

GROUND FISH DEVELOPMENT AUTHORITY

OPERATIONS PLAN

2003 - 04

March 1, 2003

Please Note: An electronic version of this document and all GDA Forms and instructions for completion are available upon request. Please contact Bob Humphreys at 604-467-7970 or E-mail at: b&bhumphreys@telus.net.

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Groundfish Development Authority

21540 - 121 Avenue

Maple Ridge, B.C. V2X 3S4

Phone: 604-467-7970

Fax: 604-467-7956

E-Mail: b&bhumphreys@telus.net

Introduction

Under the Groundfish Trawl Long-Term Management Plan introduced in 1997, 80 % of the groundfish (quota species) trawl, Gulf Hake and Offshore Hake (Onshore Delivery) Total Allowable Catches (TAC's) have been allocated as Individual Vessel Quotas (IVQ's) and 20 % have been set aside for allocation by the Minister of Fisheries, subject to advice given to him by the Groundfish Development Authority (GDA).

The GDA was established as a result of an agreement reached between the Department of Fisheries and Oceans (DFO), the B.C. Ministry of Agriculture, Fisheries and Food (MAFF), the Coastal Community Network (CCN) and fishing industry participants (i.e; processors and vessel owners). Its' purpose is to ensure fair crew treatment, to aid in regional development, to promote the attainment of stable market and employment conditions and to encourage sustainable fishing practices.

Since plan implementation, the Groundfish Trawl Special Industry Committee (GSIC) has periodically reviewed key elements of the plan. While the plan has remained substantially intact, selected recommendations by GSIC, accepted by the Minister, have altered quota reallocation rules and "fine tuned" the mechanics of the GDA.

With five fishing seasons having passed since IVQ/GDA plan implementation, it was deemed timely to conduct a review specific to the GDA portion of the program. This review by GSIC was completed in February 2003 and the findings are incorporated into this season's GDA Operations Plan.

The GDA consists of seven members (Board of Directors) and a Standing Committee of nine advisors (formerly called non-voting members of GDA), whose role it is to provide background information and expertise to the Board of Directors. The structure of the GDA is as follows:

Seven Member Board of Directors

- * 3 Community Directors - (North Coast, South Coast and Vancouver Island representatives); selected by the Coastal Community Network,
- * 2 UFAWU Directors - (Shoreworkers and Vessel Crew representatives); selected by the UFAWU,
- * 1 UFCWU Director - (Shoreworkers representative); selected by the UFCWU, and
- * 1 Independent Fishermen's Director - (with no vessel ownership or vessel licence holdings); selected by the GSIC Sub-Committee.

Standing Committee

- * 3 Processing Company Representatives - selected by the GSIC Sub-Committee,
- * 3 "T" Licence Holder Representatives - (selected by GTAC),
- * 1 First Nations Representative,

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- * 1 DFO Representative, and
- * 1 B.C. MAFF Representative.

The GDA contracts a support person (Executive Director) to act as the secretariat for the Authority. The secretariat, among other duties, prepares background information, collects, summarizes and analyzes GDQ proposals, receives and investigates complaints from industry, crews and communities, organizes GDA meetings, takes minutes, facilitates communications, maintains databases and liaises with DFO on GDA advice to the Minister.

The 20 percent of the TAC influenced by the GDA is divided into two parts: a 10 percent Code of Conduct Quota (CCQ) to protect the interests of crews under the IVQ management plan, and a 10 percent Groundfish Development Quota (GDQ) to aid in regional development in coastal communities, attain market and employment objectives, and encourage sustainable fishing practices.

Code of Conduct Quota

General Principles

The Code of Conduct Quota is designed to ensure fair treatment of crew and safe vessel operation.

It will alleviate changes to crew shares that occur solely as a result of the introduction of an IVQ system.

It is not intended to enforce minimum standards or minimum crew shares on trawl licensees.

Guidelines

The GDA recognizes that crewmembers may or may not wish to share in some additional costs associated with the introduction of the IVQ system, in order to ensure the continued viability of their vessel within the fleet.

“Fair treatment of crew” means that crew sharing arrangements will not be adversely affected by the introduction of an IVQ system. This includes, but is not limited to, the following:

1. crewmembers will not be asked to contribute to the cost of the vessel/T licence’s original IVQ allocation,
2. crewmembers will not be asked to contribute to the cost of replacing original allocated quota that is moved off the vessel/T licence by the original owner (that is, the owner of the vessel/ T licence at April 1, 1997),
3. crewmembers will not be coerced into contributing to the leasing of additional IVQ, or any other non-traditional costs associated with the operation of the vessel.

“Safe vessel operation” means that changes in crew size or vessel maintenance practices that could affect the safety of the crew or the vessel will not occur as a result of the introduction of an IVQ system.

