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—
Chair

Mr. Rodney Weston

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•(0910)

[English]

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

I'd like to welcome the mayor of Yarmouth here this morning. The mayor has very graciously joined us this morning to welcome us to his community.

Mr. Mayor, I'll give you the podium.

Mr. Philip Mooney (Mayor, Town of Yarmouth): Thank you, Mr. Chairman.

Welcome, everybody, to Yarmouth. Thank you for coming.

I was surprised to get a call from Mr. Andrews last week, inviting me just for a little chat. I know you're going to keep me to 20 seconds, but if anybody ever sees the acrimony in the House of Commons and saw the camaraderie last night at supper between all parties, it was something that all Canadians should probably see. They treated each other very well and had a very good conversation about western Nova Scotia.

Today you'll find out about our lobster industry, which drives the economy here in Yarmouth and Yarmouth County—and the tri-counties actually. The only other thing to know is what I told the boys last night, that I was going out to do two things. I was going out to see the Chicago Blackhawks beat the Montreal Canadiens and I was going out to play poker last night. I wanted to accomplish two things, to win money on one, but when the Black Hawks lost I still won \$5. But I want to switch it the other way.

Mr. Chairman, thank you for the 30 or 40 seconds. Thank you for bringing everybody to Yarmouth. Hopefully, you can get those guys down to the lobster pound.

Thank you very much.

[Applause]

The Chair: Thank you, Mr. Mayor. We really, really appreciate your coming here this morning.

Mr. Kerr would like to say a couple of words as well.

Mr. Greg Kerr (West Nova, CPC): Thank you, Mr. Chair.

I just want to say to everybody, thank you for being in West Nova. Yes, we had a very restful evening last night. I thought it was funny because Phil arrived just to say hi, and he had his Blackhawks hat on then. Monsieur Blais indicated he might not arrive this morning with

it on, and sure enough he didn't arrive with his Blackhawks hat on today!

Voices: Oh, oh!

Mr. Greg Kerr: Once again, the Habs won that round.

I just want to say briefly that you heard me reference lobster—and, yes, it does make the economy. When you flew in you will have noticed that Yarmouth is a long way away from a lot other built-up areas. It's a very independent and very strong community.

We started years and years ago, obviously when Mr. Champlain and Mr. Poutrincourt arrived in Port Royal and went up the way in West Nova and then went on to Quebec. It's always been attached to the sea.

People noticed the houses last night. Up until early last century, it was a thriving sea community with a lot of commercial ships, wooden sailing ships, etc. They've never lost the tradition, but today the dependence is more and more on primary resources, and the fishery is critical to the area's economy. And lobster has grown in importance steadily in the last number of years.

I know the residents and the people who are in the industry very much appreciate the committee being here, and I just want to say welcome, and I hope you enjoy it. As they say in Nova Scotia, come back often and spend lots of money.

Thank you, sir.

•(0915)

The Chair: Thank you, Mr. Kerr.

Before we start this morning, Mr. Stoffer tells me that our friends from Newfoundland and Labrador are celebrating a special occasion today. I don't know if he's trying to pull an April fool's joke on me or not, because he's already tried once this morning.

Is it correct that last night was a special anniversary in Newfoundland?

An hon. member: At midnight.

Mr. Scott Andrews (Avalon, Lib.): Actually, it was last night at 11:59.

Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.): Actually, it is a special anniversary for the territory of Nunavut today as well. However, we couldn't celebrate that today. You need to have a celebration.

Voices: Oh, oh!

Hon. Lawrence MacAulay (Cardigan, Lib.): We're always big on celebrations.

Voices: Oh, oh!

Mr. Greg Kerr: Do you need a reason?

The Chair: Now we'll get down to the business we came to town for.

This morning we have with us Mr. Colin MacDonald from the Clearwater Seafoods Limited Partnership.

Mr. MacDonald, we allow 10 minutes for the initial presentation and then there are timeframes allotted to each individual member, or to each individual party, for questioning on your presentation. I know you have quite a lengthy presentation, and don't be offended if I cut you off, because we'll probably get to a lot of the material through the questioning process as well.

Mr. MacDonald, I invite you at this time to proceed with your presentation.

Mr. Colin MacDonald (Chief Executive Officer, Clearwater Seafoods Limited Partnership): Thank you, sir, and ladies and gentlemen.

I've left a copy of my presentation, so you're welcome to distribute it and read it. I think the points I make are salient to the issue.

Thank you for the opportunity to present my views on the Canadian lobster fishery.

I've been in the lobster fishery as a buyer and an exporter of lobsters for 32 years. In that time, I've been accused of being plain-spoken and frank and a holder of unpopular views in the industry. Obviously, nothing I will say today will dissuade anybody from that perspective.

I also agree that the problems facing the industry are complex in nature, and my solutions are not meant to over-simplify the complexity of the problems. But I believe the problems the industry is facing have their roots in the very history and structure of the industry. It's my strongly held belief that the challenges we are confronting today go much deeper than just price. They go right to the core of the industry structure. They have been exacerbated and made more apparent by the global economic crisis. However, even in the face of the enormity of these challenges, we have an unprecedented opportunity to offer a new and more sustainable future for the Canadian lobster industry.

Whether you are a fisherman, a buyer, a shipper, a retailer, a restaurateur, or a provincial or federal member of the government bureaucracy, the very first issue we should all think about when we discuss the lobster business is, who is our customer and what is our customer's experience with the product? When you think of the customer, it is important that you consider two broad levels: the distribution system—which is how we get the product to the ultimate consumer—and the consumer.

The lobster industry needs to promise and deliver two things to be successful, first and foremost: an incredible eating experience each and every time; and secondly, and as important, a reasonable profit to the distribution network. Otherwise, neither the consumer nor the distribution system has a reason to buy, handle, or eat lobsters. The

industry has failed to do either of these consistently. Proof is seen in how quickly the market deserted the product. As I stated, the current economic crisis only exacerbates and accentuates the industry's failed structure.

Our biggest single failure is that our customers do not profit from the experience of buying or trading in lobsters. The industry forgets that although lobsters may carry the prestige and lure of caviar and champagne, just like the latter, they are not a necessity and can be quickly replaced in our customers' purchasing priority list by other more necessary products in times of economic upheaval, or by other luxury products, should we fail to deliver on our promise. Ask GM or Chrysler.

It is my contention that in December, when there was abundant supply, we felt the perfect storm of both events. We were replaced on the priority list by necessities; and where a treat was desired and purchased, we were replaced by other more reliable luxury products. The industry has disappointed far too many of our customers far too often and has made the lobster business unprofitable for our distribution network, because we have failed to deliver on our promise of consistent quality, consistent supply, consistent and predictable pricing, and outstanding service. It is a sad statement to make, but we abused our reputation and our customers far too long.

It is my contention that the industry is the author of its own misfortune. Actually, the 100-year-old structure of the industry is the cause of all of our problems. It does not encourage or even allow investment in either technology, market development, or profitability, other than at the most rudimentary level above the level of the harvester. Doing so immediately encumbers you with an overhead structure that makes you uncompetitive in a market where the chief marketing tool of your competitor is, "We are cheaper than the next guy".

I have often described the lobster industry as one of desperation—again above the primary harvester's level. Desperate men and women are trying to buy a stake in the industry by competing for the precious cargo of lobsters, and then are doubly desperate to sell it into the market before the product dies, or the best before date expires, or the market collapses under the weight of actual supply, or even pending supply, or the banks simply ask for their money back. The harvesters are the only participants with a short access to supply, so they are the only ones who are sure they will have a product to sell.

● (0920)

In this scenario, you have to be as crazy as a company called Clearwater to invest in technologies to overcome the industry's problems and to risk being held hostage by an industry that rewards a low-investment competitor. As a now bankrupt competitor once proudly proclaimed to me, "Colin, I can pay more and sell for less than you every day of the week because I don't have your overhead burden."

His was a winning formula, as he quickly went bankrupt, taking several million hard-earned dollars out of the industry and distributing it around the world, along with the lobsters he either didn't protect well enough or sold unwisely to less than creditworthy customers. However, I hardly had time to blink before he was back in business, with a new company name, buying against me on the shore and paying more. And as his price so proudly proclaims, "We are cheaper than Clearwater."

What is the solution? The solution isn't for the government to bail out the industry. The solution is for the industry to deliver on the promise. To do that, we need the government, because the government controls the structure of the industry. It controls the game. It makes the rules and it has the power to enforce them.

However, the industry does not need government money. To do that would be a huge mistake, as industry must start paying its own way. For far too long, the industry has long abdicated responsibility for self-management.

I won't tell you about Clearwater.

Voices: Oh, oh!

Mr. Colin MacDonald: All the investment we've made and all the innovations we've brought to the table, including the dry land pound, an MRI machine that tells you how much meat is in the animal, blood-protein testing, and banding the lobsters, and all the markets we've developed in Asia, Japan, China, Europe, and the Middle East, are frustrated by the fact that we have absolutely no control over our landed cost or supply.

Secondly, and just as bad, there is absolutely no control over landed quality. To a fisherman, a lobster is a lobster. He sells it by weight. It doesn't matter if it's soft, weak, a cull, or the ugliest 10- to 20-pound jumbo you have ever seen. It is all money to him. Unfortunately, to a customer and the consumers, it does make a difference.

Consumers are looking for a perfectly formed and sized one- to two-pound lobster on their plate. Although we have tried to influence quality by educating our fishermen through our lobster university, you can't blame them when they say, "Why should we care about quality when my uncle who fishes in the next cove is getting paid the same with half the effort and he lands everything that crawls into his traps?"

A third and equally frustrating problem with the industry is that as soon as we develop a new market of customers, the well-intentioned staff of Canada's trade department lets it be known to all and sundry who ask for the information, and they immediately send out a price list saying, "We're cheaper than Clearwater."

An indication of how important landed quality and handling practices are to the industry can be seen in the oft-quoted numbers of the industry mortality. Fifteen per cent of all the lobsters caught each year go to the garbage can instead of going to the market. That's 15 million pounds and roughly \$150 million worth of value, all because of bad handling practices

I'd swear the industry is structured so that it is a race to the bottom. If it weren't so tragic, I would say it was the stuff of a Monty Python movie. Don't take me wrong; I'm not bitching about the industry

being unfair to Clearwater. It isn't unfair, and even if it is, I was a big boy when I got in and when we made all our investments. We entered the game with our eyes open.

We came to the lobster industry bound and determined to make a difference, to be a force, and to chart a new direction, whether it is the new markets we have developed in Japan, China, Southeast Asia, Hong Kong, the Middle East, Europe, Russia, the U.S., or Canada, or our use of science to develop the techniques of health determinants through blood-protein testing or our patented mini-MRI system, our dry land pound technology, our high-pressured shucking of raw lobster, or simply our lobster university and the use of elastic bands to immobilize lobster claws. Everyone at Clearwater is extremely proud of the difference we have made through our industry leadership and our global reputation for supplying our customers with finest quality lobsters.

Here are my suggestions for solutions.

One, you do not want to do more of the same. I believe it was Albert Einstein who said something to the effect that it is a fool who keeps repeating the same things expecting a different result.

