

Summary Report: DFO Integrated Advisory Group on Mitigation under Chapter 3 (Chinook) of the Pacific Salmon Treaty

Background

The Pacific Salmon Treaty (PST) is the Canada-US treaty under which the two countries work together to conserve and manage Pacific salmon. In addition to the PST principles and objectives, Annex IV of the Treaty contains a number of fishing chapters. These fishing chapters set out the more specific conservation and harvest sharing arrangements for stocks and fisheries under the Treaty; they are:

- Chapter 1: Transboundary Rivers (all species)
- Chapter 2: Northern Boundary (sockeye, pink and chum)
- Chapter 3: Chinook (coast-wide)
- Chapter 4: Fraser River (sockeye and pink)
- Chapter 5: Coho (Southern BC, Washington and Oregon)
- Chapter 6: Chum (Southern BC and Washington)
- Chapter 8: Yukon River (Chinook and Chum)

After negotiations within the Pacific Salmon Commission (PSC), five new chapters of the PST were agreed to by Canada and the US and came into effect on January 1, 2009. Of the new chapters, the changes to Chapter 3 (Chinook) are the most significant. The new chapter includes reductions in the catch ceilings for one Canadian (West Coast of Vancouver Island, WCVI) and one US fishery (Southeast Alaska), as well as \$30M (US) which Canada can access to help mitigate the impact of the harvest reductions on Canadian fisheries. Chapter 3 notes these funds will be “used by Canada for a fishery mitigation program designed, among other purposes, to reduce effort in its commercial salmon troll fishery.”

Chapter 3 sets out the harvest sharing arrangements for chinook stocks subject to the treaty (coast-wide) and determines the maximum catch levels each country must meet in carrying-out its chinook fisheries. The chapter identifies two types of fisheries: those that are managed based on the aggregate (overall) abundance of chinook present in the fishery (Aggregate Abundance Based Management or AABM fisheries), and those that are managed based on the status of an individual stocks or stock groups (Individual Stock Based Management or ISBM fisheries).

The three AABM fisheries are the US Southeast Alaska (SEAK) fishery, the Canadian Northern British Columbia (NBC) fishery¹ and the Canadian West Coast of Vancouver Island (WCVI) fishery². Allowable harvests for these fisheries are determined annually based on pre-season estimates of abundance (abundance index) provided by the bilateral Chinook Technical Committee and the associated catch ceilings identified in Table 1 of Chapter 3.³ Management agencies in Canada (DFO) and the US then manage their respective chinook fisheries within these maximum harvest levels and consistent with domestic conservation and management objectives. In Canada, these decisions are based largely on the Allocation

¹ The NBC fishery includes “Area F” troll (Pacific Fishery Management Areas 1-5, 101-105 and 142) and Queen Charlotte Islands sport (Pacific Fishery Management Areas 1-2, 101, 102 and 142).

² The WCVI fishery includes WCVI “Area G” troll (Pacific Fishery Management Areas 21, 23-27, 121, 123-127) and outside sport (Pacific Fishery Management Areas 21, 23-27, 121, 123-127 with additional time and area restrictions that differentiate WCVI outside sport from “inside sport”).

³ A copy of the Pacific Salmon Treaty document (including Chapter 3) can be found at: <http://www.psc.org>.

Policy for Pacific Salmon (1999) and, for the commercial harvest, the annual DFO-Commercial Salmon Advisory Board (CSAB) process on salmon allocation.

DFO Consultation on a Mitigation Program under Chapter 3 (Chinook)

DFO is seeking input from First Nations and stakeholders on the design of a mitigation program and use of the \$30M US available under Chapter 3. In April 2009, the Department convened an Integrated Advisory Group (IAG) to seek advice and recommendations on the development of a mitigation program. The group consisted of representatives from: First Nations (Nuu-chah-nulth Tribal Council), the CSAB, West Coast of Vancouver Island Aquatic Management Board (WCVI-AMB PST Sub-Committee), and the Province of BC. DFO has also undertaken bilateral consultations with some groups (e.g. Commercial Salmon Advisory Board).

The purpose of the IAG was set out in a Terms of Reference.⁴ The group was asked to “provide advice to DFO on the design and implementation of a mitigation strategy related to Chapter 3 (Chinook) of the Pacific Salmon Treaty.” In doing so, participants were asked to consider approaches that contribute to:

- Mitigating the direct impacts of the reduction in catch ceilings for chinook under Chapter 3;
- Improving the short and long-term viability of salmon fisheries;
- Opportunities regarding First Nations economic aspirations; and
- Consideration of support industries and communities.

DFO also prepared a consultation paper entitled Development of a Mitigation Strategy under Chapter 3 (Chinook) of the Pacific Salmon Treaty. The paper provided further guidance to the advisory group including an introduction; a set of guiding principles the Department and Minister would consider in consultation and the development of a mitigation program, and a set of questions to guide the discussion.⁵

The IAG met three times between April and June 2009. The meeting dates were: April 27, May 27 and June 24, 2009 and all took place in Nanaimo, BC at the Vancouver Island Conference Centre. A small group meeting was also held with a sub-set of the IAG to review technical work and analysis being prepared by DFO on May 20, 2009 in Nanaimo. Minutes from these meetings can be found on the DFO website at: <http://www.pac.dfo-mpo.gc.ca/fm-gp/species-especes/salmon-saumon/pol/pst-tsp/index-eng.htm>.

