

Quota concentration in the BC groundfish trawl fishery

Brief Submitted to the House of Commons' Standing Committee on Fisheries and Oceans (FOPO) for the Committee's study on Foreign ownership and corporate concentration of fishing licenses and quota.

By

Villy Christensen, FRSC
Professor. The Institute for the Oceans and Fisheries
The University of British Columbia

May 18, 2023

I have more than 40 years of experience in fisheries analysis and management, including more than two decades in BC. I specialize in ecosystem-based management with focus on ecological, economic and social trade-offs.

Danielle Edwards, whom I supervised for her PhD, for her studies evaluated the development of the BC Pacific halibut Individual Transferable Quota (ITQ) system. She documented how processors control the quota market through leasing, and found that the part of the quota controlled by independent owner-operators has decreased over the last 25 years from around 90% to less than 15%.

The findings were reported to FOPO for the 2019 West Coast Fisheries report, but at the time her dissertation was not finalized and most publications were in progress. Publications have since been completed (Edwards, 2019; Edwards & Pinkerton, 2019b, 2019a, 2020). In recognition, I have included some figures from her dissertation in Appendix 1, below.

During her studies, Dr. Edwards developed a beneficial-owner database covering a substantial part of the BC groundfish fleet. For details see Edwards (2019). Through an Access to Information request to DFO in 2019, she obtained a file with the groundfish trawl (T) licence allocation quotas, for 2017, 2018 and 2019. For the analysis here, I used the summed quotas for 2017-2019.

As her supervisor, I had access to these files, and have combined them with DFO information about BC groundfish trawl licenses (<https://www-ops2.pac.dfo-mpo.gc.ca/vrnd-rneb/index-eng.cfm?pg=LicReportSelect>).

Based on the information above, I evaluated beneficial ownership for BC groundfish trawl for the 142 fishing vessels with quota allocations, and extracted results for the 12 groundfish species that had the biggest allocations. The result of this is presented in Figure 1 in summary form, with only the biggest four represented individually, and the rest merged. Some characteristics of these four enterprises in the figure are presented in Table 1.

Table 1. Labels and characteristics for the four enterprises with the largest BC groundfish trawl quota share in Figure 1.

| Owner label | Nationality | Number of vessels | # of subsidiaries |
|-------------|-------------|-------------------|-------------------|
| US 1 | American | 9 | 7 |
| Can 1 | Canadian | 18 | 3 |
| Can 2 | Canadian | 2 | 1 |
| Can 3 | Canadian | 9 | 2 |