● (0925)

Two, we need to change the industry structure to encourage investment, not by government, but by the industry participants—those who stand to gain by the investment. At the moment that appears to be limited to the fishermen. But it could quickly shift to the entire industry if the same limited entry was afforded to the buying side, with rules covering volume so you would limit the buyers on the shore so it would become a viable investment for the enterprise.

Although seen as anathema by the fishermen, apply a quota. This would go a long way to controlling periods of either oversupply or undersupply to the market, and it would provide pricing consistency. An example is the west coast halibut fishery.

And outlaw culls and big ugly jumbos over six pounds. This would immediately make every landed lobster more valuable and more precious. It would limit waste and improve handling dramatically, as many culls are created by handling after the animal is caught. It would also add to the reproductive base of the animal.

Ensure that the fishermen pay for all government programs through a tax-per-pound on lobsters landed. This would go a long way to changing their attitude of disrespect for DFO and science. I have often heard them say that they want responsibility for the industry. Give it to them, and make them fund it. It will become much more meaningful.

Similarly, if you're hell-bent on a marketing program, then the fishermen should support it with a per-pound charge. They are the ones who will ultimately reap the benefits.

In thinking about what the solutions should be, I think we all have to ask ourselves what the end gain is. I believe it is to sell the precious Canadian resource for the most dollars possible, while respecting the animal's right to live and ensuring our harvesting practices are sustainable. Then let those dollars come back to work in Canada.

We are not doing this now. I contend that not only is the resource being callously wasted by mismanagement and bad handling, it's being given away in the market for lack of a disciplined and principled approach to delivering on the promise to the customer, and because no one is guarding the reputation of the lobsters, especially those who have the most to lose.

Ladies and gentlemen, it's time to stop finding excuses for our failure and start to take actions that will ensure success. I, with some trepidation, say that the ball is still in your court. Please stop and think carefully before you return the ball. We can either craft a new, sustainable industry that delivers on its promise or we can cut another large chunk out of the lobster's reputation and population.

Good luck. I encourage you to have the courage to do what is right, although it may not be popular to the industry.

The Chair: Thank you very much, Mr. MacDonald.

Mr. Byrne.

Hon. Gerry Byrne: Thank you very much, Mr. Chair.

And thank you to Colin MacDonald, our witness, for providing a no-punches description of some of the concerns your industry has.

Before I begin, I do want to say a special thank you for the great welcome our colleague Greg has given us and the contribution he has made on this committee as we investigate this issue.

Mr. MacDonald, you gave a pretty good overview of some of the concerns you have, but there is an 800-pound gorilla that you didn't bring into this room, and that's the news that Clearwater recently wrote down \$102 million on its balance sheets from losses last year. What you didn't talk about was Clearwater's relationship with Icelandic foreign banks, your financing structure, and those financial aspects that directly impact your particular business.

As I listened to your presentation...the majority of the concerns facing Clearwater in the lobster industry stem back to 100 years ago. If I am reading correctly between the lines, you were saying that it really has to do with the relationship between the fleet separation, that harvesters and processors ne'er shall meet. Is it Clearwater's ambition to change the structure of this industry to allow integration of the processor with the harvester so that Clearwater becomes more of a harvesting entity, plus a marketing entity?

Can you comment on that \$102 million writedown that Clearwater presumably had, and the impact that has on the company? Specifically, was there any contributing factor from the fact that the banks you received your financing from were not Canadian—they were Icelandic, as I understand it—and that those Icelandic banks went into receivership?

• (0930)

Mr. Colin MacDonald: Sure. I'm happy to comment on all three things.

First, the writedown was composed primarily of mark-to-market. The Canadian dollar collapsed in October. It went from parity to about \$1.30. We, as do most exporters in this country, carry futures contracts, FX contracts, on the currencies we are going to sell into to protect our prices and our margins. They go out from 12 to 18 months. We had booked futures contracts at what were considered to be good rates at the time. The dollar was basically at parity and we were at \$1 to \$1.04.

Unfortunately, once the dollar collapsed so dramatically, we incurred a large liability on those futures contracts—on several hundred million dollars of those futures contracts—of about 26¢. That kicked up about \$40 million-odd, \$48 million or \$49 million, of the \$102 million loss, which was totally unrelated to the core business of buying and selling seafood.

About \$51 million to \$60 million of that was tied to the collapse of the Icelandic banks you referred to. It's mark-to-market, non-cash, so it didn't cost the company any money. In fact, it simply is on the books because of accounting rules. We have legal advice that because of the bankruptcy of the Icelandic bank Glitnir, those moneys will never be realized either way. We'll actually have a non-cash profit show up in our financial statement at some future date in 2009 or 2010, but the operative word is "non-cash". It has no value.

The \$40 million-odd loss that was actually incurred in the foreign exchange is really an opportunity currency loss, because we're effectively selling a portion of our product at the old exchange rate as opposed to the prevailing exchange rate. That's what kicks up those losses.

As well, \$8 million of the loss was created by the failed privatization. When the Glitnir Bank collapsed and the world markets collapsed, Glitnir was about 10% of the privatization financing. We lost that. We had it replaced several times, but the stock markets kept collapsing in the same week and through the month of October. As a consequence, all lenders got cold feet and backed away from the situation. We had to take some restructuring costs on our financial statement that normally would have been buried in the privatization.

In terms of the borrowing from Glitnir, from the Icelandic banks in lieu of Canadian banks lending to the industry, Glitnir and the Icelandic nation are very familiar with the seafood industry and have a great deal of faith in it, as do the Scandinavian nations, who are big lenders to the industry as well. Their demise removed a large source of funds for the industry. Many players were borrowers from the Icelandic banks. We've replaced, successfully, we believe, our term debt. We operate with about \$16 million worth of cash on our books, so from a financial perspective, we're a healthy company.

My comments about the industry are not toward the consolidation of harvesting and processing, but are simply about creating the same level of control and protection for the processing side, or the buying side, that we do on the harvesting side. Right now, the buying side of the industry is a Klondike-like affair, in that anybody can do it. You can do it. I can go out and buy tomorrow. You don't need any particular structure to do it. I just need to rent a half-ton, one-ton, or two-ton truck, go out and pay the fishermen 25¢ more, driving the shore price up, show up one day a week or not, buy 10,000 or 20,000 pounds once, run it down to Boston, and make 50¢ a pound. I could make myself \$5,000, \$10,000, \$15,000, or \$20,000 on a load. It's nice easy money if you have no investment in the industry. That's part of the problem with the industry.

● (0935)

The other part of the problem that I try to get across is that we don't take care of the quality of the product, from the time it comes into the trap to when it gets to the marketplace. You're throwing away 15 million pounds of product, or 15% of the resource, because we beat it up; we don't treat it with respect. That's because you have a fishing effort that is very nearly comparable to a Klondike-type effort because there's no control. Everybody goes out and tries to grab as much of the pie as they can, as opposed to having a quota system, where they go out and intelligently fish it to the marketplace. You're going to destroy the industry. It's only a matter of time.

That's what happened to the cod fishery. We ultimately destroyed it because of greed and stupidity. We're practising the same thing here with the lobster fishery. We've been successful because we don't have a cod fishery eating the young animals, and we've improved our technology immensely over the past decade. You've got GPS now as opposed to Loran-C as opposed to just a plain compass. You've got better traps and you've got much more effective boats.

Yet with all that increased technology, the catch rates have not increased over the last decade or so. We've simply stayed apace. My contention is that you're taking more of the resource out of the water. Evidence of that is seen in the average size of the animal you're pulling off the bottom.

Hon. Gerry Byrne: One of the many blessings of Southwest Nova is that you have close to a year-round fishery. In other areas of Atlantic Canada and Quebec, the constraints on resource harvesting would be tied to the biological cycles of the season. It's a much shorter season. In fact, most lobster fishing areas north of Southwest Nova would only actually be fishing lobster for nine weeks a year.

Is that a constraint? Would you consider that a constraint to quota harvesting and the timing issue that you referred to? Realistically, anyone trying to pull back on the amount of lobsters harvested in a nine-week season—or even in a six-week season, which actually occurs in many lobster fishing areas.... Is that genuinely considered an Atlantic-wide practical solution?

What is Clearwater's position in terms of holding pounds? One of the blessings of this industry is that you can actually hold lobsters, unlike other fish commodities. You can hold them live for a period of time until the market ripens. Could you talk a little bit about that for us?

Mr. Colin MacDonald: Effectively, southwest Nova Scotia is only about 10 weeks. Eighty per cent of the lobsters caught in the

wintertime are caught in the first nine days of the season here. The balance is caught throughout the rest of the winter period. Effectively you only start fishing again in late April-May, because the water temperature doesn't warm up. So you probably get a week to two weeks in December and five to six weeks in the April-May period before the fishery is over. Towards the end of May, the fishery peters out and runs into problems.

All segments have the same issue with time. Planning the harvest...maybe we don't take as much out of the water. You have processors in New Brunswick and P.E.I. who put tractor trailerloads of lobster in the yard, crank down the temperature when there's a glut, and freeze them in the tractor trailer. It's 40,000 pounds at a time.

Let me assure you, nothing freezes before it rots in that thing. Then they put them in a freezer and process them later into broken meat, into a byproduct that's just abhorrent. If we looked at what gets dumped on the shore here from what's being held in crates and cars at the wharf, the mortality that goes on.... I've watched them pull away from the wharf by the boatload and dump them out in a hole in the ocean or on land. The amount of product that's actually destroyed because of the way we catch it.... If we don't have the capacity to handle it properly or take it to the market—or if neither we nor the market has the capacity to properly store it—then we shouldn't be taking it out of the water. That's my contention. We could leave it there for the future.

Our holding capacity is about three million pounds. We have developed a holding system that's based on the animals' natural overwintering environment, and we invested a tremendous amount of money and biology and science into it. We crank the temperature down to two degrees Celsius so that the animal effectively hibernates. We also predetermine whether the animal can be stored. Our biologist does blood-protein testing and puts it through an MRI-type machine, so we know the animal is actually full-meated and adequately healthy to survive.

The traditional holding systems and the copies that are based on our system lack the level of sophistication necessary to adequately hold the lobster. You're quite right, the lobster is held until the market ripens or until the market is short, but the lobsters are generally severely weakened by the process—unless you actually put the investment in place to make sure they're not weakened by the process, obviously. If they're severely weakened and they go begging to the market, that creates this tremendous shell disease and a number of problems within the distribution system.

In terms of mortality for your customers who are trying to distribute, the system is by far not a perfect system. The old holding worked well when you paid 25¢ a pound for the lobster and you could sell it for \$2.

● (0940)

[Translation]

The Chair: Thank you, Mr. MacDonald.

Mr. Blais.

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

Today, I am in a rather happy frame of mind, given our wonderful victory of last night. I wish to salute Greg and tell the people here that I much appreciated the breakfast I shared with him this morning. It allowed me to get to know him better. The members of this committee come from different political parties, whose views differ, but when dealing with the fisheries and their future, we all work as one.

Mr. MacDonald, I would like to get to know you better before putting questions to you. Your statements were quite sharp. The solutions that you put forward could even be described as provocative. You are the Vice-President here of Clearwater. What does that involve? What about your position of Chief Executive Officer?

