



House of Commons  
CANADA

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

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FOPO • NUMBER 013 • 2nd SESSION • 40th PARLIAMENT

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**EVIDENCE**

**Tuesday, March 31, 2009**

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**Chair**

**Mr. Rodney Weston**

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## Standing Committee on Fisheries and Oceans

Tuesday, March 31, 2009

• (0900)

[English]

**The Chair (Mr. Rodney Weston (Saint John, CPC)):** Good morning, everyone. We're about ready to begin this morning.

I'm going to briefly turn the floor over to Mr. MacAulay to say a few words.

**Hon. Lawrence MacAulay (Cardigan, Lib.):** Thank you very much.

First of all, I want to welcome you to Prince Edward Island.

You've had a good taste of what it's like around here. It could be a lot worse. Kenny could hardly get out of his driveway, but he did finally get here.

I want to welcome you here. It's so important that we hear from the grassroots. We certainly did yesterday, and we will again today. For our guests, we have the governing party, the Liberal Party, the Bloc Québécois, and the NDP represented here, and it's a great chance to voice your concerns.

I suppose if you wish to praise us for anything we've done, we'll be accepting that too, but we're probably not expecting it.

Again, welcome.

Go ahead, Mr. Chairman.

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

Before we begin this morning, I would like to point out a couple of things. First of all, thank you very much for coming to meet with us this morning.

The second thing is that because of the number of people we have today, we have to meet certain time constraints. When you're speaking or responding to questions, if you hear a beep, beep up here, don't be alarmed; it's the timer we have.

We'll give you 10 minutes, if you want, to make a presentation to the committee, and then each party has a certain allotment of time to ask questions and for your responses as well. You'll hear this beep, beep throughout the proceedings this morning. If I could ask you to adhere to that timeframe, I certainly would appreciate it. Again, it's in the interests of trying to hear everyone's concerns here today.

To begin with, I'll turn it over to you, Mr. Frenette, I believe you're going to make some opening comments to the committee. The floor is yours.

Thank you.

**Mr. Ed Frenette (Executive Director, Prince Edward Island Fisherman's Association):** Thank you, Mr. Chairman. I'd like to introduce Mr. Ken Drake, who is the president of the P.E.I. Fisherman's Association.

I'll begin by saying welcome to the members of the standing committee and the ladies and gentlemen. First let me welcome you to Prince Edward Island. It's not often that a Commons committee of this stature makes the opportunity to visit our Island province. On behalf of the P.E.I. Fisherman's Association, please accept our sincere thanks for the invitation to appear here today. It's not often we have the opportunity to do so.

The topic of today's hearings is the growing concern over the 2009 lobster fishing season in Atlantic Canada. As the representative organization of 1,300 core licence holders in Prince Edward Island, for whom the lobster fishery is the primary income source, we are especially concerned about the coming season.

The global economic and financial crisis we face, the softening of some traditional markets, the growing pressures on harvesters by the processing sector, the ever-increasing costs of primary production, and many other issues are cause for worry to our members.

Perhaps some background is in order. Inshore fishing is not a particularly lucrative mode of employment. Statistics published in 2006 by the Fisheries and Oceans policy and economics branch show that fishermen in the three lobster fishing areas surrounding Prince Edward Island earned the following before-tax incomes from all fishing sources: LFA 25, \$7,082; LFA 26A, \$11,010; and LFA 24, \$63,423.

In 2008 fishermen endured a 25% decrease in the shore price of lobster, with the price for canners as low as \$4 and markets at \$5, down from \$5 and \$6 the year previous. At the same time, cost of production for bait, fuel, gear, etc., increased by some 37% over the previous five-year average. With such an obvious cost-price squeeze, it is clear that any decline in the shore price paid to fishermen will inevitably result in the bankruptcy or elimination of a solid number of P.E.I.'s inshore fishing enterprises.

The industry around the world has heard the lament from P.E.I. processors of an exorbitant inventory on hand this winter, mostly in the form of so-called “popsicle packs” and whole cooked. Some estimates were as high as \$25 million worth of inventory. The results, of course, were to be expected. Wholesalers and brokers simply stopped buying, awaiting fire-sale prices.

While the PEIFA does not have access to processors' figures, we do have solid industry intelligence that tells us that inventory on hand is much less than the \$25 million mentioned in the media and is gradually being moved. Nonetheless, this winter's situation raises a number of serious questions for us with regard to the processing industry. For example, what is the standard amount of inventory on hand during the winter months in most years? Does government or an independent third party have access to regular reports on the amounts of inventory held by processors? What is the formula for valuing inventory? What is the marketing and sales strategy employed by the processing sector? What efforts are being undertaken in terms of new product development? What is the business model used by individual processors? Most importantly, why has there been a consolidation of processing facilities in both Prince Edward Island and New Brunswick?

We ask these questions because things are being asked of us. We are being asked, when we do not know what the processing sector is doing for itself. We have been asked, for example, to consider a reduction in fishing days early in the season. We have been asked to consider rotating buying days at wharves. We have been asked to limit landings in the event of a harvesting glut. We have been asked to support processors' requests for government credit guarantees. These things and more have been asked without mention of security or guarantees for harvesters themselves.

Fishing is an industry of tradition. Lobster fishing is a competitive fishery. Harvesters fish the same area year after year. Most use techniques they have developed over the course of their years on the water. Most continue to sell to a buyer with whom they have had a long-lasting relationship, a buyer who provides bait and supplies and who purchases lobster. In the past two years, these traditions have been challenged. Processing plants have been closed. Commissioned buyers are being eliminated. DFO has recommended resource management proposals that have caused concern and confusion amongst fishermen—of course, all within the continuing litany of concern over the economic and financial situation we face.

● (0905)

Fish harvesters are economically dependent upon the processing sector. There is no regulatory regime that establishes the price to be paid to fishermen for their catch. Traditionally, the harvesting sector relied upon the inherent competition between buyers wanting to purchase lobster. Now that competition is being eliminated with the aid of government decision-making, and fishermen are feeling the brunt as shore prices fall and input costs rise.

Lobster harvesters recognize that change in their industry may be inevitable, but to adjust to that change willingly, fishermen demand a certain level of participation and protection. For example, Island lobster harvesters have long called for a licence rationalization program that would see the permanent retirement of licences from the fishery. For two brief years in 2004 and 2005, LFA 25, using

funds from the sale of a snow crab quota, was able to permanently retire nine lobster licences and shelve a number of others for one year at a time.

Unfortunately, court rulings prevented any further action along this front. Since then, Island fishers have been requesting government support and most recently have entered into discussions with federal and provincial authorities to develop a rationalization process, with contributions from the two levels of government and the industry.

If agreement is reached, we hope to see a process whereby primarily older fishermen will be able to exit the industry with dignity, those who remain will see improved access to a stable resource, and there will be specific assistance to younger entrants seeking to enter the fishery. We are also examining broader issues of eco-labelling, having gone through a Marine Stewardship Council pre-assessment, and the ocean-to-plate concept of harvesting for the market. These are long-term considerations that require time and discussion to determine.

Short-term concerns, though, face us immediately. The harvesting sector is receiving mixed messages from the processing sector. Some processors say the situation is enormously difficult, while others state that the 2009 season will be similar to previous years. Confusion and fear are rampant.

If we are to assume that shore prices will be lower this year, what will be the effects?

First, since most harvesters hire two helpers, one of them will not be hired. What does that person do to survive?

Second, given the competitive nature of the lobster fishery, harvesters will necessarily increase fishing pressure on the stock in order to earn as much as possible in the short two-month season. This could have devastating effects on future lobster stocks in the region.

Third, as the incomes referred to previously become even lower, many fishermen will be forced into bankruptcy, forfeiting not only their fishing enterprise, but also homes, property, and investments they have already borrowed against simply to make ends meet.

The only protection against possible economic disaster in the lobster fishery this year is government intervention. PEIFA submitted recommendations for inclusion in the recent federal budget, including: establishment of a stabilization fund for harvesters; financial support for rationalization; policy initiatives to ease access to credit for fish harvesters; funding support to a national agency to promote seafood marketing, eco-labelling, and ocean-to-plate initiatives; reduction in certain fees such as those for licences and observers; tax reductions for the application of green technologies to fishing enterprises; improved science, research, and enforcement of small craft harbour programs by DFO; improved training assistance for fish harvesters; and encouragement to the provinces to initiate or improve Fisheries Loan Board agencies and programs.

In all of this we have seen a short-term marketing effort introduced, funding to small craft harbours, and hopefully, easing of credit restrictions by private lenders. However, there was nothing included in the budget that would ease the effects of a serious decline in the 2009 season.

An immediate problem to be faced by captains and crews in the event of low prices will be eligibility for unemployment insurance.

●(0910)

An immediate problem to be faced by captains and crews in the event of low prices will be eligibility for unemployment insurance. The system, where implemented, whereby a captain could qualify for EI based upon 2008 landings, could be eased. First, with the certainty of EI the captain would not place additional pressure on the stock, thereby contributing to conservation, and helpers would be able to fish the full season being paid from landings and therefore qualify for their own EI support.

Fuel is a major input cost. In 2008 we saw the cost of fuel reach staggering prices, and there is nothing in place to prevent a recurrence. Canada's primary industries must have a mechanism in place to protect primary producers from sudden and enormous increases in fuel costs.

Another major concern is the cost of bait, primarily herring for the lobster fishery. The spring herring fishery is on the verge of being closed by DFO, this while adjustments were being made to the harvesting plans of the large purse seine fleet in the Gulf of St. Lawrence, allowing them to land smaller fish, with changes to the small fish protocol that see this fleet landing ever larger percentages of spring component in the fall purse seine fishery. Without a spring herring fishery, frozen bait must be purchased from off-Island corporations at exorbitant prices, adding to the cost of operation. Immediate steps must be taken to limit the destruction of the purse seine fleet on herring stocks in the southern gulf.

We have seen and heard much of the stimulus approach taken by governments around the world to fight the present recession. Incentives should be in place to encourage fish harvesters to purchase needed equipment from local suppliers. If fishermen stop purchasing needed equipment, not only do local economies suffer, but it also leads to a growing threat to safety at sea for vessels and fishermen alike.

The Province of Nova Scotia has recently enhanced its fishermen's loan board service to assist new entrants in the fishery. The development of a regional fisheries loan agency, supported by both provincial and federal governments, dealing only with the fishing industry, could easily be designed to ease the restrictions imposed by private lenders and to adjust to changes in the industry on a year-by-year basis.

Specific to Prince Edward Island, the harvesting community is united in its position that the so-called Ocean Choice agreement be annulled. While this is purely a provincial matter, the agreement limits competition and reduces processing capacity, with the consequent effects on the harvesting community. The moral pressure that can be applied by this committee to the province can only assist in seeing this agreement revoked.

In closing, we thank you, Mr. Chairman and members of the standing committee, for the opportunity to address you. We look forward to taking any questions you might have.

●(0915)

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

Mr. MacAulay.

**Hon. Lawrence MacAulay:** Thank you very much, and thank you for your presentation.

The people here wouldn't be aware of the consolidation of the fish processing, so I'd like you to elaborate a bit on what effect it has had in bringing new processors in and this type of thing, just so they're aware. I think in any business you need competition in order to make sure you get a better price on that line.

**Mr. Ken Drake (President, Prince Edward Island Fisherman's Association):** The most recent thing we saw just lately was the announcement of the closing of the plant in the Beach Point area.

In case anybody here doesn't realize, if I wanted to start a small processing line in my building at the shore on Prince Edward Island, and I got the building all ready for health purposes so that it qualified and everything was ready to go, I couldn't process. I couldn't even bring in my wife and her daughter to process lobsters on Prince Edward Island now because there is a regulation that disallows any new processors on Prince Edward Island. What's happening here is we're having buyers telling us that they have glut parts of the season where they can't handle all of the lobsters we catch due to their facilities being unable to handle them. This is what they are blaming for the high inventory of popsicle packs. In order to handle the lobsters, they had to shift to popsicle packs because it's quicker; hence they ended up with too much of that packed.

In my opinion, due to the situation where one company has been given the opportunity to say there will be no more fish plants on Prince Edward Island—and that is the company that is reducing the number of plants on Prince Edward Island—and we're hearing people say there is not enough capacity right now, we're in quite a situation.

The other thing we don't have on Prince Island that they have in some other areas is a good storage facility so that we can hold lobsters over. We don't have that in Prince Edward Island. Possibly that may be a way around this glut in the future—the construction of something on a large scale to handle this oversupply in a certain part of May that they're talking about. The short-term and easiest way around it would be to allow people to come in here and buy lobsters, to do lobsters as they want to, and allow competition.

In some wharves right now, in the past year or so, there were probably four buyers on the wharf and three of them were taking the lobsters to the same place. That's not competition. Competition is where it has to be to create prices.