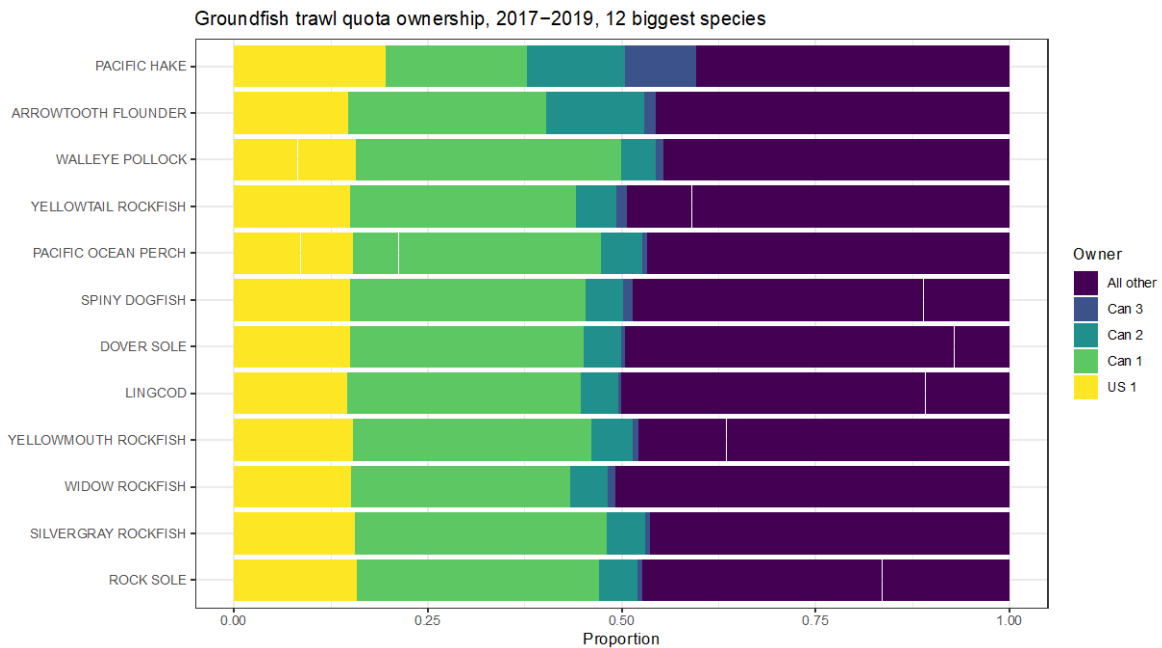


Figure 1. BC groundfish trawl quota summed over 2017-2019 as proportion of total quota allocation for the 12 species with the highest quota allocations, showing quota shares for the four biggest enterprises, and aggregated for all other companies ('All other').

Discussion

The analysis presented here indicate that four companies have more than half of the groundfish trawl quota allocation. Not shown is that if the analyses are done by potential landed value instead of potential landed weight, the results are very similar with more than half of the groundfish trawl fishery value being owned by four groups.

One of these is an American group that operates with numerous subsidiary Canadian-registered companies in accordance with Canadian regulations. This one group now controls 15%-20% of the groundfish trawl quota. The group is vertically-integrated through the supply chain, and operates numerous processing facilities along with distribution and marketing.

The concentration in the BC groundfish trawl fishery is not unique, but parallels development for BC salmon seine, roe herring by seine, and roe herring gillnet fisheries as analyzed by Andrea Haas (2014) as part of her M.Sc. studies at UBC. See Appendix 2, below for some of the details from Andrea Haas' thesis. In these fisheries, the share controlled by processors and investors show an increasing trend and had reached a level above 50% by 2012, i.e. similar levels to those for the BC groundfish trawl quota (Figure 1).

Disclaimer

While the analyses presented in this brief have been carefully checked, the information about beneficial ownership is difficult to verify. This is in itself a disgrace, such information should be required annually by DFO when licenses are renewed. The consequence of this is that I cannot assume responsibility for any related inaccuracy in the analysis. It is possible, however, that the corporate concentration is under-estimated (rather than over-estimated) due to the difficulty of tracing beneficial ownership.

References

- Edwards, D. N. (2019). *Addressing questions on the social and economic outcomes of an individual transferable quota fishery* [PhD dissertation]. The University of British Columbia.
- Edwards, D. N., & Pinkerton, E. (2019a). Rise of the investor class in the British Columbia Pacific halibut fishery. *Marine Policy*, *109*, 103676.
<https://doi.org/10.1016/j.marpol.2019.103676>
- Edwards, D. N., & Pinkerton, E. (2019b). The hidden role of processors in an individual transferable quota fishery. *Ecology and Society*, *24*(3), art36.
<https://doi.org/10.5751/ES-11148-240336>
- Edwards, D. N., & Pinkerton, E. (2020). Priced out of ownership: Quota leasing impacts on the financial performance of owner-operators. *Marine Policy*, *111*, 103718.
<https://doi.org/10.1016/j.marpol.2019.103718>
- Haas, A. R. (2014). *Examining distribution and concentration of access in British Columbia's salmon and herring fisheries* [M.Sc. Thesis]. The University of British Columbia.

Appendix 1. Figures from Danielle Edwards' (2019) Ph.D. dissertation.