[English]

Mr. Colin MacDonald: I'm CEO and chairman of Clearwater Seafoods Limited Partnership. Apparently I try to lead the organization.

[Translation]

Mr. Raynald Blais: Where?

[English]

Mr. Colin MacDonald: Our head office is in Halifax. The more global company has sales offices in China, Beijing, Guanjo, Shanghai, and Tokyo. We have sales offices in Europe. We have a harvesting operation down in Argentina. We harvest most of our product off Atlantic Canada. We have sales offices throughout the U. S. and in Toronto.

Was that the question?

[Translation]

Mr. Raynald Blais: The company interests me to some extent, but it is you I mostly wish to get to know. Are you the Chief Executive Officer of Clearwater as a whole or just of its Atlantic section?

[English]

Mr. Colin MacDonald: No, it's for all of Clearwater. John Risley and I started Clearwater 32 years ago. We have a company called Clearwater Fine Foods Inc., which is the parent company that owns 55% of Clearwater Seafoods Limited Partnership. We have interests in a cable network throughout the Caribbean, as well as interests in ONC. We're the majority owner in both of those operations. I'm a 50% partner with him in the parent company. I'm CEO of the public company, which is about a \$300 million seafood company situated around the world. I am the chair and CEO of that organization.

I would say that I'm a Habs fan and have been since Belliveau, Richard, Plante, and the Rocket were around. I was born and raised in Halifax. So there are some good things about me.

Voices: Oh, oh!

• (0945)

[Translation]

Mr. Raynald Blais: I can understand that you are trying to be friendly, but that will not necessarily suffice. I would like you to talk to me about the Canadian banks.

I come from Quebec. I represent the riding of Gaspésie—Îles-de-la-Madeleine. From what I understand, it is very difficult to deal with Canadian banks in matters relating to marine industries. However, in the Atlantic region, this activity is more than a tradition. The economic activity in this area has more than flourished here over the last few years.

I would like you to tell us about the way in which the situation has evolved with regard to Canadian banks and how the situation of 30 or 40 years ago compares to today's. I imagine that things have evolved in a negative way, but I would like to understand just how this happened.

[English]

Mr. Colin MacDonald: I'm not trying to be a friendly guy; I was trying to share the camaraderie of hoping for the same team. I can't say that I continue to hope for it, since they got rid of their coach.

The Canadian banks are obviously among the world's best. In today's crisis, there's tremendous praise being heaped on their conservative structure, etc. Their job is to lend money in an environment that has limited risk. They look for a return.

The banks have, over the 32 years, been less and less willing to lend money to the Canadian seafood business because it has been so unprofessional; it's been so poorly run. It's been such a high-risk business. It has been chaotic. It's a difficult business because it's very unpredictable at its base.

There's a lack of professionalism in going to market. We've really treated the products we harvest from the ocean here as commodities. Even in the cod fishery, part of the reason for it collapsing was the fact that we sold it as cod blocks. We did not increase the value in the marketplace or realize the value in the market for the underlying product, and as a consequence, to offset higher costs we had to take more out of the water.

The lobster fishery is unfortunately a victim of its own circumstances, a victim of its own actions, in the sense that the marketplace does not value the product as it does caviar or champagne. Even though we carry the same reputation or the same image in the marketplace, we don't protect that image. We don't deliver on the promise. We don't give our customers their right to a profitable experience.

[Translation]

Mr. Raynald Blais: Would you be in favour of a quality control system that would enable you to avoid the deficiencies you have mentioned?

[English]

Mr. Colin MacDonald: I would like to see the structure changed so that quality control would become a significant factor in the business, and the only way I know of doing that is to change the buying side so that you have serious players on the buying side. I have no interest in swallowing up the fishermen or the harvesting rights. I'm happy to leave it in the hands of the participants. I just think you need to afford the same limited entry to the buying side of the business and the shipping side so that in fact people will invest in building a marketplace and an image for the product.

I think you need to continue to have the round table discussions, which were recently truncated by a lack of funding, where the industry comes together and starts talking about the problems. I think this crisis is a tremendous opportunity for the industry, a tremendous opportunity to improve the industry, to change the industry, to bring the players together to actually work in accord with one another.

• (0950)

[Translation]

Mr. Raynald Blais: Thank you.

[English]

The Chair: Thank you.

Mr. Stoffer.

Mr. Peter Stoffer (Sackville—Eastern Shore, NDP): Thank you, Mr. Chairman, and again, Mr. MacDonald, thank you very much for taking the time out of your schedule to appear before us today.

For those who don't know them, Mr. MacDonald and Ms. Richardson are probably two of the best-known business people in the entire Atlantic region, so it's really nice to have them here.

Sir, how many buyers for lobsters are in this particular region, Southwest Nova, right now?

Mr. Colin MacDonald: Oh, God, who knows? I mean, everyone's a buyer. There may be 100 to 200 well-known buyers, and then there's just a myriad—a thousand—other buyers. You can be a buyer today, if you want.

Mr. Peter Stoffer: Who is your major competitor in terms of your type of operation?

Mr. Colin MacDonald: The entire industry becomes a competitor, based on price. We have a very sophisticated operation, and we've built a customer base around the world. Just as an example, we developed a customer in the Middle East, in Bahrain, or Abu Dhabi—the Emirates airline—and we had priced them at \$85 a kilo for some of our high-pressure lobster meat. One of our competitors from P.E.I. went in at \$65 a kilo. They'll remain nameless. I'm tactful, aren't I? Notice that I mentioned the province.

We managed to keep the customer because we have a larger promise. We have a larger offering, and we have a larger commitment to the marketplace, although we had to sacrifice our price to do that. We didn't have to come down to their level. Their response to the customer—and we got a copy of the e-mail—was, “Tell us whatever we have to sell at to get the business and we'll drop our price to that.”

That is our biggest competitor: the industry's desire to use price as its only marketing weapon.

Mr. Peter Stoffer: Sir, Clearwater does have some lobster licences. I believe they're in the offshore. How many do you have?

Mr. Colin MacDonald: We have eight offshore lobster licences that work on a quota basis of about 90 metric tons each. Those are larger lobsters than the inshore ones. Their average size is around three pounds. We market that product to a restaurant chain in the U.S. and to some customers in Asia, and we give them, just as an example of what needs to happen, a fixed price on an annual basis, so there's predictability, and we give them a guaranteed supply, so there's predictability.

Mr. Peter Stoffer: I have two questions that are not necessarily related.

As you know, the Georges Bank debate, in terms of oil and gas exploration, is heating up again. I'm just wondering what the company's position is on the possibility of either seismic or oil and gas exploration on the Georges Bank.

Mr. Colin MacDonald: I would have to say it's negative. It's a precious, very rich harvesting ground of seafood for Atlantic Canada, and I would have a very negative view towards allowing activities that would disrupt that, or potentially disrupt that.

Mr. Peter Stoffer: I've been to the Boston Seafood Show a couple of times. We asked Ocean Choice yesterday about what their reflection was on the Boston Seafood Show just a little while ago. Clearwater has always been a major player down there. I'm just wondering how you felt the Boston Seafood Show went this year, not just for lobster markets but for all seafood products internationally.

Mr. Colin MacDonald: I attended the minister's lunch, and at that there were people from Whole Foods, people from Wal-Mart, people from Shop & Stop, people from Darden Restaurants, and a number of other American buyers; and there was Cisco, a big distribution outfit in the U.S.

They came across with the same message. The industry has to stop cheating. The industry has to stop adulterating seafood. The industry has to become professional. They are not going to buy or continue to buy from an industry that is unsustainable, that doesn't have MSC-certified products, so it's not being properly managed or marshalled at the harvesting end, and they are not going to buy from companies that will adulterate their product by soaking it or misrepresenting it, and in particular with regard to the lobster business, by presenting a lobster that's less than healthy or full-meated. Whether it's to yourself or to any other company, your reputation is going to make a difference.

• (0955)

Mr. Peter Stoffer: In your total operation, how much are lobsters to your bottom line?

Mr. Colin MacDonald: About 22% or 23%.

Mr. Peter Stoffer: In terms of the lobster buyers, that's a provincial issue, as you know. Have you made your views known to the province, and what has the province told you about the number of buyers and what can be done to rationalize it, if indeed that's the direction they're going in?

Mr. Colin MacDonald: I certainly have made my views known to the province and provincial fisheries ministers from before Jim Barkhouse's days as provincial fisheries minister. Their attitude is to accommodate the fishermen, and the fishermen feel that it's in their interest to have the maximum number of buyers available to create price pressure. They like to sell. As a quick example, if you and I went to the shore tomorrow, with no relationship to anybody, simply as two individuals with a rented truck, they would sell us lobsters for the same price or for 25¢ a pound more, or even a little less because we're paying cash, and cash is nice because it's not traceable, and they would give us the crates they have from whoever their regular dealer is. We'd throw them on our truck and leave. We wouldn't need any infrastructure at all. What that does is create pressure on the existing dealers in the community. They're afraid of losing the lobster product because they've already committed overhead. They've already hired people, they have bait, they have gear, they have advances out to the fishermen, and if they don't get the lobster, they can't offset those.

The province is very sensitive to what the fishermen want as opposed to what's good for the industry.

The Chair: Thank you.

Mr. Allen.

Mr. Mike Allen: Thank you, Mr. Chair, and thank you, Mr. MacDonald, for being here today. It's day three of our excursion. I also want to thank Greg for his fine hospitality here in his riding. I appreciate it very much.

Mr. MacDonald, I will just pose a couple of questions, and then I think Mr. Kerr would like to ask one and maybe I'll take it back after that.

Yesterday on the Island we heard some comments with respect to processing capacity. There was one comment that they were short on capacity, but then in some side conversations others would say that it's not so much a function of processing capacity as much as it is the ability to store and be able to smooth out the processing capacity.

Do you have any thoughts on that?

Second, with respect to sustainable practices and your comments on that, do you believe that certification is one method that's going to force the industry into better practices at the dock and all though the value chain for the products?

Mr. Colin MacDonald: Those are two good questions.

I thank you all for allowing me to be here today. I am enjoying the questions, because I think they're very germane to the problems in the industry.

With respect to processing capacity, the issue isn't with the processing capacity, because when the capacity was larger, no one was making money. That's why Polar Seafoods collapsed and ultimately became OCI. The individual parties couldn't make money. When they consolidated and had all those factories in place, they couldn't make money. So when they collapse it down to a single factory, and it can't make money, there has to be some thought there.

The issue is not shortage of capacity; it's a shortage of imagination in the products that are produced. Our high-pressured lobster meat

product is a revelation to the industry. It produces a processed product that eats as well as live lobster. If I served the two of them to you out of the shell, you wouldn't be able to tell the difference. In 80% of the cases, the people we've served it to have preferred the high-pressured product to the live product.

The industry lacks the imagination or the ability to invest in new products. Your issue with the processing industry is that popsicle packs don't sell. They don't sell because they're garbage. I don't know if you've ever had the pleasure of eating one, but go and buy one, thaw it out, reconstitute it in the form you want to eat it, and taste it. Or, take a can of lobster meat and thaw it out, then buy a live lobster and cook it, and compare the taste and texture of the two. It doesn't deliver on the promise to the customer. The customer is looking for a wow experience, a truly exceptional eating experience. It's marketing 101.

