

DFO 2022 Beneficial Ownership Survey: Results

Fisheries and Oceans Canada

September 2023



Fisheries and Oceans
Canada

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Cat. No. Fs23-714/2022E-PDF ISBN 978-0-660-49350-3

Correct citation for this publication:

Fisheries and Oceans Canada. 2023. DFO 2022 Beneficial Ownership Survey: Results. 7 p.

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1. Overview

On March 11, 2020, the Standing Committee on Fisheries and Oceans presented West Coast Fisheries: Sharing Risks and Benefits to the House of Commons which included the recommendation that “no future sales of fishing quota and/or licences be to non-Canadian beneficial owners based on the consideration of issues of legal authority, and international agreement/trade impacts” (Recommendation 2). Following the release of the Government Response in July 2020, Fisheries and Oceans Canada (DFO) launched a review of its existing foreign ownership policies across all commercial fisheries and concluded that the Department lacked the comprehensive information required to validate the concerns regarding foreign beneficial ownership expressed by Parliamentarians in the report. DFO sought to fill these missing data gaps, ultimately leading to the 2022 Beneficial Ownership Survey (the Survey).

In February 2021, DFO engaged the Forensic Accounting Management Group (FAMG) within Public Services and Procurement Canada (PSPC) to support the development of a survey that would identify who is benefitting from commercial fishing access. FAMG’s forensic accounting services were procured to support DFO on the development of the Survey’s questions, to review Survey data for inconsistent or incorrect submissions, and to analyze Survey output. This report aggregates FAMG’s analysis of Survey data to provide a baseline of the ownership of implicated commercial licence holders and vessel owners in Canadian fisheries.

DFO licensing regimes

The Department’s foreign ownership restrictions on commercial fisheries access are established through its regional licensing policies, which are designed to support the varied management objectives in the different fisheries in the different regions.

- Atlantic and Quebec region inshore fisheries consist of independent owner-operators, typically employing vessels below 65 feet. Residency requirements are specific to each region, ultimately requiring that licence holders are either Canadian citizens or permanent residents. Inshore regulations ensure that the benefits from the inshore fishery flow to the coastal communities where these licence holders reside.
- Atlantic, Quebec, and Arctic midshore, offshore, and exempted fleet fisheries are regulated to promote large-scale commercial fisheries and provide food to Canadian and international markets, while also ensuring Canadian companies have effective control over the operation. Licence holders are required to be at least 51% owned by Canadians as per the Commercial fisheries licensing policy for Eastern Canada.
- Pacific commercial fisheries are managed to ensure the conservation of fish stocks and address capacity issues in the fishing fleet. Pacific fisheries may be classified as party-based, in which licences are issued to parties which can be individuals, companies, or other organizations, or classified as vessel-based, in which the licence is issued to the vessel, and may be owned by any number of parties as long as a single contact vessel owner is designated for the Department to contact. DFO requires any company holding a party-based licence to be registered in Canada (provincially or federally) and a company summary is provided to indicate the officers/directors associated with the company.

- All commercial fishing vessels must be registered with Transport Canada, who require that owners be either a Canadian resident or corporation, or a foreign-registered corporation with a Canadian subsidiary or representative entity.

2. Objective

The Survey's objective is to gather information on the corporate ownership structure and beneficial ownership of implicated commercial licence holders and vessel owners, to help assess the level of foreign ownership of said access holders.

The Survey was a one-time, data-gathering exercise to provide DFO with a baseline understanding of the extent of foreign ownership of commercial access holders for the 2022 fishing season. The Survey required licence holders and vessel owners to submit personal information to identify themselves, their citizenship, country of incorporation, and ownership percentages of all direct and indirect corporations and individuals within their corporate structure, as well as debts, fishing arrangements, and informal relationships with foreign entities in the fishing industry.

The Survey was designed to identify both direct and indirect ownership from thousands of respondents, using general language and broad concepts in order to capture all possible ownership scenarios. The Survey was self-directed by licence holders and did not require documents to be provided for response verification, in order to minimize administrative burden on respondents.

