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## **Standing Committee on Fisheries and Oceans**

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### **EVIDENCE**

**Wednesday, May 26, 2010**

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**Chair**

**Mr. Rodney Weston**



## Standing Committee on Fisheries and Oceans

**Wednesday, May 26, 2010**

● (0940)

[*English*]

**The Chair (Mr. Rodney Weston (Saint John, CPC)):** I call this meeting to order.

Ladies and gentlemen, thank you for coming out this morning to meet with your Standing Committee on Fisheries and Oceans. Thank you for the opportunity to come to Deer Lake, and thank you for coming to meet with us, taking the time out of your busy schedules to offer some opinions and thoughts and to answer some questions that committee members might have.

It's generally a custom, when we travel as a committee to a certain area, that we ask the member from that area to say a few words to open up the proceedings.

I'll ask Mr. Byrne if he wants to make a few comments.

**Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.):** Thank you very much, Mr. Chair.

I welcome all of my colleagues to western Newfoundland, to Deer Lake in particular. We're celebrating our 60th anniversary of municipal incorporation this week in Deer Lake.

Deer Lake is also a place where, while it's not a port city, fishers and fishing industry stakeholders have met before. It's a central location that allows easy access for people from Labrador, the northeast coast, the west coast, and from all over the province. We're back at a table where we've been before.

Mr. Chair, this is a great opportunity for us to study and be involved in an issue that is of critical importance, not only to the province of Newfoundland and Labrador but to eastern Canada. The House of Commons Standing Committee on Fisheries and Oceans decided to embark on a study of the eastern Canadian snow crab industry because this industry is in a certain amount of turmoil, no doubt about it.

The issues throughout eastern Canada are not identical. In Newfoundland and Labrador, for example, it's not so much based on a resource issue, *per se*, although there are definitely resource concerns. Economic issues, rationalization and long-term industry stability and viability issues, seem to be the predominant considerations that you may or may not want to bring to the table. In the southern Gulf of St. Lawrence, as we know, the issue is starkly different. They have had a 63% cut in quota, which is impacting their industry extremely negatively. On the eastern side of Nova Scotia there are other management issues.

The committee will be travelling throughout eastern Canada to hear from various industry stakeholders like you, to hear your input on not only specific issues but on specific recommendations for solutions as well. The objective of the committee will be to table a report in the House of Commons based on the testimony that each of you provides us and to synthesize that testimony into specific recommendations to the federal government for action. That's why I think it's exceptionally important for you to be here today, as key industry stakeholders, as opinion leaders, but as people who understand the industry in-depth as well.

It goes without saying that this industry is absolutely vital to the overall well-being of rural Newfoundland and Labrador, but it's important to rural eastern Canada as well.

Some of you have travelled far distances to be here. I appreciate that. I wish that everyone who was invited would have made the effort to be here. I think it would have been extremely valuable if the Association of Seafood Producers had taken the call and responded positively to the opportunity to testify, because this committee will be making recommendations. It will analyze the industry as it exists, as you present it to us, and we will be making specific recommendations to the federal government. We want everyone to be included in that, and that's why we asked all industry stakeholders and representatives to be here to be part of that. Unfortunately, the Association of Seafood Producers declined the invitation to attend and therefore declined the invitation to be part of this process. But our work goes on. We will be making recommendations based on what we hear.

The committee has assembled to hear this testimony because of a motion that I tabled before the Standing Committee on Fisheries and Oceans. I'm delighted that each and every one of you has taken the opportunity to be part of it, and I'm delighted that my colleagues have chosen to come here.

With that, Mr. Chair, I think it's time to hear the testimony from the witnesses.

**The Chair:** Thank you, Mr. Byrne.

Gentlemen, I believe you've all been made aware that you have approximately four minutes to make opening comments. As you can see, we have quite a few people who wish to participate. I'd ask that you try to stay as close to that four minutes as possible. You'll hear a beeping noise up here; I have a little timer that will go off when you reach the four-minute mark. I'd ask when you hear that to bring your comments to a conclusion, or shortly thereafter.

We'll start with Mr. Andrews, if you have some opening comments.

The microphones are all automatic. They're controlled by the staff behind me, who will turn them on when you speak. You don't have to do anything but begin with your comments.

Mr. Andrews.

**Mr. Clarence Andrews (Fisherman, As an Individual):** Thank you very much.

I'm a three-hull-based full-time crab fisherman. I bought my first boat when I was 22. I have two sons-in-law involved in the fishery with me now. Unfortunately it's becoming more and more difficult coping with the policies and regulations that DFO is putting on us. I'd like to outline some of the regulations that maybe we could change, and I'd like someone to look at them.

We have a family business, and DFO is telling us that we cannot fish our three licences on one vessel. They're telling us to buy a second vessel. I don't see why we should have a second vessel when we can bring all licences in on one. Also, crab has a four-month season. DFO put a 12-month rule in place. I don't see why a boat in your name has to stay there for 12 months. That's hindering us when we're changing boats to catch our three licences. I don't see why DFO can't change the wording and maybe put in one change per calendar year.

Two or three years ago, I remember DFO took the 12-month rule out and put in a six-month rule. The following year, they put the 12-month rule back in place. So it's not as though they can't do something about it. When we're fishing, our two buddied-up individual quotas take about 10 weeks to catch. The other licence takes four weeks to catch.

So this 12-month rule, when we're trying to combine licences, or purchase more licences to build up our business, is crippling us. We're not able to do it without buying a second vessel. I don't want to invest another \$300,000 or \$400,000 to buy a vessel.

Also, this year in particular, our fishery opened April 1. So fishermen went in and picked up their licences April 1. Because I was buddied up with my son-in-law, my licence wasn't available until April 12. So I lost 12 days of fishing time. Our season closes July 30. I don't know if they're going to give me 12 days more than the other fishermen at the end of the season. I'm very doubtful. So paperwork should be available April 1 or even before April 1.

Our vessel can carry 55,000 pounds in an RSW tank. It's top-quality crab. We've been doing it for 10 years with RSW. DFO is telling us we have trip limits. Now the trip limit for an RSW vessel I think is 50,000 pounds. Some boats can carry 55,000 or 60,000 pounds, and I don't see why we have to judge how much crab is in those tanks. We fill them up. They can stay in the tanks forever. Quality is not an issue. So fill up your tanks, and bring them in. If the production plant can handle it, offload it. Having trip limits to me is not conservation; it's interference, especially for RSW boats. Trip limits should be gone. To my mind, DFO shouldn't have anything to do with trip limits. Let the processor deal with his own fishermen. If the processor can handle it, bring it in.

•(0945)

**The Chair:** Thank you, Mr. Andrews.

Mr. Sackton, go ahead, please.

**Mr. John Sackton (President, Seafood.com News, As an Individual):** Good morning.

I'm John Sackton. Just to give you a very brief background, I publish *Seafood.com News* and I'm a market analyst. I deal a lot with fish commodity prices. I've been involved with the Newfoundland crab fishery for about 12 years.

After a strike in 1998 or maybe 1997, I came in the following year because the province developed a final-offer selection process and wanted a third-party market analyst to report on crab prices in the U.S. and Japan. Those crab prices were used at that time by the FFAW and FANL to negotiate a formula that adjusted the prices to the boats. The rationale behind this was to get the season started without either side or either party taking excessive risk.

The history of the crab fishery, particularly with the heavy landings that occur towards the end of May, is that the prices invariably go down in the market from the start of the fishery in late April and May until the end of May or the beginning of June. If you know that these crab prices are going to go down, it's very hard to judge who's going to take the risk, so at that time the market-based formula was designed to adjust prices to the harvesters up or down, depending on the market performance. Adjustment was initially on a biweekly basis. Also, for most of those years there was a much more favourable Canadian dollar exchange rate in the U.S. market for crab exporters, and because of that there was room in the value of the commodity for all of this to adjust.

My role in terms of providing a market price that then adjusted actual vessel prices ended in 2008 or 2009. It ended in the first year that the U.S. and Canadian dollars got to parity, which I think was 2008. That put a tremendous amount of pressure on Canadian crab exporters, and the market-based formula in that year would have returned a crab price to harvesters below \$1.50. I'm not quite sure how it was decided, but at that point there was certainly a feeling that the \$1.50 price had to be maintained. As a result, the market-based formula was abandoned.

In that year, it so happened that if you took all of the prices into consideration, \$1.50 was in fact a good, accurate price. Even though for a few weeks you might have seen \$1.45, in other weeks you would have seen \$1.55 or whatever, and it averaged out.

For the last two years I've been under contract from the province to do market monitoring for the crab markets and give a report at the end of the year, but I've had no involvement in directly providing information for price-setting.

The point I want to make is that I think a lot of the stress the industry's been under is directly related to the U.S. dollar exchange rate. When we had the price formula, the U.S. exchange rate was included as a factor in the formula. When the prices were changing every two weeks, often the biggest single factor in that change was the volatility of the exchange rate, and when the exchange rate moved towards parity, it made a very significant reduction in income for the entire industry.

Looking back at the last 10 or 12 years, my view is that when the exchange rates were favourable for exporters, it really provided the industry with a cushion to negotiate. There was room for processors to make money and there was room for harvesters to make money. Now that the cushion has been eroded and our dollar is at par, it's put an extreme amount of pressure on the industry.

•(0950)

**The Chair:** Thank you, Mr. Sackton.

Go ahead, Mr. Seymour.

**Mr. Leo Seymour (Fisherman, As an Individual):** Good morning. I'm Leo Seymour.

I want to speak a little bit about what John just said about dollar parity. I can understand a little bit about the exchange rate. I'm no expert on it, but Nova Scotia is a part of Canada, with the same dollar; in New Brunswick, it's the same thing. How is it that crab right now is \$2.40 in New Brunswick to the fishermen, and to me it's only \$1.35?

The list goes on, with cod and everything else. I got 50¢ a pound for cod last year, and in Nova Scotia it was \$1.70 a pound. Does the exchange rate have anything to do with that? I don't think so. I just can't get my head around it. All I can do is say it in plain English: it's nothing but a goddamn rip-off, as simple as that.

I could go on. I've been fishing now for, let me see, 36 years. I got into the fishery with a loan of \$300 from a fellow when I bought a power saw when I was 17 years old. I went into the woods and I built a skiff and I went fishing. Now it is all gone; we've been on a so-called moratorium since 1992, which doesn't even exist. It's just the likes of me who's not allowed to catch a fish, but everybody else—the foreigners and whatever—can do what they like. It's going on now, as we're sitting here. They're out there now, and our own factory freezer trawlers are out there catching shrimp. They caught 600 tonnes of shrimp in 21 days. What did they do? They destroyed 1,800 tonnes of capelin, the most precious fish in the water. Everything else has to depend on it.

Now we have another problem. I know you all see this. Even the scientists now will agree that there are around nine million seals. We know, we fishermen and sealers, that there are more than that. Where's it all going to end up?

This is the coast of Newfoundland and Labrador. The fishery is our mother, and she's on life support, and nobody cares. That's the way it seems to be. You can talk all you like, you can do what you like, and nobody cares.

If something isn't done about the seal population.... If we think we're in a mess now, then boy, listen here; wait and see what's ahead. Like buddy said, the perfect storm is yet to come.

I don't see any way out of it. This is total destruction. The only thing I know to do when I leave here is to pack my bag and head west, after 35 years of investing in boats and wharves and fishing gear and one thing or another. Now, if I go out in the summer and get a few capelin, while my buddy is there having bad luck, I'm not even allowed to give them to him. I have to dump them. Then they talk about conservation. Sure, they don't have a clue what they're talking about.

I'll go on a little bit more. I'm not going to stick to the crab fishery, because as far as I'm concerned, the fishery is the fish.

One of these days there will be a food fishery open. You're allowed five fish a day. If you get a tomcod only so long, you have to keep it. You're not allowed to throw it away to try to get a better one; you have to keep it. I asked DFO the question why. He said that catch and release could harm the fishery.

I can haul a fish out of thirty fathoms of water in probably less than a minute and unhook to let it go. But at the same time, you have a regulation up on the rivers. There's a salmon up there to spawn, eight months pregnant. I can heave out the hook and I can battle it for a full half-hour, maybe an hour, trying to get myself a salmon of 14 or 15 pounds. Does that make sense to you? And right now, this summer coming, I'm not even allowed to carry a dead salmon. If I get a salmon tangled in my gear and he's dead, I'm not even allowed to carry him in. I have to throw him away.

Saint-Pierre and Miquelon, with their ten-mile corridor that extends out beyond the 200-mile limit, are catching away at our salmon all summer long.

I could go on and on. I could write a jaysus book, but what's the good of it?

Anyway, thank you.

•(0955)

**The Chair:** Thank you very much, Mr. Seymour.

Mr. Small.

**Mr. Lyndon Small (President, Independent Fish Harvesters Inc.):** Good morning, Mr. Chairperson, members of the Standing Committee on Fisheries and Oceans, and fellow panellists.

I want to thank the Standing Committee on Fisheries and Oceans for the opportunity to make a presentation concerning the snow crab industry in Newfoundland and Labrador.

As an introduction, my name is Lyndon Small, president of the Newfoundland and Labrador Independent Fish Harvesters Association, NLIFHA, and co-owner and operator of a 65-foot fishing vessel.

The NLIFHA consists of members in the over-40-foot fleet in division 3K, which extends from Cape Freels to north of Cape Bauld. The mandate of this association is to ensure that the issues and concerns that affect our enterprises daily are being presented to both levels of government.

The crab industry in this province has great potential but has been crippled by low raw material prices in comparison with those in other jurisdictions within Atlantic Canada. Today, dry crab in New Brunswick is at \$2.15 a pound; RSW crab is at \$2.40 a pound; and in this province dry crab, and RSW, is at \$1.35. At this price differential, fishers will lose thousands of dollars in income and revenue for their fishing enterprises.

What are the reasons for this huge difference in price? It's simply that competition is non-existent in this province's crab industry. Provincial legislation prohibits outside buyers from coming into the province to buy and truck the crab to their plants in the Maritimes. This form of protectionism enables the processors of this province to have a monopoly on the industry and provides an avenue for collusion to seep in, resulting in basement prices for crab fishers.

Presently, the NLIFHA have a confirmed buyer in the Maritimes willing to buy 3K crab at \$1.90 a pound, but the provincial government will not allow this form of free enterprise to flourish.