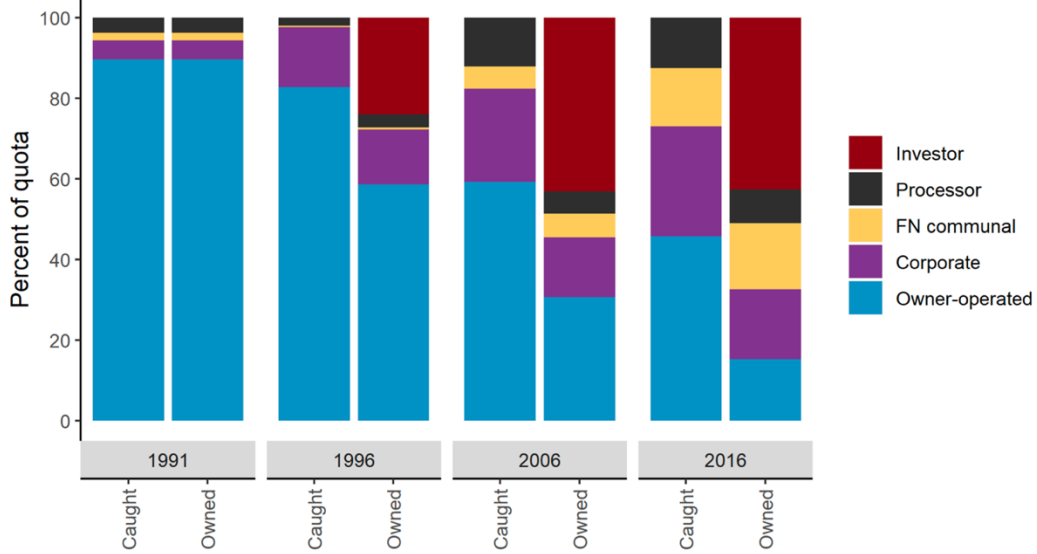


Figure 2.2 The percent of halibut quota caught and owned by each of the five categories in each of the four years considered. Figure copied from Edwards (2019, p 36).

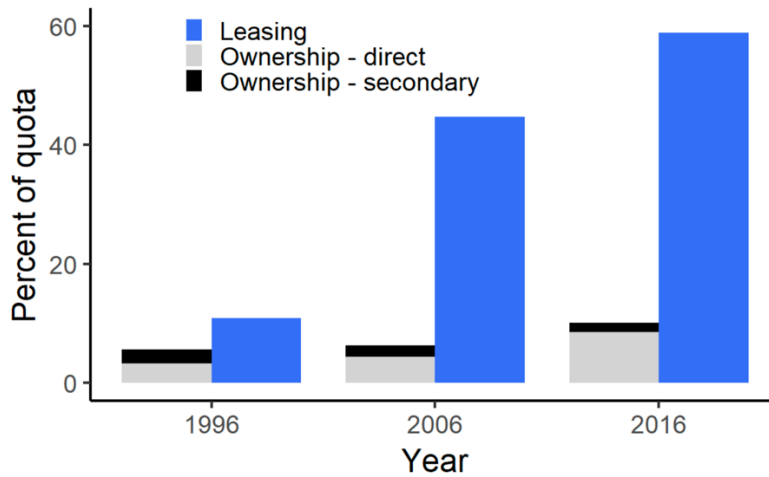


Figure 3.2. Processor quota ownership expressed as a percent of TAC, for both direct ownership and ownership where the processor is listed as a secondary owner, and processor control over leasing as measured as quota transfers through processor owned and affiliated licences as a percent of total quota temporarily transferred in the year, for 1996, 2006 and 2016. Figure copied from Edwards (2019, p 63).