Stakeholders were engaged throughout the development of the Survey. During the design phase, potential means of influence and control were identified that were external to the licence holder or vessel owner's ownership structure, such as through licence leasing and other arrangements with processors or other fish buyers. Given that leasing arrangements are often complex and unique to each fishing enterprise, and in order to deliver on Survey commitments in a timely manner, information related to leasing practices was not collected by the Survey.

3. Requirements

Completion of the Survey was mandatory for all commercial access holders, with the exception of inshore and communal commercial licence holders who did not hold other commercial licences since their corporate structure is already prescribed by regulation and prohibits foreign ownership. Commercial access holders refer to both the licence holder, the entity named on the licence in DFO's licensing system; as well as the contact vessel owner, one of the vessels owners that has been designated as the main contact for the vessel and any licences issued to said vessel. Over 2,500 commercial licence holders in Pacific party-based and vessel-based fisheries ("implicated Pacific fisheries"), as well as Atlantic, Quebec, and Arctic midshore, offshore, exempted fleet, and elver fisheries ("implicated Atlantic fisheries") were required to complete the Survey. Findings presented in this report pertain to these implicated fisheries only. Mandatory completion was supported by subsections 61.1(1) and (5) of the *Fisheries Act*, which provide the Minister with the authority to ask licence holders information for the purpose of research, creating an inventory of data, and other activities. Failure to provide the required information constitutes a prosecutable offence under Section 78 of the *Act*.

4. Methodology

Implicated participants were dutifully notified of their obligations before the Survey's launch through Regional Notices to Fishers, engagement sessions with industry and regional licensing boards, and notifications on the National Online Licensing System (NOLS) login page with links to the Survey's website and supporting information. Following the launch, DFO followed-up directly with licence holders via email, mail, registered mail, and telephone to increase response rates.

Upon receipt, DFO manually reviewed all responses for administrative accuracy against Departmental records. Data were then reviewed by FAMG to identify any instances in which submissions depicted an inaccurate, incomplete, or unusual ownership structure. DFO staff contacted the implicated participants whose submissions were flagged by FAMG in order to conduct additional follow-ups to remedy potentially inaccurate, missing, or unclear submissions, or request additional materials to support the submission.

The Survey defined beneficial owner(s) as the individual(s) who directly or indirectly own or control in whole or in part a corporation or an entity other than a corporation. In the case of a trust, beneficial owners are the trustees, the known beneficiaries and the settlors of the trust. If the trust is a widely held trust or a publicly-traded trust, they are the trustees and all persons who own or control, directly or indirectly, 10% or more of the units of the trust. Beneficial owners cannot be other corporations, trusts or other entities; they must be the individuals who are the owners or controllers of the entity.

The Survey closed on November 21, 2022. FAMG then analyzed the submissions in order to identify:

- (1) the presence of foreign control and influence across commercial fisheries,
- (2) the prevalence of complex ownership structures, and,
- (3) the presence of beneficial owners who would not otherwise be listed through existing licensing requirements.

The analysis conducted by FAMG considered any degree of foreign ownership through direct or indirect beneficial ownership (such as holding shares of the company named on the licence or any of their parent corporations), or any foreign involvement within that corporate structure outside of formal ownership (such as an executive employee of the licence holder that also serves as an executive employee for a foreign fishing organization).

In accordance with the *Privacy Act*, considering the protection of personal and private information of Survey respondents, this report provides an aggregate summary of FAMG's findings.

5. Response rates

The Survey's overall response rate was 80% across all implicated licence holders and contact vessel owners from the Pacific party-based, vessel-based, and Atlantic fisheries. These respondents hold approximately 89% of the licences issued across the implicated fisheries. More specifically, the Atlantic region response rate was 83% (approximately 90% of issued licences), while the Pacific region response rate was 79%, (approximately 88% of issued licences). The achieved response rate is sufficient to develop a 2022 baseline understanding of the prevalence of foreign ownership amongst implicated commercial licence holders which can inform future stakeholder engagements.