Allocation Procedure

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At the beginning of each quota year, the Code of Conduct Quota (10%) will be assigned by DFO to each "T" licenced vessel according to the vessels' IVQ holdings as of midnight on March 31st of that year, unless a complaint has been received, found to be valid and a recommendation made to the Minister to withhold quota.

Complaints Procedure

Vessel owners and crewmembers are assured that the GDA Executive Director will hold all crew share documents or affidavits filed with the GDA Secretariat in complete confidence. The contents of these documents will not be disclosed or discussed with anyone, including the GDA Board of Directors or the GDA Advisory members, other than the DFO representative(s).

When a complaint is filed with the GDA, even in cases where the crewman is being represented by a third party, the crewman's name must be made known to the GDA Executive Director. However, at no time during the complaints process will the crewman's name be disclosed without the crewman's written consent.

Any crewmember, his legal representative or any other third party who believes that a crewmember has been unfairly treated or that his safety has been in any way compromised according to the guidelines stated above, may file a complaint with the Groundfish Development Authority. A GDA Complaint Form (see Appendix 4) may be obtained by contacting the GDA Executive Director at the telephone number given below.

Complaints should be accompanied by evidence of unfair treatment such as a number of crew share settlements made prior to September 1, 1996 and one or more current crew share settlements.

Code of Conduct quota will be allocated by the DFO as of midnight, March 31st each year. Therefore, in order for a complaint to be considered in time to have sanctions apply in the following year, complaints must be received by the GDA Executive Director by March 1st of each year. However, it should be noted that this is an on-going process and complaints can be brought forward in subsequent years. Complaints are to be made in writing, marked "CONFIDENTIAL", and mailed to:

Groundfish Development Authority

21540 - 121 Avenue

Maple Ridge, B.C.

V2X 3S4

Attn: R.D. Humphreys, Executive Director

or Faxed to Mr. Humphreys at : 604- 467-7956

If you wish to discuss a potential complaint: Phone: 604-467-7970

All complaints will be received and investigated in strict confidence by the GDA Executive Director as follows:

CCQ Complaints Process

1. When a complaint is received, the GDA Executive Director will determine whether or not there is sufficient documentation on file to proceed with an investigation.
2. If there is sufficient documentation available, the GDA Executive Director will:
 - 2.1. examine the evidence against a set of criteria established by GSIC to assist the GDA Executive Director in determining whether or not the complaint is valid. The GDA Executive Director will then advise the complainant as to whether or not, in the Executive Director's opinion, he has a valid complaint.
 - 2.2. request the complainant's permission to proceed with the complaint process, which would include the GDA Executive Director contacting the vessel owner.

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2.3. If the complainant wishes to proceed:

2.3.1. the GDA Executive Director will contact the vessel owner named in the complaint and will consider any further information provided by the complainant or the vessel owner in relation to the complaint.

2.3.1.1. if, with reasonable doubt considered, in the opinion of the GDA Executive Director, the complaint is not valid or reasonable, 3.2.2.1 and 3.2.2.2 will prevail.

2.3.2. If, with reasonable doubt considered, in the opinion of the GDA Executive Director, the complaint is considered valid, the GDA Executive Director will then prepare and present an investigative report to the GDA Board of Directors.

2.3.3. Where the GDA Board of Directors has determined that a breach of the CCQ principles has occurred, the Board will instruct the Executive Director to seek means of resolving the conflict between the licence holder and complainant.

2.3.4. If conflict resolution through mediation is not successful, the GDA may issue a letter of warning to the licence holder and/or recommend to the Minister of Fisheries that all or part of the vessel's CCQ be withheld for the following season.

3. If there is insufficient documentation available from either or both parties, the GDA Executive Director will:

3.1. notify the complainant and ask for additional information to support the complaint.

3.2. the complainant will also be asked if the GDA Executive Director should contact the vessel owner for additional information. If the complainant requests that the investigation proceed, the GDA Executive Director will contact the vessel owner named in the complaint and will consider any further information provided by the complainant or the vessel owner in relation to the complaint.

3.2.1. If sufficient information is obtained, refer to step 2.3.2

3.2.2. In cases where there is insufficient information presented by either the vessel owner or the complainant to the GDA Executive Director and the complainant does not wish to pursue the collection of additional information:

3.2.2.1. no further investigation or action will be considered at this time.

3.2.2.2. the GDA Executive Director will prepare a report on the number of complaints that could not be investigated as a result of insufficient information for the purpose of determining whether or not the CCQ process is effective or if it needs to be modified.

Sanctions

If it is found that Code of Conduct principles have been breached and resolution of the conflict cannot be achieved by any other means, the GDA Board of Directors may issue a letter of warning to the licence holder and/or recommend to

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the Minister of Fisheries that all or part of the vessel's Code of Conduct Quota be withheld for the following season (see Steps 2.3.3 and 2.3.4 above).