Summary of Key Issues Identified by the IAG

The following is a brief summary of the key issues identified in the IAG process, views expressed by the participants, and areas of agreement and disagreement within the IAG (note: this is not a comprehensive overview of discussions. A more detailed account can be found at in the meeting notes, see link above).

Scope of Impacts and Mitigation

One of the fundamental questions examined by the IAG was the scope of impacts resulting from harvest reductions under Chapter 3. Generally speaking, representatives from the West Coast of Vancouver Island (WCVI) region held the view that the impact(s) of the harvest

⁴ A draft Terms of Reference was developed by DFO and is included as an appendix to this report.

⁵ These discussion questions are included as Appendix B.

reductions under Chapter 3 are limited to the WCVI AABM (Area G) fishery and that, as a result, the focus of the mitigation program should be on mitigating Area G licence holders. Other participants noted that, due to the coast-wide nature of the salmon resource and the Allocation Policy (including the Kelleher framework for commercial allocations used by DFO), the impacts of the PST reductions could potentially extend beyond Area G and that a mitigation program should apply to other areas as well; however, in the short term participants did not provide demonstrable evidence of impact to fisheries other than Area G.

DFO undertook some analysis to inform this discussion, which included applying the 30% reduction in WCVI AABM harvest retroactively to harvest years 2001-2008. The results were presented at the May 24, 2009 meeting and indicated that, if the revised catch ceilings had been applied to this period, the primary impact would be on the WCVI fishery (Area G) given that there would not have been a transfer of any harvest from the other fleets to Area G during the allocation process. It was noted, however, that the allocation framework and analysis done by DFO is sensitive to variables such as changes in price for certain salmon species. Also, it was noted a reduction in the fleet size (e.g. effort) and potential adjustment to the target allocations for each gear type under the Allocation Policy (1999) would have implications for assessing the impacts moving forward. As a result, it is difficult to predict whether and how the harvest reductions might impact the various fleets in future years.

Based on this information, a number of participants noted that the PST reductions could potentially have an impact on other fleets in future years, given changes in factors such as stock status, abundance and the value of different species (e.g. sockeye, chinook). Conversely, others maintained that the impacts could and would likely be limited to the Area G fleet.

Another issue related to scope and salmon allocation was harvest by the Area H Troll fleet. In recent years, it was noted that the troll fleet has often been over the target allocation of 22% for sockeye equivalents coast-wide. This has been due largely to the high value of chinook salmon harvested largely in the AABM fisheries (Areas F and G), lower catches of sockeye and others species, and the inability to move this harvest to the net fleets under the current allocation framework. In recent years, the CSAB has agreed to provide Area H with access to Fraser River sockeye, despite the projected troll catch being over the target allocation of 22%. It was noted that, if the number of troll licences and the target allocation for the troll fleet were reduced as per the Allocation Policy, that it could be increasingly problematic for the CSAB and the net fleets to provide allocation for Area H.

Forms of Mitigation

IAG participants noted that mitigation and effort reduction could take many forms. A range of options is reflected in those put forward by the participants prior to the June 24, 2009 meeting which included approaches such as permanent licence retirement, annual vessel tie-up and direct financial compensation to harvesters.

These approaches and a summary of discussions within the IAG are outlined in a later section. However, the general views can be summarized as follows. A number of participants supported an approach that includes a range of mitigation (e.g. direct compensation, vessel tie-up, and licence banking), whereas others supported an approach based primarily on the permanent retirement of salmon licences. An alternate approach was also put forward in which US funds for mitigation would be converted into sockeye equivalents and used to "balance" salmon allocations between the gear types (i.e. bring them in line with target gear allocations currently reflected in the Allocation Policy). DFO noted that this approach did not

meet one of the primary goals of effort reduction; however, that it would be put forward for consideration.

Salmon Allocation

Issues around salmon allocation—particularly the Allocation Policy (1999) and the process for commercial allocations—were a topic of considerable discussion within the IAG. There have been numerous consultations with regard to allocation policy over the last decade, and this was reflected in IAG discussions. Notwithstanding the range of views regarding mitigation, there was general agreement that the current allocation framework is a complicating factor in developing and implementing approaches to mitigation. Many participants argued that the current framework is outdated and does not reflect the current structure of the commercial fleet or fisheries management approach. Others noted that the allocation process is overly complex, challenging to implement, and creates perverse incentives (e.g. effectively penalizing fleets for increasing the value of their catch year-to-year based on sockeye equivalents approach). There was some discussion of adopting defined shares for each area and gear type as a possible solution to these issues; however, there was no consensus within the IAG on the utility of this particular approach.