6. Key findings

All data collected by the Survey represents the 2022 fishing season for the implicated fisheries, and as such, findings and conclusions presented in this report only pertain to that time period.

National findings on the corporate structure of commercial licence holders

Survey participants were required to select a general corporate structure that best described how their fishing enterprise was organized. Survey results indicate that **97% of surveyed licence holders have a ‘simple’ corporate structure** where either one or more individuals hold the licence or own the vessel, or one or more corporations hold the licence or own the vessel and the corporations are either directly owned by one or more individuals and/or by a wholly-owned company(s) (Table 1). The remaining **3% of licence holders have a ‘complex’ corporate structure**, whereby the ownership is indirect and multiple layers of corporations exist between the licence holder or the vessel owner and the beneficial owner(s).

Table 1: General corporate structure of all licence holders (percent of total)

Type of structure	Atlantic	Pacific party-based	Pacific vessel-based	Total
One individual	49%	72%	59%	62%
One wholly owned organization	26%	17%	15%	18%
Multiple individuals	14%	9%	20%	16%
Multiple wholly owned organizations	1%	< 1%	3%	2%
Combination of individuals and wholly owned organizations	1%	< 1%	1%	< 1%
Complex	8%	< 1%	3%	3%

Table 1 note: Columns do not add up to 100% due to some implicated respondents submitting multiple party-based and vessel-based surveys to account for multiple enterprise and vessel ownership arrangements.

National findings on foreign ownership of commercial licence holders

For the purpose of this report, the term “foreign ownership” is used to refer to both the formal means of ownership, directly or indirectly, over the named licence holder or contact vessel owner’s vessel, as well as the involvement of foreign individuals anywhere within the corporate structure of the licence holder or their parent companies (such as the presence of foreign citizens with executive positions). Respondents indicating foreign ownership to any degree, whether in whole or in part, or who indicated they had any degree of foreign involvement, whether in whole or in part, are considered to be a licence holder with foreign ownership (LHFO).

Survey results show that **98% of licence holders and vessel owners** across all implicated commercial fisheries indicated they were **entirely beneficially-owned by Canadian citizens**. Across Atlantic, Pacific party-based, and Pacific vessel-based fisheries, a total of 40 survey respondents (out of 2,018 survey responses) indicated they had some degree of foreign ownership or foreign involvement within their corporate structure. By region and licence type (Table 2), Pacific vessel-based fisheries have a moderately higher percentage of licence holders with foreign ownership (2.4%) than Atlantic fisheries (1.8%) and Pacific Party-based fisheries (1.7%):

Table 2: Licence holders with foreign ownership by region

Region and licence type	Number of LHFOs	Percent of regional total
Atlantic, Quebec, and Arctic midshore, offshore, and exempted fleet fisheries	6	1.8%
Pacific party-based fisheries	10	1.7%
Pacific vessel-based fisheries	27	2.4%
All implicated commercial fisheries	40	2.0%

Table 2 note: Number of LHFOs column does not add up to total (40) because some implicated participants submitted multiple party-based and vessel-based surveys to account for multiple enterprise and vessel ownership arrangements.

Atlantic fisheries with foreign ownership

The six Atlantic licence holders with foreign ownership were found to hold licences in five midshore, offshore, and exempted fleet fisheries: offshore shrimp (enterprise allocations only), groundfish (enterprise allocations over 100 feet only), coastal elver, offshore sea cucumber and offshore herring. The number of licence holders with foreign ownership within each fishery is summarized below:

Table 3: Number of licence holders with foreign ownership in Atlantic fisheries

Fishery	Number of LHFOs
Offshore shrimp (enterprise allocations only)	3
Groundfish (enterprise allocations >100' only)	1
Coastal elver	1
Offshore sea cucumber	1
Offshore herring	1

Table 3 note: Column does not sum to the total number of Atlantic LHFOs (6) because some LHFOs hold licences in multiple fisheries.