Groundfish Development Quota

Each year, 10 percent of each groundfish trawl TAC will be allocated as Groundfish Development Quota (GDQ). There will be a Gulf Hake GDQ (10% of the TAC), an Offshore Hake GDQ (10% of the Shoreside Delivery portion of the TAC) and a Groundfish GDQ (10% of each quota species area group TAC).

The GDA will receive Groundfish and Hake GDQ proposals for the 2003-04 season (April 1, 2003 to March 31, 2004), prepared jointly by one or more processor(s) and "T" licenced vessel owner(s).

All proposals must include a licenced processing company and one or more "T" licenced vessel(s).

Each application will detail aspects of the operation of processors and vessels committing quota to the processors, pertinent to the objectives that the GDA is mandated to pursue (see Appendix 1 for Application Requirements).

GDA Objectives

The GDA will consider the benefits of each application and rank each proposal according to how well they are deemed to contribute to the following objectives:

1. Market Stabilization

Intent:

One of the major goals of the IVQ plan was to encourage market stability by eliminating the race for fish and allowing a more stable pace of landings throughout the year.

GDA Assessment Criteria:

- a. How does your business plan contribute to the stabilization of the distributor level market price for groundfish? Indicate how you intend to respond on a day-to-day basis to changing market demands.
- b. Indicate how fleet scheduling elements within your plan control the rate of fresh product to market.
- c. What changes in the company's groundfish or hake processing operations have been made in recent years that affect the stability of the market?
- d. Have any new markets been created during the review period and, if so, with what effect on existing markets?

2. Maintain Existing Processing Capability

Intent:

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To recognize the importance of maintaining existing processing for reasons of jobs, tax investments, community infrastructure, etc. by mitigating against sudden wholesale change in location of processing while allowing for the evolution of a healthy processing sector

GDA Assessment Criteria:

- a. Has there been a net increase or decrease in groundfish or hake processing capacity anywhere within your operation during the past season? If so, how has this affected throughput?
- b. Relative to last year, will the groundfish and/or hake processing capacity of your operation (all sites included) increase, decrease or remain the same in the up-coming season?
- c. Has the volume of production from each site remained stable or has there been a shift in production from one location to another?

3. Employment Stabilization in the Groundfish Industry

Intent:

The primary intent of this objective is to ensure that the proponent's plans reflect the concept that an IQ fishery should generate more shoreworker stability by spreading landings out more uniformly over the entire year and by providing more certainty of plant operations.

With respect to vessel crew employment, it was recognized that DFO licencing is the main engine that determines job security within the groundfish trawl industry, and that part of the rationale for an IQ fishery was to rationalize the fleet at a lower level. However, once that new level has been achieved, this objective looks at the stabilization of vessel crew employment. It should be noted that fair treatment of crew is dealt with under the Code of Conduct.

GDA Assessment Criterion:

- a. How does the applicant's business plan with respect to throughput at specific plants, production schedule and final product form stabilize employment in the groundfish industry in terms of number and duration of jobs?

4. Economic Development and Benefits in Coastal Communities

Intent:

The GSIC Sub-Committee defined coastal communities as all locations that rely, at least in part, on the fishing industry for their economic viability.

To ensure that economic benefits generated by the groundfish and hake industries contribute to the economic viability and growth of all stakeholders including processing companies, vessel owners, shoreworkers, vessel crews and secondary service industries in coastal communities.

GDA Assessment Criteria

- a. How does the applicant's business plan promote economic development in coastal communities?
- b. In what respects do your plans include greater utilization of services in coastal communities?

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- c. Describe any changes made during the review period or in preparation for the season under review that increase the economic benefits to the plants, workers and community (capital investment, new jobs, more production, etc.) We are looking for indications of incremental benefits to industry, not transfers from one location to another.

5. Increasing the Value of Groundfish Production

Intent:

To ensure that the proponent is taking full advantage of the opportunities presented by an IVQ system to achieve the best possible rate of return for product through wise use of the resource.

GDA Assessment Criteria:

- a. How does the applicant's business plan ensure plans for the production of the best value products from species currently utilized, utilization of discarded or underutilized species, introduction of better handling and processing practices yielding higher value?
- b. Describe any new markets, products, techniques, partnerships, etc. in the current proposal.

6. Industry Training Opportunities

Intent:

To ensure that workforces in the groundfish industry are properly trained to work safely and efficiently in order to fulfill the other objectives with respect to increased production value, market stability, and economic benefits.

GDA Assessment Criterion:

- a. What specific training programs, on vessels, and ashore, are planned for the coming year?
- b. What kinds of training program were conducted during the review period? For instance, safety training to meet current WCB requirements?