Related to allocation is the challenge faced by DFO and CSAB in achieving the target allocations for each gear type set out in the allocation framework (22% Troll, 38% Gillnet and 40% Seine). In recent years, this has led to the troll sector being above their overall target allocation of 22% (due largely to high values for chinook and inability to move chinook catch to other fleets/areas) and fish being transferred to Area H (largely from the net fleet) in order to provide harvest opportunities. A participant noted that, if the number of troll licences and target allocation for the troll sector were reduced under the Allocation Policy, it would be increasingly difficult for DFO and the CSAB to achieve target allocations given the current licence areas and harvest opportunities for salmon.

There was relative consensus that DFO and industry would need to revisit the allocation framework over the longer term, with some suggesting the Department undertake an integrated consultation process including First Nations, recreational and commercial harvesters to establish a new framework. Others argued that, while important, these issues fell outside the scope of a mitigation program and mitigation should not be used as a vehicle to address broader, pre-existing issues with the allocation framework.

Impact of Harvest Reductions in 2009

Another key issue identified by the IAG was that harvest reductions under the PST have been implemented by DFO for the 2009 fishing season, while US funding for mitigation will not be available until 2010. In light of the impacts on harvesters this year, participants felt the federal government should look at alternatives to provide funding for mitigation this year and that, when funds are available, a program should be structured to deal with any impacts that were not mitigated in 2009 (e.g. potential compensation to harvesters for 2009).

Active and Inactive Licences

One of the issues raised within the IAG was the concept of “active” and “inactive” licences and whether a program should differentiate between the two categories for the purposes of licence retirement or other forms of mitigation (e.g. direct compensation). In general, some representatives held the view that “a licence is a licence” and that a program should not necessarily differentiate between active and inactive licences for the purposes of mitigation. Conversely, other participants suggested that differentiating between active and inactive

licences for the purposes of both effort reduction and compensation for harvesters was critical. For example, it was noted a significant portion of the Area G fleet does not actively fish for salmon and that an effort reduction program that removed only inactive licences would not have any impact on actual fishing effort. While it was agreed that reducing active effort would be important, it was also noted that at least some active licence holders could retire their licence only to purchase an inactive licence and that inactive licences could become active (e.g. should economic prospects in the fishery improve).

It was also noted that past DFO licence retirement programs for salmon have not distinguished between active and inactive licences. As a result, DFO would need to address a number of issues in implementing this approach, including identifying a set of criteria and process for determining active and inactive licences. There was some discussion on how this might be done but no consensus on whether (and how) active and inactive licences should be addressed within a mitigation program.

Area Reselection

Area reselection was the focus of significant discussion within the IAG. It was noted that during the last round of area reselection in 2007, the CSAB agreed reselection would apply for an “indeterminate” period but that certain circumstances may lead to a recommendation for further reselection; for example, if the CSAB were to reach consensus on a new management approach for the Pacific salmon fishery; if the CSAB were to (by consensus) recommend an area reselection; or if a new management regime is not identified and adopted after five years, in which case DFO would conduct a review and evaluate whether area reselection should occur prior to the 2012 fishing season.

A number of participants noted area reselection would be a key consideration in designing and implementing mitigation. For example, a program that focused on one fishing area could create incentives or disincentives for harvesters to re-select to that area based on factors such as changes to the size of the fleet or possible access to mitigation (e.g. licence retirement, compensation). Depending on timing and how it is conducted, it was noted area reselection could also potentially undermine the objectives of an effort reduction program; for example, if the number of licences in Area G was reduced and a significant number of new licences were allowed to reselect to that area.

A representative suggested that area reselection could occur either before or after effort reduction, but preferably after given that harvesters will have a better idea of the size and make-up of the various fleets and be in a position to make an informed choice on the selection of their fishing area. The point was raised that not all harvesters may have the ability to reselect to a new area and thus, reselection may not be of benefit to them.

Economic Viability

The concept of economic viability generated considerable discussion, particularly at the June 24, 2009 meeting. A number of views were put forward in terms of how to define viability and how a mitigation strategy might help to support improved viability in the commercial fishery. At least two participants suggested economic viability relates to harvesters on the water being able to make a decent living based on available harvest (e.g., landings relative to operating costs). In the view of some, this meant fewer harvesters in the fishery would lead to enhanced viability for those that remain. Another participant noted that the appropriate goal of a mitigation program could be to maintain the level of viability that existed prior to the new Chapter 3 and the 30% reduction. Others felt that circumstances dictated a broader view of viability—one that would require a comprehensive, long-term strategy for the WCVI

region and the Area G fishery (e.g. harvesters, support businesses, salmon enhancement, address factors related to climate change).

First Nations Access and Linkages to the Pacific Integrated Commercial Fisheries Initiative

One of the strategic questions and secondary objectives identified by the IAG was whether (and how) a mitigation program could support increased access for First Nations. It was noted that there are approximately 18 Nuu-chah-nulth fishermen with Area G troll licences, who could have reduced access to chinook under the PST agreement. A participant raised the need to mitigate these impacts on First Nations and felt that Approach B (described in a latter section of this report) would address this. In general, it was noted First Nations would like to see their participation in the Area G fishery increase and that none of the proposals specifically address this.