The ability to store the product is not going to solve their problems. If you store the product, it costs money. You need electricity and you need labour. You're going to have some mortality in the process, unless you get very sophisticated, like we do. Our mortality is less than 1%; it's 0.62% this year, relative to an industry that is throwing away 10% to 15%. Storing is only going to exacerbate their costing problem with the product.

They have to tie the catch to their processing, and they have to upgrade the products they're delivering to the market. The market is saying it doesn't want to buy that; it's not good enough any more. It's the same problem that GM and Chrysler are having. "We don't want to buy that. There are better products around to spend money on."

As the market gets tighter and the economy tightens up, the restaurateurs and retailers are saying, "We have to make damn sure that every one of our customers is happy with the experience. We can no longer fritter away customers with second-grade products."

In these environments, we become more preferred by our higher-end customer base because they want delivery of a consistently great experience for their customers, every time. Once you disappoint a customer, you lose that customer.

Sustainability will help change some of the practices in the industry. Sustainability will maybe get the government to focus on the fact that we're killing the resource. We're killing the goose that's laying the golden egg, because of political expediency, because of the need to get re-elected in this four-year timeframe, as opposed to doing what's good for the resource over the long term.

It takes a lobster at least nine years to grow to the point of reproductive capacity. If we keep banging away at it, at some point, nine years in the future, we're going to find we don't have an underlying base of animals reproducing out there.

• (1000)

The Chair: Mr. Kerr.

Mr. Greg Kerr: I'd like to welcome Mr. MacDonald.

We won't talk about being elected. We won't compare charms, and how one gets elected and so on. I will say that my colleague from Alberta shudders at the thought that we're going to start buying lobster at Wal-Mart. I think probably there are some difficulties in where the whole industry is heading on that part.

I do want to ask a question. There was great interest yesterday in talking about pounds and storage. If the chair gets consensus, we're actually going to visit a local pound, because a lot of the members have not actually seen one. But I gather from your description that they can expect to be disappointed, because you're the only one who has lobster pounds of the quality that should be out there.

Mr. Colin MacDonald: There are imitations of what we do. We have full-time biologists at all of our operations. We have biologists who go to the shore and inspect the product. And we monitor the product. So the level of sophistication won't be there, no.

There are storage facilities around that do a good job, but they don't have the same level of sophistication, and they won't produce the same quality and product at the end of the day.

Mr. Greg Kerr: I have a quick part B on that, and I don't mean this facetiously at all because I think you've explained a lot of things in great detail: is there anybody else in the industry who you feel deserves to stay in the industry and who is doing stuff similar to what you're going?

You're talking about the industry having to respond. You feel you're doing it correctly. Is there anybody else out there who is doing a good job?

Mr. Colin MacDonald: I think everyone deserves the right to stay in the industry. At the end of the day, the one determinant of staying in the industry is going to be profitability. I don't pretend to have all the answers. I tried to say that at the beginning. I may have glossed over it, but I don't pretend to have all the answers to the problems in the industry.

I'm obviously not aware of what everyone else in the industry is doing. I know what we're doing, why we're doing it, and what difference it makes to our business, to the profitability of our business at the end of the day, and to our ability to have survived as a company for the past 32 years. I can speak specifically to that. I can't speak to what other people are doing other than in a general sense.

Mr. Greg Kerr: Thank you.

The Chair: Mr. Calkins.

Mr. Blaine Calkins (Wetaskiwin, CPC): I have two quick questions.

I see a lot of similarities between farming and the fishing industry. A farmer goes out, raises his crop, and takes it to the terminal to sell it, where it gets graded based on the quality. You get paid a premium based on that quality. That farmer can also take the risk of doing a contract with a grain-buying agent or whatever the case might be, based on what that farmer thinks he can produce.

So my question to you, sir, is this. Does your company grade these lobsters in any way? Also, do you contract with fishermen and pay a premium for better quality on the dock?

•(1005)

Mr. Colin MacDonald: The structure of the buying side of the industry, Mr. Calkins, is such that whatever I pay, the rest of the industry pays.

We introduced banding back in the late 1970s and early 1980s. Prior to that, lobsters were pegged or cut on the claws to immobilize them. We started shipping lobsters to Europe, and in Switzerland, the

Swiss actually have a law against mutilation of animals, so they burnt the first shipment of lobsters we sent over because it had pegs in it and they perceived that as mutilation.

We went to the industry in southwest Nova Scotia, as a matter of fact, and tried to encourage the banding of claws. We actually turned our band supply over to a local plug producer, d'Eon, and went to our fishermen and said that we'd pay them 25¢ extra, which at that time was a substantial amount of money, if they'd band both claws of the lobster and that we'd give them the bands free.

The industry used to charge for pegs. The industry's response, to a man, was, "We'll give you the pegs free and we'll pay you 25¢ not to band them." That has been the history of the industry. That has been the response of the industry to anyone who tries to make a change in the industry to the benefit of the underlying animal.

I try to grade or pay a higher price at the shore. If I pay 25¢ more, everyone else pays 25¢ more, because it's a very pride-driven industry. As a matter of fact, if I pay 25¢ more to have quality selected out, then it's likely that somebody else will pay 50¢ more. They'll pay the money until they don't make any money. They don't care, or they have historically not cared. I know it doesn't make any sense, but let me tell you, come down and participate in this fishery for a while. It's crazy.

We used to pay the fishermen extra. We used to pay two prices. We'd pay them, say, \$5 for two-claws and \$3 for one-claws. They had a blended price and they didn't want to land the one-claws. We dramatically drove down the supply of the one-claws that were being landed to us. The rest of the industry decided they'd pay \$5.50 for one to stop us from doing that—no logic.

The Chair: Thank you very much, Mr. MacDonald.

On behalf of the committee, I'd like to take this opportunity to thank you for coming here this morning and providing us with some very useful information and advice. Once again, thank you for taking the time out of your busy schedule.

We will take a short break as we change witnesses.

•

_____ (Pause) _____

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•(1010)

The Vice-Chair (Hon. Lawrence MacAulay (Cardigan, Lib.)): We call the meeting to order.

We will welcome two fishermen, I understand—

Mr. Greg Kerr: Excuse me, Mr. Vice-Chair.

The chair was going to ask a question between rounds. My apologies, guys, but this seems interesting, after the first presentation.

There was quite a strong interest yesterday in visiting a local pound. The mayor said that if we gave him a call.... It's Newell's, downtown. It's close. That's the reason it was selected. It may be a bit of an imitation, according to what we hear, but it's a pretty decent operation. If the committee would like to go, the bus is available.

Julia, I guess it could only happen at the noon hour, because there's not enough time at the end of the meeting. It would be very brief.

• (1015)

The Clerk of the Committee (Ms. Julia Lockhart): How about if I get back to you?

Mr. Greg Kerr: You get back to me on that.

First, is it the will of the committee to visit the pound?

Some hon. members: Yes.

Mr. Greg Kerr: Thank you.

That takes care of that one then, Julia.

Sorry, guys.

The Vice-Chair (Hon. Lawrence MacAulay): Excuse me, gentlemen, for that rude interruption.

No, Mr. Kerr has been a great host indeed. It's a pleasure to be here and a pleasure to have two fishermen before the committee.

Mr. Spinney, are you going to start?

Mr. Ashton Spinney (As an Individual): I'm going to start.

The Vice-Chair (Hon. Lawrence MacAulay): Thank you very much. Please proceed.

Mr. Ashton Spinney: Thank you for this opportunity to act as a witness on behalf of LFA 34 lobster industry licence holders in these proceedings of the parliamentary Standing Committee on Fisheries and Oceans.

I'm Ashton Spinney. I am the chairperson of LFA 34 management board. I have fished in LFA 34 for over 50 years. Our organization was established as the district 34 lobster committee in 1998, with a name change in 2005 to LFA 34 management board.

I will interject here that I am also now, and have been for a number of years, the industry co-chair on DFO's advisory committee, and I have the wonderful privilege of sitting with the director. I can't recall his title, but he's sitting here today.

There are numerous challenges facing our lobster industry. Today, I will briefly identify some of these challenges and suggest appropriate steps to bring about solutions. Please note that these challenges are not listed in order of priority.

Challenge number one is the high financial cost to attain and maintain MSC certification. Our concern is the ongoing high financial burden placed on the industry once the industry completes the pre-assessment and the final certification of the MSC.

Recommendation: that the parliamentary committee review the rationale for the MSC requirements to conduct yearly audits and the stipulated need for a reassessment every five years. Industry will work with government bodies to find other less costly mechanisms that can and should be put in place to ensure that MSC requirement standards are annually met by industry, with a required MSC reassessment in 10 years.

Challenge number two is to ensure that lobster licence holders receive a fair market price for their lobsters.

Recommendation: that the parliamentary committee initiate a review to look into the fall 2008 pricing of lobster in the maritime region, with a view to recommending government support and fair trade options.

Challenge number three is to have Fisheries and Oceans Canada, from the maritime region's headquarters in Dartmouth to the national headquarters in Ottawa, recognize, acknowledge, and support the efforts and the success of the maritime region inshore lobster industry's management system, which uses input controls.

Recommendation: that the parliamentary committee be aware of the underlying forces aimed at concentrating the lobster industry in the hands of a few. These forces exist outside and within government. The main tools that enable the concentration of the Canadian inshore fisheries in the hands of a few are, one, transferable quota; two, control and agreements; and three, DFO management support for the concentration of licences.

Recommendation: that the parliamentary committee report to Parliament and to the Honourable Gail Shea, Minister of Fisheries and Oceans Canada, that the inshore lobster industry in southwest Nova Scotia under the current input control management system is sustainable, stable, and viable.

• (1020)

Outcomes. The acknowledgement of and support for the successful efforts to manage a sustainable inshore lobster fishery by our minister and by our Parliament would encourage and assist a process of building a working relationship based on trust between industry and DFO management. The acknowledgement and support of the inshore lobster fishery management system by the minister and at the level of Parliament would reduce the political power of those few who strive to concentrate lobster licences and to create a vertically integrated inshore lobster industry.

We will provide this committee with more details and data to support our claim of a sustainable and viable inshore lobster fishery. We in LFA 34 have a sustainable viable fishery that supports southwest Nova Scotia through the 987 licences that enable economic prosperity for the region, for our communities, the licence holders, their crews, and families—

The Vice-Chair (Hon. Lawrence MacAulay): Mr. Spinney, there's about 10 minutes allotted for presentations.

Mr. Ashton Spinney: Okay.

The Vice-Chair (Hon. Lawrence MacAulay): The problem we have is that there's only about three minutes left.

Mr. Ashton Spinney: Okay, I will shorten this up for you.

The Vice-Chair (Hon. Lawrence MacAulay): Thank you very much.

Mr. Ashton Spinney: We as the industry in LFA 34 have worked with DFO over the years to create a sustainable lobster resource management system. The following is a snapshot of input controls our inshore lobster fishery management system uses.