**Hon. Lawrence MacAulay:** I'd just like you to elaborate a bit on the storage facility. A number of fishermen have mentioned to me that the statement that prices are always going to be lower... I've been around for a while, and I think every year at this time we hear the prices are going to be lower. That is just always the way it is.

You can have inventories now. We were in the Îles-de-la-Madeleine yesterday. I asked the processors about inventory. They didn't have a lobster left in their inventory.

This is why this committee is travelling, to find out on the ground what exactly is going on.

So on the storage, could you explain how valuable this would be to the dollar the fishermen would receive?

**Mr. Ken Drake:** Basically it would be a live holding facility, and what would happen is—

**Hon. Lawrence MacAulay:** Who would own it, Kenny?

**Mr. Ken Drake:** It would have to be independently owned.

**Hon. Lawrence MacAulay:** You wouldn't want a certain company to own this. It would be independent.

**Mr. Ken Drake:** No. The charge for using it would be just based on the cost for running it, I would think. You wouldn't want somebody making an extra profit over and above what the cost of running it was.

Basically, in Nova Scotia right now the fishermen themselves have storage facilities to keep lobsters alive through low times. Then when prices increase a little bit they move their lobster at that time. It would solve the glut situation they're talking about in Prince Edward Island right now. Lobsters in the glut times could be held over, and they wouldn't necessarily have to be held over for a long period of time, but only through that time period that they're saying they can't handle the lobsters.

This would take care of helping to increase more fish plants, and you would also be able to search farther and wider on where you sold the lobster.

●(0920)

**Hon. Lawrence MacAulay:** I will also be presenting a motion. You can present a bill or a motion, but whatever you present in the House of Commons, it is up to the government of the day, whoever it might be.... You can have success with all governments and trouble with all governments. I have had experience both ways.

The motion I will be putting before the House next month will be to put a retirement package in place so that fishermen can leave the industry, and with that, the licence would be retired, never to be issued again, that type of thing. It's not something where you can go back to a politician and get the licence.

I'd just like you to elaborate a bit on how important that would be to the fishing industry in certain areas here—in certain areas, and I'm well aware of them myself, but just to get it on the record. This is so much needed. Do we want to let them just keep fishing until they either go broke or deplete the stocks—one or the other?

**Mr. Ken Drake:** In most cases when you have licences changing hands, they'll move to an area where the fishery is more lucrative. Certain areas become more concentrated over a period of time, and the chance of the stocks rebounding in those areas becomes reduced.

We have an aging population of fishermen. It would be a natural cull, if you want to use the word, of fishermen right now. If you have people who want to get out of the fishery, the best time to do it is when the oldest people want to get out.

For example, if you took one fisherman out of a certain area, that's 300 traps removed from the water right there. Over a period of time, if those 300 traps caught, say, 10,000 pounds, then compound that over, not just the year they're taken out of the water, but all the years in the future. That 10,000 pounds is left in the water to multiply. You get a real spin-off effect.

If you do other anecdotal things, they don't seem to work.

**Hon. Lawrence MacAulay:** I'd like you to comment a bit on Nova Scotia. As we're all aware, there was a great difficulty on the price. All of a sudden they started selling lobster out of the back of trucks. I'd like you to give the committee a bit of insight into what happened during the season.

Did the season close, or was it over? It caused the price to change. Right after, the price went up. I think the committee needs to hear that.

**Mr. Ken Drake:** Their fishery is in the fall, and they fish until the weather starts to get bad. But fishermen started pulling their traps out of the water earlier than they normally would due to the fact that there was a tragedy...[*Technical difficulty—Editor*]

**The Chair:** Sorry, Mr. Drake. Please continue.

● (0925)

**Mr. Ken Drake:** The situation was that the price was declining. The season was drawing close to its normal end, but the fishermen ended it even sooner due to the fact that the price was in a serious low state.

Fishermen normally get a large demand in Europe and other places for lobster because of the Christmas season. Buyers told the fishermen that it didn't look like that would happen. The demand was there, but the price structure wasn't going to be able to handle a large price. I talked to fishermen from Southwest Nova after that and they felt the buyers had duped them a little, because after they cleaned out their pounds the price did go up.

The reason it went up was that there was a certain amount of steady supply. The whole world will take a certain amount on a steady basis, but when there's a glut situation, or if people are holding a lot of fish and they move that fish quickly, it is inclined to drop the price. When they moved all their fish, the price was low. Then all of a sudden there was no inventory, as nobody was fishing because winter was coming, and the price went up. The fishermen only got three and a quarter a pound, by the way, and that was for market lobsters.

**Hon. Lawrence MacAulay:** When the price went up, did the buyers receive that dollar?

**Mr. Ken Drake:** Actually, most of that inventory, I understand, was gone. The buyers moved it at that price. What happens is that it's all supply and demand.

Just a week ago, the people who were holding some lobster in pounds.... Some fishermen still fish through the winter. It's just a gradual supply, not a heavy supply. Demand was high in Boston and those places.

At any rate, just last week, the people who were holding lobsters in the pounds decided that they'd better move those lobsters, because the fishermen in Southwest Nova started putting their traps in the water last week. That's how the marketplace reacts. The price dropped \$1.50 a pound last week because fishermen started to put their traps in the water and the people who had pounds moved their lobster quickly. Just a little surge like that could create this all of a sudden.

From what I understand, the people who buy lobster buy very carefully and very slowly at a high price. They're scared they'll get caught. For instance, a pound in the United States lost \$150,000 last week because the price dropped. That's how volatile it is.

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

Monsieur Blais.

[*Translation*]

**Mr. Raynald Blais (Gaspésie—Îles-de-la-Madeleine, BQ):** Good morning, Gentlemen.

I am well aware that my colleague, Lawrence, has a very good grasp of your situation. I, for my part, require additional explanations. We will proceed step by step.

First of all, in Prince Edward Island, is the resource considered to be abundant and stable? Are there geographical problems in certain areas? How does it work?

[*English*]

**Mr. Ed Frenette:** Sir, in P.E.I., for the most part, I think, the resource is abundantly stable. The province has its own lobster biologist working strictly with the P.E.I. lobster stocks. His research has been going on now for close to a dozen years.

Last year, in 2008, the landings in LFA 24, which is our north shore, were 65% above the 40-year average.

In the eastern part of the Northumberland Strait, in area 26A, they were up some 15% over the 40-year average.

In the western part of the Northumberland Strait, in LFA 25, they were up 8% over the 40-year average.

The one area where we do have serious trouble is in the central part of the Northumberland Strait, basically running from an area from Point Prim down to Summerside. Most fishermen believe that's affected by the construction of the Confederation Bridge; siltation occurred as a result of it. That area is down 40% from the 40-year average. There are very few fishermen left in that area.

● (0930)

[*Translation*]

**Mr. Raynald Blais:** Fine. That takes care of the resource as such.

I will now talk about the fishers. What I heard earlier made me think of what the people in the Gaspé region are going through, especially in certain fisheries where income levels are far from sufficient. This forces fishers to go after other species, namely offshore species. In other words, they do what they have to to earn a relatively decent income because what they get from the lobster fishery is far from sufficient.

To what extent is that the case here? Are there a lot of fishers who do not earn enough income? And in such cases, how do they manage?

[*English*]

**Mr. Ken Drake:** That's one of our big concerns. What's happening is that if the fishery doesn't qualify them for EI, for example, they'll go fish at a fishery that's not even economical. They'll try to catch something that might even be in strong decline, to try to qualify for EI. It's sad to say that, but it's true. Everybody has to do what they have to do. We firmly believe that if there was something established that you would automatically qualify...based on, say, 2008, for example; if you qualified in 2008 you would qualify in 2009.

That way it would take pressure off the lobster fisher. For example, a guy goes out fishing lobsters and he hasn't got a very big catch, but he has to go out to catch it to try to have it total enough so that he qualifies. If he didn't have to do that, he could leave his gear set for, say, two days if he had to, and it would be far more economical fuel-wise, bait-wise, and everything else. But if he has to bring in as much income as he possibly can, it forces him on the water, even if it's not economically viable.

[*Translation*]

**Mr. Raynald Blais:** We are quite familiar with that situation. The recommendations that you have put forward and that we should follow up on do not deal exclusively with the conservation of the resource. These are not solutions that are solely aimed at the marketing of the product, but rather at the whole industry.

For example, wharves must be repaired and employment insurance must be re-engineered in order to better suit people's needs rather than hurting them. It is not simply one or two measures but rather a whole set of measures that will allow you to get through this crisis. Am I right in saying that?

[*English*]

**Mr. Ed Frenette:** Yes, sir. In terms of the Atlantic fishery, if we take it as a whole as opposed to just Prince Edward Island, I think the fishery is in dire need of a total restructuring. We look at Newfoundland and the situation they face there. Looking at the situation in southwest Nova Scotia and the Bay of Fundy, they have problems of their own. Certainly here in the southern gulf we have serious problems.

By just a rough estimation, we perceive possibly a restructuring cost of about \$2 billion to buy out certain vessels and certain fleets and to revamp marketing and processing efforts. It will be a reduction in the number of fishermen, but we suspect in the long run it will be a viable fishery that will continue to earn income not only for the rural coastal communities of this region but also to turn solid profits for fishermen and the processors.

It's a very difficult thing to do, but we see it happening in other industries, whether it's the automobile industry in Ontario or the aerospace industry in Quebec. Unfortunately, the most recent federal budget did not address similar problems in the fishing industry.

• (0935)

[*Translation*]

**Mr. Raynald Blais:** Are seals also a problem here? There are ways of getting rid of them, as you can see.

[*English*]

**Mr. Ken Drake:** On Prince Edward Island there's not an issue as far as the hunt is concerned. The issue is the fact that the cod fishery, for example, is in a rapid decline, with nobody fishing the cod. I guess that will pretty much tell you that without a seal cull the cod industry is about to completely collapse. It has nothing to do with fishermen fishing cod. So, yes, it's a big issue; seals are a big, big issue.

**Mr. Ed Frenette:** I could add to that and say that the major issue here in the southern gulf is the grey seal herd, not the harp seal we hear about in terms of the harvest. It's the grey seal herd. Their primary rookery is Sable Island. This year alone there will be 58,000

pups born on Sable Island. We have no access to that. The issue for us is that we need a cull as well as a commercial hunt in terms of the grey seal herd.

There was a study done around 2001 or 2002 in Prince Edward Island alone by the provincial government that showed seals at that time caused over \$6 million worth of damage to fishermen here—lobster traps and other gear—over the course of the fishing season. That's certainly expanded since then. I think the grey seal herd has expanded sevenfold since the late 1970s in the southern gulf.

[*Translation*]

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

[*English*]

**The Chair:** Mr. Stoffer.

**Mr. Peter Stoffer (Sackville—Eastern Shore, NDP):** Thank you very much, Mr. Chairman, and thank you, gentlemen, for providing us with some recommendations today.

Ed or Ken, how many buyers were on the Island, say, 15 years ago?

**Mr. Ed Frenette:** I couldn't give you a number, Mr. Stoffer, but it's probably triple what is there now.

**Mr. Ken Drake:** I don't know the number.

**Mr. Peter Stoffer:** How many buyers do we have on the Island now?

**Mr. Ed Frenette:** In terms of processors, there are only five actual processors. There are other buyers who come in from New Brunswick and buy and ship it back to New Brunswick for processing there, and then there are the so-called commission buyers who may sell to the live market and then sell part of their purchase to some processor or others.

**Mr. Peter Stoffer:** You had talked about the Ocean Choice agreement. I know it's a provincial issue, but for clarification, could you advise the committee of the nuts and bolts of that?

**Mr. Ken Drake:** Basically the agreement says, for example, if I had a fish plant that needed work done and the provincial government gave me \$100,000 to upgrade my plant, they would have to give Ocean Choice \$400,000. They would have to give them four times what any other plant gets, regardless of whether they need it for any work or whatever.

Also, there are no plants that can be reopened. Even plants that are being closed down can't be reopened by other people. There are no new licences to be given out. So they have a monopoly on that.

It was consolidation of processing facilities that created Polar Foods, which was bought out by Ocean Choice. That's a lot of plants that were consolidated and are now being closed.



I can remember, for example, where I live in Morell, there were two fish plants at the wharf and another fish plant in Morell. All three of those plants are closed. When you talk about a glut of fish, there were a lot of vehicles there and a lot of people employed at those plants. It's only a small harbour, but they handled a lot of fish. I think it's sad that now those fish have to go to one plant that says they can't handle them all; they're having a glut.

● (0940)

**Mr. Ed Frenette:** There is a similar consolidation taking place in New Brunswick processing facilities as well. The Barry Group from Newfoundland purchased a number of facilities and just simply closed them down. Now I think they're left with three operating plants, and we don't know if they're going to operate this lobster season or not.