The IAG also discussed how a mitigation program might impact the implementation and objectives of the Pacific Integrated Commercial Fisheries Initiative (PICFI). For example, participants noted that, through PICFI, DFO is purchasing and transferring commercial access to First Nations and that effort reduction through a mitigation program would have implications for the relinquishment of licences through that process (e.g. impacting the market and estimated value of a salmon licence). The point was also made that a mitigation program which distinguished between active and inactive licences could further impact the value of licences and process for purchases under PICFI.

Recreational Allocation

It was noted that, under the Allocation Policy (1999), the foregone harvest resulting from the reductions under Chapter 3 would be borne by the commercial sector. This is because the Policy provides priority access to chinook (and coho) salmon to the recreational sector, after requirements for conservation and First Nations food, social and ceremonial (FSC) allocations are met. While DFO indicated that the existing allocation policy will be maintained, several participants noted that the 'open' nature of the recreational allocation and priority access to high value species such as chinook were a significant concern—not only in the context of mitigation but that the growing recreational harvest also complicates the shift toward new management approaches such as defined shares. There was relative consensus among representatives of the commercial sector that issues around the recreational sector should be addressed.

Licensing Issues

One of the questions put to the IAG was “[what] options might DFO consider with respect to licensing that would help facilitate the retirement of salmon licences?” Specifically, there was discussion regarding current licence categories and practices, including stacked⁶ or married⁷ licences, as well as how some of the current licensing constraints may be a barrier for harvesters to take part in an effort reduction program.

⁶ Licence stacking allows vessel owners to combine different gear and area licence eligibilities onto one vessel by permanently "stacking" additional salmon licences from other vessels onto their vessel. Different gear and area licences can be combined on one vessel. However, a vessel may not hold more than one licence for the same area.

⁷ Married licences generally refer to cases where licence eligibilities for different species (other than salmon and Schedule II) are combined with a commercial salmon licence. For example, the holder of a salmon A licence has "married" his/her licence with a separate licence to fish shrimp or another species.

Most agreed removing the constraints around stacked and married licences would be appropriate given they were designed years ago and may be an impediment to reducing effort. For example, it was noted that an individual with stacked licences (e.g. salmon licence in Area F and G) may be willing to relinquish his/her Area G licence but current constraints may not permit them to do so and still retain their Area F licence.

A related issue was access to “Schedule II” species. Currently, individuals with a licence to fish salmon commercially also have access to a sub-set of other species, referred to as Schedule II (category C) under the current licensing regulations (e.g. tuna, Pacific cod). It was noted many licence holders who do not actively fish salmon may keep their salmon licence strictly to maintain access to Schedule II species; particularly tuna. If DFO were to revise the current regulations so that licence holders could relinquish their salmon licence but maintain access to Schedule II species, this may provide additional incentive for harvesters to take part in an effort reduction program.

Secondary and Community Impacts

A considerable amount of discussion within the IAG related to the impact of the harvest reductions under the PST on secondary and support businesses (e.g., processors) and broader impacts on communities. Representatives of the WCVI region in particular noted the importance of the WCVI fishery to their local economy and the implications of reduced harvest on individuals and communities, given the range of other factors influencing small, resource-based communities.

Participants stated that reselection and effort reduction have had, and will have, significant impacts on community socioeconomic welfare, First Nations rights and title, and local stewardship incentives and capacity. The 1996 Mifflin Plan, for instance, resulted in several communities in the WCVI being heavily impacted, with Ahousaht losing 50% of its total employment in one year. These impacts are clearly outlined in a federal report at the time.

While DFO noted the use of the \$30M US available under the PST would be used primarily to mitigate the direct impact on commercial fisheries, the Department did note the concerns raised by participants regarding these secondary impacts and allocated a portion of the May 27, 2009 meeting to presentations from other Federal Government Departments with programs and services that may be available to help address these issues. Representatives of Western Economic Diversification (WD), Service Canada and Indian and Northern Affairs Canada (INAC) all provided overviews of current funding programs and initiatives that could potentially be accessed by individuals and communities to help address issues related to employment and general economic development.

Potential Approaches and Elements of a Mitigation Program

At the meeting on May 27, 2009, the process facilitator and DFO requested that in order to move the discussion forward, participants consider submitting “straw dog” proposals (e.g. potential approaches) to mitigation prior to the next meeting for discussion. In total, four approaches were submitted by participants and presented to the group at the June 24, 2009 meeting. A brief summary of each is provided below, as well as a brief overview of the key points raised in discussion of the options by the IAG. More detailed discussion on the options can be found in the meeting notes posted on the DFO website: <http://www.pac.dfo-mpo.gc.ca/fm-gp/species-especes/salmon-saumon/pol/pst-tsp/index-eng.htm>.