The first thing is owner-operator. Next, we have a six-month season. We have a set trap limit. We have in use a standard trap size. It is mandatory to have escape hatches. We have a restriction on the overall length of our vessels. We have a mandatory minimum carapace size. It's mandatory that all berried females be returned, and numerous licence holders v-notch berried females voluntarily. This is supported by the majority of the lobster fishermen.

We would request this from you people, the parliamentary standing committee. We have differences of opinion on what is being presented by FRCC, so we would like to have a copy of the documentation sent to us of what is being presented by the FRCC to this committee, if it would be possible, so we would be able to raise some....

The Vice-Chair (Hon. Lawrence MacAulay): No problem, sir, you will receive it.

Mr. Ashton Spinney: Thank you.

I'm just flipping through, because I have eight pages here and I want to cut it down.

The deterioration of our lobster fishery. Management controls through the effort of DFO to eliminate the licence holder and the owner-operator are causing us some grief because we were not consulted over this. It is important to note that this has caused a lot of difficulty amongst the reps and many of the fishermen, because they see it as a detriment to the industry.

I request that the committee provide another window of opportunity so that we can present information for you in writing.

With that, I will close. I don't want to take any more of your time.

• (1025)

The Vice-Chair (Hon. Lawrence MacAulay): Thank you very much. It's no problem; you can provide any written submission to the committee at any time. We would be very pleased to have it.

Mr. Hines.

Mr. Robert Hines (As an Individual): I'd just like to talk to you a little bit. I think Ashton pretty well covered everything.

The input controls in our fishery have managed to get us to where we are. I believe they are part of the problem that exists in our fishery. Everybody is able to reach a certain standard. Right now we have a fishery in which our input controls haven't changed much, but our effort has changed greatly because of people maximizing the input they can have in the fishery. I think that is leading us to a place where conservation might become an issue. We're not really seeing the effects of it; our landings are being maintained because of increased effort. Actually, we might be taking more of a resource than what we realize.

That also flows into the marketing part, because we're maintaining higher levels of landings in our fishery, and marketing has become an issue in some respects.

With no disrespect to Mr. MacDonald, Clearwater is not the only entity in the fishery that can provide a quality product in the marketplace. There are some dealers in the local area who provide an excellent product, a very competitive product. Clearwater sort of has a supply of product because of their offshore licences, which makes

it a little more able to market product consistently. It sort of puts them on an unlevel playing field. But with respect to the local dealers, I think they're doing a tremendous job marketing. One of the issues they run into is the availability of air freight, because they're not consistently in the marketplace due to the seasons. They can't receive premium dollars going into some of these markets that they can't be into consistently.

It's a very untrue statement to think that Clearwater is the icon in the industry as far as quality goes.

Thank you.

The Chair: Thank you very much, Mr. Hines.

We'll go to Mr. Andrews.

Mr. Scott Andrews: Thank you very much, Mr. Chair, and thank you to our witnesses today. It's a pleasure to have you come in and be with us and share your knowledge of the industry.

Mr. Hines, you talked about quality. A few of my questions are about quality. Let's put in perspective quality from the boat to the shore and get some idea.... I know we heard Mr. MacDonald this morning, and maybe he led us to believe that the quality isn't there coming from the boats to shore. So my questions are going to be on that aspect, to get an idea of what the quality of the product is, because obviously that's the first step in the chain, and an important one.

On mortality rates, this morning we were led to believe that there's a lot of mortality in the lobsters coming to shore, and a lot are being dumped. It is as high as 10 million to 15 million pounds. I'm just wondering if you feel that this is a fair assessment of the circumstance. Would the industry, in your opinion, be open to some sort of dockside monitoring to see where we're to when it comes to the dock? Is that an avenue that perhaps we should pursue?

• (1030)

Mr. Robert Hines: Well, as far as dockside monitoring, the logistics of making that happen would be a struggle. I don't see the necessity for it. The fear, from a fisherman's perspective, is that dockside monitoring is inevitably the precursor to quota systems, and I think Ashton's opinion and mine is that we don't really need to go there.

As for quality out of the boat, for the most part, these boats are landing lobsters on a daily basis. The lobsters are out of the water, we'll say, for a maximum of 12 hours. Quality is not an issue coming out of the boat. The lobsters are handled appropriately. Some of the newer vessels in the fleet, such as ours, are fishing offshore. We have live wells in our boats, so the lobsters are kept in water. If we're staying overnight—maybe we're out for 48 hours or something like that—the lobsters are kept in water from the time they come aboard the boat until they're taken out at the dock. So as far as quality issues in the boat, I don't see any quality issues. Lobsters are handled in most people's boats as eggs are handled.

Mr. Scott Andrews: You're saying that what we were told this morning about the mortality issue is not happening.

Mr. Robert Hines: It's not an issue from the boats' perspective, unless a circumstance happens where a very minimal amount of product might get lost. If somebody happened to leave a crate of lobsters on the deck for an extended period of time, it might have become frozen or something like that, but it's not an industry-wide issue.

When you come to the shore and look at the facilities onshore, perhaps there have possibly been some issues in the past with some of the holding facilities, but not for the product in the boat.

Mr. Scott Andrews: You talked about a quota system, and perhaps we can get into that a little more. On dockside monitoring, when you think about it, there's dockside monitoring for crabs. Crabs and lobsters are similar creatures. It's important to make sure that the crab is alive when it gets to the dock for processing purposes. They have it for the crab industry. What is the difference between the crab industry and dockside monitoring and a quota system that's similar to what the lobster industry has?

Mr. Robert Hines: The crab fishery is ruled by an overall TAC. In that respect, it's essential for dockside monitoring to manage the amount of product coming ashore. The lobster fishery is not ruled by an overall TAC. We deal with input controls. The necessity is really to fill out our logs on a daily basis. If any of the officers come aboard, there's a record of our landings for the day.

I see dockside monitoring as having a couple of negatives. One is the quota system. The other one is that it's another downloaded cost to the industry to be able to facilitate that. If you have a harbour with a hundred boats coming into it, how many monitors are going to be available? How are you going to operate so that the fleet can be back on the water within another 12 hours?

Mr. Scott Andrews: I have another question. You briefly touched on v-notching. On our journeys I've been asking questions about v-notching. It's something the Americans use a lot. In my home province, they do it bay by bay. It's different. Do you think we should look at that as a way to keep the female, and for conservation?

Mr. Ashton Spinney: I should bring you up to speed here a little so that you'll understand. We're in the process of writing that as we speak. It's in my notes, but I skipped it. We're in the process of writing what is known as a conservation harvesting plan for the department.

There are going to be tools we will use in the event of a decline in our industry, in our landings. We're now close to a 100-year high. We're not quite there, but we're within a very small, minute, little speck of being at a 100-year high. In the event that there is a decline, we're looking at measures that will come into being to put more lobsters into the water to reproduce.

We voluntarily introduced v-notching quite a few years ago. At that time, it was deemed by the minister that there would be a minimum size increase. The fishermen were not supportive. They reacted by saying they would not v-notch. A large number of fishermen still v-notch, but they don't talk about it. We know that because we see a lot of v-notched lobsters in our catch. It's evident. It's a tool we use.

• (1035)

Mr. Scott Andrews: Is it something we should explore a little more to make it mandatory and really move forward on v-notching?

Mr. Ashton Spinney: We are using that and other tools in our conservation harvesting plan.

I'll explain the way in which we approach the department. We approach the department by saying it's wiser from the fishermen's perspective for the fishermen to bring in the tools or the measures. If a measure will not work or does not work or is detrimental, if it's been brought in by government or DFO, then it can't be changed. You'd live for a lifetime without being able to correct a problem that was created by a wrong measure being put into place. We promote that it's wiser for the fishermen to bring in measures. If they do not work, then they have the ability to change them and bring in something that will work.

Mr. Scott Andrews: I don't have anything else to add, Chair.

The Chair: Thank you very much.

Monsieur Lévesque, and I believe you're going to share your time with Monsieur Blais.

[Translation]

Mr. Yvon Lévesque (Abitibi—Baie-James—Nunavik—Eeyou, BQ): Thank you, Mr. Chairman.

Thank you, gentlemen, for having come to meet with us this morning.

I also wish to thank our colleague, Greg Kerr, for having welcomed us with such pomp in his riding.

We are talking about processing plants. And what frightens me is seeing large plants snuff out the smaller ones, seeing a loss of competition in the lobster market and seeing fishermen paying the price for this. On the other hand, people say that a larger plant will have greater means so as to be able to process lobster appropriately, and there is also the issue of quality control.

What you are saying is that when you unload your boat, the lobster that you have in your hold is as good as when you caught it, that it is a sure thing and that it does not matter that you may have had it on board for two or three days.

Last year, when we travelled about the country for our small craft harbour report, I was impressed by the pounds. I wondered about the sheets of plywood that we were seeing in the bay, and what was underneath then. They looked like sidewalks on water, and I later learned that they were holding tanks. In my area, we have whales and seals, so we do not put our lobster in pounds.

Do you know for how long lobster can be kept in these pounds and in the holds of your boats? Is there any risk over time that the quality of the lobster decrease?

[English]

Mr. Ashton Spinney: What happens is that generally the fishermen in LFA 34 are day fishermen. You go out and you come back, but you keep your lobsters in water. Most of the time you keep them in circulating water. You bring them in and put them in what we call lobster cars, or holding facilities. You put them in crates or cages, or you'll put them in a tubing system, where there's a little window or a little slot for each lobster to go in. The quality that you put in is the quality that generally you take out.

How long can you hold them? You can hold them in the tubing system and maintain their quality from December until March, because what happens generally is that the water cools down, the temperature goes down, and the lobster becomes dormant. It doesn't go to sleep, but it is not active; it's almost like hibernation. So they will be maintained in good quality. I eat them; they're perfectly good.

In the springtime of the year, the challenge comes when the water temperature goes up. So what you do is you have a large tank, just as you're going to see today, the holding facility. It's like a huge swimming pool. It has circulators, air, and water. It also has temperature control. It brings the water temperature down to about 32 to 36 degrees and holds that lobster. I personally have held lobster from the second week of May until November, and they're just as tasty in November as they were in May.

Does that answer your question?

• (1040)

[Translation]

Mr. Yvon Lévesque: Are there lobster predators that reduce the stock?

[English]

Mr. Ashton Spinney: Yes, we do have predators. The groundfish cod, the sculpins, all of those are predators of lobster. In different areas, the cod will eat a large lobster and swallow it. I personally have opened the stomachs of cod and seen a lobster that would be a pound and a half; and prior to that one being swallowed, I saw another one that would have weighed a pound. They went straight down. The ones that went in first were almost completely decomposed. Well, they weren't completely decomposed, but almost decomposed, up to the one that had been recently swallowed, which was green, as it had just gone into the stomach.

So we do have predators. Yes, we do have natural predators that are there.

[Translation]

Mr. Raynald Blais: Is the grey seal a predator?

[English]

Mr. Ashton Spinney: On the grey seal, I'll say this. I bought my first lobster licence in 1957 and have fished out of the same harbour all of those years. Two years ago, I saw my first herd of grey seals in my lifetime. They have spread this far west, and they were there. Now, whether they eat lobster, I do not know. I know they didn't bother my traps to take the frozen herring, the bait and stuff, that was in the traps, but they lived on something, because they're huge animals. They were prolific. Everywhere you looked, they were around you.