**Mr. Peter Stoffer:** The other concern is that the media reports out of Southwest Nova were indicating that the fishermen are now talking about issues of a lobster marketing board, a supply management system. I have to admit I haven't heard anything of PEIFA on those discussions.

They're not saying they want to have these types of systems; they're just saying they want to look into those types of systems. And yet a few years ago when I had asked the question, everyone said, "No, no. We don't want anything to do with lobster marketing boards or supply management. We like it the way it is." But obviously with times changing, opinions may change as well.

I'd just like your view or your opinion on that.

**Mr. Ken Drake:** Basically they changed because the federal government threw some money into the pot, for starters, but the money for this group from each province that is studying the market has run out. They're out of money already. They had to spend it by the end of March.

I think they did some good things. I saw some of the work they did in the short period of time they were at it, and they were on the right track. For this coming season, I don't think it's going to serve much of a purpose. For the long term, I don't know if that type of a marketing board is what we need, but we need something that is going to change the whole scope of where they're being marketed.

Obviously there's something wrong with the marketing system right now. My question is what is being done to improve it? It's easy to stay with an old way, but the old way isn't working anymore.

I'll give you an example. A group from Nova Scotia, in this marketing study, went to Alberta. They went to a supermarket that had live market lobsters in the tank. They filmed it, and it showed a housewife going by with her kid who wanted to put his hand in the water. The mother hauled the kid's hand back out of the water, but it was like they were travelling through the zoo. They were looking at these lobsters, and they were interesting and everything, but it was as though the mother was saying let's move on, because we have to go get some Kraft Dinner now. What they realized from it, after they started to interview some of these people, was that people were saying, "I hear lobsters are really good, but I have no idea how to even cook them."

What came out of the study was simply that they needed a monitor there with a film showing how to actually cook the lobster. They

needed a pot somewhere handy that the person could buy to actually cook the lobster in, and maybe a bit of salt, and it might pick up from there.

It's just as one person said—how many people here know how to cook possum?

The other thing is that out there in the world right now is this desire not to touch an animal that's alive. There are groups that are against killing cows, against killing sheep or whatever, and there always will be, but scientists have told us—and I want to make sure that this is good and clear—that they have done studies on lobster, and when you put a lobster in boiling water, it is for a fraction of a second that it actually might even feel anything because it's goes brain-dead instantly when it hits the boiling water, so therefore there is no pain involved for the lobster.

**Mr. Peter Stoffer:** I do know that my colleague from Alberta, Mr. Calkins, definitely knows how to cook lobsters.

**Mr. Ken Drake:** Actually I'm not sure you'd have to go all the way to Alberta to find somebody who doesn't know how to cook them.

**Mr. Peter Stoffer:** That's so even in Nova Scotia.

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

Mr. Kamp, please.

**Mr. Randy Kamp (Pitt Meadows—Maple Ridge—Mission, CPC):** Thank you, Mr. Chair, and thank you gentlemen, for... [Technical difficulty—Editor]

● (0945)

**The Chair:** [Technical difficulty—Editor]...could I have the members take their seats, please?

Sorry about that, Mr. Drake and Mr. Frenette. I guess you can't control everything in life. We had some technical difficulties here.

Mr. Kamp, you have the floor.

● (0950)

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

Thank you again for coming here today and helping us to understand these issues a little bit better.

May I say as well that it's good to see the community interest in this topic? It's very good to have so many here.

We're on the government side, obviously, so we are interested in understanding a little more about this. Because you've used the words "government intervention" and so on, I really want to focus there, but just to begin, you mentioned, and Mr. Frenette did as well, the figures that DFO provided. They're in the renewal of the Atlantic fisheries report, in terms of the kinds of net revenues and the different LFAs that surround P.E.I.

For example, there's quite a difference from 63,000 in LFA 24 to 7,000 in LFA 25. Can you tell us what the difference is? What makes for a profitable enterprise, an LFA 24, and what makes it certainly less profitable in the others?

**Mr. Ed Frenette:** Kenny fishes LFA 24, so he's probably in the best position to explain.

**Mr. Ken Drake:** Did you want to know what the economic difference is?

**Mr. Randy Kamp:** I mean, there's a huge difference, from my perspective, at least, one being that they have a slightly smaller number of licence holders in LFA 24, for example. What makes for profitability in one and not in the other? Is it the biomass, the stock in your area, the way it's fished?

**Mr. Ken Drake:** One thing that's very distinctive is that on the north side of Prince Edward Island there's no other fishery across from us that affects us, whereas if you fish in the strait, you have New Brunswick across the strait, and Nova Scotia is on the opposite side of the strait in this area. It definitely plays a part in it.

I'm not going to try to explain why there are differences, but one thing I have to say is when you go to a dealer to buy equipment for your boat, they don't ask you which LFA you fish in and then give you a reduction because you get fewer lobsters. It's the same price for everything, wherever you go. The costs are the same to go fishing in all three LFAs, and that's the hard part.

In an area where there's a decline in the fishery, it may not even have anything to do with the fishermen themselves; it may have something to do with the fact that there are concerns with pollution, for example, out of Charlottetown and Summerside. It could have something to do with the bridge. There could be a number of reasons. But in the final analysis, every fisherman has the same costs to go to sea.

**Mr. Randy Kamp:** Yes, but if I'm fishing in LFA 24, am I going to catch more lobsters? Is that basically what's contributing—

**Mr. Ken Drake:** That's the way it's been for a little while. It wasn't always that way every year, but it seems to be that way on more of a continuous basis on the north side. It has the history of that.

**Mr. Ed Frenette:** I think, Mr. Kamp, if you look at LFA 25, for example, in the western part of the Northumberland Strait, with the fishermen from New Brunswick and Nova Scotia there are probably over 850 fleets at work in that fall season. The LFA 26A in the eastern portion of the strait, with Nova Scotia and P.E.I. combined, has easily over 800 fleets fishing that season.

What's happened as well is that in the central portion of the strait—and we're convinced this is from the effects of the construction of the Confederation Bridge, plus industrial pollution and municipal pollution—the stocks, as we mentioned earlier, are down seriously. That resulted in fleets or fishermen moving to both ends of P.E.I., within their own zone, which added more pressure and more fishermen fishing a limited amount in each area.

Consequently, the low tide brought everybody down.

**Mr. Randy Kamp:** I think I understand that.

If we're talking about a rationalization program, I want you to explain a little bit more how you think that would best work and who would fund it and so on. But I guess the reason for a rationalization program would be overcapacity. Perhaps I'm wrong in making that assumption, but you can tell me if I am.

So how did we get there? If we have too much capacity, too many licence holders or whatever, and you say the stock is relatively stable and so on, is it just the price you're getting for lobster that's put us in this overcapacity, or was there ever a time when the stock could support the number of current licence holders?

● (0955)

**Mr. Ken Drake:** I think a lot of it is that DFO wants an effort reduction. How do you do an effort reduction and still keep that enterprise viable? One fishing enterprise can only reduce by a certain amount before that enterprise is not viable. So the conclusion you would take would be to reduce the number of enterprises. The reason for that is that if the enterprises get more concentrated in a certain area due to the fact that there are higher catches in that area, it would just normally bring down the catches in the area where the concentrations went to. If you reduced those areas that are heavily concentrated, it would make those enterprises more viable.

The lobsters are reproducing at a very good rate. The issue is that the economics of the fishing enterprise are making it harder and harder to make a living at it.

**Mr. Randy Kamp:** I understand that, and I understand the theory of rationalization. If we have fewer people fishing for the same amount, they should make more money. But how did we get too many? That is my question.

**Mr. Ed Frenette:** I think a lot of it goes back to DFO regulatory measures over the years or over the decades. In the Northumberland Strait, back in the early 1980s, there was a massive amount of lobster, where there are hardly any today. People were landing 40,000 and 50,000 pounds of lobster in a two-month season. That has completely changed. From our point of view, it is environmental issues that have done it.

Global warming is having some effect as well, over and beyond what we've seen as a result of other environmental problems. There is also the pure economics of the fishery—things have changed drastically in the last few years, with higher input costs and lower prices. The economic squeeze is on.

**Mr. Randy Kamp:** One of you said that if it's to be a challenging year, you were going to increase fishing pressure. Not being a lobster fisherman, and being from B.C., I'd like to know how you would do that. You have certain input controls, right? You have a number of traps and there's a certain distance between traps. You know when you can fish and when you can't fish. How are you going to increase fishing pressure to threaten the stock, which was the implication?

**Mr. Ken Drake:** Everybody assumes that all lobster fishermen do is put the traps in the water, then go out and haul them up. Actually, what you do is follow trends of lobsters, whether they are moving in or out or if they're doing this or that. You have options. You have things you can do. You can follow the fish. That increases your cost, but it also could increase your catch. There are a lot of different things you can do. You'll try that much harder if you're trying to qualify for EI, or if you're trying to make your boat payment. If you knew that you would qualify for EI, or if you were in an area where there were low catches, you would do it a lot more economically.

**Mr. Randy Kamp:** Thank you. That is helpful.

Mr. Frenette, could you give us a little more detail? I disagree that there is nothing in the 2009 budget that will be of assistance to P.E.I. fishermen. But with respect to the rationalization program, what do you think the federal government's role should be?

- (1000)

**Mr. Ed Frenette:** The position we're taking is that we need a three-part approach to rationalization: a cash input from the federal government, a financial input from the provincial government, and money from the industry itself. We're talking with the minister's office, ACOA, the provincial government, and among ourselves about the possibility of a cash input coming from the community adjustment program. We're still waiting to hear whether this is available. It would be a long-term low- or no-interest loan from the provincial government that would be repaid by the fishermen.

Along with that, we are looking at trap reduction and other harvesting approaches to ease the pressure on the fishery. Included as well would be some sort of financial assistance to younger entrants. They are buying in at quite an expensive price, and this would ease the cost of interest on their fleet purchases.

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

**Mr. Ken Drake:** We have three LFAs and each LFA may want to do it in just a little different way. We don't have a standard or anything set yet. We also have to go back to the fishermen. All we're discussing right now is the general concept. We haven't worked out complete details, because we have to go back to our fishermen before we make a final decision. They will decide how it's actually going to be done.

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

Unfortunately, our time here has come to a close. On behalf of the committee, I would like to thank you very much for your patience with us this morning and also thank you for appearing.

We will take a brief break and allow the next group to set up.

Thank you.

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

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- (1010)

**The Chair:** I would ask members to please take their seats at this time. We're going to resume the committee meeting.

I have just a couple of points of information for the members in the audience today. Coffee and tea are available at the side here. Please help yourself. Also, there are plenty of translation devices

available. There are some sitting on the table up here at the front. If the sound quality is not that great, they help enhance the sound as well, so please take advantage of the translation devices.

We're about ready to begin. Today with us we have the Prince Edward Island Seafood Processors Association. I'm going to turn the floor over to you very quickly and you can introduce the people with you, Ms. O'Reilly.

I would ask one thing. We're under some fairly tight time constraints to make sure we are able to hear from everyone today, so the timeframe for presentations is about 10 minutes, and the members have time they're allotted for questioning as well. You'll hear a beeping noise. It's a little clock up here. Don't be alarmed if you hear it, but we'd ask you to stay as close to the timeframes as possible.

Ms. O'Reilly, I'll turn it over to you.

**Ms. Maureen O'Reilly (Administrative Officer, Prince Edward Island Seafood Processors Association):** Thank you very much.

Mark Bonnell and Lorne Bonnell are here representing Mariner Seafoods. This presentation is by Olin Gregan, who is the executive director of the P.E.I. Seafood Processors Association and who is stuck in Halifax due to bad weather.

I would like to thank the committee for the opportunity to present a narrative on behalf of the P.E.I. Seafood Processors Association.

As an association, we represent 90% of the lobster processing capacity on the island, both mussel and oyster growers and crab processing.

Undeniably we have the opportunity to be operating our businesses amid some of the most beautiful and fertile lands in the world and with the view of some of the richest and most bountiful pristine waters known within the seafood industry.

I am a firm believer that the commercial fishery has three distinct partners: harvesters, processors, and both levels of government. Through this presentation my comments should in no way be interpreted as speaking for our other industry partners, except in passing reference or with respect to a direct impact on our business.

Also through this paper, do not misconstrue any thoughts or sentences as a pointing of fingers, because there is much blame to go around, so we must just accept the share and move toward trying to better the industry as seamlessly as possible.

Commercially on the Island we have every species of fish, from smelt to tuna, crossing our docks through the ice-free months of the year. When fisheries are unfolding and ongoing in our coastal communities, there is the unmistakable look and feel of community pride, involvement, and prosperity, with all the people seemingly in some type of a hurry because of the varying needs of the local catches and the noise of vessel engines at dockside that are sometimes drowned out by the squealing of tires from the new half-tons—the sounds and signs of another lobster, herring, or crab season.