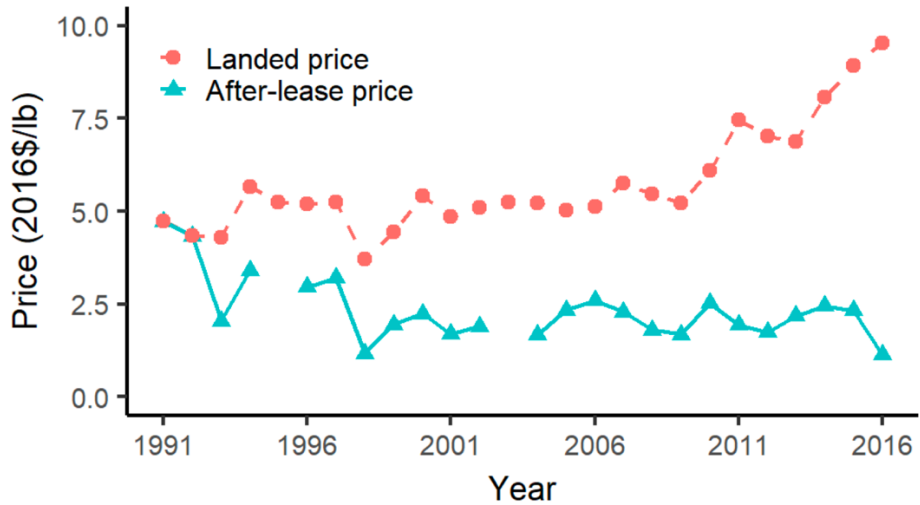


Figure 4.2 The halibut landed price (\$/lb) and average after-lease price (\$/lb), in 2016 constant dollars, for 1991 to 2016. Figure copied from Edwards (2019, p 94).

Appendix 2. Figures from Andrea Haas' (2014) M.Sc. thesis.

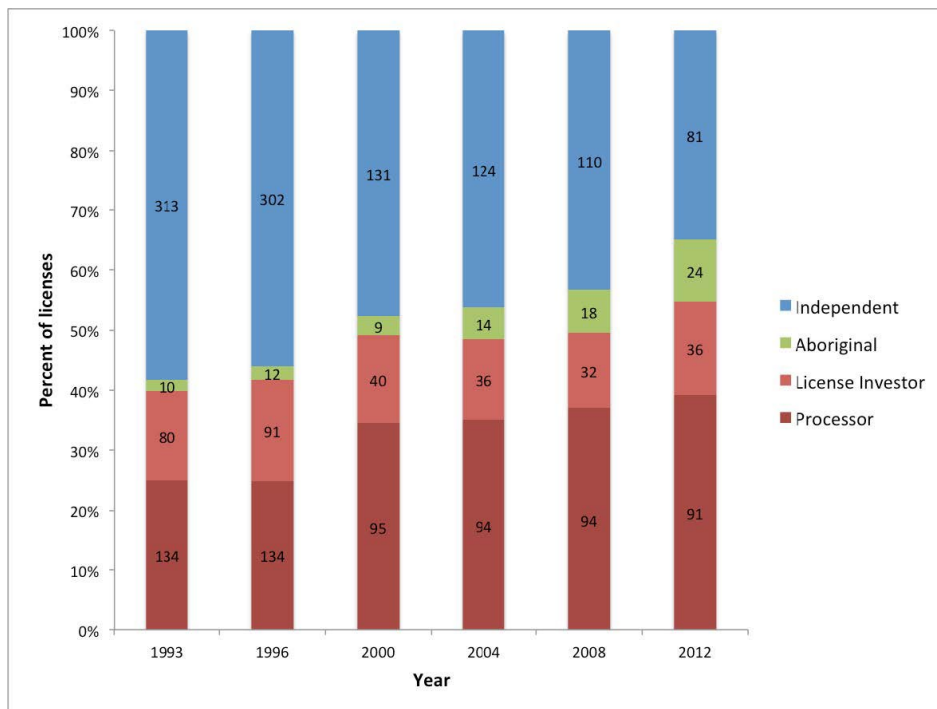


Figure 3.1. Percent of licenses held by independent, Aboriginal, "license investor" and processor groups in the salmon seine fishery over the time period under investigation. Absolute numbers of licenses are shown. Figure copied from Hass (2014, p 50).