Approach A: Permanent Retirement of Troll Licences

The proposal noted the objective identified in the agreement: that mitigation funds be used by Canada “to reduce effort in its commercial salmon troll fishery.” To that end, the proposal recommended US funds “be used to reduce the number of vessels in the troll fleet in a program consisting of three parts:

- A buyout (licence retirement) of salmon troll licences across all three troll areas;
- Enable the troll fleet to re-select their area of choice; and
- Address the allocation impacts that arise from the reduction in catch and fleet, by adopting a more stable allocation format such as fixed shares for each area.”

Discussion:

A representative indicated that under the current Allocation Policy, if effort in the troll fleet is reduced, then the distribution of allocations (e.g. target allocations for gears and by area) would need to be adjusted as per the formula recommended by Kelleher and applied during the Pacific Fisheries Adjustment and Restructuring (PFAR) Program in 1998.

A participant noted that, given there is no identifiable impact on coast-wide troll or net areas that relate to the chinook reduction (other than Area G), a coast-wide reduction of troll licences or other gears fail to meet the criteria outlined for the Advisory process, such as mitigating direct impacts.

With respect to the issue of stacked and married licences, participants noted that those conditions should be removed as most of these rules were designed years ago and now are impediments to self rationalization (e.g. not being able to stack in same area).

The issue of active versus inactive licences was raised with respect to the proposal, to which a participant noted that they felt all licences should be viewed equally for the purposes of licence retirement. Another participant noted that an alternate approach could involve DFO paying less for an inactive licence or for some aspects of a mitigation program to be geared specifically toward active licences.

The question was raised regarding how Approach A could impact individual harvesters who are unable to select a new troll area. A DFO representative responded that, if you are unable to physically relocate to another area, then area reselection may not be of benefit to you; however, there are a range of potential scenarios and the opportunities and incentives would be different for each individual harvester.

A representative noted that there are significant differences between the troll areas; for example, the areas and individual harvesters have made choices about how to fish (e.g. ITQ pilot in Area F, derby fishery in Area G). Concern was expressed that Approach A could force active harvesters in Area G to sell their licence in order to pay the bills; therefore taking people with the least options for avenues such as re-training or different employment and forcing them out of the fishery. It was noted that DFO and industry need to look at factors such as those harvesting non-salmon species (tuna), lessons learned from previous licence retirement programs and those who rely on fishing for livelihood (and are most impacted).

Approach B: Ten-Year Effort Reduction and Sustainability Plan for Area G Troll Fishery

Noting that the primary, direct impact of the harvest reductions will be on the Area G fleet (at least in the short term) and that the harvest reductions have been applied beginning in 2009, the approach was submitted which includes the following elements:

1. Allocation: address allocation impacts by using the Chinook Technical Committee estimates of abundance and allowable catches under the 1999 Agreement (i.e. old Table 1, prior to the 30% reduction) for pre-season planning and then remove PST reductions (30%) directly from Area G Total Allowable Catch (TAC).
2. Effort Reduction: Utilize mitigation funding across three areas:
 - a. Annual mitigation to Area G harvesters based on foregone catch with funding determined based on
 - i. Funding determined based on demonstration of losses (i.e. US model) beginning in 2009;
 - b. Annual effort reduction: voluntary vessel tie-up (2010-2018)
 - c. Longer-term effort reduction: relinquishment of licences for the term of the agreement (2010-2018) where they would be held in a "licence bank" by the Minister or a separate entity.
3. Implementation: this approach would potentially be overseen by an administrative body with representatives from DFO, Area G, NTC and other WCVI interests.

Discussion:

A participant commented that it makes more sense to design a mitigation strategy around demonstrated, known, and likely impacts than trying to design a strategy around impacts that were not demonstrated in a ten year retrospective analysis, or by using any forward looking predictive models.

A participant raised the question about what implications this approach would have for the commercial allocation framework. A participant involved with the drafting of the proposal responded that the approach is very similar to vessel tie up in 1999 (i.e. if a harvester elects not to fish, then it is their prerogative) and it would not impact the allocation arrangements between the areas and gear types.

One participant asked about the difference between effort reductions under Approach A and Approach B (i.e. permanent retirement vs. effort reduction on an annual or long-term basis)? For example, it was suggested ten years is a long time for a harvester and one could argue it should have the same impact on the allocation model (i.e. adjustment of target shares, catch per unit effort). A representative responded that, because the annual approach does not constitute permanent effort reduction and fluctuates year-to-year, it would not impact the allocation model in the same way that a traditional licence retirement would.

A participant raised the idea that, given complexity of allocation policy, it would be better to 'save harmless' the other commercial fleets. By isolating the impact and allocation within the WCVI Area G Troll, the domestic allocation problems would be isolated within this fleet.

DFO asked the IAG whether the other fleets/areas (outside of Area G) believe this approach to allocation will "save them harmless." This led to a general discussion about this approach and how it might be implemented. A participant noted Approach B is based on a positive outlook in 10 years: the (WCVI) region wants a viable fishery and believe there will be one. This plan would allow the fleet to maintain capacity in the event chinook do return in significant numbers by 2018.