The second major reason why the raw material price is deflated in Newfoundland and Labrador is the control processors have over the harvesting sector in this province. Over the years, fish companies have provided financing and loan guarantees for the purchase of vessels, licences, and equipment. Essentially, the processors own and control the vast majority of enterprises within this industry. This control guarantees the producers a lock on the crab before it is harvested from the water and the ability to dictate a low-end price to the fisher.

In this era of combining and rationalization, trust agreements are alive and well. Just under the surface, the fleet separation policy has been seriously eroded, to the point that vertical integration, which the processors so much desire, is a reality.

In conclusion, former provincial Minister of Fisheries John Efford discussed the same problems in a recent fisheries magazine interview, which stated:

In order to be a truly free industry, the market has to be opened up to outside buyers and harvesters can't be forced to do things they don't want to with their products, he now argues. "Processors actually own large numbers of fisheries enterprises. So that gives them an extra advantage and that is then one of the reasons why a lot of the small boat fishermen can't increase their quotas," he says. "Their own boats could keep the plants going. So they can squeeze."

Therefore competition, free enterprise, and independence have to be the cornerstones of a viable crab fishery in Newfoundland and Labrador.

Thank you.

•(1000)

**The Chair:** Thank you, Mr. Small.

Mr. Wimbleton.

**Mr. Ray Wimbleton (Fisherman, As an Individual):** Thank you very much for giving me the opportunity.

I want to talk about snow crab. When we got into the crab fishery, 15 or 16 years ago, it was after the moratorium when they took away our cod fishery, which was a deepwater fishery for us.

Over the years we've been successful in lobbying to get into the bays for small boats under 40 feet. Most of us are in the 27- or 28-foot range. When DFO allotted that portion of water to the small boats, they said, "You live and die within that", with regard to crab. That's fine, but the problem with it is that there are too many of us in those bays to make a living off that amount of crab.

I'm not faulting DFO on their management of the resource. It's about the only species there is for which we have a relationship with DFO in which we basically sit down and between the two groups

come up with a quota that doesn't devastate the bay. We try to stay within a sustainable quota, and I must say it's worked well. The problem we have in the bay is that there's not enough resource for the number of us harvesters there; that's problem number one. Number two is that there are so many regulations in place that we can't economize on what we have, such as by fishing with three or four in a boat, or changing the boat around, as you suggested. That's crippling us.

Take Green Bay, where I fish. We have 11,000 tonnes of crab and basically little or nothing else. It makes a lot of sense to us as harvesters if we can get the most dollars we can out of that by economizing and buddyng up. Whatever we need to do, we should do it. We can't survive on that.

The question I ask here today is this. Everybody's talking about a fishery that "can" be good, but you gave us four minutes to talk, and I think that's more than we've got to fix this: there's nobody after me. I'm 57 years old. There's nobody after me. In my community, the one I fished out of, is dead. I had to move out of it two years ago, because nobody has an interest. Nobody wants to go into a fishery in which they can't survive. They don't have enough money for groceries on a regular basis; they can't make their payments. We haven't got a resource.

When we fished cod, we didn't have a limit. We worked hard and caught what we could get, but with crab we have a quota. You can't make the resource any bigger than what it is, but we have to fix it. Today, this thing called the independent owner-operator has been pushed by everybody...and I support it; you can't own a licence unless you're a fish harvester, and that's the way it should be. But I'll tell you something right now, and you mark my words: within the next five to ten years, you'll see people like me out on the street lobbying you and the provincial government to let us sell our licence to buyers.

When I'm ready to get out—and I have no choice, because my age and health tells me to—no one else is there to buy it. If we don't fix this now—and we don't have another 15 years, or another 10—there will be no fishery; there will be no little bays; there will be no little communities.

So what happens to all these licences and this quota? Someone has to catch it; it's going to come out of the water. What I'm saying is that we have to fix this fishery.

Leo spoke about seals. One guy killed a seal in Green Bay this year, one hooded seal, and he documented it. He took the pictures and he posted them on the Internet. It had 85 female crabs in its stomach. I've been fishing crab for 16 years, and—I think Lyndon can back me up—I haven't destroyed five female crabs. That one seal took 85. How long can that resource last?

When I fished cod in deep water, that's all we knew. We fished, 150 of us, out on the water with gillnets. If we cut its throat and slit the stomach, we used to ruin our knives on the crab. It was female crabs. We don't want the cod back to that state anymore, or we won't have a crab fishery. We need to get control of this and we need to put something in place so that there's a future beyond me.

I have seven or eight years left, but every little community in Newfoundland is going to be gone without that resource. It's like Leo said this morning, coming in: do you know the biggest employer in Newfoundland today? Alberta.

That's stupid. We have a fishery that can support three times what is there, if we had run it right in the first place.

I'd like to close by saying that right now, in my opinion, and I speak for a lot of small-boat fishermen, the problem in this fishery is that there's not enough fish in the industry and too much politics.

•(1005)

**The Chair:** Thank you, Mr. Wimbleton.

Mr. McCurdy.

**Mr. Earle McCurdy (President, Fish, Food and Allied Workers):** Thank you and good morning. I'm Earle McCurdy with the Fish, Food and Allied Workers Union. I'll just touch on a few points. A lot of the points I wanted to talk about have been made and I'll just try to be brief.

It's not quite clear what exactly the focus was to be, other than the crab fishery, but I think the crab fishery, as one of the previous speakers said—it might have been Leo—is really all part and parcel of an overall fishery. Crab for the province as a whole is the single most important species in terms of total dollars in export value. In terms of the degree of dependence on it, crab is number one, although not everybody in all areas of the province has access to it.

I guess one of the principal issues of federal jurisdiction, because really we're dealing with a federal committee here, is the whole area of resource management, but there are some issues under that that I would just like to touch on. One has been raised already by Ray and Leo and perhaps others.

You hear a lot about ecosystem management. I really find myself wondering what that means when people say it, because if there was an ecosystem management, we could at least say what are our aims and objectives with respect to the management of the seal herd, with respect to the cod fishery, with respect to the crab fishery and the shrimp fishery. When you set a goal for one, that has a real impact on another.

For example, COSEWIC, the Committee on the Status of Endangered Wildlife in Canada, recently came out with a pronouncement that cod was in danger, within the definition that's in their legislation. It's absolutely a ludicrous outcome, yet the implications are very serious in our province. They're twofold: first of all, the amount of crab people have access to, and the issue Ray just raised, the impact of cod on species like crab, of which it's a predator.

I don't think it's realized at all by either level of government, I have to say, the extent of the financial crisis that exists in the

harvesting sector of our fishery. A lot of it is the unfinished business of the moratorium on cod stocks, not only the northern cod but the other cod stocks as well, back in the 1990s, when the number of people who remained in the industry was just insufficient for the amount of resource available. What Ray described for his area is absolutely true of other areas as well.

There is a solution. We do have an opportunity to have a future of some sort in this province for a fishery. It will not happen without the conscious effort and contribution of the two levels of government to really a rationalization and a rebirth. The number of people who are there now, there are too many for the amount of resources there. A public sector investment would allow for an orderly transition of the baby boomers—we have an aging population of licence-holders—and allow them to leave.

Policies that say the solution is self-rationalization, which was proclaimed by the two levels of government back in 2007, and the people buy out each other, have really proven to be kind of a poisoned chalice. What it does is it encumbers the person who does the combining with so much debt that it makes a bad situation worse. If there's a single problem that exceeds all others in our industry, it's the huge amount of debt that is there.

There are a number of provincial issues. I won't dwell on them, other than to say that there has been a process between the industry and the provincial government to try to deal with some of these things. The federal government has been noticeably absent from that table, which is unfortunate, particularly given the principal responsibility of the federal government in the management of the fishery and in really creating the crisis of the late 1980s and 1990s that we're still finding the effects of today and that are having such an impact on our industry.

•(1010)

**The Chair:** Thank you, Mr. McCurdy.

Mr. Decker.

**Mr. Trevor Decker (Director, TriNav Marine Brokerage Inc., TriNav Group of Companies):** Good morning.

My name is Trevor Decker. I'm part owner and director of the TriNav Group of Companies. We're involved with marine brokerage and fishing licences, vessels. We're involved with fish harvesters in Nova Scotia, brokering crab for those guys in the water. We publish a navigator magazine. We have other companies that are involved with the fishing industry throughout Atlantic Canada.

I'd like to speak on three areas, one being competition, two being marketing, and three being financing.

When it comes to competition, as I see it, competition ends at the wharf. When the fishermen land their product there is one buyer for the product, and that's where it stands. The price is negotiated and nobody else from outside is coming in. To allow outside buyers won't solve the problem, but it would ensure that competition exists.

We have many diversified fishing operations throughout Newfoundland and Labrador, therefore the loss of product to outside buyers will be very minimal due to the fact that many people who'll come in will probably only be looking at one resource, and that will be crab. As people have already said, many fishermen in Newfoundland depend on turbot, shrimp, capelin, mackerel, herring, and so on.

What has happened in Nova Scotia, New Brunswick, and P.E.I. is that they have commissioned buyers who channel product to buyers from outside that particular province. Therefore the price has a tendency to stay. We see this, we've been involved with this, and I'll explain a little more as I go on.

Looking at the marketing of our product with respect to the quality of crab, there is no incentive for RSW vessels that have invested in Newfoundland. Extras are paid in other provinces. New Brunswick has a tendency to pay more for crab that are landed with RSW vessels. Newfoundland does not, as earlier on Clarence Andrews referenced the problems he has seen.

The area 19 model we are involved with concerning the crab fishermen in Cape Breton, we market product in the water. We broker the product. We take a percentage of the fishermen's product and we sell it not necessarily to the highest bidder but to the best qualifier, somebody who has a good financial background, somebody who can offer the fishermen what the fishermen are looking for. This is an association of fishermen in the Cape Breton region that markets their area 19 crab, which is known to be top quality.

If we want to look at the general promotion of snow crab overall in Atlantic Canada and if we compare that to the Alaskan king crab, Maine lobster, and even look at Newfoundland tourism, the marketing that is there with respect to the tourism industry is phenomenal. Wherever you go, you see it. When it comes to Alaskan king crab, there are things they have done; *Deadliest Catch* gives that more limelight than anything else you look at. Now, Maine lobster: Maine lobster is known to be the best.

This is all through the marketing campaigns that have existed.

There is something I want to throw on the table that I'd like everybody to look at: an Atlantic Canadian crab council.

The last point I want to focus on is financing. Rationalization is happening. Fishermen do need extra product, but we need to have proper bank security and fishermen need to have better terms.

Fishermen have bought out other fishermen for years. This is not something new. It's been passed down from an older generation to a younger generation, but with a lot less money. But I'm into the business. People buy and sell on a daily basis, and the selling is done voluntarily. People come in. They offer. Someone puts something up for sale. The market comes forward and they offer on a licence or quota, whatever it may be.

•(1015)

Nobody has been forced to do anything. However, this is the way things happen offshore. Things are happening more like this inshore. Fishermen need to have the ability to get adequate financing.

The minister has the right, as we see in New Brunswick with the percentage cut...the value of that licence has dropped tremendously. So if people want to invest in the fishing industry, the government needs to be involved with respect to at least guaranteeing the financer that the product, the quota in which they finance, has not lost 50% of its value overnight.

Fishing enterprises are businesses and should have the right to grow or consolidate, or do what anybody else would have to do in the industry. But there are more restrictions existing within the industry that we need to see relaxed. I've seen it over and over and over, the CCRA rule with respect to fishermen wanting to buy licences with the corporations. Yet they're taxed individually, so this is another area of concern. That's on the minister's desk right now, and has been for probably a year and a half. The industry voted in favour of the companies owning a fishing licence, and that hasn't been signed off on.

There are other issues that I'd like to bring forward, and probably as we speak today I can, but I'll end it at that.

Thank you very much.

**The Chair:** Thank you, Mr. Decker.

Mr. Barnes.

**Mr. Phil Barnes (General Manager, Fogo Island Co-Operative Society Ltd.):** Good morning, Mr. Chair and committee members. My name is Phil Barnes. I represent the Fogo Island Co-Operative Society Limited, out of Fogo Island. The co-operative was formed back in the sixties as part of an initiative that was taken on by fishermen on the island, and with the aid of the provincial government they developed an industry and continue to build in that industry. I wanted to give you a little bit of background about that.

My presence here today basically is to speak on some of the issues and challenges that we face in the industry, as a processor. We have an aging population, as was mentioned by some of the people here earlier. We have young entrants trying to get into the industry, young entrants in terms of fish harvesters. I have been presented with this challenge for the last two years. There's a couple of fishermen I've devoted my time to trying to put into a boat, and the challenges are that the banks won't look at them. These young people are in their twenties and they don't have the cash or the equity to put into an enterprise at this point in time. However, they've been fishing for seven or eight years and have good backgrounds. They have their licences. They're qualified. Yet we run into stumbling blocks. The banks won't look at them. They have no equity.

Those are only a couple of issues. Skilled labour continues to be a big issue at our plant. How do you replace an electrician? Today I'm going to run my shrimp operation in Fogo without an electrician. You have a tremendous cost. You'd probably end up making more money than I do if you came to the island to work for us, but that's the challenge we face. Skilled labour, maintenance people, and the list goes on.

I want to go back to the aging population. In our workforce today, it's tough. We have people who are in their mid-fifties, the average age in our plants. How do you replace these workers? There are no young people staying around who want to work in this industry. There are no jobs they're going to want to do, as young people graduating from school and so on. So these are big, big changes, and we have to look at modernization of our plants, new technology. Or we have to look at immigration, workers coming in from other countries. So those are some of the challenges that we do face.

I want to also touch on, I guess, the biggest question. Every time I go anywhere, someone asks how the Fogo Island co-op could open its doors this year at \$1.35 on crab and all the other processors could not.

Well, we do a lot of thinking when it comes to this time of the year, and we looked at the dollar being at par. Basically, that's what we built our business model on, that we'd look for a break-even, because at the best of times the only thing we're trying to do is to keep our fishermen and our plant workers working. We're a different beast. We're a different animal. We have a different chemistry.

The Fogo Island Co-Operative Society has a membership and the fishermen and the plant workers own that business. We're not profit-driven to the extent that the big corporations are, so in a nutshell, I'd have to say that that's what it came down to. You have two risks basically. The risk not to open, and the risk to open, and we felt the former was the worst to do at the time.

That's where it was, and I hope that answers the question that you were looking for, Gerry, in terms of our position. If there are any other questions, I'll gladly take them.