If they're living on groundfish, then they're doing tremendous damage to those groundfish stocks. We're talking of animals that are the length of these tables and longer, the males at least. You don't get to be a structure like this—the table—unless you eat.

Voices: Oh, oh!

The Chair: Thank you, Mr. Spinney.

Mr. Stoffer.

• (1045)

Mr. Peter Stoffer: No matter how long you're on this committee, you learn something new every day!

Well, Ashton, and others, thank you very much, gentlemen, for coming down and speaking with us today.

Ashton, we've heard about conservation efforts in other areas, such as the Magdalen Islands, and what they're doing in terms of reducing the number of traps per boat. On P.E.I. we heard about some of their efforts, when they talked about the buyback of the lobsters. We heard the average age of the fishermen is in the forties or fifties, and in some cases higher.

We've heard—at least through the media here as well—an awful lot of interest in what's called the government buyout of the licences, not just to conserve the stock, but also to allow the fishermen to retire with dignity.

I was wondering if you could give our committee a short synopsis of what LFA 34's view is on a buyback. How should it work? Who should participate? Who should pay for it? What would be the average cost to either the provincial or federal governments, in cooperation with LFA 34, of reducing number of licences in this area?

Mr. Ashton Spinney: That is one thing we do not support, not one of the reps, nor have I heard it from any fishermen. They haven't called and said, we should have a buyback.

Our concern is not the buyback, but about making money available so that young people can buy in and purchase the licence or enterprise and have something for the future.

When our licences were valued at about \$1 million, and you had somebody coming out of school and going for a couple of years into the stern of a boat to qualify, it was just impossible to even think about getting a licence with that magnitude of cost.

So our major concern is access to funds or capital. I understand the province is doing some of that with its loan board, making capital available. If my memory is correct—I do this by memory, and I apologize if I don't have this right at my fingertips—I think they're looking at a 20-year payback.

That we applaud and are thankful for.

Mr. Peter Stoffer: So you don't buy into the argument that there are too many fishermen chasing too few lobsters.

Mr. Ashton Spinney: Let me say it to you this way. When I started out fishing, if you got \$5,000 for the year—stock, lobster fishing—it was a good year.

We have seen our industry grow from then to close to a 100-year high. Our industry is in good shape, but we are not going to say to you that we are not going to watch it. We are watching it.

As I said, we are in the process of writing a conservation harvesting plan, and we are looking at doing it for 25 years and putting all kinds of benchmarks in to meet the requirements of MSC and the sustainable fishery.

Now, whether it will go MSC...I can't say whether area 34 will go MSC. That will be the decision of area 34, but we are looking at all the possible avenues, and there may be others on the horizon that will step up and be along with MSC.

What we would like to have go to the eyes of the world and into the marketplace is that we have a sustainable fishery and that we're working to keep it sustainable.

Mr. Peter Stoffer: My last question for you, Ashton, is asked because we're here. The issue of Georges Bank is discussed again in terms of the rigs and the seismic work and all of that.

I am just wondering what LFA 34's position is on the possibility of oil and gas exploration, aside from testing the possibility of it on the Georges Bank.

Mr. Ashton Spinney: We do not support any oil activity whatsoever on Georges Bank.

Mr. Peter Stoffer: Thank you very much.

The Chair: Mr. Weston.

Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC): To Mr. Spinney, Mr. Hines—and I want to add Greg to this—and the people who have bothered to come out today, I thank you. For a B.C. boy who is making his first visit to Nova Scotia, it's truly an honour. We've felt very welcome.

My colleague Blaine Calkins—known as the antelope—and I did a run this morning around Yarmouth; it is April Fool's Day. We were able to breathe in some of the history. We stopped at an Anglican cemetery built in 1806. We're surrounded by architecture. I think most of the homes here were built before B.C. even started. It's really exciting to see what we see.

I'm caught by your last comment, Ashton, where you said that one of your number one priorities is to make money available so that young people can buy in, so that they have an enterprise for the future. Sometimes the best way to prepare for the future is to look at our history.

From what little I've learned, quickly, about Nova Scotia, there was a day when you dipped a basket in the waters and pulled out cod, and that day is no more. I wonder what we can do so that 100 years from now there will still be a lobster fishery here.

We heard from Colin MacDonald that his number one issue is, who is the customer? That comes from Harvard Business School's Ben Shapiro. We have a common professor, he and I. Business is the number one issue for him.

In your opening comments you listed many industrial or business-related issues, but then you got down to the lobsters, and you talked about sustainability and what is being done by LFA 34.

The FRCC differ from you in their assessment. They say they consider that with few exceptions, the current system of input controls is in fact not capable of controlling the increase in exploitation rate. Furthermore, they say the current fishing strategy has no mechanisms to control fishing effort, given the competitive effort drivers. Effective fishing effort and exploitation rates are expected to increase steadily. This puts the ecological sustainability of the resource base, the economic sustainability of the fishing enterprises, and the social sustainability of fishing communities at considerable and increasing risk.

They refer to your great success here in LFA 34 and say that may mask what is really happening, that the high results may come from increased fishing effort, not necessarily from a healthy lobster pack, if you want to call it that.

As MPs, we have to ask what our role is, and it's different from yours. I'm told that the specific objective of fisheries management is to ensure the conservation and protection of Canada's fishery resource, and in partnership with stakeholders to assert its sustainable utilization. That's from the Auditor General's report. That objective has been embedded in the recent fisheries bill, so it continues to be the objective of fisheries management.

To make sure that history doesn't repeat itself, to make sure that your avowed goals for a sustainable fishery are fulfilled, how do you answer the FRCC's challenge, and how do you get away from the fact that for a detractor, much of it seems to be all about business and not about the lobsters?

• (1050)

Mr. Ashton Spinney: I differ on that strongly, because it is all about lobster. We have made a lot of changes and brought about a lot of things in our industry—as I said to you, our seasons, our traps, our controls that we have in there, escape mechanisms, a return of our berried females. All those things are protecting our industry. I would suggest that you remember, over all this effort you're talking about, that we are at a 100-year high. We haven't decreased. We have maintained and kept going up until just very recently. There is a little anomaly at the top. I'm not sure if it's a 96- or 97-year high right now.

We are looking at that right now. First of all, we think it is no wisdom at all to say we're going to maintain at a 100-year high, but we're looking at it and saying we should be able to keep it at 65-year to 75-year highs. When things start to drop down below this, some major things are going to kick into place that will put more lobsters in the water and give us protection.

As far as the effort is concerned, we're still at the same number of traps. Our boats have increased in size, but that just enables us to fish in areas—so that you'll understand, the collapse in the groundfish, the cod fish, has enabled our lobsters to move out and spread out over a greater area. We fish an area, give or take a little bit, of about 22,000 square kilometres, up to 50 miles from the headland. That is area 34. We're bound on the outside by area 41, in which Mr. MacDonald's company owns the eight licences. By the way, that's the same stock they fish, and they do a selective fishery on our stock outside of what they fish on St. Georges Bay. What's on Georges is understood to be a different population, but inside of that it is primary LFA 34. It's not a fishery out of control, and with FRCC and their situation, they're dealing with lobster in eastern Canada. The difficulty is, when you leave area 34 and go to the other side of the province, the strait and P.E.I. and those areas, it's totally a different fishery. One blanket doesn't cover all.

I understand where they're coming from, what they're writing, but concerning a quota system, we strongly frown on that because a quota system puts people out of work. It's putting enterprises out of work. Communities ease out because it ends up in the hands of a very select few. On the offshore fishery there used to be a lot of independent licences, and now it's all owned by one company.

•(1055)

Mr. John Weston: Do I have more time?

The Chair: You have two minutes.

Mr. John Weston: Do I understand, Ashton, that you and Colin are on opposite sides of the debate? It may seem evident to everybody else in the room, but I was just figuring this out as I was listening to you and to him that he would like to see quality control, which may be a different way of saying increased costs.

Robert, you said that the idea of dockside management would lead to increased costs, which would be downloaded to fishermen, and he probably sees that as a way to concentrate power in the hands of one owner, whereas you want to see a diffusion to keep a more traditional approach to the fishery so that individual operators can afford to get in and stay in.

Is that a fair characterization?

Mr. Ashton Spinney: Yes. Let me put it to you this way. Within the responsibilities that you gentlemen set in our great country, if the tax dollars stop coming to Ottawa, how are you going to pay the bills? The more people you put out of employment—I shouldn't say “you people” but the more people “we” put out of employment—through the way we approach things is going to take away tax dollars and lessen your ability to meet the challenges of our great country.

The wisdom is to keep people working and earning. That is the approach our inshore fishery has worked on and lived on and strived on, and the fishermen still take that approach.

Does that answer your question?

Mr. John Weston: More people will be working, you would say, under your approach than under his.

Mr. Ashton Spinney: There are 987 licence holders, and generally there are three aboard—a captain and two crew. That's not counting the spinoff in related onshore industries—the bait, the handling, the trucking, and all the other things that take place.

Last December, they were coming in to protest the price of \$3 or \$3.25 a pound. They came here, and they met. They knew they were going in the hole, but they knew they had to try to make money so they could give something to their hired men so their families could eat. The men went back fishing, knowing they were losing, because we are the economic engine of southwest Nova Scotia. So it wasn't that they decided to stay there till they made so much money. They decided that we needed to try to help, regardless of the situation we found ourselves in.

•(1100)

The Chair: Gentlemen, on behalf of the committee, I'd like to thank you both.

Mr. Blaine Calkins: This is the only lobster fishing area where there is an actual refuge, but nobody had an opportunity to ask a question about it. With the consent of my colleagues, I would like to hear some comment from the fishermen out on the water about their perspective on the refuge.

The Chair: Go ahead, Mr. Calkins.

Mr. Blaine Calkins: What do you think of the refuge? There's an area of refuge near lobster fishing area 34.

Mr. Ashton Spinney: It's area 40, Browns Bank.

Mr. Blaine Calkins: Is it Browns Bank?

Mr. Ashton Spinney: Yes.

Mr. Blaine Calkins: I thought I was asking a relevant question to the relevant fishermen. Still, if you'd like to comment on it, I'd like to hear what you have to say. It's the only area we have in the entire Atlantic that's a natural refuge. Any thoughts on it?

Mr. Ashton Spinney: I think we are reaping the benefits of it today. We are reaping the benefits. We're at a high, and a lot of that has to do not only with what we have done as fishermen, but also with the area that's been closed. It's beneficial to us and to area 41 as well.

There's another issue. I sit at a lot of tables. We have one called the regional lobster round table that includes Newfoundland, Quebec, New Brunswick, P.E.I., and Nova Scotia. It is chaired by a group known as the Canadian Centre for Fisheries Innovation. It is very disturbing to me—I got an e-mail about it on Friday—that the funding is being removed from that centre. It has done a tremendous amount of work for us, and is continuing to do a lot of work for our lobster industry.

We are embarking on a huge promotion of lobster in the world. In fact, when I get home today, I have to send in some nominations for a steering committee. There's a tremendous amount of work being done there by Carey Bonnell and those people. I strongly encourage you to speak to ACOA on our behalf, because the benefits are just... we can't measure them.