DFO raised the question of what number for the anticipated harvest would be used in the allocation framework: the full PST Treaty TAC for WCVI AABM under the 1999 Agreement, or a lower number which reflects domestic constraints that have been (or would be) applied for conservation. A representative responded that this would require further discussion, but that there would not necessarily be an adjustment of the target allocations and/or CPUE for the various fleets.

A participant raised the question of how to assess whether there are potential impacts on other fleets beyond Area G. There was some discussion but no consensus on an approach.

A participant suggested that if, over time, any direct impacts are identified on other fleets, then there can be further discussion on domestic allocation policy modifications.

One participant raised the question of area reselection and how it fits with Approach B. For example, if you reduce effort (temporarily or on a permanent basis) then this would create incentive for other licences to move-in under area reselection. A representative noted that this issue would require further discussion but that creating proper incentives will be important under any program; as such, discussing specific options in a smaller group would be beneficial with less likelihood to impact licence values.

DFO indicated that Approach B would involve treating active licences differently than inactive and that this led to the question of criteria for active and inactive, as well as how this might be applied to effort reduction. It was noted a program needs to reflect the right mix of incentives for tie-up and longer-term reduction, and that details should be developed in consultation with the areas/communities directly affected. It was argued that such a program is achievable but that a reverse bid buy back approach may cause problems. DFO noted that dealing with both active and inactive licences could be possible under a program. However, the Department needs to have informed options or advice on this issue in order to put forward an approach to the Minister.

A question was asked regarding whether Approach B would assume no area reselection for a given period. The response was that it depends how the program is designed. For example, if a program isolated the allocative impacts to Area G as under Approach B and focused the mitigation program on that fleet, there could potentially be a flood of licences coming back into the area under reselection and we would need a strategy for how to address this.

DFO asked for views regarding what incentives would encourage harvesters to participate in a longer-term effort reduction component? For example, what are the considerations for individual licence holders? Individual participants responded with the following:

- We (the fleet) would still like to see young people be able to get into the industry;
- A reverse bid buy-back approach will generate minimal interest;
- The WCVI region has experience with transitional programs and has created expertise on how to get value from small programs; and
- There is some literature regarding the licence banking concept and how those licences could be held and re-issued at a later date.

Participants indicated that bilateral discussions regarding implementation details should take place with DFO.

Approach C: Licence Retirement Program for all Commercial Areas and Gears

In putting forward their approach, a representative highlighted a number of concerns with the allocation process and, in particular, the status of the Area H allocation under the current model. In that context, the proposal would involve:

- Using mitigation funds to permanently retire commercial salmon licences across all areas and gears (troll and net fleets);
- Retiring sufficient gillnet and seine capacity such that target allocations in Kelleher framework (22/38/40) would be achievable and Area H would have more predictable access to sockeye, pink and chum;
- Utilize all mitigation funds for licence retirement within one year (2010) if possible;
- Use average of last ten years for valuation of salmon species; and
- Potentially implement along with defined (fixed) allocations by area and gear.

Discussion:

There was a brief discussion regarding this option. In general, there was some concern expressed with the scope of this approach, given (as a participant suggested) the direct impacts of the PST reductions would be focused on the Area G fleet, while mitigation would be applied to other areas. They also raised the view that this proposal is directed at addressing a range of issues “outside the scope” of the PST reductions, including issues with the domestic allocation policy.

Others responded that issues such as those relating to the allocation policy should be considered in the context of mitigation and that it is difficult to separate PST-related issues from those pre-dating the new Chapter 3, given the coast-wide nature of the allocation framework and potential implications for other areas.

Approach D (Area E Gillnet): Convert Mitigation Funds to Sockeye-Equivalents and Allocate Annually

Recognizing the desire on the part of DFO and the commercial fleet to maintain a viable fishery on the WCVI (Area G) and challenges related to the current allocation framework, the approach focuses on the following:

- Divide mitigation funds into ten equal portions (one for each year of PST Agreement) or \$3M US per year;
- Convert foregone harvest into sockeye equivalents (SEs) and use the \$3M annually for mitigation to compensate the fleet(s) by “balancing” the gears toward their target share in the allocation framework (22/38/40).

Discussion:

DFO noted that the proposal does not have an “effort reduction” component and may not be a viable option given the Canada-US agreement and internal direction. There was a brief discussion regarding the approach and how it might operate.

Conclusion

The objective of the IAG was to provide advice and recommendations to DFO on the design and implementation of a mitigation program. In doing so, the group was asked to consider approaches that contribute to mitigating the direct impact of the PST reductions, improve the short and long-term viability of salmon fisheries, address First Nation economic aspirations and consider the impact on support industries and communities. Under the guidance of a

process facilitator and consultation materials developed by DFO, the IAG met three times to work through these issues and discuss potential approaches to mitigation.

Overall, there was a diverse range of views expressed on key issues ranging from the scope of impacts resulting from the PST reductions to the most appropriate means of mitigating those impacts and reducing effort in the commercial salmon fleet. This report has attempted to summarize these views and highlight the key issues which DFO and the Minister of Fisheries and Oceans will need to consider in the development of a mitigation program.