This industry of more than a century has managed to spin off hundreds of millions of dollars to the coffers of the federal, provincial, and municipal governments of the day, and it has created ways of lives and livings that are interwoven into the Island fabric.

But these positive indicators are now becoming shallow looks, feels, and sounds. Our lobster industry is broken, and it certainly needs to be revived to the levels that it has known and enjoyed in previous times.

As industry partners, we must develop a vehicle to dialogue properly, establish new...and re-establish with others the trust factor that is necessary and evident in any successful partnership.

Our lobster fishery is arguably the most valuable fishery in Canada. It is a billion-dollar industry in Atlantic Canada, and in many areas and communities of P.E.I. the seafood sector is the economic engine and the community lubricant. This can't be lost sight of.

We have not paid nor given this fishery the focus and attention it has deserved, and now we are and will be paying a big price for industry complacency. This is a core industry to P.E.I. and Atlantic Canada and it is not going anywhere.

No one person nor company can pick this up and move it west. We now must bring the fishery into the new millennium. We have many new ideas on the local, national, and international front and many new demands and regulations, buzz words, and acronyms within which to operate or be shut down. The costs that are now being downloaded and attributed to our members, such as monitoring, electronic data-inputting, eco-labelling, traceability, catch certificates, and the MSC, will ultimately bankrupt our industry without proper focus, without proper implementation of such, and without a well-thought-out cost-recovery regime.

We have the Canadian dollar that tortures us steadily with its movement, making it nigh impossible to predict yet another impact on our business. This is coupled with the economic snowstorm that nobody really understands or knows how to wrestle to the ground.

We are now in the unenviable position of 30 days away from the opening of the Cadillac shellfish industry in the country with the operational moneys needed for a Lada.

The seafood industry is not the only industry that is being looked at with jaundiced eyes by the lending institutions, but we are and will be feeling the brunt of their belt-tightening decisions around the advancement of funds and credit lines.

●(1015)

Fishers are fearing prices at break-even levels. We hope this does not come to pass. In fact, we are telling our clients that our fishers and our businesses cannot continue under such strain, frustration, and anxiety.

As a processing sector, we have a myriad of meetings, internally as well as with both levels of government, to discuss and share ideas. But in 2009—30 days from the beginning—the fishery will begin with much uncertainty. Our employees are expecting the same employment opportunities as in previous years, and this is what we are expecting to provide. Without this continuity in our operations, our facilities are doomed to failure and closures. Unfortunately, there is a whole industry, as we know it, in peril.

Difficult times such as these can and may show us a new direction. We must design a strategy to deal with stagnant inventory and cashflow challenges. Along with our basic product forms, we must start to develop new products. We need new market research studies. We need new marketing and product promotion initiatives. Conceptually, nothing I have said here is new, but to an industry that has not had a new commercially viable product introduced since the lobster popsicle 25 years ago, these are very new ideas to be discussing and then trying to implement.

This is the time for the industry to pause, discuss, understand, and hopefully agree on the need for proper change; the need for understanding our clients' and customers' wants, needs, and wishes; the design of a fishing plan that understands and addresses those wants, needs, and wishes through new marketing and merchandising campaigns; the design of a plan that allows for product development to satisfy societal changes; and the design of a plan that allows for technological change and advancement.

As an association, we have just recently introduced to our members, as well as some select government people, a concept paper with some strategic initiatives to try to revitalize the lobster industry. At best, after discussions and rewrites, it will be at least a three-year to five-year plan. But it must be done. Change usually requires time, and most are averse to change, so there is a nurturing process to endure.

At times such as these, we must look to governments for both monetary and directional assistance with the changes that need to be introduced. There must be tough decisions made that will probably cost a vote, either land-based or water-based, but political fisheries have no place in the economy we now find ourselves playing in. The reality is that the vote is the biggest hurdle to overcome, as the fishery always has been a very valuable political tool in all levels, as the 200-mile limit has shown us time after time.

As processors, we must do a better job in our facilities. We must revisit and invest in our commitment to quality. We must have better dialogue and discussions with the harvesters who are bringing us the raw materials. It is essential that they not feel alienated from what is happening to their catches and that they feel part of the highway to market. We must have better dialogue with DFO officials. We must present our cases and points of view better through the advisory committee process. We must stop testing the tried and true method for business failure by paying the most and selling for the least. We simply must implement and adhere to good business practices. We must decide it is okay to make money.

There are other Island seafood processors, such as the mussel processors, who are operating without much fanfare, but certainly their operations are diamonds in the rough. Left to their own devices for the most part, they have developed this aquaculture fishery to levels that now represent \$67 million and 80% of the mussel growers and processed mussels in North America. They have achieved these levels of growth and process in a short 30 years, levels that have not been achieved by other areas such as Europe and New Zealand in more than 100 years of operation.

Forty million pounds of mussels require a lot of support material, packaging, services, and variable spinoffs in many communities throughout the Island. These facilities provide many Islanders the opportunity to work within their home communities through the year, as well as allowing their \$10 million to \$12 million payroll to be injected into the communities. Young Islanders see this part of the seafood industry now as something they can identify with, as the industry is young, growing methodically, and certainly sustainable.

As of late, this part of the industry has also been taking advantage of NRC, the PEI Atlantic Shrimp Corporation and the processing association to develop projects that are vital to the industry with respect to health claims and omega-3s. All of this looks very positive for the aquaculture side of our association.

• (1020)

In closing, it is absolutely critical that we design a new strategy. We must develop trust so that discussions have meaning and merit, as opposed to disdain and malcontent. This may suggest a liaison of neutrality between the partners that have the wherewithal to cut through the chaff and the smoke and then suggest the path.

Again, the Prince Edward Island Seafood Processors Association and I thank you for this opportunity.

• (1025)

**The Chair:** Thank you very much, Ms. O'Reilly.

Mr. Byrne, I believe you're going to share your time with Mr. MacAulay?

**Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.):** I am, indeed. Thanks, Mr. Chair.

I wanted to say a very special thank you to our witnesses, not only those before us right now but those who preceded you. Thanks for sharing your thoughts and opinions about this.

Our colleague, Mr. MacAulay—

**The Chair:** Sorry, Mr. Byrne.

Ms. O'Reilly, my understanding was that you wanted to check out at this time, and that Messrs. Bonnell will be answering the questions. So if you want to leave, it's quite all right.

**Ms. Maureen O'Reilly:** Thank you very much.

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

Sorry, Mr. Byrne.

**Hon. Gerry Byrne:** I was just saying that Lawrence had asked this committee to consider that part of our work reference is a study of the Atlantic lobster fishery, knowing the impacts and the troubles the industry is going through here on the Island as well as Atlantic-wide. That's one of the reasons we're here. When Lawrence put this idea forward, one of the main reasons we jumped at it was that we knew this was going to be a very troubled season, and we're looking for solutions to try to help out. We want to be able to report back to the House and to the government with different ideas for what needs to be done.

The lobster fishery has never been necessarily on a purely solid footing. It's had its ups and downs in the past. But this year, 2009, it seems particularly vulnerable, not only from a resource point of view but from an economic one.

Could you talk a little bit about your situation, in terms of access to capital?

Maureen, in her presentation on behalf of the seafood processors association, said that as far as their financing went—I forget the exact line—it was basically that they were looking to finance the equivalent of a Lada.

Could you explain to the committee some of the differences you've already seen, in terms of your access to capital, your access to credit, your access to a line of credit or whatever, to get started, comparing 2008, if need be, to 2009, so that we get a better picture of where exactly this industry might be going this spring?

**Mr. Mark Bonnell (President, Mariner Seafoods):** In 2008 financing was not readily available, but there was some financing available. The banks in Canada have taken the attitude that they don't want anything to do with the seafood industry, and, therefore they have driven some of the larger companies overseas, into the Icelandic banks, and have caused some of the problems we're seeing in Iceland and some of the problems facing some of the larger companies that are financed through Iceland.

I don't know why the Canadian banks don't want to do any business with the seafood industry. I guess they must have been burned at one point or another. Personally, I've tried to get financing from as many as seven or eight different financial institutions and have been turned down for financing just because I'm in the seafood business. I was banking with the Royal Bank, and they told me, "Listen, we're not interested in the fish portfolio anymore. Please leave." So we had to leave the Royal Bank. Many of our members are experiencing the same problems. Some of them are lucky enough to be dealing with credit unions, which have a little different idea and outlook on the problem because they're local. But financing is a problem.

**Hon. Gerry Byrne:** I'll turn it over to Lawrence in a second.

Has anything changed? Are you aware of anything? There have been improvements to, say, for example, the Business Development Bank of Canada and other things. Fundamentally, in your business, has anything changed that you now have access to in 2009 that you didn't have access to before?

**Mr. Mark Bonnell:** Our biggest problem, personally, is that we have inventory carried forward from last year and inventory carried forward because of the recession. Since we are not able to sell that inventory, it's tying up our working capital.

But, no, there's nothing available. There's nobody who's come forward. As far as I can see, all these bailout packages from the government are not going to affect us in the fishing industry. They are not going to help any. So what's going to happen, I don't know.

• (1030)

**Hon. Gerry Byrne:** Mr. Chair, I'll share with Lawrence.

**Hon. Lawrence MacAulay:** Thank you.

Mark, it's good to see you and Lorne.

I certainly understand the situation you're in. Do you have a large amount of inventory left, and do you know if there's a lot of inventory left in the province?

**Mr. Mark Bonnell:** Well, there were reports back in October that there was \$25 million worth of inventory still on hand from the previous season. How active that is, I don't know, Lawrence. I know personally that we have more inventory than we'd like to have. It is more inventory than in other years.

Basically, we've had as much inventory but have been able to move it during the period between lobster season and now. Because of the recession, because of people not wanting to eat lobster and not being able to sell the product, we're left with inventories that are well above normal levels. I know that everybody in the association has excessive inventory. The inventory is mostly in whole-cooked products—popsicle packs and fully cooked. In those products, the lobster has turned red. If it were green, we could have moved it. Tails and meat and that sort of thing have been pretty well cleaned out. There is some inventory, but mostly it is in the whole-cooked product.

**Hon. Lawrence MacAulay:** Tell me this. There's been some discussion here, and previously from fishermen, that indicates to me that they would like to have a storage facility put in place. It would not necessarily be owned by the processors, but it would be a way to keep the fish and have an orderly form of marketing. Would you see

this as being a way to perhaps help the price or help with inventory? How would you respond to that, as a processor?

**Mr. Mark Bonnell:** What type of facility are you speaking about?

**Hon. Lawrence MacAulay:** Well, I...

**Mr. Mark Bonnell:** Live? Frozen?

**Hon. Lawrence MacAulay:** It would be live.

**Mr. Mark Bonnell:** Well, certainly, there is not enough live capacity on Prince Edward Island.

**Hon. Lawrence MacAulay:** There's not enough.

**Mr. Mark Bonnell:** No, there's not. There's not enough processing capacity on Prince Edward Island anymore, either. I've been in this business for 35 years, and in 35 years, a number of processing plants have almost disappeared. Even with the Polar amalgamation, we've lost six or seven processing facilities. Our friends in Beach Point announced the other day that they're going to close that plant.

With all these plant closures, there's nobody left. Our fish processing capacity has gone down on Prince Edward Island, and we still have the provincial government thinking there's overcapacity. Yes, at one point there was overcapacity. In the pre-Polar days, yes, there was overcapacity, but not any longer. That situation has changed.

**Hon. Lawrence MacAulay:** It's been explained here before, and the committee has had it explained a number of times, what took place when Polar was put in place. They felt that it took competition away instead of possibly helping the fishing industry. Would you agree with that?

**Mr. Mark Bonnell:** Yes, sir. It took the competition away.

**Hon. Lawrence MacAulay:** You feel that if companies could come in and compete with you, that would be acceptable.

**Mr. Mark Bonnell:** Yes.

**Hon. Lawrence MacAulay:** Government would be involved.

**Mr. Mark Bonnell:** Well—

**Hon. Lawrence MacAulay:** As it used to be over the years.

**Mr. Mark Bonnell:** The Government of Prince Edward Island is not involved in the fishery anymore. It's not allowed to be. It signed an agreement with Ocean Choice that it can't do anything. It's handcuffed itself. Whether it's something they wanted to do or something that happened, I don't know, but the Province of P.E.I. can't assist anybody to do anything.

• (1035)

**Hon. Lawrence MacAulay:** It was explained to the committee that if you gave \$1,000 to a processing company, they had to give \$4,000 to Ocean Choice.

**Mr. Mark Bonnell:** But they're not given any....

**Hon. Lawrence MacAulay:** They're not given any because of that. Also, Maureen mentioned the realignment of the fishery. It would take three to five years. Could you elaborate on that a bit? I know you're on the processing end.

Everybody has to survive. If you're trying to pay bills, Mark, you need fishermen. I know you well understand that too. But if you don't have fishermen who are making a decent living, nothing can survive, including the stocks.