•(1020)

**The Chair:** Thank you very much, Mr. Barnes.

I'm sure the members have lots of questions for many of you here this morning. Thank you very much for your presentations, your opening comments.

Mr. Byrne.

**Hon. Gerry Byrne:** Thank you, Mr. Chair.

Thank you to our witnesses for their very concise but as well very compelling testimony about issues in the industry.

I want to thank Clarence Andrews for providing the committee with very specific recommendations on issues that affect your industry. You've provided us with specific ideas and recommendations as to how we can improve your industry.

We have over an hour of further discussion, so if there are other things that you want to raise, hopefully we'll be able to do that through our question and answer period.

What strikes me, Mr. Chair, in addition to some of the things we've heard, is one compelling but interwoven thread amongst just about all the testimony, and that is the price differential between Newfoundland and the Maritimes. For the purpose of the record, Mr. Sackton raised the issue of the final offer arbitration by the price-setting panel. For the purpose of the record, as we discuss this in our report, this year the price-setting panel set a price of \$1.35 a pound, based on that final offer selection. The price was initially refused by

the buyers, by the Association of Seafood Producers. It was accepted, albeit begrudgingly I guess, by the harvesters, the FFAW, but eventually the fishery did start at \$1.35.

What we're hearing testimony about is the confusion, uncertainty, and frustration about the fact that the price differential seems to be extreme between the Newfoundland and Labrador region and the Maritimes region.

Lyndon Small said that the Independent Fish Harvesters Association has secured a Maritimes buyer at \$1.90 a pound.

We've heard Phil Barnes, who is a former member of the Association of Seafood Producers, say that he is initially going to purchase at \$1.35 a pound. I think Mr. Barnes will also indicate that he was actually thrown out of the Association of Seafood Producers for agreeing to buy at \$1.35 a pound, which was the established rate.

What I'd like to do is ask Mr. Lyndon Small to further elaborate on his association's acquired offer of \$1.90 a pound, and ask Mr. Sackton if he could elaborate further on what he perceives as the reason for the price differential between Newfoundland and the Maritimes.

**Mr. Lyndon Small:** In terms of the product that we have to offer, as our members of the NLIFHA, the 3K crab, within the industry the Japanese market, the Japanese technicians who come to Newfoundland and Labrador, have very high standards and quality. They are fully aware, with our correspondence that we've had with Maritime buyers...and I'm not saying just one single buyer, but I've spoken directly to several buyers who have expressed extreme interest.

This one particular buyer—we had correspondence with the provincial government, and it was there in black and white—was willing to come to Newfoundland to truck the crab back to his processing facility in New Brunswick and make a handsome profit, in a good business venture.

I also spoke to another producer, last night actually, and there's a boat landing from 3L this morning as we speak, to a plant in New Brunswick, with RSW aboard. They've expressed a lot of interest in buying our Newfoundland crab, and if the present barrier in place now, that doesn't promote free enterprise, was lifted, I'm sure the price of crab right now would be significantly higher than \$1.35.

I'd also like to add that currently there's a community on the northeast coast with a processing facility, and the price being paid is \$1.50 a pound...landed to the plant. That's open and above board. From what we see with the extreme growth that's been in the marketplace, \$1.35 is a very non-viable price.

Just to reiterate the comments that I made earlier, Maritime buyers are willing to come in and buy our product at \$1.90 and still make good business out of that transaction.

•(1025)

**The Chair:** Thank you.

Mr. Sackton.

**Mr. John Sackton:** Thank you for the opportunity to comment more.

Pricing is a complicated issue. I think what you've got to start from is understanding that buyers generally pay for value offered. One of the reasons the fishery is so complicated is that there is no single price for crab. In the marketplace an eight-up or ten-up section will get 40¢ to 50¢ more than a five to eight section. In the marketplace a four-ounce section is heavily discounted, sometimes for a dollar less than what you're getting for a five to eight section. Yet when a boat is landing a load of live crab, that crab is a mixture of all of these different sizes. So in any given time the buyer is trying to judge what is in that mixture that he's buying and how is it going to translate economically.

There is this idea that competition among buyers raises the value of crab. I think there is something to be said for that, but there's also a caution. In the lobster industry, and particularly in the Maritimes, there's been a system of dock buyers, and it's very easy to get a lobster licence to show up on a wharf and start buying lobster. Nova Scotia, New Brunswick, and P.E.I. have all taken steps to start restricting the activities of those unrestricted, unlicensed buyers because the feeling was they destabilize the industry. The way they destabilize the industry is that it's very easy for a guy with no investment—for example, a guy in the Maritimes who's short on product, who has orders from Japan, this year, and has had his quotas cut in the gulf—to go out and increase his crab. So for him it makes economic sense to go and say, okay, I can pay whatever I need to pay, whether it's \$1.90 or \$2, because I'm filling in for my order.

But that's not going to be a long-term viable system, because the next year when he has his orders, he's not going to do that. So what it ends up doing—at least this is what they found in the lobster industry—is it depresses the ability of the industry as a whole to market and get the highest value for the product.

I've always been a believer that maximizing the total revenue for all sides of the industry, harvesters and processors, is the best long-term approach. I just think that when looking at pricing it's important to look at what's the value being offered in a particular area. Area 19 does have an extremely good product, and an extremely high reputation, and for that reason they get more money for their crab. It's an excellent product.

**Hon. Gerry Byrne:** Thank you, Mr. Chair.

I'll just make one quick comment to say that the other side of this argument would of course be offered by the Association of Seafood Producers, who were asked to attend this committee hearing. They did not; they declined to attend the committee hearing.

One of the questions I would ask them is that if \$1.35 was an inappropriate price to pay a month ago, why are they now not only paying \$1.35 but offering some an extra 30¢ bonus on top of the \$1.35? But I can't ask them that question, because they're not at the table.

That said, Mr. Chair, I think my colleague has a question.

•(1030)

**Mr. Scott Andrews (Avalon, Lib.):** I've actually got three questions, and I'll put them out and then you can answer. I'll lead off by continuing on with what Gerry was just saying, and my question is to Mr. Small.

Is this under-the-table price that is being offered to a number of harvesters out there now...? As you said, the true price of what we're getting for crab is not really true, the \$1.35 is not true, because there are things being paid under the table there. How prevalent are the under-the-table negotiations in this and why isn't that being brought out on top of the table when we set the price?

The second thing to you, Mr. Small, is how do we separate the processors from the harvesting fleet right now? We've got a problem. The harvesting and the processors are very close. How do we break that separation between the two fleets?

To Ray and Phil on your points about new entrants into the industry and who do we pass this on to, the future generation in the fishing industry, we are coming to a crossroads in the fishing industry right now, as Ray alluded to, in terms of who are we going to pass these enterprises on to. There will always be a need for product. There will always be a need for food in the world, but we don't have the mechanism or a plan in place to start passing on these enterprises. Maybe the two of you could elaborate a little further on how we do that.

**Mr. Lyndon Small:** Mr. Andrews, thank you for the question.

First of all, in terms of the first part of your question, the \$1.50 per pound that I described earlier is above board. That's right on the table. That's receipted right at the dock.

In terms of bonus payments, I can only speak for myself, but doing some active negotiating prior to starting fishing this season, bonuses were a non-issue. Bonuses weren't available. You were lucky if you were able to squeeze out perhaps 5¢ or 10¢ if you landed to the plant. But suddenly circumstances have changed. Now, as Mr. Byrne alluded to, 30¢, 35¢, 40¢, or 50¢ may be there. And I say that with a maybe, because that is the individual enterprise owner's own business relations—you know what I'm saying—with individual buyers within this province. But there's no doubt that incentives are being offered and are being paid, quite substantial incentives.

In terms of the other part of your question, with regard to fleet separation, for an owner-operator, as we speak, that is probably the most significant problem we have in this industry. There's no way to get an accurate percentage on the amount of control in this industry, but I would hazard a guess that in the range of 80% to 90% of most of the enterprises in this province are controlled by processors, whereby they have guarantees for loans or purchase of licences, vessels, and equipment. Automatically, if I'm a producer in Newfoundland and Labrador, I have a guarantee; I have a lock on that product.

With the dispute that went on this past spring, it was said that there would not be a crab fishery. There will always be a crab fishery in Newfoundland and Labrador regardless of what dispute is there, because the processors of this province control that product that's down there on that seabed now, crawling around waiting to be caught. The only way we can solve this huge problem that we have is through independent financing.

A group of licence-holders—namely, the chairs of the shrimp fleet in this province—put forward a proposal to the provincial department whereby the purchase of enterprises and vessels and equipment would be guaranteed at, say, a low interest rate of 3%, when we know we're in an environment where, in the near future, interest rates are going to climb. It would be minimal risk for the provincial government to take part in those guarantees. Over a 15-year period, being able to rationalize the industry and make operations more efficient, it probably would have cost the provincial government, I think, \$45 million over 15 years, which is absolutely peanuts in terms of the moneys being put into the industry.

So I think, Mr. Andrews, that's the road we have to go down, some way we can find independence financially, because right now we're in dire straits. The harvesting sector is in dire straits in terms of independence and financing and being able to run their businesses, their fishing operations, in an independent, true businesslike manner.

•(1035)

**The Chair:** Thank you very much, Mr. Andrews. We'll return to your questions in the next round.

In the interest of time and fairness, we have to give all members an opportunity to pose their questions.

Monsieur Blais, you're the next questioner. The floor is yours.

[Translation]

**Mr. Raynald Blais (Gaspésie—Îles-de-la-Madeleine, BQ):** Thank you, Mr. Chair.

I would like to ask you some questions about the species of snow crab itself, here in Newfoundland, as distinct from—

[English]

**The Chair:** Can we make sure everybody has their translation device turned to channel 1?

[Translation]

**Mr. Raynald Blais:** My first question is about the resource itself. I will not venture into the subject of price because, there again, there are significant differences. For example, if we compare Quebec and New Brunswick, the price is \$1.75 in Quebec as opposed to \$2.45 in New Brunswick.

My question is more about the resource itself. Is the species of snow crab fished in this area different from the one fished in area 12? And is there a cycle? You probably know that quotas in area 12 have gone down 63% this year. That is huge. It hurts a lot, especially when there are no programs to mitigate the impacts.

So I would like to understand the possible differences in the snow crab here and the snow crab in Quebec. I would also like to hear what you have to say about the snow crab cycle we hear so much about. I imagine that your crab is cyclical as well. But catch numbers in the last few years are more or less the same, except for 2005. I am not sure who can answer that question. If anyone thinks he has the answer, he can jump right in.

[English]

**Mr. Clarence Andrews:** When it comes to difference in the crab, I don't know a lot about the gulf crab, but I do know that Newfoundland crab is of a smaller size, especially in the area that I

fish, which is 3L. In 3K, where Lyndon Small fishes, I think they're fishing the larger crab, but down in our area, the majority of our crab is five- to eight-ounce sections, and we get a fair portion under five ounces.

In the marketplace there's a big difference in price. Under five ounces is probably going right now for maybe \$3.10 or \$3.20, while five to eight ounces is going for maybe \$3.60 or \$3.70. When you get up into the larger sizes of eight and ten ounces, you are up over \$4. That's a big difference.

A few years ago, I transported crab into Louisbourg, Nova Scotia. I made a couple of trips. In an RSW vessel, I could do it. I brought mine up, and the size was no comparison to the gulf crab. Plus, when I went into Nova Scotia with my crab, I had to pay all the benefits. I had to pay EI and workers' compensation.

There's a lot of difference, but the big issue is the size. Newfoundland crab in 3L in southern Newfoundland is much smaller.

•(1040)

[Translation]

**Mr. Raynald Blais:** Do you mean the life cycle?

[English]

**Mr. Earle McCurdy (President, Fish, Food and Allied Workers):** I don't know about a cycle. Perhaps I could just comment briefly on some of the things that are happening in the management of our resource here.

I read an extremely patronizing, offensive column in *The Globe and Mail* last week from Jeffrey Simpson. It effectively told us that we were too stupid to understand that if you don't manage a resource, you won't have it around for the long term. Apart from the fact that he did a tremendous amount of revisionist history, he didn't even bother to inform himself on some of the things that are happening currently.

In our crab fishery we've been concerned for some years about the degree of dependence on a multi-species autotrawl survey as the vehicle for determining crab abundance, for the simple reason that's not a type of gear you fish crab with. It certainly was better than having nothing, and I'd say it probably served us reasonably well for a period of time, but we ran into a scare on the resource in the year 2000.

We really felt we needed to have something more than that survey to base critical decisions on, to give the scientists more to work with, so we started, our organization, to work with DFO on a post-season crab pot survey. We use the traps that are used to catch the fish. We use crab fishermen to use them. There are about 100 enterprises per year that participate in a survey designed in conjunction with DFO scientists to try to measure, after the fishery's over, how much crab is left as a starting point for next year. I think that's been an important factor.

We've had pretty stable quotas. There are some fleets, including the one that Lyndon participates in, that got a nasty jolt in terms of the quotas this year—certainly nothing in the order of 63% but painful nonetheless. But overall, I think over the years we've been successful in having pretty stable fisheries, although I think everyone would do well to heed the warnings that were made earlier about the impact of the runaway seal herd. It has a huge potential impact.

[*Translation*]

**Mr. Raynald Blais:** Mr. Small?

[*English*]

**Mr. Lyndon Small:** Yes, Mr. Blais, on the first part of your question concerning the \$1.75 as it relates in comparison to northeastern New Brunswick, I've had some conversations with fishers in the northern part of Prince Edward Island, which is pretty adjacent to the same fishing grounds. There is a major discrepancy in price for the fishers in northern P.E.I. to northeastern New Brunswick, where the traditional, well-established licence-holders and plants in that region secured the most high-end price.

From an educational point of view, I don't know the biology of your crab. As Mr. Sackton alluded, and Mr. Andrews, the larger sections do have a higher return in value in the marketplace.

With regard to the science part of it and the management, from our perspective they are in Newfoundland and 3K. Crab is a very mysterious shellfish. It goes through many cycles of moulting, where it moult its shell, and in that process, that's crab that's within the biomass of the stock, but DFO does not consider any soft-shell crab as being part of the overall biomass.

You know, as I said, from an educational point of view I'm not absolutely up to speed with the biology in your area, but crab is also a shellfish that at times does not eat, does not crawl. It buries up in the mud. Crab live in an environment with lots and lots of mud. If you have mud around your crab pots, you're going to have good catch rates.