7. Sustainable Fishing Practices

Intent:

To encourage operators to get the highest percentage of their holdings out of the water in a manner that makes best use of all fish caught while adhering to recognized sustainable management practices designed to ensure long-term sustainability of the stocks.

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GDA Assessment Criteria:

- a. Does the applicant have a history of utilizing catch effectively, so that wastage is kept to a minimum? How is this accomplished?
- b. Describe the fleet deployment plan within the applicant's business plan which enables the plant(s) to operate at peak efficiency and produce the best possible quality product.

2003 - 04 Season and GDA Process

GDA Schedule for the 2003-04 Season

- March 31, 2003 - end of 2002-03 fishing season.
- April 1, 2003 - new IVQ/CCQ placed on T licences by DFO
- May 23, 2003 - GDA Deadline for quota transfers; GDQ to be calculated on quota transfer requests received by DFO as of 4:00 p.m. May 23, 2003.
- May 30, 2003 - GDA Deadline for Joint Proposals for GDQ

Please Note: A concern was expressed at the GSIC Review that a May 30 GDA deadline may unfairly influence the timing and nature of delivery arrangements between hake fishermen and processors. GSIC members examined and discussed this concern at length and concluded that the GDA process should be neutral to the negotiation process between hake fishermen and processors and that the GDA Board should recognize that, in the annual hake fishery:

1. The GDA deadline may occur before fish price negotiations between fishermen and processors are concluded;
2. Processors may have an advantage, in that vessels must commit to a proposal before price arrangements are determined;
3. Fishermen may have an advantage, in that processors may be caused to make upfront commitments prior to having full catch and market information;
4. Because hake fishermen and processors may be compelled to make business arrangements prematurely, it may follow that production arrangements may change in-season, as resource, market, and competitive events unfold.

Given the above, GSIC advised that the GDA Board could retain the current deadline date of May 30th for GDA Proposals but, in doing so, the Board must also recognize and carefully consider the dynamics of each hake proposal prior to deeming either processors or vessels to be non-compliant with their pre-season commitments.

- June 6, 2003 - Summary of GDQ Proposals distributed to GDA Board and GDQ Applicants
- June 12 and 13, 2003 - GDA Proposal Presentation Meeting
- June 23, 2003 - GDA recommendations to Minister

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GDA Proposal Evaluation and Rating Process

The GDA deadline for accepting GDQ applications for the 2003-04 season is midnight, May 30, 2003.

A summary of each proposal will be prepared by the GDA Executive Director and forwarded to each of the applicants as well as to the GDA Board of Directors and Advisors prior to the Proposal Presentation meeting date. Applicants and advisors are invited to submit their written comments on any of the proposals to the GDA Executive Director on or before the date of the Proposal Presentation meeting. To expedite this process, all comments should be forwarded to the Executive Director by e-mail or by fax. The Board of Directors as part of the proposal evaluation process will consider these comments.

Joint Processor/Vessel Owner Proposals (applications) for GDQ will be presented to the full GDA (members and advisors) by the proponent or by the GDA Executive Director. Proponents will be invited to be present for all presentations and should be prepared to clarify any points in their submissions that may need clarification and/or to answer questions.

Instead of a business plan for 2003-04, proponents are required to submit their responses to specific questions asked with respect to each of the seven GDA Objectives. The complete set of GDA Application Requirements for 2003-04 are described in Appendix 1, page 18. As in the past, proponents are required to show evidence of adherence to their last year's production plan in terms of quantities of fish processed and location of processing. If major discrepancies exist between your proposed production goals and/or locations and your actual production, you will be required to include an explanation of the discrepancy for the consideration of the Board.

The GDA Board of Directors will evaluate the proposals based on the objectives described above and on the level of adherence to each proponent's previous year's production plan in terms of quantities of fish processed and location of processing. The GDA Executive Director will then apply the new revised SAG-specific GDA formula to the data provided in the proposals, using the Board of Director's rating of each proposal to generate a GDQ allocation recommendation.

The full GDA (Directors and Advisors) will be given an opportunity to review the results of the application of the GDA formula to the proposals prior to the Board's recommendations going to the Minister by June 23, 2003. It is anticipated that the Minister's decision will be made within 2 to 3 weeks of receipt of the GDA recommendations and DFO will be in a position to amend licences by mid-July.

GDQ Allocation Formulas

The formula for calculating groundfish GDQ developed by GSIC and currently being applied by the GDA to the proposals was found to distort the GDQ allocation results at the SAG level, in some cases. Consequently, the formula has now been corrected, but requires more detailed production data from the processors.

The GDA will evaluate each proposal, assigning it a GDA rating from 0 to 1. In deciding this rating, the GDA will take into consideration the objectives identified above. The GDA will then use this rating along with detailed production histories and IVQ/CCQ commitments in each proposal to determine how much quota each proposal should receive and make its recommendations to the Minister of Fisheries by June 23, 2003.