**Mr. Mark Bonnell:** The fisherman has to make money. The processor has to make money. The guy I sell to has to make money. And the guy who's going to eat the lobster in the end has to make money to be able to buy it. Everybody has to make money. Right now, that's not happening. The people who were eating the lobster aren't making money.

People are out of work and they're losing their homes. People are out of work all over the U.S. This is where our market is, in the U.S. Are you going to go out to Red Lobster and spend \$100, or are you going to keep that \$100 and put it toward your mortgage payment to try to stay in your house for another month?

Lobster is a luxury item, whether we like it or not. People like to eat lobster in good times. In bad times they're more embarrassed to eat lobster, because they think they're celebrating and having a hell of a time, but they're actually losing their house. They're not going to eat lobster. They'd rather eat anything else but lobster right now.

Until people get back to work, it's going to be tough.

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

Monsieur Lévesque.

[Translation]

**Mr. Yvon Lévesque (Abitibi—Baie-James—Nunavik—Eeyou, BQ):** I will be sharing my time with my colleague. I have just one brief question.

**The Chair:** Very well. Thank you.

**Mr. Yvon Lévesque:** I am not as knowledgeable about the lobster fishery as some of the people here. On the Arctic coast, there are whales and arctic char, rather than lobster.

How many processing plants are there in Prince Edward Island?

[English]

**Mr. Mark Bonnell:** At the present time, there are six.

[Translation]

**Mr. Yvon Lévesque:** Are you the only plant having to keep an inventory because there is no demand for your product?

[English]

**Mr. Mark Bonnell:** No. In previous years we didn't have this much problem with inventory. We've always moved our product. Until this recession, it hasn't been a problem.

It's the same with the other processors on P.E.I. They've moved their product and everything has gone along. Their industry has grown, and inventory hasn't been a problem. But because of the recession, it hasn't moved.

[Translation]

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

First of all, I would like to say something, and it is personal. We are here today in Lawrence MacAulay's riding. This is not by chance either, but I nevertheless wanted to underscore it. I have gotten to know Lawrence quite well over the years. I would say that he works not only very hard, but also very well for the community. I can pay tribute to him today in this way, because we have over time developed a kind of friendship. We are not members of the same political party. I am a member of the Bloc Québécois and I represent the Gaspé and the Magdalen Islands, and Lawrence is from Prince Edward Island. He is a federalist; I am a sovereigntist, etc., but we have a common interest, that of helping our people with the various crises and challenges they face. His only fault is that he unfortunately does not know his hockey very well. He is a Boston Bruins' fan and I am a Montréal Habs fan. Apart from that, it is wonderful working with Lawrence.

I would like to hear what you have to say about ACOA. In Quebec, we have what is called Canada Economic Development, with offices spread around Canada. This organization's mandate is to assist businesses in financial difficulty when the regular financial system is not there. You stated very clearly that when you call upon a financial institution for help, it does not work. ACOA, a federal agency, is there to help businesses like yours that are facing difficulties.

What approaches were made to ACOA and what was the response? What recommendations could we make in order to improve things?

• (1040)

[English]

**Mr. Mark Bonnell:** Personally, I've never had any success with ACOA. I've never been able to access any of their funds. I've been in business for 35 years, and I've never had any success in accessing any federal funds, nor provincial funds.

I can't see where ACOA has any program that's going to fit this type of problem. If they were given a mandate to do this, I'm sure they could do it, but at the present time I don't think they have a mandate to solve this problem.

[Translation]

**Mr. Raynald Blais:** This is quite surprising given that the agency, according to its general mandate, is there, with the funds at its disposal, to assist businesses in difficulty, particularly in the area of funding. It is one element, but there could be other avenues. I understand that your experience with this organization has been far from positive, but that does not mean that we could not recommend that this organization develop, if it has not yet done so, specific programs targeting your particular problems.

[English]

**Mr. Mark Bonnell:** That would be very great if you could do that. We'd appreciate that.

[Translation]

**Mr. Raynald Blais:** We are familiar with your various problems relating to the resource, to conservation, etc. However, with regard to marketing the product, to the market, how do you envisage the coming weeks? Indeed, it is not a matter of months, but of weeks. In the Gaspé region, the season will be opening in two or three weeks' time, depending upon the ice, etc., and the 2009 season will be launched for good. How do you see it unfolding?

[English]

**Mr. Mark Bonnell:** With regard to lobster, presently there's fishing going on in Southwest Nova. I believe the shore price this week is \$6.50 or \$6.75, but it's limited fishing, and there are very few fishermen fishing. In Southwest Nova, they usually return to the fishery after the weather warms up, and they put their traps back in the water. So as the fishermen down there are landing more lobsters, there's going to be more of a supply, and I think the price will decline.

How much they're going to catch will depend on how low the price will go. I'm not in the lobster business presently, but the people I talk to tell me that there's not a lot of demand for live lobsters. There is some movement. I talked to one fellow the other day who told me there were boats coming ashore but no buyers. Even though the price was \$7 a pound, or \$6.75, they weren't able to sell their catch when they came ashore.

I don't know what's going to happen when Quebec opens up, all of the gulf opens up, Newfoundland opens up, and in the Magdalens there's fishing, with everybody landing a lot of fish. What's going to happen? I can't see a big price. Customers aren't buying and they're not giving us orders for the new season.

[Translation]

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

• (1045)

[English]

**The Chair:** Thank you.

Mr. Stoffer.

**Mr. Peter Stoffer:** Thank you, Mr. Chairman.

Thank you, gentlemen, and the lady before you, for coming here today.

On February 27 it was announced by the federal government and the three maritime provinces that they were going to come up with a sort of marketing strategy. There was a combined half a million dollars from the federal government and the three provincial governments in order to do a variety of things: media campaigns, retail promotions, market research, and consumer promotion and all of that.

Were your agencies or companies involved in any of this? Was your advice sought, not just by the federal people, but by the provincial people as well, on how they should proceed?

**Mr. Mark Bonnell:** The association met with some of the federal and provincial representatives, but I believe there was a time constraint on that. It had to be spent by March 31, and it was really too close a deadline to make any great suggestions as to what to do

with this. Yes, we need marketing, we need market research, and we need product development. We need to develop our industry for the future.

**Mr. Peter Stoffer:** That leads to my next question.

There has been discussion about a so-called lobster marketing board or some sort of process of that nature. No one said they absolutely wanted to have this, but it's an idea that some people are looking into. Is it something that your businesses would be looking into in the future to sort of overcome some of the marketing challenges that we have collectively in the entire Atlantic region?

**Mr. Mark Bonnell:** Yes, we have a major problem in marketing in lobsters. Yes, we need new products. We need new development. We need product research, development, whatever, to find a new product. We haven't had a new product go into the lobster industry in 25 years. We need some innovation, but half a million dollars is not going to touch it. Half a million dollars would buy a few advertisements saying how lobster's good to eat and here's how to open a shell. Half a million dollars is only a drop in the bucket to what's required for this industry.

**Mr. Peter Stoffer:** But as a New Democrat, I must say I'm pleased with the fact that the three provinces working with the federal government are at least working cooperatively on a particular plan, even if it may not be enough; it may fall short. At least it shows an indication of a willingness to, one, understand the problem, and two, try to find solutions within the three—with the federal government as well. I thought that was pretty good.

My colleague, Mr. Blais, came up with a good point on ACOA, though. We understand that if the provincial government gives you, say,  $x$  dollars, it has to give Ocean Choice three times the amount because of a previous contractual agreement they made in regard to Polar Foods. But ACOA may be—this sounds nefarious—a backdoor way of getting at some assistance, and it's something to look at. I can't, obviously, make any assurances on behalf of the committee, but it is one thing to look at. I can assure you, I know Mr. Blais and I and others will speak to the ACOA minister to see what assistance may be provided, because your Icelandic bank thing is not working; they are in serious trouble.

I have a last question for you.

She indicated before—although she didn't say it, since she didn't want her remarks to be misinterpreted—that it almost felt as though there was a tension between the harvesters, the processors, and various levels of government. There's always that sort of competitive tension there anyway.

Is there good dialogue between companies such as yours and the harvesters on a weekly or monthly basis to iron out some of the concerns and problems that you mutually face?

**Mr. Mark Bonnell:** There is a dialogue, but I think more dialogue is needed. I think the fishermen need more information about what's going on. There are some who understand what's going on in the market, but others think the processors are just trying to rip us off, that the price is going to be down and they're going to make a big profit, that kind of thing.



If they go on the Internet or turn the television on and find out what's going on in the world, I think they'll realize this is a real situation and it needs a real solution.

**Mr. Peter Stoffer:** When is the price normally set for lobsters?

**Mr. Mark Bonnell:** Usually around the first day of fishing.

•(1050)

**Mr. Peter Stoffer:** Thank you, Mr. Chair.

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

Mr. Kerr.

**Mr. Greg Kerr (West Nova, CPC):** Thank you very much, Mr. Chair, and welcome to our guests.

I realize that you can't answer for all the presentations, but we have a lot of ground to cover, and I'm not going to repeat some of the questions. I'd also like to acknowledge Lawrence's work in this field. And on that marketing strategy, I agree it's a small start on a huge problem, but I would like to give credit to Minister Shea for saying we have to get on and get some things started. I think we have to see a lot more of that type of thing, and I know she's quite keen to hear what comes out of here.

What I want to do is quickly separate what's immediate from what's long term, because we've been hearing, and we'll continue to hear tomorrow—I'm from Southwest Nova and I know we'll get an earful tomorrow—from the harvesters. We talked about dialogue this morning, and in the long term, yes, I think everybody agrees when times are tough it's not a time to throw darts; it's a time to sit down and figure out what we are going to do in a strategic way so that we do all make money. That's the bottom line here.

Can I ask you, though, first, from your industry's perspective, what do you see as the most critical immediate steps that have to be taken? I'm including government and industry alike in that response. What do we have to do that's both different and immediate that would help in the short term?

**Mr. Mark Bonnell:** Our industry is like the cow that's down. She's down and we have to get her back up on her feet before we can start milking again.

We have to be able to finance this operation and we have to be able to hold inventory until people are ready to eat lobster again. If we don't, lobster landings are going to come in at very low values, because that's the only way lobster is going to sell. If you want \$2 lobsters, do nothing. If there's not financing available for people to hold lobsters, then fishermen will have to go without any pay, maybe. They can't stop fishing. They have to do something.

**Mr. Greg Kerr:** Credit is the very first thing you're talking about.

**Mr. Mark Bonnell:** I think credit is the most important thing in this industry right now.

**Mr. Greg Kerr:** What would be the second thing in the short term?

**Mr. Mark Bonnell:** In the short term, we need to develop some markets that will handle lobster and move inventory. We need to get the industry back and moving as much as we can. I know we're not going to be able to sell all of the product that comes ashore within the next two months. There's going to be heavy fishing. Southwest

Nova still fishes until the end of May. Cape Breton will be going until the end of July. A lot of lobsters are going to come ashore. Where will they go, and who's going to eat them?

We need some promotion, and there's no doubt that we need it, but the long term hasn't been looked at within this industry. Everything's been good. Everybody's been selling product. Everybody's been doing his or her own thing and hasn't had the money to spend on research and development. If we go to our province here in P.E.I., they don't even want to talk to us. They're handcuffed. They can't do anything. If they wanted to, they couldn't do it, but this needs to be done.

Research needs to be done. It not only benefits the processor, but it benefits the fishermen. It creates a higher value for what's being produced and it returns more money to the fishermen. But if we remain stagnant, as we are now, with no new products, it's going to be the same thing over and over again.

**Mr. Greg Kerr:** In the short term, of course, the credit and the market efforts are key. I assume that you mean all the players together, both levels of government, harvesters, and processors should be at the same table.

**Mr. Mark Bonnell:** Yes.

**Mr. Greg Kerr:** Okay. Moving to the longer term, which you just did, we've heard here and elsewhere about the need to reduce effort, however that's described. One of the things that harvesters are obviously very concerned about and government has to be up front about, as a part of that, is that if you reduce effort, it means finding a graceful and dignified way to have fewer people out there on the water. No matter how we describe it, we end up talking about fewer boats and less effort. How would the processing side of the equation react to the fact that there'd be less harvesting going on in the industry?

•(1055)

**Mr. Mark Bonnell:** We don't have enough processing capacity in Prince Edward Island. The effect is such that if the catch goes down by 20%, we're still going to be busy.

I don't think that side of it is as broke as we let on. It's broke this year because we have a recession. The reason that product isn't moving is because we have a recession. The reason there's a problem going into the new season is because we have a recession.

**Mr. Greg Kerr:** You and I aren't going to fix the recession, but we have to do the long-term planning.

**Mr. Mark Bonnell:** You and I aren't going to fix that, but we have to live through it. This industry is as important to Prince Edward Island as the car industry is to Ontario.