The Chair: Thank you, Mr. Spinney.

Gentlemen, on behalf of the committee, thank you for taking time out from your busy schedules to come and meet with us and for the advice and recommendations that you brought forward. We really appreciate it.

We'll take a short break until we set up for the next presenters.

Thank you.

- _____ (Pause) _____
-
- (1115)

The Chair: All right. We're ready to begin.

Today we have the pleasure of having the Eastern Shore Fishermen's Protection Association with us. Norma Richardson and Nellie Baker Stevens are with us this morning.

I'd like to thank you for joining us today.

Just to let you know—and I know you've been here throughout the morning—there will be some beeping noises that you'll hear throughout the proceedings. There are some time constraints that we try to adhere to, sometimes successfully but most times not. But we do try to adhere to the timeframes. So don't be alarmed if you hear a beeping noise.

We generally provide the presenters with 10 minutes to make their points, and then we proceed to questioning.

So at this point in time, Mrs. Richardson, I'll let you take the floor.

Thank you.

Ms. Norma Richardson (President, Eastern Shore Fishermen's Protection Association): Thank you very much.

Good day, gentlemen, ladies.

My name is Norma Richardson, and with me is Nellie Baker Stevens. We represent the Eastern Shore Fishermen's Protection Association. We are located along the eastern shore of Nova Scotia. Our membership consists of 230. We go from Canso in Guysborough County to Halifax harbour. This is considered region 3. We are accredited under the provincial legislation with the Fisheries Organizations Support Act. We also have local fish plants and buyers as associate members. We cover two LFAs, 32 and 31B.

I would like to thank the committee for hearing us today. Although we would have liked more time to prepare, hopefully we'll cover most of the points.

We made presentations to the FRCC during their consultations on lobster, and I also attended the sessions for the final consultations. I felt that the report that was prepared did not totally reflect all the

points from those sessions, specifically in terms of the conservation measures taking place throughout the different regions.

Any initiative that is entered into has to have stakeholder support. A critical component of lobster conservation is the adoption by local stakeholder groups of an active stewardship role, and this was quoted by Gerry Ennis, from Newfoundland.

In our region in the past, LFAs 32 and 31B did not agree with DFO's conservation measures. The landscape of each harbour varies. An increase in carapace measure will give different results according to the harbour that has a composition of larger-sized measures compared with harbours with a smaller size.

Fishermen are adamant that the conservation measures be equal throughout the LFAs. The benefits and costs should be the same. When the LFAs and representatives worked independently, there was never a consensus. With the LFAs' reps meeting once a year and not having the ability to hear what was happening elsewhere, it was hard to make an informed decision on behalf of other fishermen.

The association was asked by the lobster representatives in the area to bring the parties together to work toward a plan that would be satisfactory to everyone, or at least to the majority. This is when the idea of v-notching was hatched. This was the only conservation measure that each fisherman would have to give the same amount of effort toward.

In 2000, LFAs 32 and 31B, more than 200 lobster fishermen, collected 220 pounds of large unburied female lobsters, more than 110 millimetres, from their catch. These lobsters were then v-notched and released back to the ocean. All v-notch releases were verified by an independent body, the Fishermen and Scientists Research Society.

This project is funded 100% by the fishermen. Over the past nine years, these fishermen have released more than 250,000 pounds of large unburied female lobsters with an approximate value of \$1.5 million. They have also tagged more than 30,000 large unburied female lobsters. And today they still see some of those tagged lobsters that they released in 2000.

Information has been gathered over the years on lobster movement, the number of buried females with v-notches, and the number without v-notches. More than 14,000 tagged v-notched lobsters have been recaptured and released, in most cases. So we know they have survived the v-notch and the tagging process.

These fishermen are open to providing science with other information that they may require. It is also very important to note that we have 100% compliance by the fishermen in this project.

Our definition of a v-notch is any mutilation on a particular flipper on the tail of the lobster—the third flipper over, or whatever. And the lobster fishery one-size conservation method does not fit all areas. In LFA 31A, they have been doing a different conservation method. Ginny is not going to be here, but I'm sure she'll send in her report.

We fish a maximum of 63 days and have a trap limit of 250. This is a spring fishery. We fish from April 19 to June 20. Our fishery is well-known by the buyers for providing quality lobsters. However, we normally don't see this reflected in the price. In fact, we get a lower price than they do here in Southwest Nova.

This year, as you know, does not look good. Our fishermen cannot survive on a \$3-a-pound lobster. We have to compare the eastern shore, with landings in some areas as low as 7,000 pounds, with 50,000 pounds or more in this area.

• (1120)

Our fishermen have been under a groundfish moratorium since 1992, and lobster, at this point, is their main source of income.

We have been successful in becoming permanent in the snow crab fishery. This is a help, but because we have approximately 20 fishermen sharing one licence, the income is very small compared to what they would have if each of them had a licence.

The price of bait and fuel has increased, while the price for our lobster has declined. Fishermen have to worry about boat insurance and maintenance. We are also heavily downloaded with fees from DFO and cannot handle anymore.

We do not expect to see our groundfish increase due to the explosion of the seal population. The gentleman is not here, but his hat is quite interesting.

When there are no groundfish, we are hearing that the seals may turn to lobster as their source of food, and this would be devastating to the industry.

Dockside monitoring is not something our fishermen embrace, as they see it as not working. Most of the lobster fishermen land at their own wharves, and there are several hundred of these along our coast. It would make it nearly impossible to send a monitor everywhere. It would also be hard on the fishermen to make them land at designated wharves because of the distances along our coast and the amount of time they would have to get there. This would lead back to adding more expense and more time to their already exhausting day.

We deal with local buyers and try to keep the money within our communities. We know we are in tough economic times and will work on behalf of our fishermen to get the best price and allow for competition among the buyers. These fishermen are all independent businessmen and should be receiving a fair price for the top-quality product they have.

We do not support an ITQ or IQ system in this area. We do not support quotas at all. They do not think this will help the markets or the fishery. It would just put more control in a few hands. Yes, it may take some people out of the fishery, but that quota will just go to someone else, so it will do nothing for the resource.

We only ask to be allowed to make a living, and although today lobster is our main resource, we are all multi-species licence holders and pursue other fisheries that are available, such as our small groundfish quota, snow crabs, herring, and so on.

We have been following closely the MSC process on sustainability. Our fishermen have always tried to look after the resource and the habitat so that there would be something there for their

children and grandchildren. We are now thrown into an MSC or other traceability and sustainable theme. We have no problem working towards this; we have a problem with the astronomical cost to the industry for certification. It seems that once we pay around \$500,000 for a certification that says we are sustainable, in five years' time we will have to start the process all over again. This will, in my mind, take away from fishermen being sustainable, as there will be no one left to worry about.

This has been promoted as a way to increase our market share. We feel that this alone is not enough. We need more aggressive marketing strategies as well as the industry working together, at least on this initiative, to help us move forward. In reality, the processors and buyers need the fishermen to supply the product, and we need these people to buy our product. This is an important hurdle we have to get over.

According to GPI Atlantic, to be sustainable we need indicators to assess the effectiveness of the management rules under which the fishery is governed. We also need organizations to implement these rules for managing the fishery, be it government or non-governmental organizations, such as fishermen's associations. In general, they say that indicators need to examine several things: the manageability and enforceability of the regulations; whether there is a match between the level of resources society is going to allocate to management and what is needed to accomplish that management effectively; and the actual resources available to management. Notwithstanding this, there is a lack of resources available to industry to be effective in the necessary areas.

We are now hearing about the Canadian Centre for Fisheries Innovation closing. This has been a very useful organization that has provided the industry with great projects and much needed leadership, not only in Newfoundland but in all of Atlantic Canada and Quebec. At this crucial time in the industry, we do not want these types of groups to shut down. That is poor timing on the funder's part.

My presentation is very short. Thank you for the opportunity to express our views on the lobster industry.

• (1125)

The Chair: Thank you very much.

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

Hon. Gerry Byrne: Yes, I will.

The Chair: —or vice versa, whichever.

Hon. Gerry Byrne: Well, we're going to try, anyway.

Thank you very much to the witnesses for appearing before us and providing your knowledge and your perspective on some key fishing industry issues.

The whole process of certification seems to have you quite rattled, and I can understand that. Just describe for the committee what you understand the process to be. I'm really intrigued. You've laid down a specific marker of \$500,000 to actually comply. Who is charging that \$500,000? Who is responsible for that, and what organizations on the ground are actually seeking certification?

Ms. Norma Richardson: The consultants will do the certifying, and the certifiers will be charging that cost. There is a small percentage that goes to the MSC, as it is a non-profit organization; I understand it is funded by foundations. But the bulk of the money would go to the certifiers on the ground, like Tavel. Under MSC rules, they're only allowed to certify for up to five years, and then it has to go through the whole process again. So that's where we are.

Hon. Gerry Byrne: I want to tie that into the Canadian Centre for Fisheries Innovation. There are a number of private sector consultant services that are basically advertising their services because of new requirements or new opportunities in certification. Whichever way you want to put it, they are now providing that.

The CCFI is involved in the creation of the Atlantic lobster round table, which I think you were a participant in.

Ms. Norma Richardson: Yes.

Hon. Gerry Byrne: As I understand it, your concern is that CCFI's funding through the Atlantic Canada Opportunities Agency has now been revoked or cancelled. Provincial governments, including the Province of Nova Scotia, are funding the CCFI, but they don't have that federal funding so their doors are actually going to close.

Ms. Norma Richardson: Yes.

Hon. Gerry Byrne: If I understand correctly, you're saying that at this most crucial time the CCFI mandate is being curtailed when it is needed most.

Based on your own experience with CCFI, could the CCFI actually play a role and have a guiding hand in assisting organizations in receiving certification? This role would not be to replace the consultants per se, but to minimize the cost of the consultant. The consultants don't have to go into each and every jurisdiction or location and reinvent the wheel. Is that a possibility? Is that another role the CCFI could potentially play?

Maybe, Nellie, you might have some points on that.

Ms. Nellie Baker Stevens (Coordinator, Eastern Shore Fishermen's Protection Association): I don't know their mandate or what they have to live with, but I think that's a great idea. It's an excellent idea. We should do anything to reduce the costs.

When we first had Tavel down to do a presentation, it was something like \$500 or \$600 an hour for their work. It was ridiculous. And they needed two or three of them at a time. I worked it out over a five-year term to be \$500,000. That's ridiculous. You go back to the fishermen and tell them to be prepared to go into their pockets and pay for that.

So if any of you have ideas like that, they'd actually be great. They're trusted, I believe, by not just the fishermen....

We had buyers and processors around the table, and we were actually talking with each other in expressing concern about the

industry as a whole. I thought that was a huge step. I don't know how it's done in other provinces, but this was huge. We had all the provincial ministers there as well. We even had the Minister of Fisheries at one of our meetings. It was great to see everybody concerned about this.

This is a lobster crisis, in our mind. We've come to a point that what is happening now cannot be maintained. We have to make a movement. This is what I got out of that meeting on Monday. As industry, we're prepared to move forward. But after the meeting, he told us, by the way, you no longer have funding.