The amount of GDQ a specific vessel receives will be contingent upon the relative amount of IVQ/CCQ that vessel brings to the proposal, i.e., the vessel will be allocated species and area specific quota in proportion to the species and area specific IVQ/CCQ that the vessel commits to the application.

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Since GDQ is non-transferable, all transfers of quota to be used in GDQ calculations must have been received by DFO by 4:00 p.m., May 23, 2003. It is the responsibility of the licence holder to ensure that the DFO has the correct SAG quotas for your vessel by the deadline.

The GDA will accept joint processing company / fish buyer / vessel owner applications for Gulf Hake GDQ, Offshore Hake GDQ and Groundfish GDQ separately.

The amount of quota an application receives depends on three factors, namely:

- (1) SAG-specific production histories of processing company (ies)/buyer(s) in the application for the past three fishing seasons,
- (2) the total amount of IVQ all vessels in the application commit, and
- (3) a rating as determined by the GDA based on the GDA objectives, on the performance of the proponent in meeting his previous year's production goals and, in the case of new entrants or innovative new ideas, perceived merit of proposed production plans. Accordingly, the GDQ Application has been divided into three sections as follows:

Section 1. Processing Company Production Histories

The GDA will consider only the production histories of trawl-caught, quota-species groundfish, Gulf hake and Offshore hake.

Production histories for Gulf hake are to be considered separate from production histories for Offshore hake or groundfish.

Production histories for hake and SAG-specific groundfish production histories are to be compiled on the basis of the previous three fishing seasons: April 1, 2000 to March 31, 2001; April 1, 2001 to March 31, 2002 and, April 1, 2002 to March 31, 2003.

Groundfish and hake production histories must be verifiable by fish ticket (or other official documentation) and only fish bought and processed by an applicant or co-applicant will be considered as part of the production history.

Trawl-caught groundfish or hake bought by one co-applicant but processed by a company that is not part of the application for GDQ cannot be included in the production history of the joint application.

Fish purchased by a processing company or fish buyer and custom processed by another company can be included in the application for GDQ as long as verification can be shown that both the buyer and processor of the fish are co-applicants.

A processing company may contract another company to process surplus or overflow groundfish. This production history can be included in the application if both companies are named as co-applicants.

Using data from the dockside monitoring program, fish tickets, provincial government processing company data and other information, the GDA Executive Director may verify the production histories of applications.

Section 2. IVQ/CCQ Commitments

Each joint processing company / vessel owner application must be accompanied by a completed Vessel Quota Commitment & Performance Form for the 2002-03 season (GDA Form 6) and a 2003-04 Vessel Quota Commitment Form (GDA Form 9) for each vessel listed in the proposal. Information contained in GDA Form 6 will be used as an indication of whether or not quota

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delivery commitments were met. Where there are major discrepancies between commitments and deliveries, an explanation of the cause of the discrepancy **must** be included in the submission.

Vessel owners may choose to commit part or all of their total IVQ/CCQ allocation to any one proposal, or they may decide to split their allocations between several companies, e.g., hake IVQ/CCQ may be committed to one company and groundfish IVQ/CCQ to another, or portions of either hake or groundfish IVQ/CCQ may be committed to any proposal.

Section 3. GDA Rating

Using the GDA Objectives and performance criteria outlined in this Operation Plan, the GDA will rate each proposal from 0 to 1.

The information obtained in the joint GDQ Application, the IVQ/CCQ Vessel Commitment & Performance Forms and other information given to the GDA and collected by the Executive Director will assist the GDA in determining a rating for each proposal.

GDQ Fees

A flat submission fee of \$250 will be charged by the GDA for receipt of each GDQ proposal in 2003-04.

At the time the GDQ is allocated, there will be an additional fee per unit of GDQ allocated, based on the need to cover the costs of operation of the GDA. The "per unit" fee in 2003-04 is assessed at \$ 0.0055 per Groundfish Equivalent (GFE).

Please Note: Applicants for GDQ for the 2003-04 season will be given until December 31, 2003 to submit all GDA fees to the Executive Director or his designated representative. Failure to submit fees by the December 31st deadline will result in the forfeiture of that vessel's GDQ for the 2003-04 season. The forfeited quota will be added to the quota available to all other quota holders.

Although GDQ is tied to a joint processor/vessel owner proposal, the quota allocation is necessarily vessel specific due to the fact that quota is applied to each T licence. Therefore, if the vessel owner's name, mailing address and/or Fax number is provided on the GDQ Commitment Form (GDA Form 9), the GDA Executive Director will ensure that each vessel owner receives notification of fees to be paid before quota will be placed on his vessel's licence.