In general, two broad views were put forward regarding the scope of a mitigation program. One perspective was that the primary impact of the harvest reductions and the mitigation program should be focused on the Area G fishery. To that end, a proposal was developed that included a means of potentially limiting the allocation impacts to Area G (i.e. saving other fleets harmless). It was also argued that a PST mitigation program should not be used as a vehicle to address broader, pre-existing issues within the commercial fishery. An alternative view, put forward by participants was that the PST reductions and the design of a mitigation program have significant implications for other fleets and that, as such, effort reduction should be targeted more broadly across the troll (and potentially net) fleet(s).

A range of views was also provided with respect to program design and implementation. Two of the potential approaches focused on permanent licence retirement as a means of mitigating the impacts on the commercial fleet (i.e. reduce effort on a permanent basis to reflect reduced harvest opportunities for chinook under the PST). An alternative proposal included several elements, including direct compensation to individual harvesters (based on level of fishing activity and foregone harvest opportunities), annual effort reduction (e.g. voluntary vessel tie-up) and longer-term effort reduction (i.e. creation of a licence bank for the 10 year treaty term). There was significant discussion about the pros and cons associated with these approaches, as well as considerations around implementation.

Issues around the Allocation Policy and the process for commercial allocations figured prominently in discussions. While there was debate about the extent to which these should be considered or addressed in a mitigation program, there was relative consensus regarding the challenges and limitations of the current allocation framework.

The IAG looked at the role of area reselection and how it might impact the design and achievement of objectives under a mitigation (effort reduction) program, as well as the importance of creating proper incentives for individual harvesters in order for a program to be effective. From the perspective of licensing, a number of potential barriers and opportunities were identified, including changes to licensing criteria that could help facilitate the retirement of salmon licences under a mitigation program.

Two other issues of particular note were discussed. First, it was noted harvest reductions were being implemented by DFO this year (2009) while US funding for mitigation would not be available until 2010. Thus, in the absence of funding from Canada, the immediate impact of the harvest reductions on harvesters in 2009 would not be mitigated. Second, the IAG spent considerable time discussing the implications of the PST reductions for communities and support businesses (e.g. processors, business owners, fueling stations). Some federal and provincial programs were highlighted and discussed as potential opportunities to address these broader associated with harvest reductions in 2009 and beyond.

Next Steps

DFO and the Minister will be reviewing the input and advice received via the IAG process and bilateral consultations over the coming weeks. This information will be used to inform the development of a mitigation program for consideration by the Government of Canada late in 2009 or early 2010.

Once the framework for a mitigation program has been approved, DFO will be further consulting with impacted First Nations and stakeholders on details around program design and implementation. The program will then guide the use of the \$30M (US) available to Canada under the terms of Chapter 3 (Chinook) under the PST, the first installment of which is expected to be available in early 2010.

DFO and the facilitator, Felicity Edwards, would like to express appreciation to all of those who took part in the advisory process. The dialogue was very helpful and has greatly increased DFO's understanding on a number of these issues and the perspectives of the participants.

Any individuals or groups not involved in the IAG process but wishing to provide input or comments on the development of a mitigation strategy, or request further consultation with DFO, are also asked to contact Corey Jackson by email at Corey.Jackson@dfo-mpo.gc.ca or by phone at (604) 666-7168.

Appendix A: Terms of Reference for the Integrated Advisory Group

Purpose

The Advisory Group's purpose is to:

- Provide advice and recommendations to DFO on the design and implementation of a mitigation strategy related to Chapter 3 (Chinook) of the Pacific Salmon Treaty.

In doing so, the Advisory Group should consider and develop approaches that contribute to:

- Improving the long-term viability of the impacted salmon fisheries;
- Opportunities regarding First Nations economic aspirations and the short and long term viability of associated infrastructure and communities.

Scope

The scope of analysis and recommendations will be informed by the Guiding Principles and a number of key questions, as outlined below and in Appendix A. They include:

- Which salmon fisheries will be impacted by the 30% reduction in the WCVI AABM catch ceilings in new Chapter 3 (Chinook) agreement? For example, are the impacts of reductions in the Chinook Annex applied to the Area G fleet, all troll fleets, or all salmon fleets?
- What are the potential impacts on the affected fleet(s)?
- What are the options and recommended means of addressing the impacts?
- How can the long term viability of impacted salmon fisheries be improved?
- How do the options and approaches to mitigation contribute to the short and long term viability of associated infrastructure and communities?
- How do the options and approaches to mitigation relate to opportunities to maintain and increase First Nations economic access to salmon in their territories?