I'm sure Mr. Andrews can validate the same comments I'm making. Sometimes you can set your gear and the catch rates are very poor, and then go back the next trip—say, after two or three nights' soak time—and the catch rates are phenomenal. It's a shellfish that's very fickle in its manner and in the way you can catch it.

But there's no doubt there's a serious problem on the management and science part within the southern gulf, because there's no way that 63% cut is a number that's even realistic for proper management within that industry.

• (1045)

**The Chair:** Thank you.

Mr. Donnelly.

**Mr. Fin Donnelly (New Westminster—Coquitlam, NDP):** Thank you, Mr. Chair.

I just want to say it's good to be here in Newfoundland. I am from a different west coast—the west coast of Canada. I'm from British Columbia. I apologize right up front for my accent. I hope you can understand me. I'm also a new MP. I just got elected in November. I

got on to the fisheries committee, and this is of great importance on the west coast.

When I heard the motion on the east coast, I thought this committee needs to look at the snow crab issue.

My colleagues have raised some points, but I wanted to touch on management and marketing. A number of points have been identified, but it seems that one of the main problems identified here is too many harvesters chasing too few resources. Obviously we have an issue there.

Mr. McCurdy, maybe you could elaborate a bit more. You talked about an orderly transition in terms of those currently in the industry. Perhaps you could talk a little bit more about what you mean by that.

Mr. Decker, you talked about the importance of marketing. It seems as if there's real opportunity here. Perhaps you could maybe touch a little more on how we could go about marketing this product.

**Mr. Earle McCurdy:** For sure we've got too much debt chasing too few fish. I guess what we have—and it's not a numbers game, in my mind—is a combination of a demographic profile, an age profile of the fishing fleet of people nearing retirement age with a heavy overall debt burden. Are we going to have any kind of a fishery in our coastal communities in the future, and if so, what shape is it going to take?

For that to happen there are two choices. Either we'll have an organized licensed buyout program in some fashion, or a rationalization program with shared industry and public funds to execute it in some kind of an organized manner, or we'll have rationalization by bankruptcy. The choice is as blunt as that, where people will be forced out of business because the bills are stacking up and the revenue is not matching that. In so many cases the pie is being divided into so few pieces, as Ray indicated earlier.

The provincial government has offered to cost-share a program with the federal government. We have offered, on behalf of our members, to have an industry-federal-provincial cost-shared arrangement. We've had a proposal on lobster in for months for an industry-federal-provincial cost-shared rationalization program that could become, I think, a model for other fisheries, if it works. But the federal government to date has been the missing party at the table.

Just briefly, if I could, on the marketing, I support the thrust of the comments Trevor made earlier on marketing. It is something that's being aggressively pursued at the provincial level under the restructuring discussions that are going on here, and something that's desperately needed because we haven't had nearly the attention to marketing and promotion that we should have.

**Mr. Trevor Decker:** With the business I'm involved in, marketing is a very important portion of what we do. We basically market fishing licences and fishing vessels, now to the point of basically all products, on behalf of our clients, primarily fishermen.

The first thing we have to do is get out there—we don't see as much marketing process with respect to snow crab, which I think is more an Atlantic Canadian way—and through the development of the Atlantic Canadian crab council, probably, work together in each province, competing with one another, with respect to the markets that we have available to us.

What had transpired through that area 19 model that we were involved in with the marketing program there last year was that we started out with a price offer a few days before the fishery started. The price would be dropping as the season continued over the next few weeks. But through our efforts, we managed to find a buyer that was willing to pay the price—a suitable buyer, mind you, basically somebody who qualified—and we managed to get the price up 20¢ more than what was offered at the wharf. So the fishery went ahead, the price never dropped, and the fishermen got to sell their crab in the water.

Through the marketing efforts, we went around through Atlantic Canada and this was the product that was being sold. Area 19 crab is a large crab. It is of a colour...basically you don't have any pencil lines underneath. It's a very high-quality crab. We managed to get the best price available through the marketing efforts that were done by us, with the association. Again this year, the area 19 crab fishery is only a short distance away and we'll be doing the same thing.

As another example, it's no different from what we do on a daily basis with fishing vessels. We've been marketing fishing vessels throughout the world, but by the same token, it doesn't necessarily mean that we're selling to the same people all the time. We're continuously looking for new markets, and I think it's where we need to go with respect to the crab fishery. We need to work together.

If there's anything that this standing committee can do here, it's to basically bring together everybody within Atlantic Canada, all the crab fishermen in Atlantic Canada. Be it in Quebec or in the Maritimes, we have snow crab. Yes, there are some crab that are a smaller size than others. Yes, there are some crab that probably have a different appearance than others, but let's try to get the best we can in the marketplace we're trying to sell into. Let's stop undercutting each other, to the point where the government involvement here could be something that we could work towards, helping these companies obtain the best price for it. Why shouldn't we be selling the pristine crab that we have that comes out of the water through Atlantic Canada? Why do we have to undercut ourselves with the product that we have? It's quality product.

I'm very doubtful, Phil, that you're dumping much of the product that's coming to your wharf. I'm assuming that you're selling everything you receive, and I'm assuming that you're receiving quality product.

So what we need to do in a marketing strategy is to get out there, and through this process, everybody work together to get the best we possibly can, rather than one undercutting the other and then people like Lyndon Small and the other fishermen around the table being the ones who are getting less from the industry.

These are the primary people. Without the harvesters, we have nothing. The harvesters are getting less, from what I can see, as people who are presenting quality product to the marketplace. Yet all we're doing is selling; we're not marketing. We're just going in and dumping our crab on the market, and somebody else is holding it and receiving the best price, when the market can pay the best price, which we're not doing.

I'll just end there.

•(1050)

**The Chair:** Thank you very much, Mr. Decker.

Mr. Kamp.

**Mr. Randy Kamp (Pitt Meadows—Maple Ridge—Mission, CPC):** Thank you, Chair.

Thank you, gentlemen, for appearing. It's always good to be in Newfoundland. I'm also from British Columbia and have spent some time here working with this minister and the previous one as well.

You've raised some fascinating issues around pricing and marketing, and so on. Some of those are largely provincial issues, so I'm going to try to stay away from them as much as possible. I think in the next panel we might be able to raise some specific questions with them. So let me start on some other issues.

First of all, I'd like some clarification from Mr. Andrews.

You referred to the 12-month rule. Largely what we're trying to do here is come up with some recommendations of things that we can actually fix at the federal level that will make the industry more sustainable, and so on. So could you just tell me more about what that 12-month rule is, and specifically how you think that should be changed?

Let's just begin there.

•(1055)

**Mr. Clarence Andrews:** Well, I'll give you a good example.

I buddied up with my son-in-law, so that's classed as one licence. My second son-in-law has another crab licence. To fish the two licences that are buddied up, I need about 10 to 11 weeks, maybe 12 weeks. My other son-in-law needs about three weeks—he's got a lesser individual quote, or IQ—so right now I'm fishing the two licences that are buddied up. We're going to finish around July 1.

If I go into DFO, within that day, or two days, the boat goes over into my other son-in-law's name. He is going to fish for three weeks, so he owns the boat at DFO.

The next April, he owns the boat, so he goes fishing first. He'd fish for three weeks in April, catch his IQ, then we go to DFO to switch the boat back to me under the 12-month rule.

Because we made the switch last year on July 1, I cannot get the boat back until July 1. So my 65-foot boat—I paid \$1.5 million for this boat—is sitting at the wharf from the end of April until July 1.

Now, DFO will give you a 30-day grace, so going by the guidelines, my boat is going to sit at the wharf until June 1. So for four weeks the boat is tied up to the wharf and cannot fish, because it's in my son-in-law's name waiting for the 12 months to run out.

**Mr. Randy Kamp:** So how do you think the policy should be changed?

**Mr. Clarence Andrews:** I've been at DFO for a couple of years. The policy, as far as I'm concerned...crab in Newfoundland is a four-month fishery. My season is four months. A 12-month regulation cannot apply to something that only has a four-month duration.

My view is that we change the wording. Keep the transfer system in place, but with maybe one change per season, one change per 12 months, and then I can change my boat back in 6 months or 8 months. But this 12-month rule and sticking to the 12 months simply doesn't work in a Newfoundland fishery.

They've talked about combining licences and rationalization. If fishermen like me want to buy up IQs, we must have the flexibility to pick out the best vessel and fish that vessel to harvest the best crab we can, and my RSW boat fits that perfectly.

**Mr. Randy Kamp:** How long have you been involved in the buddy-up with your son-in-law?

**Mr. Clarence Andrews:** I would say about four years, ever since the buddy-up system came into place.

**Mr. Randy Kamp:** And do you think that system should be expanded to allow three fishers on one vessel?

**Mr. Clarence Andrews:** Well, with the buddy-up, we're doing three on one vessel now. But DFO said last year in 2009, there would be no more buddy-up after 2009, but 2010 is here and we still have buddy-up.

I could go into DFO tomorrow, if there was no buddy-up, and combine with my son-in-law and put it all over in my name. Then we'd still have two licences. But the 12-month rule is still in place and to flip the boat back and forth.... Now, of course, if I had a fall crab season and I could go fishing in October, November, December, if I was fishing 12 months of the year, the 12-month rule would be okay. But my season ends July 30. If I have 100,000 pounds of IQ left in the water, I cannot go out and get it. So that 12-month rule has to be flexible.

**Mr. Randy Kamp:** I think Mr. Wimbleton also talked about buddy-up, and maybe Mr. Small has some comments to make about that.

I know it was supposed to be a temporary program but there is some thought that if you make it permanent or expand it in some way, that will act as a disincentive to doing the permanent combining or rationalization that I think everyone here suggests needs to be done. Are there any suggestions about buddy-up, particularly about whether that should come to an end or be expanded and maintained?

Mr. Wimbleton, first of all.

•(1100)

**Mr. Ray Wimbleton:** Without the buddy-up, Mr. Kamp, I wouldn't be here today as a fisherman. When I started fishing with my father, he could share the catch with me because two of us could catch more than one. But with an IQ on crab, a crew member was an unknown species...in my fleet of less than 40 feet.

Everyone I know—I think Earle can vouch for this—in order to land at least in 3K, are buddied-up two, sometimes three. We simply would not be here today; the 15 years of the crab we had would be no good to us if we didn't have that.

I fished with my friend who is 64 years old, and he fished with his friend who is 62. That's the only way we can squeeze enough dollars out of that bit of crab to barely survive. So we've got to keep the buddy-up. I don't think it's really an issue in our fleet. We should probably look at applying it to other species, more than we are today.

**Mr. Lyndon Small:** Mr. Kamp, as a representative for the over-40-foot fleet, I'll say the buddy-up policy is a very important policy. It has to stay in place for the long-term future success of enterprises in the over-40-foot fleet. The buddy-up policy is a form of consolidation and a form of rationalization. It is a form of efficiency and good business sense. We'd like to see the two policies—buddy-up and combining—run parallel and in conjunction with each other with as much flexibility as possible for the licence-holders in this industry to make their operations the most efficient and viable.

I'd also like to mention for the over-40-foot fleet that a lot of those enterprises are family-run businesses, and if two members of the family combine, one of the licence-holders has to lose his or her identity. They've probably gone out and purchased an enterprise for \$1 million. Then they lose their vessel registration, their groundfish licence, and their pelagics, the capelin and mackerel. A significant amount of value is lost in that acquired enterprise, so our association is in the process of putting a proposal forward this fall, in the off-season, whereby the buddy-up policy will stay in place. We may have to give it a different title, because it's a form of partnership. Whether it's a family partnership or a non-family partnership, it's a partnership that is beneficial to both parties involved.

In terms of combining, another issue that a lot of our members have brought forward to our executive is the amount of quota you can combine. Presently, restrictions in the criteria for combining mean you can only combine two quotas. That is crab, shrimp, or cod. However, our members feel that the second quota of crab or shrimp should be increased to three or four quotas to make that enterprise even more efficient and successful and to provide good incomes for everybody from crew members right up to vessel owners. That is a major concern we have.

In our division 3K, there are different fleet sectors. There's a full-time fleet sector and there's a supplementary fleet sector. In the supplementary, you can only combine double what your quota is. For example, if 100,000 pounds is the maximum individual quota in the 3K supplementary fleet—it's twice whatever the quota level is in your fleet, so you are capped at 100,000 plus 100,000—your quota is 200,000 pounds. But if you are a full-time licence-holder and you have 220,000 pounds, you can increase your combined quota to 440,000 pounds.

We'd just like to see the ability to increase your quota level straight across the board.

•(1105)

**The Chair:** Thank you.

Go ahead, Mr. Andrews.

**Mr. Scott Andrews:** Thank you, Mr. Chair.

We're going to be sharing our time. I'll try to keep my questions short, and if we can keep our answers short, we'll get a few more in.

Clarence, I have two questions. Could you clarify for committee members the difference between RSW and regular-icing crab? I don't think all members of the committee would understand the difference, but it leads into quality, and the most important part of what we're hearing today has to do with the quality of the product that we land and the quality of the product that goes out the door of the plant.

The second thing is on DFO regulations. Do you believe this industry is over-regulated, and should we review all DFO regulations at the same time?

If anyone else wants to comment on that, please do.

**Mr. Clarence Andrews:** The RSW vessel, refrigerated sea water, it's 10 years ago I built this one. Probably in fairness I was the second one to build a RSW boat in Newfoundland. In relation to the crab fishery, personally it's the only way to fish crab. It's a live product. They go down in two- to three-degree water, the same as the water they came out of. The advantage with a RSW vessel, besides the good quality, is the duration you can stay at sea. A regular boat may be three days fishing, using ice; you get back to the plant and get your stock processed. An RSW boat gives you the advantage of going out fishing four, five, or six days until your tanks are filled. That's why I built the RSW. Instead of making 20 trips per season to bring my IQs in, I can make 10 trips, cutting economics, cutting fuel, saving on time. So it's a big advantage.

DFO regulations, in my view.... I've been at this now almost 40 years. They tell you when to go fishing and how much to bring in. April you've got a trip limit, May you've got a different trip limit, and from the first of June and onwards you've got another different trip limit. One of our IQs is 25,000 per trip to 50,000 per week. Why not go out and bring in 50,000 in an RSW boat? Instead of making two trips, you'll make one trip. It's this kind of stuff.