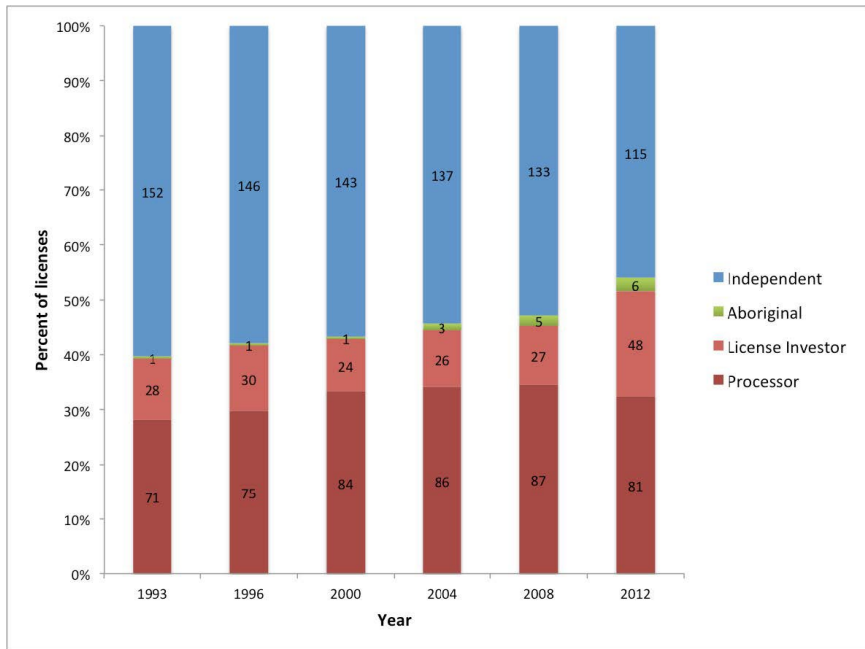


Figure 3.7. Percent of licenses held by independent, Aboriginal, “license investor” and processor groups in the roe herring by seine fishery, 1993-2012. Absolute numbers of licenses are shown. Figure copied from Hass (2014, p. 56).

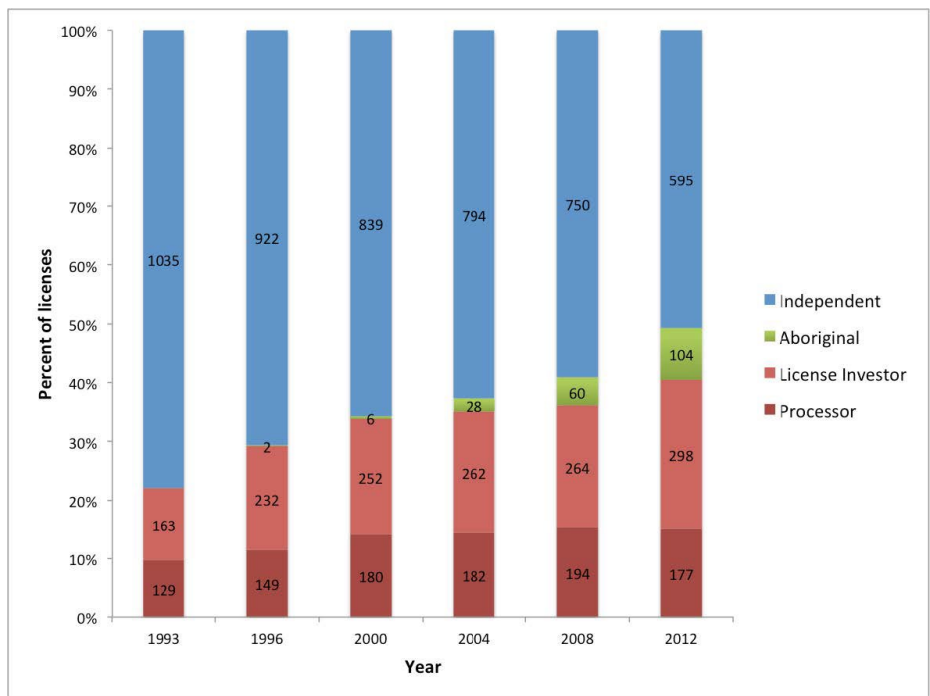


Figure 3.10. Percent of licenses held by independent, Aboriginal, “license investor” and processor groups in the roe herring by gillnet fishery, 1993-2012. Absolute numbers of licenses are shown. Figure copied from Hass (2014, p. 59).