-kn-am jointly conducted research and designed operational plans for secondary processing, cold storage, local marketing and sales. The 2010 experience provided valuable logistical and financial information that will refine the future business plans of both partners.

In 2011-12 SFC and the Siska Band moved jointly into the PICFI business planning phase. Each partner had obtained endorsement by their respective tribal council to proceed with business and training planning before this year's fisheries. A Commercial Fisheries Manager Mentoring Program was approved and an intern was hired to assist with launching a commercial fishing enterprise in 2011. The PICFI program has provided concrete benefits to SFC and been invaluable in providing support and stable access for the development of an economically viable business venture in the BC interior.