DFO charges IQ fees. A few years ago we got \$2.50 a pound for crab, and DFO charged  $x$  number of dollars. This year we're getting \$1.35 per crab, but we're paying the same IQ fee that we paid when we got \$2.50 for our crab. IQ fees should be based on the value of the product. Tomorrow we might be getting 50¢ for crab, but you're still paying the same IQ fee that you paid when you got \$2.50 for your crab. With observers' fees it's the same thing; they don't fluctuate up and down with the value of your product.

All of these regulations are crippling us.

**Mr. Scott Andrews:** Thanks, Clarence.

I'm going to pass it to Gerry now.

**Hon. Gerry Byrne:** We've had a lot of interesting discussion about the price differential, the market differential between the Newfoundland region and the gulf. It was noted that there are morphological and quality differences between certain regions of Newfoundland and the gulf, in particular 3L with size.

I just want to target something. I understood that 3K actually had produced some of the highest-quality, highest-yield crab product in eastern Canada. We've heard testimony that says you can negotiate higher prices for Newfoundland crab in the Maritimes.

Lyndon, can you verify for the committee your understanding of the quality of 3K crab compared with the Maritimes?

To Mr. Sackton, what is the price driver in the Maritimes? What's happening there versus what's happening in Newfoundland?

**Mr. Lyndon Small:** Mr. Byrne, in terms of the quality of 3K crab, it's been known for a long period of time now. The Newfoundland and Labrador provincial government and a delegation went to Japan back in 1993, and it's been documented that there's a lot higher yield for the 3K crab product. The size is quite comparable to other areas of the southern gulf. We've had discussions with deputy minister Alastair O'Reilly who worked in a processing plant way back in the nineties, and he said the yield was significantly higher, in the range of anywhere from 5% to 7% higher.

I'll just sum it up there. Our association lobbied ASP this past winter, off season, and we said, look, we see a direct gain, a direct higher return for higher-sized crab. The way the price structure is here in Newfoundland, it's basically a "TAL qual" average price for all crab in all areas, and not all crab are equal. Not to take away from any other areas, but let's put an incentive program in place whereby another size, say a 4½- or a 4½-sized carapace, which will yield probably an eight to ten or 12 ounce-plus section, will give a higher return to the producer and to the harvester.

In terms of the product out of 3K, it's well documented that it's of much higher value.

• (1110)

**The Chair:** Mr. Sackton, can you comment briefly on the prices?

**Mr. John Sackton:** Yes. The gulf crab and the Newfoundland crab actually go to different markets. In the gulf region, they're still producing gas-frozen crab. That goes to very high-end Japanese companies. They're producing an in-shell product that goes to Japan in the shell. If you look at the export figures from New Brunswick and Newfoundland, for example, almost 100% of the Newfoundland crab that's bought by the Japanese goes to China for reprocessing. Almost 100% of New Brunswick or gulf crab that's bought by the Japanese goes directly to Japan for a shell-on fancy crab pack. There are very different prices for those two products.

**Hon. Gerry Byrne:** Are those Japanese buyers driving the market a little bit?

**Mr. John Sackton:** Well, yes, because the highest-value product is the gas-frozen fancy-pack crab. When you hear of \$100 or 100,000 yen or whatever snow crab in Japan, that is a gas-frozen whole crab. It's a gas-frozen section that's packed in a very fancy pack. That's the highest value. There are some Japanese-owned companies that are vertically integrated in the gulf that bid up and set the price. Then the other people have to compete with them. There are two markets.

**The Chair:** Yesterday we saw a plant in the Gaspé region, and they defined the difference between the two products and the two processes that are demanded by the market.

Sorry, we have to move on to Mr. Blais at this point in time.

[Translation]

**Mr. Raynald Blais:** Thank you, Mr. Chair.

I would like to make a comment about what Mr. Seymour said earlier, and others, I think.

I completely understand the pleas you are making, or the alarm bells you are sounding, and I feel that we share them. With regard to seals, the *loups-marin*s, as we call them in the Magdalen Islands, the way things are going, we are wondering whether we care more about the seals than we do about the fishermen. That is exactly what it looks like at the moment. With every passing day, seals of all kinds, but especially the grey seal, which is a voracious eater, keep eating any cod that are left as well as other species, such as lobster. I am not sure what happens with crab.

I would like us to talk about labour now. I think you brought it up earlier, Mr. McCurdy. I think the fisherman mentioned it. Age is creeping up on us and we are wondering where the next generation of workers in the plants and the fishing communities is. Some are interested in continuing, but others are pretty discouraged by the situation. Nothing suggests a bright future, which normally would get everyone into their boats. At the moment, you might say the opposite is happening.

I would like to hear your opinion about what the Department of Fisheries and Oceans, and possibly other federal departments, should do to get things back on an even keel, to make the future brighter, to have people ready to carry the torch and to breathe new life into the labour situation. At the moment, all we hear is that, in 10 or 15 years, even more people will be leaving the villages in Quebec and elsewhere, and so on.

•(1115)

[English]

**Mr. Earle McCurdy:** Thanks, because I think that cuts to really the heart of the issue confronting coastal communities throughout Canada. I've had the opportunity to meet people from all provinces and I think with different details on the problems.

The basic issue, core issue, is much the same all over the country in coastal communities: you've got an excessive amount of debt, a high cost of acquiring licences, no proper financing mechanism to enable that to take place, the baby boom generation moving through the workplace. While, yes, there are some younger people interested in becoming involved, it's not nearly in the same numbers as the older people who are moving through.

The combination of those factors is really an opportunity there. We shouldn't inflict the next generation of licence holders with the same problems as the current ones, which are not enough resource to go around and excessive debt load, but that will only happen with a real commitment by the two levels of government. I think there's a shared responsibility.

A good place to start would be some of the fees, to say that we'll take on some of the fees. The Government of Newfoundland recently reduced the processing licensing fees that they administer quite dramatically. They had jacked them up a few years ago, and in light of the circumstances rolled them back to basically nominal fees. I would certainly challenge the federal government to do likewise.

The fees are a big part of the cost of running these operations. It's one thing, as Clarence indicated earlier, in good times when you live with that and I suppose you choke it down, but when you're really squeezing every last penny to survive, then they take on a bigger importance.

So there really is a need for a strategic plan for the intergenerational transfer. If not, what Ray described will be the case over and over again with these communities just shrivelling up and dying, and there's no need for it. They can be vibrant places, there can be a future, but it takes a coordinated federal and provincial response with both parties coming to the table not only with policy but with dollars, because tinkering with policy won't fix it. It will need a commitment of dollars. Industry will have to play their share in that as well, but there has to be a shared effort in that regard if we're going to have any kind of meaningful and vibrant future in those communities.

**The Chair:** Mr. Wimbleton, do you want to make a comment?

**Mr. Ray Wimbleton:** Thank you. I'm glad to have this opportunity.

In regard to what Earle's talking about, in our small communities when we started fishing at our age, it didn't cost anything, any more than to gear up, you know what I'm saying, the boat and a bit of gear. But then, during the moratorium years, we created this thing called core. We made this listing of core fishermen, and with that came IQs.

I got in the fishery for an investment of labour and a bit of gear, but the one coming in behind me now has to go to me or some other licence-holder and say, I want to get in the fishery; you've got 11,000 pounds of crab, it's worth \$80,000, and how can I pay for that and make a living off that at the same time?

We've robbed the next generation of a traditional, historic fishery, and I feel that when the government shut down the cod fishery because of mismanagement on the federal government's part in 1992, they didn't do their work. They did a little bit of buyout. They passed out of the TAGS program and the NCARP program. The buyout they did was absolutely wrong. They were just trying to get paper out of the system. They weren't trying to get a system created where it was more evened out. They just took your piece of paper, and your piece of paper; it all came from this one bag here, none out of that bag. So we're left in the same state we were before that.

If we're going to leave something for the next generation to take what we got and carry on at least to some degree a little bit of outport in Newfoundland, then, as Earle said, there's got to be a commitment on all sides of the table, because today around this table I hear a lot of discussion about our problems in the fishery, but the question I have asked from the beginning, and I still ask today, is who's going to fill our shoes? If we fix it for us and we don't fix it for the next generation, we're sort of wasting our time here, aren't we? For 10 or 12 years, it's not worth the headaches. We've got to look further ahead than me.

Thank you.

•(1120)

**The Chair:** Thank you very much, Mr. Wimbleton.

Mr. Donnelly.

**Mr. Fin Donnelly:** Thank you, Mr. Chair.

We were talking earlier about pricing, and you wanted to make a comment, Mr. Small. Maybe I'll open the floor to you.

**Mr. Lyndon Small:** Mr. Donnelly, I'll go back to your comments and Mr. Blais' comments.

If we want to have a future industry, a very successful industry, it all comes back to what we're talking about here today: the return for the product. We have the richest fishing grounds in the world right off our shores, all encompassing Atlantic Canada, southern gulf, all the Labrador coast. We have a resource with unlimited potential. With any occupation, you have to get paid a good salary, a good return for the fruits of your labour. This is what this symposium here today is all about: receiving a higher return for your product.

We have a huge resource out there. If we can market and channel those returns back to the stakeholders in the industry, then my two boys, nine years old and five years old, can have a future in this industry. But if we continue to go down the path of the mentality we've always done, from say the 1960s until now in the new millennium, where it's all based on volume, it's all based on a load-and-go mentality instead of maximizing the benefit there.... We just look at the northern shrimp resource. Right now we've experienced a cut of approximately 28%. We fished that resource the same as we fished the groundfish—the cod and the turbot and the flounder and the halibut—in the same manner, a load-and-go mentality, low volume.

If Minister Jackman were here this morning, he would be talking about combining quotas. Yes, combining quotas is great, but if you're not receiving the maximum return for that product, then that amount of quota is useless. In the last seven to eight years, we've landed annually in excess of a million pounds of shrimp. We've kept six to eight men employed for six to seven months of the year, our fishing season. What do we have to show for it? You're making a meagre wage, taking part in the most dangerous occupation in Canada. When crew members, enterprise owners, skippers untie that vessel, you're putting your life on the line. Why would a young person want to engage in an industry where you're taking such risk, such uncertainty, without getting a return? It all comes back to getting the maximized value for that high-end food product we are distributing throughout this world.

**Mr. Fin Donnelly:** Thank you.

Maybe, Mr. Barnes, you could talk a bit more about your cooperative model and whether this is something that could be looked at as something we can expand upon, build on, support, and how that might work.

**Mr. Phil Barnes:** I'd say about a month ago I spoke with the Minister of Fisheries in St. John's, and I did raise that exact same question with him. Maybe the right model is a cooperative model, where you have an investment by fishermen, by plant workers, into your community, into your business.

I've worked with this industry for a long time. I've worked with FPI, I've worked with the Lake Group, I've worked with Bill Barry. I've been around this industry a long time. I left it for 10 years, moved to Ontario and then to B.C., and then moved back three years ago. I came back to the same turmoil that was there 10 years ago when I left. All these fishermen, every one of them, are right in what they're saying. We have to invest in our people, and I can honestly say that in all the businesses I have worked for in the fishing industry, the cooperative seems to be the right approach.

Now, we have our issues, there's no doubt about that, but I just think that if fishermen want to be involved more in the day-to-day runnings of their operations and what's going on in the plant, maybe the cooperative is the business model to look at.

I'd like, if I could, to touch on quality, because I worked a long time ago, when I started out, on the quality side of the business. That's what the Japanese buy; 65% to 70% of our product crab go into the Japanese market. They eat with their eyes; I've been to Japan a number of times, and colour is it. When they sit down to the table, it's colour, red, red, red, and the gulf crab is far superior in colour to our crab here in Newfoundland. You put them side by side and you'll see the difference.

Dockside landings are very important. Trucking fish across this island just doesn't work, so if you land it at the dock, that's one thing that we can preach to our markets in Japan and in the U.S. We have it landed daily at our docks. It's dockside. We don't take it, put it in a truck, and ship it 200 miles or 300 miles down the road for hours on end, and end up with dead crab at the end. So it's all issues in this industry. We have to stop the amount of trucking that's going on, and maybe that's what will bring back the vibrant communities. Process it where it is landed.

•(1125)

**The Chair:** Thank you.

Mr. Allen.

**Mr. Mike Allen (Tobique—Mactaquac, CPC):** Thank you, Chair.

Thank you to our witnesses for being here.

I have three questions I'd like to ask, to Mr. Barnes, Mr. Decker, and then Mr. McCurdy.

Mr. Barnes, you talked about access to skilled labour and we've talked about the transition in the fleet, but there's the other side of this, which is the skilled labour working in our processing plants—as you commented, the electrician. Immigration is not going to solve all this problem. I think we know that. There was a survey done recently in New Brunswick where 85% of the seniors would like to continue working as long as there wasn't a disincentive to do that, and some of our seniors are people who stay in our small rural communities.

The question for you is what thoughts do you have on incentives that may be in place that would allow some of our seniors to continue working, to keep that labour pool? That's the first question.

For the second question, as an accountant I'm interested in all things financial, so Mr. Decker, you talked a little bit about the individual tax implications. I wonder if you might take a few minutes to expand on that.

And Mr. McCurdy, you started bringing up in one of the questions the traps and the pot survey in post-season in conjunction with DFO. The question I want to ask, associated with this, is since that is done at the close of the season, is there potential for us to start having a discussion about earlier signals to the fishing community about what the tax should be for a coming year, as opposed to the week before?

Those are my three questions.

**Mr. Phil Barnes:** I guess I can start off. When you make reference to the incentives, are you talking government incentives or are you talking about industry incentives?

**Mr. Mike Allen:** Well, right now, government has disincentives. Some of them have been taken away. Of course, seniors can make a little bit more money without clawbacks in their GIS, but also, potentially, we could make it more lucrative for them to stay in the labour market. There could be government or there could be other incentives.

**Mr. Phil Barnes:** The biggest problem in the plants with the seniors right now is are they capable of doing the work, the output that's necessary to make your plant productive? We see a big drop in our direct labour costs. On a yearly basis, you can see the toll on the people. I don't know what kind of incentives you could bring in that would change the way they think or the output they could produce on a daily basis. I think our real issue is these people want to retire anyway. They've had enough, they want to get out. How do you replace them?

The question in my mind can be answered by saying it's technology. We know we have issues with bringing in outside workers, but I think we have to develop new ways of being more cost-efficient in our plants so we can pass that buck back to the fishers.