Pacific fisheries with foreign ownership

34 Pacific licence eligibility holders and contact vessel owners with foreign ownership were found to hold licences in 19 Pacific commercial fisheries:

- Clam (Z2)
- Crab (R)
- Geoduck & horse clam (G)
- Green sea urchin (ZA)
- Groundfish trawl (T)
- Halibut (L)
- Pacific sardine (ZS)
- Prawn & shrimp by Trap (W)
- Red sea urchin (ZC)
- Rockfish (ZN)
- Roe herring gill net (HG)
- Roe herring seine (HS)
- Sablefish (K)
- Salmon gill net (AG, NAG)
- Salmon seine (AS)
- Schedule II species (C)
- Sea cucumber (ZD)
- Shrimp by trawl (S)
- U.S.A. albacore tuna (USA68)

The number of licence holders with foreign ownership within each fishery is summarized below:

Table 4: Number of licence holders with foreign ownership in pacific fisheries

Fishery	Number of LFHO's
Clam	3
Crab	2
Geoduck and horse clam	4
Green sea urchin	1
Groundfish trawl	13
Halibut	5
Pacific sardine	1
Prawn and shrimp by trap	1
Red sea urchin	2
Rockfish	1
Roe herring gill net	2
Roe herring seine	3
Sablefish	2
Salmon gill net	5
Salmon seine	1
Schedule II species	3
Sea cucumber	7
Shrimp by trawl	3
U.S.A. Albacore tuna	1

Table 4 Note: This column does not sum to the total number of Pacific LFHOs (34) because some LFHOs hold licences in multiple fisheries.

Future survey support

Upon completion of the survey, respondents were asked: “Do you support future surveys or similar information-gathering exercises if they help DFO make evidence-based decisions?” 83% of all Survey respondents replied “Yes” or “Maybe” to supporting future information-gathering efforts.

7. Conclusions

With development and roll-out support from DFO regional staff, FAMG, and key stakeholders, the 2022 Beneficial Ownership Survey effectively gathered the information required to improve the Department’s baseline understanding of the prevalence of foreign ownership of Canadian commercial fishing licence holders in fisheries where DFO regulations do not prohibit all foreign ownership.

- Over 97% of surveyed licence holders employ a simple corporate structure, in which the licence holder is either an individual themselves, or a company that is owned by one or more individuals or wholly-owned companies. Complex corporate entities with multiple indirect owners make up a very small proportion (3%) of commercial licence holders.
- Based on an 80% response rate that covers 88% of implicated licences across all implicated Pacific, Atlantic, Quebec, and Arctic commercial fisheries considered in this study, the prevalence of foreign ownership of licence holders/vessel owners is very low (2%).

- Based on an 83% response rate that covered 90% of implicated licences, there is very limited (1.8%) foreign ownership of licence holders in Canada's commercial Atlantic, Quebec and Arctic fisheries considered in this study.
- Based on an 79% response rate that covered 88% of implicated licences, there is very limited (2%) foreign ownership of licence holders/vessel owners in Canada's commercial Pacific fisheries considered in this study.
- 98% of licence holders and vessel owners across all implicated commercial fisheries indicated they were entirely beneficially-owned by Canadian citizens. From a sector-wide perspective, in which inshore fisheries are included, Canadian beneficial owners hold over 99% of all commercial licences issued by DFO in Canada.

Indirect influence of commercial fishery participants by foreign entities through other means such as licence leasing, quota leasing, buyer/processor agreements or other informal business arrangements was not captured by this survey as the intended scope was focused to provide a snapshot of foreign ownership of the named licence holder only.

8. Next steps

DFO intends to launch public discussions with stakeholders on the findings of the Beneficial Ownership Survey to support an evaluation on whether policy solutions are warranted. Careful consideration of the impacts of potential policy solutions will be required before any changes might be introduced.