**Mr. Greg Kerr:** What would you think if the government worked with the harvesting side even after the recession was over? If there was still a need to reduce capacity and effort and if it actually meant retiring licences, is it something the processing side would be concerned about?

**Mr. Mark Bonnell:** I think if you reduce licences, you're possibly going to have the same number of landings. We've traditionally landed around 20 million pounds of lobster for a number of years in Prince Edward Island, no matter whether we used 1,000 traps or whether we used 300 traps.

The effort would be less, but the landings would be better and the fishers who remained would be financially better off through landing more poundage. I don't think you're going to reduce the number of pounds by reducing the number of participating vessels, but that's my own personal opinion.

**Mr. Greg Kerr:** That's fair. I know a lot of discussion takes place, but it is an item that we run into, and I'm sure we'll run into it tomorrow down in Southwest Nova as well.

**Mr. Mark Bonnell:** The problem we've had in the past is that we've increased in size. By increasing in size over the years we've taken the smaller lobsters out of the picture for Prince Edward Island. Our industry is unique in Prince Edward Island because we have the kind of lobster that has been processed here and we've developed a market for the smaller size over the years.

The 250-gram lobster used to be a big seller in Europe. We used the 250-gram lobster to sell the 400-gram lobster. The supermarkets in France used to buy the 250-gram lobster and use it for promotion. We've sold all kinds of that. The 250-gram lobsters are not being landed now. They've had to move to 300-gram lobsters, which puts the price up a little higher. They're not as anxious to promote it. It hurts sales because there are sales for smaller lobsters and the smaller lobsters are used to sell the bigger ones.

**Mr. Greg Kerr:** Hard times should bring out good resolution. That's the history of mankind. Usually you get through it, and you see what you're going to do about it when you get together. We have to get together—all levels of government, all parts of the industry.

I don't want to get into the marketing board issue, which is separate from marketing. But when you talk new product, do you have a sense of what a new product could look like in the near future?

**Mr. Mark Bonnell:** It could be as simple as a microwavable product—something easy for the housewife to pop in the microwave. It could be microwavable bags, microwavable lobster. In the U.S. a couple of years ago, a gentleman invented a casket type of thing for putting one lobster in the microwave. I think we need to take that in a couple of steps.

**Mr. Peter Stoffer:** It was a coffin?

**Mr. Mark Bonnell:** He called it a coffin. We'd have to change the name for the market. But it's the same idea—you put it in the microwave and come out with a product ready to serve.

**Mr. Greg Kerr:** Let's concentrate on the various levels of government. Marketing and the research that goes with it, we get in the short term. In the long term, we prepare ourselves so that we're better off facing the next economic downturn, whenever that comes. New markets with new product—that's probably the best opportunity we have in this downturn.

• (1100)

**Mr. Mark Bonnell:** We need new markets. We've overturned every stone we could in the last year. To try to solve these problems, we've been working to develop every customer and every market we ever had. There are developing markets out there that we need to work on. The federal government needs to spend money on this. It can't all be the responsibility of the processor.

**The Chair:** Thank you.

On behalf of the committee, I'd like to thank both of you for coming today and providing us with your feedback and advice.

Gentlemen, we will take a short break until we set up for our next presenter.

Thank you, Mr. Bonnell.

- \_\_\_\_\_ (Pause) \_\_\_\_\_
- 
- (1115)

**The Chair:** Before we resume our meeting, I would like to point out a change in the agenda here today. There's been an issue with one of our presenters who's been held up in Halifax, and his substitute is on the way. We've changed the order of the agenda. These two gentlemen have very graciously agreed to go ahead of their schedule.

A point was made to me by Mr. Stoffer, a very valid point, a very good point. If any of our presenters today, or any members of the audience today, have any points they'd like to submit to the committee, you could always do so in writing following the hearings. Just because we move on to another area tomorrow...if there's a point that comes to your mind that you wish you had made or you think would be relevant to the proceedings, to the discussion that we're having here, please don't hesitate to forward your comments and concerns to the clerk. We will certainly take it all into consideration.

Mr. Kerr.

**Mr. Greg Kerr:** Just so I'm clear, these are two organizations presenting as one?

**The Chair:** These are the organizations, yes, that were scheduled to appear at two o'clock. There are two different presentations that we are—

**Mr. Greg Kerr:** These are two separate presentations, then. Thank you.

**The Chair:** Before we begin, gentlemen—I didn't notice if you were sitting through some of the earlier proceedings. You probably heard the beep that we all hear from the time clock.

I haven't forgotten about you, Mr. MacAulay. Hang tight.

You will hear a beep and that will indicate that the time has expired. We are under some time constraints, as you can appreciate, to try to get it all in.

My colleague, the Hon. Lawrence MacAulay, would like to make a few comments at this point. I will certainly thank him for his patience and offer him the opportunity now.

**Hon. Lawrence MacAulay:** Thank you, Mr. Chair.

I come from around here, and what's going to happen here at 12 o'clock is they're going to feed this committee. We have about 30 or 40 people who saw fit to show up here today, to show that this industry is important, and in support, to let this committee know that this might be important.

I have ordered lunch for you people too. Please don't leave. Stay here. We'll have lunch, coffee and sandwiches, for everybody who's here. That's the way she works here in Prince Edward Island.

**Voices:** Hear, hear!

**Hon. Lawrence MacAulay:** Thank you. I have to admit that Ed Frenette gave me good help on this recommendation, but whatever, that's the way it works.

**The Chair:** Thank you, Mr. MacAulay. We certainly appreciate that.

I will now turn the podium over to our presenters here and let you begin, Mr. Avery.

**Mr. Craig Avery (President, Western Gulf Fishermen's Association):** First, I'd just like to thank the standing committee for the opportunity to make a brief presentation here. Mrs. Lockhart called me yesterday. Last week, I was in Saint John, New Brunswick. I was in Halifax yesterday.

I was asked if I was willing to put something together to make a presentation to the standing committee on the crisis the fishery is in today. I thank you for that opportunity. I'd like to explain a little bit about our situation here.

The presentation in your agenda would be on behalf of the lobster fishing area 24. Mr. Morrissey, my friend and colleague here, is chairman of that area. I represent 250 lobster fishermen in that area in the northern end of P.E.I., and I'm just going to make a brief presentation and then pass it on to Mr. Morrissey and he can make his. Then we'll both be here to answer the questions of the committee.

Again, I'd like to start off by thanking the Standing Committee on Fisheries and Oceans for giving me an opportunity to speak on behalf of the Western Gulf Fishermen's Association. First, I'll tell you a little about our association. The Western Gulf Fishermen's Association represents 250 fishermen who fish off the northwest shores of Prince Edward Island, LFA 24. The Western Gulf Fishermen's Association represents each fisherman on marine fishery issues and provides information on new regulations and training requirements issued by Transport Canada. The Western Gulf Fishermen's Association is continually working on projects to make fishing more sustainable for our members.

I'm speaking here today on the lobster fishery. On the conservation side, our association began a study on the impact of bar clam dragging on lobster habitat. We also had in place a proposal to look at the effects of scallop dragging and moss raking on lobster habitat. We had funding in place and were working on the scallop dragging study when we had to stop because the DFO withdrew from the project with no clear reason provided. Our association has organized numerous dragging operations, which were performed by our own fishermen at their own expense to look for illegal lobster traps. Every year, our fishermen pay DFO for additional protection out of our own pockets. For conservation reasons, our fishermen chose not to fish lobster on Sunday.

On the marketing side, because of the downturn in the economy and the projected low prices, this season we have asked both the federal and provincial governments to put in place financial credit guaranteed for both brokers and processors. This will enable them to purchase lobster and market them in an orderly fashion. With proper credit in place, hopefully this will provide better returns for our fishermen.

The Western Gulf Fishermen's Association is in the process of doing a feasibility study on the freezer and cold storage facility. We would also like to have a live lobster holding facility attached to this facility. On a final note, I would like to present to the standing committee a letter I recently sent to the federal fisheries minister, Gail Shea, requesting a lobster licence transfer freeze within the fishing area we represent.

● (1120)

**Mr. Greg Kerr:** It is a lobster freeze?

**Mr. Craig Avery:** It's the lobster licence transfer freeze. The letter is attached to my presentation. If anyone wants a copy of it, you can get it from your clerk.

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

Mr. Morrissey, please.

**Mr. Francis Morrissey (Chairman, LFA 24 Lobster Advisory Board):** Thank you. I am the lobster chairman of area 24, which represents the lobster fishing district area 24, and on behalf of the fishermen, I have a short presentation to make to you.

We have titled our presentation "A Plea", because as fishers we cannot move forward without the support of Fisheries and Oceans Canada, the federal government, and even our provincial government. We must now take the steps necessary to protect the long-term sustainability and viability of the important lobster fishery.

I am not going to repeat the various economic statistics relevant to the lobster fishery here on P.E.I. They are well documented and readily available to your committee. I will, however, focus on our current challenges and the assistance we are seeking to navigate around these challenges. The lobster fishery is at a crossroads, facing a crisis. The solution is out of reach of fishers alone. We need your help.

This is indeed an extraordinary time, a time where the industry, as represented by fishers, has reached the planning stage for the sustainability of their own industry that is ahead of government bureaucrats and newly elected politicians.

During the recent federal election, candidates for the federal Conservative and Liberal parties all promised support for a licence buyback program, a rationalization, but the election is now over, and as usual, the government's line is now not a penny for licence buyback programs. Where do we go now? This is our plea.

The lobster fishery of P.E.I. is as important as the auto industry is to Ontario or as the oil and gas industry is to Alberta. It is one of the few natural resources we have.

Now to solutions, with a price attached. The top priority for the long-term viability and sustainability of the P.E.I. lobster fishery is the development of a funding formula that will allow for the orderly retirement of lobster fishing licences over a period of time.

As an industry, our fishers are prepared to pay our share through premiums attached to renewal of lobster licences. We are calling for the federal government to provide non-interest-bearing loans to be made available to those LFAs that want to participate. Repayments can be made from the proceeds of various stock allocations as well as from premiums attached to the renewal of lobster licences. The federal government controls both these sources of possible repayment funds.

As an example, the federal government has used the Canadian account to provide various sectors with related loans for troubled industries, with up to a 55-year repayment schedule at zero per cent interest. Given this account's maximum flexibility, it could be but one of many financial tools available to the federal government to fund the licence buyback program if the political will was there.

The lobster processing industry will not escape the current credit crisis. The lack of credit for processing plants and brokers will have a negative impact on the prices fishers receive for their catch, maritime-wide.

Government must make available credit options for our industry similar to what the government is providing other sectors of the Canadian economy.

On a long-term basis, government must allocate more funding for research and development of more consumer-appealing packaging and products and an investment in technology required to process these lobster products. In many rural communities the largest employers are our seafood processing plants.

At this time I would like to thank you for coming to P.E.I. and giving fishers an opportunity to voice their concerns. I will try to answer any questions you ask. Thank you very much.

• (1125)

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

Mr. MacAulay and Mr. Byrne, you are going to share your time, I take it. I'm not sure which one is going to go first.

**Hon. Lawrence MacAulay:** We might. Thank you very much.

Welcome, gentlemen. Glad to have you here.

As my good friend Mr. Kerr mentioned, there was \$462,000 announced for promotion in the lobster fishery. I would like you to give your view on that and on how much impact it's had. No doubt any money is important for anything, but we have to make sure the dollars are spent, and spent right.

And perhaps you could elaborate a little. We hear all about this bridge financing for major corporations all through North America. You happen to have an industry too. Perhaps you need some financing. How do you feel that should be handled? Could dollars be put in, in the short term, in order to make sure some fishermen can survive?

I'll let you answer those two questions first.

**Mr. Craig Avery:** Mr. Kerr was wondering about money that was put into the marketing end. I want to be clear that I'm happy to hear about any money that comes in to help market our lobster and get me a better price. I'm not condemning it. But at the end of the day, the \$450,000 somebody mentioned here earlier—I think it was Mr.

Bonnell, about some brochures at the Boston Seafood Show and a cassette or CD with some filming—is good, but it's the tip of the iceberg of what we need to get this thing going again.

I took the liberty of bringing the brochure. It's very pretty. I'll pass it around if everybody wants to have a look at it. There's the folder and the brochure. I haven't got the cassette with me. The money was issued a month ago, and it had to be spent by the 31st of March. It's spent. It doesn't take much to spend \$450,000 today. We're looking for between \$3 million and \$5 million right now to try to get this thing kick-started again.

I'm going to turn it over to Mr. Morrissey in a minute, because he's speaking on behalf of fishermen on the rationalization side for our area. But on financing, I pointed out in my presentation that we support processors. The processors and brokers haven't got financing in place. They're no different from the auto industry. They're going to be shutting down. There are hardly any of them left now.