**Mr. Mike Allen:** Incentives for technology investment.

•(1130)

**Mr. Phil Barnes:** I think so.

**Mr. Mike Allen:** Okay.

**The Chair:** Mr. Decker.

**Mr. Trevor Decker:** Thank you.

Many fishermen throughout Atlantic Canada are incorporated, and many fishermen operate their business under their incorporation. People have purchased these fishing licences through their incorporation. After being audited by Revenue Canada, it's been deemed a personal investment, not a corporate investment. This policy has been under review. Many fishermen, as winter audits, have not yet had this finalized.

How could the fishermen purchase these fishing licences by using their corporations? There's been a recommendation to the minister to allow 100% wholly owned corporations to purchase the fishing licence using company money rather than after-tax dollars. Right now, the only person who can hold that fishing licence is the individual. The individual would be buying that licence with what I understand to be after-tax dollars, so therefore there's an extra cost. The fisherman has to take the money out of his company, pay himself, then pay for the fishing licence through a mortgage he may have at the bank.

So allowing fishermen to invest in their business with their business money is what a lot of people are waiting for. Adequate financing for individuals and/or their businesses would allow the growth that many fishermen are looking for within the industry. This needs to be resolved now.

Also, I'd like to make a point on the financing. I liked the new entrant program when you were talking about it. The Nova Scotia fisheries loan board has developed a new entrant program, a lending program for new fishermen. So I would suggest the panel contact the director of the loan board, Bruce Cox, to see what they have done for their new entrants, their younger fishermen.

Thank you.

**The Chair:** Mr. McCurdy.

**Mr. Earle McCurdy:** The final work on evaluating fish stocks always takes up most of the off-season to get it all done. It's hard to get final numbers, exact quota numbers, but I think there could be a higher level of openness in terms of communicating trends or directions ahead of time and some indication of what might be coming, even if the exact numbers aren't known. You might not know exactly what kind of quota is coming at you, but at least directionally are you going to be up or down? If it's going to be up, is it going to be significant? If it's going to be down, is it going to be significant?

I think there's room for at least getting that notice out early. It's pretty tough if a week or two before you're supposed to start fishing you find out all of sudden whether it's 13.5% or thereabouts that our 3K fleet got or 63% that the gulf fleet got. To get that virtually on the eve of the season is.... There's no good time to get it, but at least you can do the best you can to prepare for it with a bit more notice.

**The Chair:** Thank you very much.

Gentlemen, on behalf of the Standing Committee on Fisheries and Oceans, I'd like to say thank you very much for coming this morning and bearing with us, taking the time to answer our many questions and to make your presentations. We really do appreciate your input. I want to thank you once again for taking time out of your busy schedules.

We'll take a short break.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
- 
- (1145)

**The Chair:** I call the meeting back to order.

We will take this opportunity to welcome Minister Jackman and Mr. Lewis here to meet with the Standing Committee on Fisheries and Oceans.

I know you are well prepared in what the committee's role is here today with respect to the snow crab industry in Atlantic Canada and Quebec.

Minister, I believe you have some opening comments.

Members, if we are all ready to begin, I'll ask the minister to proceed with his opening comments.

**Hon. Clyde Jackman (Minister of Fisheries and Aquaculture, Government of Newfoundland and Labrador):** Thank you very much.

We're a little bit late getting here; we didn't think we'd ever have to use the GPS in Deer Lake to find the spot to get to, but we managed to get here.

Thank you for this opportunity to meet with your committee to discuss issues related to the snow crab sector. I have a presentation that will probably take about 12 minutes .

Last year in this province approximately 2,200 individuals were employed in our fishery, and close to two-thirds of those participated in processing and harvesting of snow crab. These individuals come from some 450 communities throughout our province, primarily from rural areas where few employment alternatives exist. Snow crab has become the most important species in the Newfoundland and Labrador fishery, so there is a keen interest in ensuring that this resource is well managed for the benefit of our rural communities.

During the next few minutes I'll be providing a brief overview of the importance of this resource to the province, outlining our views on resource management issues, providing an overview of the growth and status of the crab harvesting and crab processing sectors, and outlining the importance of the fishing industry renewal strategy and the memorandum of understanding on fisheries, fishing industry restructuring to improve the viability of these sectors. Following these statements, I certainly would be open for questions for more detail.

During the 1970s a directed snow crab fishery started to develop along the northeast and south coast of this province, in NAFO divisions 3L, 3K, and 3Ps. During the mid-1980s to late-1980s, the crab fishery expanded to the west coast and to Labrador. During this developmental stage, total landings were modest and only a very small proportion of the harvesters and plant workers were involved. At that time groundfish were still the mainstay of our fishery, and following the groundfish moratorium in the early 1990s, a more lucrative shellfish industry replaced the tradition of the groundfish industry.

Due in large measure to the tremendous growth of the snow crab and shrimp resources, total production value for the province's

seafood industry peaked at \$1.2 billion in 2004, the highest level ever achieved, even beyond the best years of the groundfish fishery. Since then production value was relatively stable at approximately \$1 billion annually until 2009, when the value fell to \$827 million due to weaknesses in the market and the strong Canadian dollar.

In 2009 the combined landings for all species in our province totalled just over 300,000 tonnes with a landed value of \$420 million. Our crab landings totalled over 53,000 tonnes, which was more than half of the total crab landings in all of Atlantic Canada, and had a landed value of \$165 million, almost 40% of the overall landed value for all species.

For most of the 1970s, snow crab landings in all areas combined for less than 5,000 tonnes but increased to over 10,000 tonnes by the end of the decade. Crab landing were more or less stable at these levels during much of the 1980s. However, with the decline in the groundfish stocks in the late 1980s and early 1990s, quotas in landings for snow crab grew rapidly and peaked in 1999 at more than 69,000 tonnes. Since then, landings have never been less than 44,000 tonnes and over the last two seasons have averaged 53,000 tonnes, and for this year, the quota is a little higher at approximately 55,000 tonnes.

Even though the biomass appears to be relatively stable over the past several years and overall landings have been relatively consistent over the past decade, there has been great variability in certain zones. For example, in Labrador 2J, troubling resource indicators required that quotas be reduced in the order of 50% a few years ago. Fortunately, this strong action has had a positive impact and quotas have subsequently increased in this area. More recently, scientific advice in 3K and 3L, the areas with the highest crab quotas, has been inconsistent from year to year. It's clear that considerable uncertainty exists about the overall status of the crab resource, with survey results varying from area to area in recent time periods.

Given the dependence that now exists on the snow crab resource, any significant downturn similar to what has occurred in the southern gulf would be devastating for our fishing industry. Therefore, it is essential that crab receive a high priority for science expenditures, and an abundance of caution must be employed in managing this resource.

- (1150)

To that end, we strongly endorse means such as quota reductions where necessary and soft-shell closures. We also encourage DFO and industry to seriously consider establishing the use of cod pot escapement mechanisms and biodegradable materials as mandatory requirements.

Driven by the growth of the crab resources, but more particularly by the collapse of the groundfish stocks and the lack of fishing opportunities for fishing enterprises, participation in the crab harvesting sector has expanded far beyond any sustainable level. Prior to the mid-1980s, there were 71 snow crab harvesters in Newfoundland and Labrador. They were designated as full-time licence-holders. Virtually all of these licence-holders currently operate vessels that are in the 50-foot to 64-foot-11-inch range.

Initially these harvesters operated in areas fairly close to shore, but as access to the crab resource was expanded to include the small boat sector, these larger vessels have since been moved further offshore. They now harvest their crab between 50 miles to 200 miles from shore. In the mid- to late eighties, as the incomes for the groundfish harvesters suffered from declining groundfish resources and the value of the crab fishery became more evident, access to the crab resource was expanded beyond the initial full-time licence-holders to supplement declining groundfish revenues.

During the 1985 to 1987 period, approximately 650 supplementary licences were issued in 2J, 3K, 3L, and 3PS. Some supplementary licence-holders, in all areas, utilize vessels ranging from 34 feet, 11 inches, to 64 feet, 11 inches. In 1994 the supplementary fleet in 3L was subdivided into small and large supplementary fleets. The large supplementary fleet fishers fished farther from land in the same areas as the full-time fleet, and the small supplementary fleets fished inside the 50 miles. In divisions 3J, 2J, and 3K, the supplementary and full-time fleets fished in the same areas.

I know this is lengthy, but it provides the detail and background to point out some of the things we can't let happen again.

With the continued growth of the snow crab resource during the mid-nineties, and in recognition that the groundfish stocks were going to be more protracted than originally anticipated, in 1995 DFO issued 400 temporary seasonal snow crab permits to operators of vessels less than 35 feet to help offset the impacts of the loss of the groundfish. From 1996 to 1998, access to temporary seasonal permits was further expanded to include all heads of core enterprises with vessels less than 35 feet. The number of participating enterprises increased annually as overall snow crab quotas increased and groundfish declined, and the moratoria continued.

In 2003, the federal minister announced the conversion of these temporary seasonal permits to ensure snow crab licences. Any fisher who held a temporary snow crab permit in either 2000, 2001, or 2002 was eligible to receive an inshore snow crab licence. As a result of these various categories of licence over the past two decades, there are currently some 3,200 enterprises licensed to fish crab in Newfoundland and Labrador, of which nearly 2,500 are the inshore crab fleet of vessels that are less than 35 feet. These are traditionally fishing within 50 miles of land.

The crab harvesting sector is seriously oversubscribed. To a large extent harvesters are trying to make a livelihood on the strength of a crab resource that is spread too thin, particularly when market and exchange rates result in reduced raw material prices.

• (1155)

The high level of overcapacity also makes it more difficult to implement tough resource management measures when stock assessments suggest that quota reductions are required. Indeed, the FRCC report on snow crab in 2005 identified this concern and recommended that steps be taken to address the excessive fishing capacity.

Spurred by the tremendous increase in the crab harvesting capacity, which served to exacerbate the seasonality of crab landings, as well as the lack of recovery of groundfish, additional snow crab processing licences were issued in Newfoundland and Labrador. During the mid- to late 1990s, the number of snow crab processing licences more than doubled, ultimately peaking at 41 active plants. During the period from 1998 to 2003, it became increasingly clear to the provincial government that overcapacity in the crab sector could erode the industry's viability in the future even though good contribution margins in both the harvesting and processing sectors were still possible, largely as a result of the relatively weak Canadian dollar.

In 2003 there was a two-month delay in the start of the crab fishery because harvesters and processors were unable to reach an agreement on raw material price that would provide substantial returns for the large number of participants on both sides. The fishery finally got under way in June after the provincial government assured the processing sector that it would commission a review of the fish processing policy aimed at identifying measures to foster long-term viability.

In 2004 the Government of Newfoundland and Labrador implemented the recommendations of the Dunne report on fish processing licensing policy. As a result, this province now has the most rigorous processing licensing policies in Canada. New applications must go through a transparent approval process in which the proponent must advertise the intent to apply for a licence, and the application is reviewed by an independent licensing board, which makes a public recommendation to the minister. After receiving the board's recommendation, the minister retains the authority to approve or reject the application.

Under this new policy regime, the licence of a fish processing facility that has been inactive for two consecutive years is permanently cancelled. In addition, any inactive species authorizations associated with a facility licence will be removed after two years. The effect of this rigorous "use it or lose it" licensing policy has been to reduce the total number of species authorizations in the province's processing sector from 2,400 to less than 400. Latent capacity has been substantially eliminated.

In the case of snow crab, no new processing licences will be considered until a resource threshold, an average amount of snow crab available for plant, is achieved. The resource threshold for snow crab is currently 2,200 tonnes, whereas the average amount currently available per active plant is only about 1,500 tonnes. At today's quota levels, 10 crab processing licences would have to be eliminated before consideration will be given to issuing any new licences. Based on this more rigorous processing policy framework, there has been a reduction in the number of snow crab processing licences. In 2009 there were 33 active snow crab plants, a significant decline from the 41 active licences in 2002.

Nevertheless, despite the relative success to date of this passive policy approach to snow crab processing capacity rationalization, market weakness and a much stronger Canadian dollar over the past two years in particular have made it clear that a more aggressive approach is required. Building on the fisheries summit initiated by Premier Williams in cooperation with the Minister of Fisheries and Oceans, our perspective governments jointly developed the Canada, Newfoundland and Labrador fishing industry renewal strategy, which was announced in 2007.

•(1200)

During this process, both our governments committed to creating a sustainable, economically viable, internationally competitive, and reasonably balanced industry that is able to adapt to changing resource and market conditions, extract optimal value from world markets, provide an economic driver for communities in vibrant rural regions, provide attractive incomes to industry participants, and finally, to attract and retain skilled workers.

Some key elements of that strategy included federal fleet rationalization measures, including new combining rules, revisions to vessel length restrictions to allow a move to vessels up to 89-foot-11, and facilitating the use of fishing licences as collateral; changes to capital gains rules applicable to the sales of the fishing enterprises; improvement to the provincial vessel loan guarantee program; further strengthening of the provincial process licensing policy; a provincial R and D program for the industry; provincial funding for market promotion; provincial funding to improve fishing industry occupational health and safety; and provincial funding for a workforce adjustment program for workers affected by permanent fish plant closures.

While progress has been made on the implementation of some key elements of the strategy, in the case of the harvesting sector rationalization—this is a really important point—DFO has not yet adequately addressed the issue of facilitating the use of the fishing licences as collateral. This has impacted on the province's ability to effectively modify its vessel loan guarantee program. While some permanent enterprise combining has occurred over the past two years even in the absence of these elements, harvesting sector rationalization efforts will not accelerate until they have been addressed.

The renewal strategy approach consists primarily of regulatory reforms that provide for a passive approach to the industry renewal. However, the global economic crisis, the cost of fuel, the adverse exchange rates that have arisen since the strategy was announced, have had a profound negative impact on our fishing industry and require a more rapid and more aggressive level of intervention.

The recessionary pressures of 2009 were quite alarming to our fishing sector and underscored its precarious position. The continued ability to maintain viable operations and to make a reasonable livelihood from the fishery has been called into question. Although there had been recognition during the development of the FIR strategy that this was the case, the recession delivered this message loud and clear. At the behest of the Newfoundland and Labrador fishing industry in July of 2009 the provincial government signed a memorandum of understanding with the Association of Seafood Producers and the FFAW, aimed at addressing and finding satisfactory solutions to structural, resource, market, and policy issues that negatively impact on the economic viability of the industry.

The Department of Fisheries and Oceans has committed resources from the Newfoundland and Labrador region in an ex officio capacity to work with the parties on these issues. Specifically, work under this MOU is building on the momentum of the FIR initiatives by focusing on the identification of more aggressive capacity reduction options, whether you're in the harvesting and processing sectors, and on the development of new seafood marketing initiatives.