Quota Delivery Compliance Guidelines

Preamble and Guiding Principles

In order for the Groundfish Development Authority to meet its employment and economic stability objectives, both processors and vessel owners are accountable for the commitments that they make in their joint proposals for GDQ. The GDA has a mandate to recommend to the Minister of Fisheries that he withhold all or a portion of the GDQ when proponents are found to be in non-compliance with respect to their proposal commitments. A recommendation to withhold GDQ would only be made after thorough investigation and finding of non-compliance.

The GDA has met with the Groundfish Special Industry Committee and developed the guidelines described below, by which compliance or non-compliance will be evaluated. Vessel owners and processors are assured that these guidelines have been developed with the understanding that there needs to be flexibility within the system in order for the industry to function

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effectively. At the same time, however, it is recognized that this flexibility cannot be unlimited without jeopardizing the objectives to which the GDA is committed. These guidelines are intended to ensure that the GDA applies fair and consistent principles in determining whether or not vessel owners and processors have, to the best of their ability, remained in compliance with the commitments they have made with respect to catch delivery and processing.

It is important for applicants to note that if they wish to retain the unrestricted option of choosing in-season where they will deliver some or all of their fish, only that portion of their quotas that they agree to deliver to a specified buyer/processor or buyer/processor co-applicant should be committed for GDQ purposes. Alternatively, an applicant may choose to operate as a buyer/processor and commit all or part of his vessel(s) IVQ/CCQ to himself.

Vessel owners considering applying for GDQ in a buyer/processor co-applicant proposal may do so and should contact the GDA Executive Director for assistance.

Guidelines for Determining Catch Delivery Compliance or Non-Compliance

A. Fish Harvesting Factors

1. Quota Trades Within the GDA Proposal

Any quota trades between vessels wherein the fish are delivered to the plant or plants specified in the original proposal will be considered to be in compliance with delivery commitments.

2. Quota Trades or Transfers Outside the GDA Proposal

a) Pound-for-Pound Trades

Trading quotas between vessels on a lb-for-lb basis, i.e., quota swapping, is a legitimate means of conducting business within the IVQ system.

The intent of this guideline is that all fish traded will be harvested.

b) Unequal Poundage Trades and One-Way Transfers

Trades or transfers that result in fish being delivered to a processing facility outside the original proposal are technically in violation of the GDA commitment. It is recognized that absolute compliance with this rule may not be possible if quotas are to be fished effectively. Such transactions may be subject to GDA investigation and a discretionary ruling on compliance. Examples of kinds of trades or transfers that may result in unequal amounts of fish moving between proposals are:

- i) End-of-Season Trades or Transfers
- ii) Trades or Transfers of Non-target for Target Species
- iii) Trades or Transfers to Cover Previous Overages
- iv) Transfer of Remaining Quota When Landings are Close to IVQ Holding for a Species Area Group (SAG).

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Some factors to be considered in reaching a decision on whether or not the movement of these fish out of the original proposal was warranted are:

1. Was there a real attempt to keep the fish within the original proposal?
2. Was the vessel fishing within commitment throughout the year, with the exception of the situation under investigation?
3. What was the amount of fish involved relative to the total commitment?
4. Were the trades in question part of a logical fishing plan?
5. Other mitigating circumstances such as time of year, breakdowns, by-catch issues, individual vessel's normal fishing pattern, etc.

These and other factors will be taken into consideration by the GDA and may require further investigation before deciding whether or not GDQ penalties are recommended.

3. Fish Carried Forward

It is understood that all of the fish committed to a proposal should be delivered to that proposal. However, it is recognized that this may not be practical in all cases. Therefore, it will be deemed to be acceptable to carry committed fish forward where that fish is delivered to the original proposal or the new proposal. The principle involved is that carryover quota from one year to the next cannot be used to avoid delivery of fish to a proposal.

B. Business Arrangement Factors

It is acknowledged that there are business circumstances that arise during the course of a fishing season that may make it impossible for the proponents to stay within the terms of their original commitment. The following guidelines will assist the GDA in evaluating the circumstances involved in each case where a complaint is being investigated.

4. Risk of Non-Payment

It may be found acceptable for a vessel owner to move his fish outside the original GDA proposal if there is a reasonable expectation that he will not receive payment for his fish.

5. Changes in Business Relationships

Changes in business relationships that may be deemed to justify the severing of a vessel owner's commitment to a processor are as follows:

- a) significant change in the level of agreed-upon service,
- b) serious deterioration in the main elements of the business arrangement between the vessel owner and the processor that cannot be attributed to an industry-wide shift

Groundfish Development Authority

21540 - 121 Avenue

Maple Ridge, B.C. V2X 3S4

Phone: 604-467-7970

Fax: 604-467-7956

E-Mail: b&bhumphreys@telus.net

6. Processor Unwilling or Unable to Take Fish

If a vessel owner delivers fish according to an agreed-upon fishing plan and the processor to whom he is committed fails to handle his fish according to the pre-season agreement, the vessel owner has a valid reason to deliver his fish elsewhere. (In this case, sanctions may be considered against the processor in terms of GDA Rating).