There are ways to slow down the fishery, but there are so many lobsters there. Fewer traps in the water may help to slow the catch down, but at the end of the day we're probably going to catch just as many lobster. We're quite efficient in our business. Like I said, we need financing for the processors and brokers so they can buy and move their product in an orderly fashion.

We're like anybody else. I spoke about this with the provincial government. Everybody knew last fall, when lobster was \$3.25 a pound, that things were going to be tight this spring. So don't wait until next April when I'm trying to fill out my income tax return. I had a tough year last year, at \$4.50 a pound. I mean, we lost \$30,000 in our income. Fuel and bait and everything was up 35% to 40%.

Take a proactive approach today. Before the end of the season, put something in place so we have a share of some of this money coming down. We're as important here in Atlantic Canada as the oil and gas industry in Alberta and the auto industry in Ontario. We could use help as well.

Fishermen are people with a lot of dignity. They're probably right at the bottom of their credit lines and everything else, and they're not going to come out begging. That's what we do on their behalf. If we can put something in place before the end of our lobster season and before area 25 starts in August, it would be greatly appreciated.

Like I said, on the rationalization side, I'll pass it over to Mr. Morrissey. He's the area 24 rep, and he's working on the rationalization plan for the whole area.

Unless Lawrence has something else....

• (1130)

**Hon. Lawrence MacAulay:** On the buyback program, what do you feel about it?

**Mr. Francis Morrissey:** Mr. MacAulay, we feel that a rationalization program is very important. It allows the older fishermen to retire with a bit of dignity. With the circumstances and financial situation now, there aren't many young people looking to get into the fishery. By having a licence buyout program, it leaves the remaining fishermen to become more profitable, which allows the rural communities to continue to exist and the processing plants to remain with the workers.

We're in the process of trying to draw something up. I fully expect that fishermen are prepared to help out, but we also need federal help and provincial help in coming up with funds to buy out fishermen who want to exit the fishery.

It's very important for the economic viability of the people who are left. It's one way for it to stay healthy. There are people right now who are wanting to retire, but there's nobody to take their licence. Basically, a young person today can't get financing to purchase a licence.

**Hon. Lawrence MacAulay:** I'd like you to comment on the live holding facility.

What we heard here, and before too, is that the problem with marketing is that there's a glut of lobster, and when there's less lobster coming in the price goes up. You need an orderly flow of lobster in order to make sure you get the best price.

I'd like you to comment on how you feel about a live holding facility helping the industry.

**Mr. Francis Morrissey:** I can speak to that on two fronts, as a lobster fisher and as a member of the board of directors of the second-largest processing plant on Prince Edward Island. I've been there for 19 years.

We have just finished installing a \$1 million holding facility with absolutely no government assistance. You can't get government assistance. Provincially, they hide behind the OCI deal; federally, ACOA won't look at it.

The reason why we installed the holding facility and the reason why anybody would want to have one is it eliminates what we call a glut situation in the fishery, where, at the start of the season, when the catches are high, instead of processing product into low-value product, you can hold your lobster and do it later in the season into high-end product. The trouble with the high-end product is it's very labour-intensive, but it's still worth your while to do it because the return is there. But by not having holding facilities to hold the product, at the start of the season you've got to push it into this product to get it through or it dies in the plant. Holding facilities are very important to the fishery.

It also extends to the area of our workers. Last year, at our plant, we were able to keep 160 plant workers working an additional three weeks by just what we had in our holding facility. The product that we were doing was very labour intensive, but it was going to a niche market in Japan and the returns were very high on it. It was worth your while, because although your labour costs were higher, your return was much higher.

That's the important thing about lobster holding facilities.

**Hon. Lawrence MacAulay:** We'll let Mr. Byrne or Mr. Andrews speak.

Mr. Chair, is that suitable to you?

**The Chair:** Yes.

**Mr. Scott Andrews (Avalon, Lib.):** How many holding facilities are there currently here on the Island? You just gave us one example.

**Mr. Francis Morrissey:** Most fishing plants have a small amount of holding. As for any large capacity, there'd be very little. With the

existing facility we had and the new facility that we constructed, we have, roughly, right now a half a million pounds of capacity. OCI is the largest on the Island, and I suspect they have larger than that. When it comes to the other processors, they all have some, but not very much.

• (1135)

**Mr. Scott Andrews:** How much more holding capacity would you like to have?

**Mr. Francis Morrissey:** I'd like to have another half a million pounds. That's for my own plant; I'm not speaking for the other plants.

**Hon. Gerry Byrne:** You said something that's really piqued my curiosity. You said you've actually formally written to the minister to say that you want a freeze on any licence transfer.

**Mr. Francis Morrissey:** No, that's not me.

**Hon. Gerry Byrne:** Sorry, Craig. That's quite an event, because of course it means that the value of those lobster licences, the retirement funds of those who currently hold them, so to speak, is held in abeyance.

**Mr. Craig Avery:** No, you misunderstood. I'll explain it.

**Hon. Gerry Byrne:** Yes, I need you to explain that.

**Mr. Craig Avery:** I'll explain it out to you.

What we're asking for is a licence transfer freeze from one port to another, and that's only within the area that I represent; that's the four harbours I represent: Seacow Pond, Alberton, Tignish, and Hardy's Channel. The reason for this is that in those four harbours right now, counting the native fishers, we have close to 300 licences. There are 640 in all of area 24.

All we're asking is that a freeze be put in place until we can get a rationalization plan in place, so that if a licence comes up it can be purchased and shelved. Right now, if lobsters move out in the spring and they are, heaven forbid—and I'm not even going to say the price—at a low price, and Gardner Pinfold has already said it costs \$2.95 a pound for a fisherman in P.E.I. area 24 to harvest the lobster. You're hearing them talking about prices that are not much better than this. We're scared there's going to be a fire sale. There's a lot of fishermen in our area who would like to buy a licence to bring them in. There's no sense in putting more effort into an area that's already at its capacity. We're just asking that a transfer freeze be put in place till we get a rationalization plan in place whereby we can go out and purchase licences and shelve them. Right now you can transfer a licence anywhere within the area. And they've been put on before. They have them in area 25 right now. In the north end area of 25... there were a lot of licences transferred up into that area, and their capacity got so heavy that nobody's doing anything.

Basically, that's what we're asking for.

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

Monsieur Blais.

[Translation]

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

Welcome to Messrs. Avery and Morrissey.

The first question I would like to ask you is about the impact of the grey seals. I raised this issue with a previous witness, Mr. Morrissey, but I think it is important for all members of the Committee to hear these things again, especially about the impact of the grey seal population. They can have a major impact. It is so in Quebec, in the Magdalen Islands. It is huge here also. I would like to hear what you have to say on this subject.

[English]

**Mr. Francis Morrissey:** The grey seal population is exploding in the gulf, and they're a major problem. They're destroying our fishing gear, and we feel they're eliminating the groundfishery. They've turned on to the mackerel and herring now, and we've witnessed them eating lobsters. There's absolutely no control with this animal.

Five years ago in our fishing area you'd catch mackerel and herring. Now you have to sail 20 miles farther away, because the seals are driving the fish farther and farther away. Last year, the only place we could find groundfish was in 180 feet of water, where the sharks are, because the seals won't go out where the sharks are. I don't know what we're going to do with the grey seal, but if something isn't done with them, they're going to eliminate the fishery in the gulf.

[Translation]

**Mr. Raynald Blais:** Regarding the licence buy-back program, how should this be applied, in your view, in your area? I get the impression that the buy-back program could be very different from one area to another, that it could be spread out over many years in one area and be of much shorter duration in another. I suppose also that the buy-back price would be different from one area to another.

I would like to hear your views on the licence buy-back program specifically in your area, in your fishing area.

•(1140)

[English]

**Mr. Francis Morrissey:** Each LFA would have to come up with its own criteria, because each fishing area is different. Right now in area 24, a licence is more expensive than it is in area 25 or 26A. Each LFA has an advisory committee set up with fishermen from all the ports. To come up with a rationalization program, these fishermen would have to come together and set the criteria.

In a perfect world, we'd love for the federal government to pay for it all. It's not going to happen in reality. Are we prepared as an industry to help? I suspect we are, but we'll only know that when we get farther into the process. We are now working with the federal and provincial governments on a rationalization program. We don't know what the funding is going to be. We'll know that probably in another month or two's time, but we are committed as an association toward rationalization. In area 24, we've already drawn up what's called in the industry a 10-point plan to reduce effort. We have agreed to eliminate 24 licences per fleet over the next 10 years, which is eliminating 51 licences out of area 24. It's self-rationalization. Our 10-point plan could be made available to you if the committee would like to have it. We've committed to reducing our fleets by 51, out of 635. We'd like for the federal and provincial governments to match them.

[Translation]

**Mr. Raynald Blais:** You have solutions, you have recommendations that you can provide to us. We too will have to make recommendations soon. But at the same time, you talk about this not being a perfect world, which tells me that you are trying to be realistic.

In this sense what will be the impact, this year and in the following years, if no concrete measures are taken, such as a buy-back scheme in your area?

[English]

**Mr. Francis Morrissey:** That's a good question. What will happen? I really can't tell you. I know there'll be fishermen in their eighties who'll still own fishing fleets, because they'll have no place to sell them. The young people are not lining up to purchase licences. If we have a rationalization program and we buy out some of the fleet and the remaining fleet becomes more profitable, then the younger people will want to come back into it. They will see that they can purchase one, pay for it, and make a living. This would keep our rural communities viable. We can't all move into the city. If we do, then there's going to be a lot higher unemployment rate, because then half the civil servants won't be needed. It's a two-edged sword. We need the rural communities along with the urban.

[Translation]

**Mr. Raynald Blais:** There is one other aspect that you raised, that of the next generation of fishers. We discussed the licence buy-back and other such measures. What should be done in order to attract the younger generation? Are young people attracted today to fishing? Will they be tomorrow?

[English]

**Mr. Francis Morrissey:** There are some young people entering the fishery right now. If their family is in the fishery and the father is retiring right at the present time, some of them will take their father's fleet. Other than that, there aren't a lot of young people entering. Presently, about 60% of the fishermen are between 55 and 60 to 65 years old. If it's more viable and more profitable if fewer fishermen are on the water, and the ones who remain catch a few extra pounds, then it becomes more financially sustainable for them to enter the fishery.

[Translation]

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

[English]

**The Chair:** Thank you.

We'll go to Mr. Stoffer.

**Mr. Peter Stoffer:** Thank you, Mr. Chairman.

Gentlemen, thank you very much.

I want to make just a slight correction. I know that our electoral prospects on the Island are always minimal, at best, but the NDP supported the licence buyback program as well. That's just to give you a heads-up on that, but no worries.

We heard on the Magdalen Islands about some of the conservation efforts they're doing. Each lobster fisherman would voluntarily reduce his effort by three traps. There is that kind of thing. Also, you've heard of v-notching and everything else here, but I wonder if you could give a couple of more examples of what you're doing in terms of conservation and working with the other LFAs, the other provinces, and the fishermen in that regard, especially the ones from the Maggies.

Second, in terms of what happened in Nova Scotia last year, we saw an awful lot of vehicles from Southwest Nova in the Halifax area selling lobsters off the back of a truck. Did that happen as well in Prince Edward Island?

• (1145)

**Mr. Francis Morrissey:** What are the fishermen doing similar to the Magdalen Islands? Is that what your question is?

**Mr. Peter Stoffer:** Yes, similar to the Maggies, and others, such as v-notching, reduction....

**Mr. Francis Morrissey:** In area 24, the 10-point plan we drew up for DFO, which was requested, comes into effect in 2011. That's when it starts, and it's over an eight-year period. The fishermen have agreed to reduce by 24 traps per fleet. We've agreed to put a hoop size on that's no larger than six inches. We've agreed to eliminate two days from the end of the season. We've agreed to throw all male lobsters from 81 millimetres and above over on the last day of fishing so that we leave a broader range of males for breeding purposes. What else is there? We've increased the size of our escape mechanisms that are presently on our traps.

When you break it down, by eliminating 24 traps per fleet, it eliminates the use of 774,000 pounds of herring and mackerel that could be left swimming in the water, estimating one pound per trap per day. We have a fuel saving of 400-and-some litres of fuel per vessel, and we eliminate 281 miles of rope from the water, which makes the sea, I guess, a little more friendly for mammals and turtles and whales and wild seals. I guess that goes with it too.

You can read our 10-point plan, Peter. I imagine you can access it from DFO. It's area 24.

**Mr. Peter Stoffer:** In terms of, again, some lobster fishermen in Southwest Nova and other areas coming to Halifax and selling their lobsters off the back of a truck, did any fishermen in P.E.I. feel they had to do the same?

**Mr. Craig Avery:** Last year in area 24 there were three or four days, about the third week, that got pretty sticky. I don't know if there were actually any days that boats were tied up. I suspect this year.... We lost another processing plant down east and there are brokers saying they're not buying. I spoke to a gentleman in the department of fisheries in P.E.I. about a peddler's licence myself, yesterday, and apparently he's getting quite a few inquiries. There's fear out there.