The Government of Newfoundland and Labrador committed \$800,000 to cover the operational and administrative costs to pursue the MOU objectives. Mr. Tom Clift, a professor of marketing with the school of business at Memorial, is overseeing the work being conducted under the MOU as the independent chair of the steering committee comprised of the FFAW and the ASP, as well as DFA and DFO officials from Newfoundland and Labrador region who participate in an ex officio capacity.

•(1205)

To date, financial assessments have been completed on the status of the fish harvesting and the fish processing sectors. The results indicate that a significant portion of our fleets and our processing sectors are not viable. Working groups are currently assimilating this information and developing and examining options to promote long-term viability—

**The Chair:** Monsieur Blais.

[Translation]

**Mr. Raynald Blais:** I do not know how much time Mr. Jackman still needs, but there is a problem.

•(1210)

[English]

**Hon. Clyde Jackman:** Just hang on a second. I have to get this translation device in gear.

**Mr. Raynald Blais:** There is a problem, Mr. Jackman: your comments are too long.

**Hon. Clyde Jackman:** Too long?

**Mr. Raynald Blais:** *Oui.* I would like to ask a lot of questions.

**Hon. Clyde Jackman:** All right. Just let me—

**The Chair:** Let him finish his comments, Monsieur Blais. We did talk about this at the first, that it would be beyond the time limit. Minister Jackman obviously is here representing the Province of Newfoundland, and I think we should give him the due courtesy.

Please finish, Minister Jackman.

**Hon. Clyde Jackman:** The other thing is that I'm hoping that each one of you will have a copy of this, because this speaks to the history of...I don't know if you could call them bad decisions that have been made, but certainly decisions that have gotten us to the point now where we have to do something to turn it around.

**The Chair:** Carry on, Minister.

**Hon. Clyde Jackman:** It's clear that the processing sector rationalization cannot be achieved without a concurrent reduction of harvesting sector capacity. Despite the high processing capacity levels that currently exist, gluts each spring are common, as a large percentage of the more than 3000 crab harvesting enterprises engage in the fishery at the same time, even though the extent of their fishing activity is usually only a few weeks.

A more orderly landing pattern brought about by major harvesting sector capacity reductions will facilitate associated reductions in processing capacity. The mechanisms to bring about this harvesting sector rationalization, and whether they will be self-financing or require government intervention, have not yet been determined. However, it is possible that these capacity reductions may be very costly, and to the extent that the fishing industry cannot self-finance the process, demands will be placed on governments to assist.

The other area of work under the MOU relates to seafood marketing.

Our industry is a predominant player in certain seafood sectors and should be able to achieve better returns. This is especially true in the case of snow crab. This year, we will account for 65% of all the North American crab supply. We are the dominant supplier in the marketplace, and we should be taking full advantage of this strength. This requires that we be as efficient as possible. While Newfoundland and Labrador has more than two dozen crab processing companies operating close to three dozen processing plants, Alaska, a key competitor, has four companies selling crab produced in 15 plants. Most Newfoundland and Labrador producers depend on intermediaries, such as brokers, to market their product, while Alaskan suppliers better coordinate their efforts and sell directly to end users.

Our industry has come to recognize that we are not being as efficient and effective in the marketplace as we could and should be. Consequently, the seafood marketing working group established under the MOU is actively engaged in identifying collaborative marketing opportunities with an initial emphasis on crab and shrimp. Some of the challenges that have to be addressed are underfinanced companies, the lack of collaborative marketing, the lack of continuity and stability, and an overdependence on brokers.

There is an important role here for the federal government in seafood marketing. Some valuable activities that can be enhanced are to work to reduce the tariffs and the trade barriers, including the removal of the EU tariffs on shrimp and crab; assistance with the formation of collaborative marketing structures to help processing

companies market their products as efficiently and effectively as possible; assistance with eco-certification and eco-labelling of products; and continued efforts by trade offices in promoting Canadian snow crab in international markets.

In conclusion, the fishing industry continues to face challenging economic circumstances. The problems in the industry relate to a host of structural, resource, market, and policy issues that compromise the long-term economic viability of the industry. The current economic environment has exacerbated these problems, and the industry is seeking solutions to support long-term viability.

This matter is of sufficient concern to have led our premier to raise the issue twice with the Prime Minister over the past few months. The situation in which our province's crab industry currently finds itself has been created, in large measure, by the harvesting policies of the federal government during the 1990s. The inordinate expansion of the harvesting sector also contributed to the processing sector capacity growing to an unsustainable level.

When we developed the fish industry renewal strategy, both governments recognized that capacity adjustment is required. Unfortunately, the unanticipated challenges our economy has faced since 2008 dictate that a passive rationalization model will not bring about the required adjustments in a timely manner. More aggressive approaches must be examined. In particular, the federal government must find ways to bring about significant and timely capacity reduction in the harvesting sector.

• (1215)

It is likely that many small boat enterprises with limited resources will need assistance to rationalize. This may entail much more flexible buddy-up and combining policies, and quite likely significant financial inducements.

In recent meetings with federal government counterparts, I have concluded that the federal government appears to have no interest in financing the harvesting sector rationalization. This is not an acceptable position. In the case of the snow crab sector, the federal government chose the 1980s and 1990s to issue crab harvesting licences to virtually every fishing enterprise in Newfoundland and Labrador. While this served to mitigate the continued impacts of the groundfish crisis, we now find that the crab resource is so oversubscribed that even with reasonable margins, harvesters are unable to make a reasonable livelihood. This situation is compromising the viability of our fishing industry and indeed the future of our rural communities that rely so heavily on the fisheries. The federal government must acknowledge its responsibility for the extreme level of overcapacity that currently exists and actively participate in the necessary adjustment that must occur.

I thank you for the invitation. My point again is that even though it's rather lengthy, this document gives the background as to how we arrived at this place and, more importantly, the need for some activities to see how this fishery is going to be restructured and some of the requirements that are going to be needed along the way. I certainly hope you will take this and read it, as I've rather rushed through it a bit.

Dave and I would be more than willing to answer some questions.

**The Chair:** Thank you, Minister.

Go ahead, Mr. Byrne.

**Hon. Gerry Byrne:** Thank you, Mr. Chair.

Thank you, Mr. Minister, for appearing before us. You've come a long way today. It shows that you take your own work seriously and responsibly and that you take our work seriously and responsibly as well. I appreciate that very much.

The buildup to your presentation was, in large measure, the MOU process, the actual working together of the federal and provincial governments with the processing industry and the harvesting industry, represented by the FFAW and the Association of Seafood Producers, among others. You indicated that the MOU process has been lengthy and involved, but that it has come forward with very specific recommendations and courses of action as well.

You indicated that there is no interest on the part of the federal government in rationalization, which may be costly and has been identified as somewhat of a priority, especially when current economic circumstances in the industry do not allow it to self-finance.

Could you first report to the committee the reaction by the federal government to the MOU request for cooperation and participation? Would you be in a position to actually share with the committee the MOU? Is it still a working document, or is it at a point now that you could actually table a copy of the MOU with the committee? In any case, if you could report to us where the federal government stands on the various elements, it would be very helpful to us.

**Hon. Clyde Jackman:** The MOU process is relatively new. It was last July that it was signed. The fishing industry renewal strategy was in 2007.

Things have been rolled out of that, and many things are still unfolding around the MOU, but I think what struck us more than anything is that the economic situation you mentioned has brought us to a point where we now recognize that we have to be more aggressive in approach. I've said publicly that I don't know if throwing money at it is going to be the solution, but somewhere along the way we will need some assistance from the federal government.

The MOU process that's under way right now, as you indicated, involves the Government of Newfoundland and Labrador, the FFAW, and the ASP. My take on it is that we have to put together a strong plan to take forward to the federal government. The federal government then, we would expect, would be a part of this process, because they are an integral part of awarding licences. I presented and pointed out in this document the history of issuing more and more licences, and although it may have been under political

pressure and whatnot, the issuing of more and more licences has created a situation whereby someone in a 35-foot boat who has only a 10,000-pound quota of crab and a small quota of cod and some other species just simply can't make a viable living anymore.

The indications we have from the federal government are that there doesn't seem to be any appetite for throwing money at it. Maybe that's because of the taste that was left in the mouth by the moratorium or whatnot, but we haven't got an indication that they're willing to put any substantial amounts of funds in there.

• (1220)

**Hon. Gerry Byrne:** Would you be able to table with the committee some of the actual documentation of your work as it's been prepared to date?

**Hon. Clyde Jackman:** If you mean from the MOU process, I can certainly do that. When we go back, we'll forward a document to the committee. We will consolidate some of those points.

**Hon. Gerry Byrne:** I have one last question. It's on collateral.

Do you have any fears of unintended consequences of industry concentration? You mentioned a desire to be able to use fishing licences as collateral. We know that in the fishing industry there are significant amounts of debt load held between individual harvesters and processing companies. If fishing licences become collateral, isn't that actually an inducement to force a calling of the loans, which would end up with fishing licences in the hands of processors?

**Hon. Clyde Jackman:** I don't think so. I think right now there's a court ruling in the Saulnier case saying that a licence can be used as collateral. Therefore...well, let's just take the example of something I heard recently. A gentleman purchased another licence; I won't name the agency, but he paid 11% interest on it. People are being forced into those situations because they're either going to have to get out of the industry or they're going to have to pick up another quota. Going that route places an unfair burden on some harvesters.

Through the court ruling, it's been indicated that licences can be used for collateral. Officials from my department have been in touch with Mr. Baird and the deputy minister, and all we are waiting and hoping for is to have the minister sign off on that. That will allow harvesters to use their licences as collateral. Right now, if you're willing to go out and put up everything—your house, your truck, and everything you own—against it, given the uncertainty over fish prices and fish stocks, you have a chance of losing all of that. People aren't willing to take that chance.

If there's anything this committee can do, it's to forward that cause and have that signed off. We'd certainly appreciate it. I have made the case to Minister Shea's office and I will continue to do that. Hopefully in the next short while I'll be visiting Ottawa and making the point to her again.

**Hon. Gerry Byrne:** Thank you very much.

**Mr. Scott Andrews:** Thank you, Mr. Jackman and Mr. Lewis, for coming here today.

I've got three questions. We just talked about the MOU, but prior to that you talked about the fishing renewal strategy. You listed a number of items that the federal government offered up that they were going to do. One of them was on the collateral issue. Have the rest of those items been addressed to your satisfaction?

My second question is with regard to a fisheries loan board, or a structure similar to a fisheries loan board. Here the federal government could also play a role in trying to get a little more harvester and processor separation. Is that something your department would encourage, and would you be able to bring some money to the table?

•(1225)

**Hon. Clyde Jackman:** In terms of what?

**Mr. Scott Andrews:** I mean in terms of getting control away from the processor and back to the fish harvester.

You mentioned marketing, and my third question is on the marketing end of things. What marketing plan do you see going forward, in particular for snow crab, and is there a proposal whereby the provincial and federal governments could work together? We heard this morning about a crab marketing council. Is that something that would appeal?

Those are the three questions.

**Hon. Clyde Jackman:** If you look at whether the parties have lived up to it, I think we have lived up to it as a government. We've been very stringent in our licensing policy: as I said, we have a licensing board that's independent, and recommendations are brought to the minister. We've only had one case in which our ruling was different from what the licensing board had committed.

I think, though, that in living up to the commitment at both levels of government, the first thing that's got to happen is that we've got to recognize that there is an issue here. I emphasize again to you the importance of having all of you read this, because you may not be as familiar with the history of it as the people in the back here, who live in this province. They will know most of what happens here. I think it's really important that politicians at the federal level understand the history of it and where we need to go. Then hard decisions have to be made, and if we need financial support along the way, it has to be a shared responsibility.

In terms of marketing and moving control from the processors to the harvesters, I have to say that this is no different from other business ventures in some ways. We have a commodity that's for sale, and over the past number of years, crab and shrimp—shrimp in particular—have driven many processors and harvesters to enter into arrangements whereby some processors have control of the people who operate the boats.

We've got a loan program in our government that hasn't been subscribed to much yet, but we have to get that control back to the harvesting sector. I do believe that, but again I go back to the overall picture: the big picture needs to be understood before we can move on some of these things.

In terms of marketing, I was very pleased to hear the FFAW this year in the MOU process. The FFAW, by the way, have agreed with the marketing from the outset. We offered to buy a marketing arm

under the FPI renewal program a number of years back, but that offer was refused by the processors. Last year we offered a substantial amount of money through the MOU to do some marketing; again it wasn't taken up by some of the processors and didn't get ahead, but I was very pleased to hear this year that they are interested in moving ahead with some marketing strategy. I'm hoping that will come through and that we can see some positive results.

There are other sectors of the industry renewal strategy that we have worked on. Safety is one example. We know the dangers of taking part in this industry, and through a combined effort of a sector of the FFAW, government, and the Marine Institute we launched a safety video this past week.

Many things have been worked on cooperatively, but the biggest thing is going to be some hard decisions around rationalizing of the harvesting sector and the processing sector. You're definitely not going to get everyone to agree, but I think the majority of people in the province feel that the rationalization has to take place first on the harvesting side. That's going to take a commitment from both levels of government and, I think, a recognition by the FFAW as well.

•(1230)

**The Chair:** Thank you, Minister.

Go ahead, Monsieur Blais.

[Translation]

**Mr. Raynald Blais:** Thank you very much.

First of all, when I asked you to wrap up your presentation, I would like to make it clear that I did not mean to be rude or inconsiderate to you. It was a question of fairness.

When the federal minister appears before us, she sticks to those darned 10 minutes too. Possibly, it is not enough in some circumstances. I also understand that the chair in his wisdom may sometimes allow the rule to be bent.

So it was just in the spirit of fairness that I asked if you could shorten your presentation. I am sure that it is very interesting and I am going to read it with great care.

At hearings, I can tell you that—up to now, anyway—I have only been rude once. And that was on purpose. It was to Rebecca Aldworth. I do not know if you know her. We were discussing seals and she was representing the abolitionists. I called her a liar. I did so more than once, because what she was saying made no sense. I was rude then. Today, I am going to try to be the kind of person I am, very patient.

With that out of the way, I would like to know your opinion about the possible solution to the current problem I heard about this morning. Unfortunately, given your history, and Quebec's, we well know that decisions can be made that hurt us very badly, in the present and in the future.