A one-time occurrence of failure to handle the fish according to the plan may or may not constitute a valid reason to permanently depart from the original GDA proposal. Continuing problems may be considered in the context of 5 b) above.

If a vessel owner does not fish according to an agreed-upon fishing plan and, as a result, the processor is unable to handle his deliveries, the vessel owner may be considered to be in breach of his commitment if he delivers that fish outside the proposal.

If a processor is unable to take a vessel owner's fish due to unforeseen shut down, strike, or lack of capacity, during the period that the processing facility is disabled, the vessel owner is free to deliver his fish elsewhere.

7. Price Differential

If the price offered for fish is not within what is understood to be the terms of an agreement between a processor and a vessel owner, i.e., either implicit (relative to past experience) or explicit, the vessel owner may be deemed to have the right to deliver his fish elsewhere.

GDQ Commitment Compliance Review Process

Processing companies and vessel owners are reminded that their joint applications for GDQ constitute the basis upon which the GDA makes recommendations to the Minister of Fisheries and Oceans regarding the allocation of GDQ for the current fishing season. Consequently, vessel owners have a commitment to deliver their catches to the processor(s) to which they have committed their IVQ/CCQ. Likewise, processing companies have a commitment to process those fish according to the plan submitted to the GDA.

Accordingly, the GDA Executive Director will initiate a proposal compliance investigation, if:

1. a non-compliance complaint is lodged against a processor or vessel owner, or
2. Commitment/delivery reports indicate significant, unexplained deviations from the original proposal.

Commitment Compliance Review Process

- A. A complaint may be lodged with the GDA Executive Director at any time by a vessel owner, processor or any individual, union, company or community representative who alleges that the commitment that was made concerning the delivery and processing of fish was breached during the course of the fishing season.
- B. The complainant must not be a member of the GDA Board of Directors or one of its advisors.
- C. At the outset of a compliance investigation, the GDA Executive Director will notify both the processor(s) and vessel owner and request an explanation of discrepancies between commitments and actual deliveries. In the case of a complaint having been received, the GDA Executive Director will also contact the complainant and the subject of the complaint (if different from the above) to receive information regarding the alleged breach of commitment.

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Maple Ridge, B.C. V2X 3S4

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Fax: 604-467-7956

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- D. If the GDA Executive Director is satisfied with the explanations for the observed discrepancies, no further action will be taken.
- E. All information obtained will be summarized by the GDA Executive Director and examined by the GDA Board of Directors and their industry advisors with respect to the Delivery Compliance Guidelines developed for the purpose by GSIC.
- F. The GDA and its advisors will respect and strive to protect the confidentiality of all parties involved.
- G. If the GDA Board of Directors finds that participants in a proposal failed to meet the commitments entered into and that there was insufficient justification for such a failure, the GDA may, in consultation with its advisors, recommend that the Minister of Fisheries withhold all or a portion of the GDQ for the next fishing season from the non-compliant participant(s).
- H. If the GDA Board of Directors finds that sanctions should be recommended, the non-compliant participant will be provided with rationale for the Board's findings and given a period of **21 days from date of notification of suspected non-compliance** to provide evidence of compliance with the Catch Delivery Compliance Guidelines. The GDA Executive Director will make every effort to make both personal and written contact with the individual during that period.
- I. **In order to avoid delays in GDQ allocations caused by the GDA not receiving timely responses from those vessel owners / processors asked by the GDA for additional information /explanation regarding the variance between deliveries and commitments in the previous year's joint proposal, in cases where Ministerial decisions are held up because the prior delivery performance of a minority of vessels is being investigated, GDQ will be allocated to all other vessels, on the basis that vessels under investigation would receive their allotment of GDQ as indicated by the normal GDA process.**
- J. **Subsequently, if vessels under investigation are found to be in non-compliance and, consequently have GDQ withheld, the total amount withheld would be re-allocated amongst the rest of the fleet on a pro rata basis at a later date.**

APPENDICES

Appendix 1. 2003-04 GDQ Application Requirements Checklist

Each application for GDQ in 2003-04 must contain the following components:

GDA Form 1(Start-up) This is a new form designed specifically to provide the GDA with SAG-specific production records for seasons 2000-01, 2001-02 and 2002-03. These values will be inputted into the revised GDA formula in order to fine-tune the GDQ allocations at the SAG level.

2 Sets of Forms 2, 3, 4, 5:

1st Set	Processor's Production Performance Summary, April 1, 2002 - March 31, 2003.
2nd Set	Proposed Production by Product Form & Location, April 1, 2003 - March 31, 2004.