One of the reasons there's probably still \$25 million worth of processed product in cold popsicle packs and whole frozen lobsters is that the processors took a chance and put it into a not very labour intensive product, and they froze those and got caught with them. There was lots of live product in southwest Nova Scotia, and they got caught with them. Last year, I'd have to say I don't think there was anybody peddling in the stores and parking lots. You look at last

year in southwest Nova Scotia; it was the same thing. It only started in December.

I expect this year...as I said, I inquired myself. We have fishermen building cages and stuff, trying to look at ways to haul their own lobsters. As you've seen in my presentation, we were looking at a freezer holding facility, whether it be for bait or lobster products. We feel we may be able to access them.

**Mr. Peter Stoffer:** Thank you.

Just before I get cut off, I have one other question to ask.

**Mr. Craig Avery:** Okay, go ahead.

**Mr. Peter Stoffer:** On the buddy-up system, we've heard that sometimes DFO is working with fishermen, in terms of having two skippers on the boat. So instead of, say, 600 traps, you had 450 traps. If there were 300 on each boat, you put 300 on one, 150 on the same one, so you have two skippers and 450 traps. Is this something your LFA or the PEIFA would be looking at in terms of reducing the input costs for the fishermen in the future?

• (1150)

**Mr. Craig Avery:** That's been in place for a long time. I think DFO has made that a little more flexible. Again, I have never seen that happen in our area. Last spring, I understand, in New Brunswick area 25, there had been some people who buddied up like that and reduced 150 traps, but I haven't seen that happen in our area yet.

The catches in area 24 were over \$12 million last year. It was a pretty good average; the price was low. We got through last year, but any time catches drop or if the price goes down any more, we're going to be at a break-even basis again. You say in our area, and that's what we're speaking on for you here today. We didn't see that last year, but it could be helpful down the road.

You're going to start putting kids out of work, at the back of the boats and stuff like that. It's a problem, but I don't think that's really the way to do it. I think rationalization in the fishery would be a better way to go. We have a lot of older fishermen going out. As Francis pointed out, there's not enough of the younger generation coming into the fishery.

I'm 46 years old. I have two sons. Both of them made it quite clear, "Dad, do whatever you want with it because we're not going fishing", so neither one of them wants to. I have one boy who's real good in the boat, who fishes with me some. I don't like pushing kids into anything, but he could change at some point. As of now, both of them told me, "If you want to get out of it, you do whatever you want to do; you do it. We're not going fishing." That's the attitude of a lot of kids today. They don't want to go out in the back of a boat. They don't want to be dealing with this kind of stuff. That's the way the world turns today.

**The Chair:** Thank you.

Mr. Calkins, I believe you're going to share your time with Mr. Allen.

**Mr. Blaine Calkins (Wetaskiwin, CPC):** Well, if I have any, Chair, I'd be happy to do so.

I'm certainly appreciative of your testimony here. As well, it's my first opportunity to speak this morning in Prince Edward Island. I certainly want to thank everybody who's come out from around the province to be here today. I've been an MP for a while now, and I've never seen so many people at a public gathering for a committee meeting. I think that just speaks volumes about the situation the industry is facing. Let me say I'm very empathetic.

I come from Alberta, where we don't profess to trap a whole lot of lobsters, but we do eat some and we like to have it with our steak. One of the things I wanted to have last night right here...and it was brought up—whether it's the frozen ones or whatever—that there's lobster here on the Island. We went out last night for dinner and I wanted surf and turf, and the reality was I couldn't get a lobster in Charlottetown this time of the year. Maybe this is just indicative of one particular restaurant, but to me the math doesn't add up there. I'm just wondering what's going on.

Before I go down that tack, I just want to ask you this very quickly. Are you satisfied with DFO's handling of stock management? If I look at the FRCC report, it seems to me that landings have stabilized now, but we have record landings or close to record landings every year. Are you satisfied with the carapace length and all the other types of stock management measures? Roughly, without going into too much detail, are you satisfied that we've hit a pretty good sweet spot for managing the stocks?

**Mr. Francis Morrissey:** I can speak on behalf of the lobster fishery. We've been very fortunate in our area, which is called area 24. We're at record catches.

Some of the mechanisms that DFO put in over the last 20 years are responsible for it. Did we agree with it at the time? No. We fought tooth and nail with some of it. Some of the stuff that we fought tooth and nail with, some of the measures they implemented, today I'd fight tooth and nail to see them not implemented.

Probably a large part of the reason why the stocks are good in the lobster fishery is because the groundfishery is depleted. Basically, it doesn't exist anymore. I'm not a scientist, but my father and his father before him always said that when the groundfisheries went down, the lobster stock and crab came up because groundfish used to eat it.

I'll not speak on any other fisheries, but in the lobster fishery we have a pretty good working relationship with DFO.

**Mr. Blaine Calkins:** Okay, good.

I see a lot of similarities between agriculture and fisheries. At the end of the day, you spend a bunch of money. You have a whole bunch of money going into input costs, whether it's fuel or fertilizer for the farmer or fuel and bait for you. We buy tractors; you guys buy boats.

At the end of the day, you're a price taker. You take your product into the market to whoever the buyer happens to be. In some cases we have boards. For example, in western Canada we have wheat and barley that has to be marketed through a government-made monopoly, and so on. We have supply management in certain areas.

We have a whole hodgepodge of things there. Some things work well and some things don't work well.

What I'm getting at here with you guys, though, is that in agriculture we have income stabilization programs, because sometimes you have a good year, but you don't know what you're going to get when you're farming. It's no different when you're fishing. You don't know what you're going to get.

Do you have any recommendations for the committee insofar as any type of income stabilization?

In the Maggies we heard the fishermen there lobbying or pressing us to basically harmonize or merge agriculture and fisheries together for access to the income stabilization program.

• (1155)

**Mr. Francis Morrissey:** I don't really understand the stabilization program in agriculture. I don't know how it works, so I really couldn't comment on it.

**Mr. Blaine Calkins:** If a farmer has a really good year, rather than paying tax on their profit, they can put some money into an account in a tax-deferred situation so that when they have a bad year in the future, they can take that money out and apply it to their operating costs for that particular year. That's one example of an income stabilization opportunity.

Is that something that would be beneficial, or do you guys even make enough...? My understanding is that some boats don't even make money to the point where they're paying taxes.

**Mr. Craig Avery:** I can tell you something. I've been fishing—as young as I may look—for probably 33 years, believe it or not, and at the end of the day I've never seen a year... I've had a few years where I've put a few dollars into RRSPs and before the next year was up the tax man was tapping me on the fingers; I told him it was either that or I'd have to borrow more money. Most of the time when I put money into RRSPs, I borrowed the money to put it in there. I didn't find that worked all that well either.

I don't know. I'm not knocking people in western Canada or in central Canada, but I want to tell you something. On Prince Edward Island, the recession doesn't really bother us a lot right now, other than the price of lobsters. We've been in a recession here all our life. That's just the way we live here and that's what we're used to. I don't think we have a lot of money here. Any fisherman I know or talk to.... There are certain fisheries that are fairly lucrative, but for anybody who is fishing like me over the years—lobster, tuna, herring, mackerel, and a few things like that—there has been no money to put into stabilization. At the end of the day, when we file for EI, we need the cheque that comes out every two weeks. If we didn't have it, we'd be in bad shape. So I don't really think that type of stabilization program would work for us.

**Mr. Blaine Calkins:** Okay.

**Mr. Craig Avery:** If we had some type of a low-interest loan to get us through from one year to the next, so that come January or February, when we run into our 19% and 20% and 22% Visas that we all love to use so much—none of us is any different—then something like that might help, but I don't think the stabilization program would work for us.



**Mr. Blaine Calkins:** One of the other things I see happening now is in Alberta we have basically two packing plants, two processors, left. We're talking about millions of dollars' worth of beef. The analysis I hear is about the same. You guys are talking about having a pound or a co-op, or whatever it is—a place to store the lobsters—so you don't have a glut on the market, because the initial glut, I'm assuming, creates a low price, a price depression, for you.

One of the models that I'm quite excited about is one in which the processors never actually own the fish. The deal is made between the farmer or the producer and the buyer, and the processing company or the packing plant simply charges a flat fee to process the animal. Are there any models like this that exist here as far as fishermen...? Do we have fishermen selling directly to a buyer and simply paying processors a fee? Do we have situations where we have processors or whatever cornering the market when the market is low, buying stuff up so they can increase their margin? You don't blame them for doing that. But is that a saleable solution or a workaround to some of those kinds of issues, given the fact that lobster has such a short shelf life?

**Mr. Craig Avery:** I was hoping Francis would take this question. He has a lot more experience in the processing and buying sector.

**Mr. Francis Morrissey:** I'll answer it.

**Mr. Craig Avery:** If you wouldn't mind.

**Mr. Francis Morrissey:** We have a processing plant at home that's a cooperative. We have 180 members that sell all their product to us. Basically, you're relying on what we call the brokers in the industry. We don't sell directly to the consumer. We sell to a brokerage firm. Then they sell to people.

The way the world is now, some of the major brokers we sell to have to guarantee cruise ship lines and restaurants like Red Lobster and everything else a continuous 12-month supply. You have to be very large to be able to do that. When they go to these brokers to buy lobster, they don't want only lobster; they want shrimp, they want scallops, they want all different species. We can't offer that, really.

Are the brokers gouging us? I don't know. Everybody has to make a few dollars at the end of the day.

**Mr. Blaine Calkins:** Is the price on the shelf in your typical markets different this year from what it was last year, or different from the year before?

**Mr. Francis Morrissey:** From the information I receive out of Florida, from talking to a few individuals down there, the price is probably on par with last year.

Actually, in our own operation at home, we're receiving more money right today for a pound of lobster meat or a pound of raw tails than what we received last year, even though the price in the marketplace is down. That's because the fishing industry lives and dies on the exchange rate. Basically, product that was selling for \$16 a pound last year would be returning back to the plant, when the dollar was on par—\$16 a pound. The same product would be selling right now for \$14 U.S. a pound but returning to the plant about \$17.25 a pound.

The important thing for the fishery, for us to get out of this crisis, is for the processors and the brokers to have a larger line of credit.

I'm not a processor, but I know where Mr. Bonnell is coming from on this. If they all could have enough line of credit this year to be able to buy the product, process it, keep the people working in the plant, and sell it out in an orderly fashion, within 14 months to 16 months we'd all gradually start to get out of this mess we are in.

If they don't have a line of credit large enough to be able to operate this year, what's going to happen is that either boats will be tied to the wharves—in other words, once the plant has no more money, it can't purchase any more lobster, which means the workers have gone home, which means the crew on my vessel has gone home too—or else someone will start dumping product onto the market at an unrealistically low price. When we hit that, we're all doomed. It's a crisis then.

How are these processing plants going to get the line of credit? Provincially they can't do anything, but federally? Maybe you fellows could help. Basically, they'd be asking for someone to guarantee the line of credit they'd be getting from the bank or credit union facility.

• (1200)

**Mr. Blaine Calkins:** Mr. Chair, I know I'm out of time, and I don't know if this is the appropriate place to do this or not, but given the fact that some of the lending institutions were actually named by some of the witnesses who appeared today, it might be very good for the committee, at some point in time during the study, to talk to some of the people from the financial institutions. We could bring them in here and just ask them some very pointed questions about why they're not willing to lend to the seafood industry.

**A voice:** Hear, hear!

**The Chair:** Thank you, Mr. Calkins. That's a point well taken.

Thank you, gentlemen, for coming today.

I would just ask everyone for their patience for a moment. If you could please stay seated, I would appreciate that. The CBC would like to get a few shots of us at the table. As members know, there are rules that constrain when the cameras can roll—yes, your hair looks good, Peter—and when they can't. Now that our meeting has concluded, they can get a few shots of all of us around the table.

Mr. Morrissey, go ahead.

**Mr. Francis Morrissey:** On behalf of all the fishermen of P.E.I., I'd like to thank the federal Department of Fisheries and Oceans, the Government of Canada, and all you people, as MPs, for bringing in and putting through legislation—I know Lawrence championed it—on the capital gains exemptions for all fishermen.

On behalf of all the fishermen, I want to thank you.

**The Chair:** Thank you, Mr. Morrissey. I do appreciate that.

Once again, on behalf of the committee, I'd like to thank you gentlemen very much for coming today, for making your presentation, for bearing with us as we asked our questions, and for being so forthright with your comments. It certainly is appreciated by all members of the committee.

We are going to break for one hour for lunch. We hope we will have a chance to chat there as well.

The meeting is adjourned.

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**Published under the authority of the Speaker of the House of Commons**

**Publié en conformité de l'autorité du Président de la Chambre des communes**

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