Guiding Principles

The development of the mitigation strategy advice and recommendations will be guided by the following principles:

- Conservation and sustainable use are the first priority
 - The conservation and long term sustainability of the Pacific salmon resource is paramount, consistent with the Wild Salmon Policy (WSP).
- Obligations and commitments to First Nations
 - Obligations and commitments to First Nations, including access to food, social and ceremonial (FSC) fisheries, will be respected.
 - DFO will continue to address First Nation interests with respect to economic opportunities and will do so in a manner that is consistent with, and supports, DFO policies and programs, as well as the tri-partite treaty process.
- Support for economic viability
 - Approaches to mitigation, and related policy and management decisions, will support (where possible) improved economic viability and self-reliance in the salmon fishery such that participants are better able to address economic challenges and opportunities, and can better adapt to changing resource and market conditions, without government assistance.
- Focus on direct fishery impacts

- The priority for mitigation (\$30M) will be on mitigating direct impacts on commercial salmon harvesters and reducing effort in the commercial salmon fleet, consistent with these principles and the scope and intent of the Canada-US agreement.
- DFO will work with First Nations, stakeholders, and other Federal departments (WD, HRSDC, others) to utilize Federal programs to mitigate broader impacts associated with harvest reductions for chinook salmon.
- Stable resource allocation
 - The Allocation Policy for Pacific Salmon (1999) will be maintained and continue to guide allocations for all species.
- Value for money
 - Effort reduction and the relinquishment of commercial salmon licences will ensure value for money expended and are expected to follow usual DFO practices for licence retirement programs.
- Transparency
 - Consultative processes and key decisions regarding mitigation will be conducted in an inclusive manner.
 - Information from consultation sessions will be made available to all participants and other interests throughout the process.
 - Effort reduction and the retirement of salmon licences (where undertaken) will be done in collaboration with industry.

The integrated Advisory Group will use the following process principles when working together and developing recommendations:

- Collaborative: Participants will share knowledge, learn from each other, explore creative solutions, and build consensus to jointly achieve the Purpose and Objectives.
- Integrated: Different parties and advisory bodies related to the Purpose will work together through the Integrated Advisory Process.
- Accountable: Participants who are representatives of a constituency are expected to bring to the discussions the general views, knowledge and experience of those they represent, and bring back an awareness and understanding to their constituencies about deliberations of the consultation activity and reasons for decisions taken. All participants share accountability for the success of the process. Final decision-makers are accountable to participants for explaining how their advice/input was used and why and how decisions are taken.
- Effective: All participants should be satisfied that the process can achieve the purpose and objectives. This does not mean that participants will always agree with the final advice, outcomes or recommendations. The Integrated Advisory Group and working groups must be cost-effective, and set and respect realistic timeframes.
- Efficient: The size of the Integrated Advisory Group must be kept to a number that facilitates effective discussion among the participants and adequate consideration of options and approaches.
- Structure and Membership: The IAG will include two representatives from each of DFO, First Nations, and the Province of B.C. The IAG will also include two representatives from each of the following advisory bodies:
 - Area G Troll Harvest Committee;
 - The Commercial Salmon Advisory Board; and
 - WCVI Aquatic Management Board.

Appendix B: DFO Consultation Questions

- What are the allocative impacts on commercial salmon fisheries resulting from the 30% reduction in the WCVI AABM catch ceilings in the new Chapter?
 - For example, what options would be available should DFO and industry agree to adjust the allocation framework such that the impact of harvest reductions on the commercial fleet were limited to the troll fleet (Areas F, G and H) or Area G?
 - What are the possible implications of these options?
- What are the various options to mitigate the direct impacts of the reductions in catch ceilings?
 - How might these options support improved viability of commercial salmon fisheries?
- How might the mitigation strategy and various approaches relate to future processes for commercial salmon area reselection?
- How might an effort reduction program address issues regarding active and inactive licences?
- What options might DFO consider with respect to licensing that would help facilitate the retirement of salmon “A” licences?
- What other considerations should DFO take into account when designing the process for effort reduction / licence retirement?

Appendix C: List of Integrated Advisory Group Participants

Name	Affiliation
Dan Edwards	WCVI AMB PST Sub-Committee
Laura Loucks	WCVI AMB PST Sub-Committee
Doug Farrington	WCVI AMB PST Sub-Committee
Brad McLean	WCVI AMB PST Sub-Committee
Ted Lewis	WCVI AMB PST Sub-Committee
Tony Bennett	WCVI AMB PST Sub-Committee
Bill Irving	WCVI AMB PST Sub-Committee
Cliff Atleo	Nuu-chah-nulth Tribal Council
Don Hall	Nuu-chah-nulth Tribal Council
Chris Ashton	CSAB Area B
Bob Rezansoff	CSAB Area B
Kathy Scarfo	CSAB Area G
Doug Kimoto	CSAB Area G
Mike Griswold	CSAB Area H
Ron Fowler	CSAB Area F
Bill deGreef	CSAB Area F
Tom Kasmer	Area F
Len Koyanagi	CSAB Area E
Rob Morley	CSAB Processor
Wayne Saito	Province of BC
Bud Graham	Province of BC
Garnet Jones	Canadian Commissioner on the Pacific Salmon Commission

Fisheries and Oceans Canada

Paul Sprout (April 24 only)
Gordon McEachen
Wilf Luedke
Allison Webb,
Corey Jackson
Kirsten Ruecker
Brian Chau

Facilitator

Felicity Edwards CSE Group