GDA Form 6 2002-03 Vessel Quota Commitment & Performance

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GDA Form 8 Processor's Production Verification Record. **Note: This form has been completely revised to capture the detailed production data required for the revised formula.**

GDA Form 9 2003-04 Vessel Quota Commitment. Vessel owners are requested to express their IVQ commitments as a percentage of the IVQ on the licence, i.e., 100%, 50%, etc. of each SAG. The GDA will convert these percentages to pounds based on DFO records of the amount of IVQ on the licence at the GDA deadline.

[Note: GDA Form 7: 2003-04 IVQ/CCQ Commitment Summary will be compiled by the GDA Executive Director after approval by the Minister & distributed to processors].

In addition to the forms, each application must include:

A **\$250 Cheque (Canadian funds)** for the 2003-04 GDQ Application Fee.

Completion of the **GDA Objectives Questionnaire¹**, which clearly identifies how the company proposes to meet the seven GDA Objectives.

A **Processor's Production Verification Record (GDA Form 8)** for the 2002-03 season as reported on GDA Form 1 (the Joint Processor/Vessel Owner Application). This form must contain only records of Quota groundfish species and hake deliveries verifiable by Fish Ticket.

A **Company Profile** is optional, but recommended for new entrants. If you have already filed a Company Profile with the GDA you need not file another unless your company has changed significantly.

Deadline for 2003-04 GDQ Applications

The GDA Executive Director must receive completed GDQ applications for the 2003-04 fishing season no later than midnight, May 30, 2003. Unless paper forms are requested, the GDA will e-mail GDA Forms 1, 2,3,4,5,6 and 8 to processor applicants. GDA Form 9 requires the signature of the vessel owner so it will be sent by mail to each of the vessel owners. Completed forms and the GDA Objectives Questionnaire should, if possible, be returned by e-mail to the GDA Executive Director at b&bhumphreys@telus.net.

GDA Form 9 and a cheque for \$250 to cover the GDA Application Fee should be sent by courier or Express Post to:

**Mr. R.D. Humphreys, Executive Director
Groundfish Development Authority
21540 - 121 Avenue
Maple Ridge, B.C.
V2X 3S4**

¹ See Appendix 2, page 20.

Groundfish Development Authority

21540 - 121 Avenue

Maple Ridge, B.C. V2X 3S4

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Appendix 2. GDA Objectives Questionnaire

Applicants for GDQ are requested to respond as completely as possible to each of the following questions. This will assist the GDA Board of Directors in rating your proposal.

1) *Market Stabilization*

- a. How does your business plan contribute to the stabilization of the distributor level market price for groundfish?
Indicate how you intend to respond on a day-to-day basis to changing market demands.

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- b. Indicate how fleet scheduling elements within your plan control the rate of fresh product to market.
- c. What changes in the company's groundfish or hake processing operations have been made in recent years that affect the stability of the market?
- d. Have any new markets been created during the review period and, if so, with what effect on existing markets?

2. Maintain Existing Processing Capability

- a. Has there been a net increase or decrease in groundfish or hake processing capacity anywhere within your operation during the past season? If so, how has this affected through-put?
- b. Relative to last year, will the groundfish and/or hake processing capacity of your operation (all sites included) increase, decrease or remain the same in the up-coming season?
- c. Has the volume of production from each site remained stable or has there been a shift in production from one location to another?

3. Employment Stabilization in the Groundfish Industry

- a. How does the applicant's business plan with respect to throughput at specific plants, production schedule and final product form stabilize employment in the groundfish industry in terms of number and duration of jobs?

4. Economic Development and Benefits in Coastal Communities

- a. How does the applicant's business plan promote economic development in coastal communities?
- b. In what respects do your plans include greater utilization of services in coastal communities?
- c. Describe any changes made during the review period or in preparation for the season under review that increase the economic benefits to the plants, workers and community (capital investment, new jobs, more production, etc.) We are looking for indications of incremental benefits to industry, not transfers from one location to another.

5. Increasing the Value of Groundfish Production

- a. How does the applicant's business plan ensure plans for the production of the best value products from species currently utilized, utilization of discarded or underutilized species, introduction of better handling and processing practices yielding higher value?
- b. Describe any new markets, products, techniques, partnerships, etc. in the current proposal.

6. Industry Training Opportunities

- a. What specific training programs, on vessels, and ashore, are planned for the coming year?

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- b. What kinds of training program were conducted during the review period? For instance, safety training to meet current WCB requirements?

7. *Sustainable Fishing Practices*

- a. Does the applicant have a history of utilizing catch effectively, so that wastage is kept to a minimum? How is this accomplished?
- b. Describe the fleet deployment plan within the applicant's business plan which enables the plant(s) to operate at peak efficiency and produce the best possible quality product.