We heard about the cooperative model. This would possibly allow more fishermen to be hired and would mean that owners—who would be fishermen too—could negotiate things like better prices.

Do you feel that the cooperative model is the model of the future?  
[English]

**Hon. Clyde Jackman:** Thank you. We recognize when people are polite and impolite. I didn't sense that with you at all, not at all.

I suppose that in one way the solution is a simple one. It's simply to say that what we need is a downsizing of the number of harvesters and the number of processing facilities. In this province we've seen that some of the cooperatives have worked, but if you're thinking of a total cooperative as a fishing entity within the province, I think we're a long way from that.

Speaking specifically of the harvesting sector, my take on it is that whether you're in a 35-foot-11 or one of the larger ones, you have to have enough quota both to provide you with a reasonable standard of living and at the same time to maintain your operation and the expense that's incurred there. I think it comes down to good science in ensuring that the stock remains vibrant, and secondly to ensuring that the boats that remain in this fishery have sufficient quota.

There's a group here that we haven't talked much about, although I mentioned them briefly, and that's our plant workers. We're talking about a sector in this industry in which the average income, on an annual basis, is probably about \$15,000 a year. If you tell me that somebody can survive and live reasonably on that, it just totally amazes me that people are able to do that. Again, it's going to require a strong commitment on the part of the people who are involved in this MOU that we have on the go, and it's going to require commitment by both levels of government.

•(1235)

[Translation]

**Mr. Raynald Blais:** You mentioned overfishing and you mentioned excess production capacity. That leads me to ask you this question. You mentioned it briefly, it has to do with sharing responsibilities.

If there is overfishing, it is because decisions made in the past have caused it. If there is excess production capacity, it is for the same reasons. As for sharing responsibility, let me give you the example of Quebec, New Brunswick and other places this year: a 63% cut in quota. The federal government, whether through Fisheries and Oceans Canada or through any other departments, made no investments and implemented no measures to soften the blow.

You mentioned the plant workers. You might also have mentioned the deckhands, the crew and so on. If you include them, there are hundreds, maybe thousands of people who are pretty much stuck in all this. I would like to hear you tell us more about shared responsibility.

[English]

**Hon. Clyde Jackman:** You mentioned the 63% quota reduction. The way our fishery is structured right now, if we were to have something of that size of a quota cut in our crab sector in this province, I can tell you we would be in serious trouble; as I alluded

to, the crab has become the major species by which income is generated.

In terms of overfishing, we go back to the responsibility of science. We have DFO, who we hope would do the science. I don't know if anybody else has spoken about it here this morning, but certainly in this province we are questioning DFO around the amount of research capacity they have and the research they're currently carrying out. If there's an area where we do need more investment, it's on the research side.

People will fish within the quota that's allocated, but we want the decisions that are made to be made on good science. People in this room will tell you that some of the people who were harvesting turbot, for example, feel there's more room for increased quota of turbot. I spoke to people up on the northeast coast who were quite adamant about that. But it has to be based on science. Fishermen are saying, yes, it's there. But we need the science to confirm that, and then an increased quota means better revenue for some of the people who are here.

I'm glad to hear you mention the deckhands, because sometimes this is a group that is not heard about so much in the fishing industry. They and the plant workers have to be protected.

But I go back to the fact that there has to be shared responsibility in this province about where we're going to go with the structure of this industry in the future. We say we need fewer plants and we need fewer harvesters, and how we get there will unfold, I hope, through this MOU process.

Whether it's better to have the federal government, at the political level, involved at this juncture, I'm not certain, but I know one thing: from the province's perspective, we have got to come forward with our proposal, and by that I mean the FFAW, the ASP, and the provincial government. Then the ask that we bring forward would be that the federal government, we would expect, would be part of what we're bringing forward.

**The Chair:** Thank you.

Mr. Donnelly.

**Mr. Fin Donnelly:** Thank you, Mr. Chair.

Minister and Mr. Lewis, I appreciate both of you appearing before the committee and providing your remarks. They are very helpful.

Building on my colleagues' questions, I wanted to pick up where you basically left off there, on the management structure, because the two questions that I asked earlier to a different panel had to do with, again, the management and the marketing side of things.

You've presented the situation, and we hear clearly that it's too many harvesters going after too few resources, essentially. You've presented the Alaskan model. We've also talked a little bit about the cooperative model. So there have been a number of suggestions or, I guess, possible management structures that have been proposed. I'm just wondering about how you see the interaction among your level of government, the industry, the community, and the federal government in terms of getting to that ideal situation or a possible way forward.

You left off with talking about the MOU and the process that's unfolding now, and then it seemed like there would be a coming forward at some point in time, where there would be an ask. Is there a way in which we could look at involving the federal government now rather than later? Could you comment on that? Then I'll come back to....

And, sorry, there's one other thing I wanted to talk about and emphasize on the management side of things, and that is moving toward value added or looking at increasing the value for what is harvested now. I think there was an acknowledgement earlier this morning that we need to move in that direction. Could you provide a comment on how you think that could happen?

•(1240)

**Hon. Clyde Jackman:** Through the MOU process, DFO officials have been at the table. I've been in politics since 2003, and I know that if I want to find out what information is on the go, it usually gets back to me, so I'm assuming that this is getting back to the federal level.

Also, I met on February 15 in Halifax with Minister Shea and her officials and indicated to her that the MOU is under way, and that we would be coming forward to the federal government. As I said earlier, I intend to be going to Ottawa within the next short order. I will again point out the progress we've made and the expectation as to where we need to be and where the federal government needs to be in terms of support for this.

The best ones to lay out a path forward are the people who are directly involved in it. The FFAW, the ASP, the provincial government...we are into this up to our ears. We know what it's about and we know where we need to go.

The federal government has certainly been engaged along the way over the years, and the history of this points to where they've been with it. The point that we will be at if we can find a successful resolution and agreement amongst the parties at the table in the MOU will be what we will eventually present to the federal government, and the expectation would be that they would be there to support it.

What we have to do on the ground right now is work out the details as to what it is that we want from them. As the minister for this department, I certainly will be updating Minister Shea on that progress, and officials in our department are in contact with Minister Shea's deputies and assistant deputies and so on and so forth.

Around the issue of value added, it's certainly something that we always need to look at, but I think it's critical, though, that we get further along in our marketing. As was pointed out in this presentation, we bring to the market 65% of the snow crab that enters the market from Atlantic Canada. As such, that is something we have to strongly look at.

As I said before, the unions have always supported it, but I'm pleased to see that the Association of Seafood Producers has come a long ways in it. Hopefully before the next season starts we will have something that has progressed to a stage where we can finally get something out there in the market, something that will show a strategy that has been developed between the parties involved at the table.

•(1245)

**Mr. Fin Donnelly:** I wonder if the minister can comment on when that will be coming forward.

**Hon. Clyde Jackman:** This MOU was signed last year. I believe it was on July 11. They've been in meetings. For the last little while they've been involved in price negotiations, but they did meet last week. My intention is to ask for an update on that in short order.

I can't give you a precise timeline, but I'll tell you one thing: this industry and the people of this province cannot suffer through another two or three years of the kind of stuff they've suffered through this year and the previous year. It's not morally correct. It's incumbent upon the parties who sit around the table to make some tough decisions, and those decisions are in the best interest of the people who are involved in the industry. By that I'm talking about the people in the boats, the people who work in the plants, and to a large extent the processors who make their living from this as well.

**The Chair:** Thank you.

Mr. Kamp.

**Mr. Randy Kamp:** Thank you, Mr. Chair.

Thank you, Minister and your deputy, for appearing.

I'll start with a few questions, and my colleagues might have some as well.

I appreciate the information you've given us so far. I'm still a little confused about the relationship between the fisheries renewal process and the subsequent MOU. It's my understanding that the federal government is sort of intimately involved in the fisheries renewal process, and within the fisheries renewal policy framework an effort will be made to address the issue of rationalization. That's being developed as part of fisheries renewal.

Is that still ongoing? Did the MOU sort of develop out of that? You say that DFO has some people sitting there, but they're not involved and not signatories to this MOU. Perhaps you can clarify for me a little better how the two things work.

**Hon. Clyde Jackman:** The federal government has been involved in the industry renewal strategy. They've worked around some of the capital gains issues.

I think the MOU resulted from a dispute that happened around the pricing of shrimp. The season didn't get under way last July, and as a result parties agreed that.... I don't know if passive is the correct word; I used it a number of times in this presentation. But it's got to a point where we cannot allow discussions to just continue and continue.

I've said a number of times that an evolution is taking place in the fishing industry in this province. We can either engage in that evolution and try to offset some of the suffering that people are going to encounter along the way, or we can just let it naturally evolve and let people suffer for the next 10 or 15 years. So this MOU came about as a means to be more aggressive in trying to move the issues along that we know are pertinent to restructuring.

An R and D program for the fishing industry was part of the industry renewal strategy, as well as funding to provide occupational health and safety to address a workforce adjustment program. These were the goals of the program. But if we're going to get into a workforce adjustment program, that means there have to be more aggressive moves on how we're going to restructure this industry. I think this MOU process has evolved as a means to attempt to move the process along faster.

**Mr. Randy Kamp:** Does the MOU contain the expectation that the federal government would fund, say, 70% of the restructuring of the industry in Newfoundland and Labrador?

• (1250)

**Hon. Clyde Jackman:** The numbers were put out there that we as a government were willing to put in 30% of the cost of restructuring that industry. The word we've heard is that we don't see this huge amount of money we would require to buy out licences and commit to downsizing the processing sector forthcoming.

**Mr. Randy Kamp:** Do you have an idea of what the 100% would be in terms of a number?

**Hon. Clyde Jackman:** Well, there have been different numbers that have been thrown out there, anywhere in the range between \$500 million to \$700 million.

**Mr. Randy Kamp:** Now, in the rationalization or the restructuring you have in mind, do you see—let's talk snow crab now—fewer snow crab being caught or the same amount of snow crab being caught by fewer people?

**Hon. Clyde Jackman:** I think the quota is going to be determined by the science. DFO is going to continue to do that. I think the way we have to move is that we have the same amount of quota as is dictated by DFO, but we have fewer people catching it.

The example I used before is that of somebody with a 35-foot boat, with just a small quota of 10,000 or 11,000 pounds, plus a small quota of cod and something of capelin. It's just not a viable living. However, if we can find a way such that this 35-foot boat would have two or three quotas of that size, then there is a reasonable living to be made in that.

I think the other thing we have to look at, as I've mentioned here, is a glut. All of our shrimp and our crab are caught in a very short period of time, so if we can find some way to spread that out then we'd have a longer work period for fish plant workers and, as well, we wouldn't be glutting the market.

The second thing that was put forward this year is some inventory financing, so that maybe we can hold the product on the market for a longer period of time, thus giving it a better price. Now, when we checked into it, of course we had legal opinions that said you could be struck with countervail and trade issues, so we didn't go there, but I still think there's merit to something along those lines as well.

Those are strategies that we can work on to ensure that we get a better price for the product and maintain the strength on the global market.

**Mr. Randy Kamp:** You've suggested that some of the problem—or perhaps most of the problem—lies with the fact that, subsequent to the moratorium, a number of temporary licences were issued, many of which now have become permanent.

Did the Province of Newfoundland and Labrador have an opinion while that was going on in the nineties? Were they opposed to it and saying to the federal government that they thought this could be a problem, so let's not do it...? Or were they supportive of the enlarging of the snow crab industry?

**Hon. Clyde Jackman:** I think that's a really good question. It's a very interesting question.

There's no doubt about it: when politics is involved in this kind of stuff, you sometimes make decisions that aren't always the right ones. There's no doubt about it. If there was a community asking for a processing licence, I'm certain that we as a government probably provided that—equally, the harvesting sector....

But good governments sometimes have to make tough decisions, and I think that's where maybe we didn't make the best decisions, and as a result, you know, like I said, we went from 71 permanent licences, I believe, up to...what I was saying? Was it 2,500 or something?

**A voice:** It was 3,200.

**Hon. Clyde Jackman:** Yes, 3,200, so.... It was a poor decision, but in light of communities that were looking for plants and looking for jobs for their citizens and for people who wanted to get into the boats to go harvesting, that was what was provided. Hindsight is always a wonderful thing, but we didn't always make the right decisions.

**Mr. Randy Kamp:** I think we were partners there.

I have just one final question. For these enterprises that you say are not viable and so we need to restructure the industry, how many of these ones on the bubble would be more viable and would be able to make a living if there were greater competition in terms of the price that a harvester could negotiate with a processor?

We heard from a number of panellists earlier that the way it's fixed in Newfoundland is different from other provinces. In other provinces, if they were able to negotiate with processors elsewhere, they would make perhaps double what they make in some cases. So if the province were to loosen up those rules or change those rules, do you think that would make for more viability in the snow crab industry?

• (1255)

**Hon. Clyde Jackman:** In some of the interviews I've done with some of the harvesters and the processors, I've asked them to consider two questions. One is why it is that every spring in this province we find ourselves in this battle over negotiating the price. I can go across the gulf and they don't have it. Quebec doesn't have it. I think that's one question that has to be answered.

We have a panel in this province that addresses the price, and maybe that's something we have to take a look at. But we definitely have to address that issue.

The other one is why we seemingly always get a lower price than the rest of Atlantic Canada and Quebec. I've asked that of a number of people. I won't comment at this point as to what my thoughts are, but I hope that many of these people will take a look at that over the coming year.

There have been letters forwarded to my office asking that we open it to outside buyers. I've looked at that, and we as a government have discussed it. On the one hand you get a harvesting sector that says we need more and more competition and that we subsidize plant workers because we're forced into that situation. But then you have plant workers who say don't allow it to happen because you will be taking jobs away from us. We have to find that balance

It goes back to one of the points I made, that the parties around the table are going to have to be rather strong in their resolve to open themselves up to the problems that are contributing to this annual negotiation and breakdown of the fishery. I think once we get to that

point, and the recognition that we need fewer harvesters and fewer processors...and as to how we can somehow, as government, support that restructuring, we'll have a different fishery, and I think a more productive one, in this province.

**The Chair:** Thank you very much, Minister.

On behalf of the Standing Committee on Fisheries and Oceans, I want to thank you for taking the time out of your very busy schedule to present to us and answer the questions the members have had.

I would ask you to provide a copy of your brief to the clerk. The clerk will ensure that it's translated and distributed to members of the committee. That would be greatly appreciated.

On behalf of the committee, once again, thank you very much for taking the time.

This meeting is adjourned.

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