So it would be very interesting if they could add that on. I know we would definitely take advantage of that.

Ashton didn't mention it here, but all the LFAs are trying to get together and work as one in getting certified. My understanding is that in order to get federal money, or even provincial money, if that large group works together it seems to be easier to do that. As an industry, I don't know if you realize how hard that is, to get all the LFAs to sit down in a room and agree that we're going to spend a whack of money on something we're not even sure we believe in.

• (1130)

Hon. Gerry Byrne: Nellie, could I interject?

The LFAs had not come together in the past, as I understand it, until the Atlantic lobster round table came aboard. That Atlantic lobster round table—and you can clarify this for me, if you would—was actually the creation of the Canadian Centre for Fisheries Innovation.

Ms. Nellie Baker Stevens: Yes, it was.

Hon. Gerry Byrne: What may be interesting to committee members—and I think it says a lot about the CCFI—is that it is actually based in St. John's, Newfoundland, at the marine institute.

But you heartily endorse them.

Ms. Nellie Baker Stevens: Yes, absolutely.

Hon. Gerry Byrne: You feel complete trust, respect, and confidence in their ability to do what's in the best interests—

Mr. John Weston: Is that because they're from Newfoundland?

Voices: Oh, oh!

A voice: No, it's not.

Hon. Gerry Byrne: No, actually, Mr. Weston, and I'll comment on that specifically. It's that the barriers between provinces are finally coming down, and it is a point that's actually worth noting. If we are to do as an industry that which everyone seems to goad or coax us to do, which is to drop the barriers and act in common cause, someone has to start the process.

I don't mean to diminish it in any way, but the lobster industry in Newfoundland and Labrador, relatively speaking, is a shadow of what it is in P.E.I., Nova Scotia, Quebec, and New Brunswick, yet this effort is being led out of an organization from St. John's, Newfoundland, an organization that is playing a major role and in which you have complete and utter confidence.

What an absolutely terrible time to be taking away that guiding force when we're actually starting to do what so many have asked us to do for so long.

I appreciate your comments. I'll turn it over now to Mr. MacAulay.

Hon. Lawrence MacAulay: Thank you very much.

Norma, you mentioned that there are conservation measures in some areas that don't work in others. I'd like you to elaborate a bit on that. It's a big issue with this committee and it's a big issue in the fishery. I'd just like you to comment.

Ms. Norma Richardson: Again, I'll go back to what I said earlier. The conservation method has to be bought into by the stakeholders, by the people involved, and not necessarily.... We have our own—

Hon. Lawrence MacAulay: Not from the top down.

Ms. Norma Richardson: Yes, not from the top down. It has to be from the bottom up. When we started ours, I'd say that 98% of the fishermen agreed it was something they would like to try. We've been doing it for 10 years now. It's been working. We've had 100% compliance since then.

Hon. Lawrence MacAulay: And dockside monitoring, which—

Ms. Norma Richardson: Dockside monitoring is not on the table because of the cost, of course, but then there's also the number of monitors that would have to be in place. We find that they can't even do a good job now, when it's groundfish. They can't get to where they need to be. As well, when the day boats that are lobster fishing come in at roughly the same time, between 2 p.m. and 6 p.m., let's say, I think trying to get that number of people in different ports all along the coast to do that would be almost impossible.

Hon. Lawrence MacAulay: The problem is that you have too many dollars coming out of the fishermen's pockets in order for them to abide by rules that they did not agree with from the start.

Ms. Norma Richardson: Exactly.

Hon. Lawrence MacAulay: You mentioned, of course, something that this committee certainly supports, and that's the seal hunt. We're having some difficulty worldwide with that. Could you just put a statement on the record about how you feel about it, what effect it has on the fishery, and what it did to the groundfishery?

•(1135)

Mr. Greg Kerr: As Mr. Blais puts his hat on....

Hon. Lawrence MacAulay: Yes, as Mr. Blais puts his hat on.

Mr. Blais missed your first statement on that. We appreciate the fact that you're so aware of his leadership in this area.

Ms. Norma Richardson: Exactly. It was great to see the hat.

The seal population where we are is astronomical. We're not that far from Sable Island. We have some of the local islands where the seals congregate and breed. We see them around the lobster traps. Our guys have problems with them taking bait and whatnot, so it is of great concern.

We're under a moratorium and have been since 1992. Our groundfish are just not coming back. We don't see our cod coming back. We don't see anything happening. It's not because we're fishing it, because we don't have any to fish. We still believe it's the seal population.

Hon. Lawrence MacAulay: On the cod, it's probably because the seals are eating them.

Ms. Norma Richardson: The seals are eating them. It's 600 pounds of fish a day that they eat, so it's a little much.

Ms. Nellie Baker Stevens: Can I expand a little on that? Am I allowed? I'll put on my fish manager hat for groundfish.

Yes, we've been in a moratorium since 1992. We have a very small halibut fishery and a very small pollock fishery. That's all we have now in 4W, our designated NAFO area. Yes, we helped to diminish the stock, and yes, there were a lot of bad decisions, but we've stopped fishing and it's going down, down, down. The natural mortality is terrible. It's never going to come back. I'm not going to hold my breath for it.

What's even worse is that in 4X they're going down the same road we are. They were just told that their quota of cod is going to be almost half of what they had the year before. There are so many worms in the cod that they have a problem selling them because it's too labour intensive.

You should have seen the faces around the table. I've looked at them. We already went through this. They're like, "What do you mean?" They're saying, "We can't live on a bycatch fishery, so what does this mean? You're going to shut us down?" This is Southwest Nova that we're talking about, where they actually do have a fishery, but they're on the verge. I've been watching over the years and they're on the verge of going into a moratorium the same as we did. They're getting more and more haddock, but they can't catch the haddock because of the cod.

Again, they blame it on the seals. We already have the evidence and have already lived through it. We know it's the seals. Now we have another area that's going to be closed, in my opinion, because of the seals.

The Chair: Thank you very much.

Monsieur Lévesque.

[*Translation*]

Mr. Yvon Lévesque: Thank you, Mr. Chairman. I will ask a few questions, and my colleague, Raynald Blais, will most certainly have some as well.

You seem certain, Ms. Richardson, of the impact the seals are having on lobster. This morning, Mr. Spinney was unable to answer the question with any certainty.

I would also like to know if you have noticed the presence of green crab in your region or the disappearance of eelgrass. Some time ago, the Committee decided to ask for an investigation on the disappearance of eelgrass in certain marine areas, namely in Hudson Bay. I am however also learning that eelgrass serves as a habitat for lobster in certain areas and that eelgrass is destroyed by codium. The experts from the Institut des sciences de la mer de Rimouski might be able to verify this.

But you should nevertheless first assure yourselves that you do not have a green crab problem and that the eelgrass is not threatened. The Institut de recherche could help you determine that.

[English]

Ms. Norma Richardson: Well, we do have green crab, but maybe not to the extent you do. We have seen it, and there have been proposals from some of the buyers, the fish plants, to catch it and market it. We're not sure where that's going. They don't have the under development species board any longer. We had a board to take the proposal to. We don't have that anymore, or it hasn't gone past that stage.

We haven't heard a lot about the algae problem, and I didn't understand what you meant by the disappearance of zones. You said zones. What did you mean by that?

• (1140)

[Translation]

Mr. Yvon Lévesque: That is exactly what I said. It is believed that eelgrass provides breeding sites for lobster and that, with the presence of codium, these breeding grounds are disappearing. Is this something you have noticed?

[English]

Ms. Norma Richardson: We don't have as much of the eelgrass, or whatever, as we previously had. So it's very possible that is something, but the fishermen haven't said too much about it.

Ms. Nellie Baker Stevens: Yes, they have.

Ms. Norma Richardson: Oh, they have, have they?

Ms. Nellie Baker Stevens: Actually, my husband has. He belongs to the Fishermen and Scientists Research Society, and he was actually asking that question. What happened to the eelgrass and how important is that, and is anybody looking at that? We've only noticed the last couple of years that a little bit is coming back, because we live right on the ocean. He had a hard time trying to find some eelgrass to put the potatoes into. If you remember years and years ago, that's what they used as insulation for the houses, right? There was loads of it. You'd just fork it up, loads of it. But where did it go, and how important is that to the ocean and the whole ecosystem of what's going on with our species now?

So they do a lot of projects. Anything like that would be something this innovation centre could do. Absolutely. It's a good idea.

[Translation]

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

Good morning, ladies. My apologies for having missed the beginning of your presentations, but I had to react to an unpopular

decision in Quebec with regard to the shrimp quota that the minister announced yesterday.

First of all, the seal hat that I have brought with me bears witness to a phenomenon that has been decried or at least described by a renowned scientist and biologist in Quebec, who has stated that the seal population is too numerous and that it amounts to an uncontrolled fishery. In other words, these predators have become good fishers, or at least their fishery is not controlled. Such is the danger. We talk about the harp seal, but the grey seal is showing up more and more. It is much larger and, as an omnivore, it eats much more. When there is no longer any cod or anything else left, it will go after other species. It could be groundfish, but it could also be salmon, lobster or crab.

It is very important to take all of this into consideration. This is why committee members have unanimously already looked at the issue and reopened the file.

I have but little time left, but I would like to hear you speak about the way out. If we are here today, it is because some months ago now, alarm bells went off in Nova Scotia with regard to the prices granted fishers. Given that the recession was at our door — and is now here —, these people were wondering what disaster awaited them.

I would like you to explain to us what solutions might help us overcome the crisis that is headed our way and that will strike over the coming days or weeks.

[English]

Ms. Norma Richardson: You're looking at me to take this one.

[Translation]

Mr. Raynald Blais: The question is simple; it is the answer that is difficult.

• (1145)

[English]

Ms. Norma Richardson: That takes a lot of thought, and it's something we've been thinking about for a long time. I don't think there are any quick solutions to getting out of this. For the short term we need some stable pricing that's workable. We need to look at the economics all the way around to see what it is actually costing us to do business, versus someone coming up and saying it costs them \$100,000 to go fishing when it might cost me \$50,000. What is something you can live with just to get us through this time? There has to be some stability somewhere in the whole scheme of things, and not just in the pricing.

We heard Mr. MacDonald this morning talking about how they hold their amount of lobsters. It seems that before a particular season opens there's a certain number of lobsters on the market because they've been held. Now they're getting rid of them so they can buy the newer ones and replenish their supplies. That's something that has always happened.

We also buy from the United States market and bring the product to people like Clearwater and some of the other huge buyers. I know they have markets to supply and clients they need to serve, but they also need to keep in mind that there's product here that needs to be sold as well. They should be looking at trying to manage their business with some of our businesses to kind of bring it together.

That's the best I can do with your question.

The Chair: Thank you.

Mr. Stoffer.

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

Norma and Nellie, thank you very much for coming to Yarmouth to help us understand the problems that face this industry.

We heard Mr. MacDonald clearly say there's sort of a Klondike mentality when it comes to buyers in this regard. Do you agree with that sentiment? Are there too many buyers, or are there just enough buyers? Is it that simple to get a truck, load up the lobsters, and off you go? In my discussions with fishermen, they like the idea of a competitive buyers' market, whether it be Donna Rae, Clearwater, or whatever.

When he said "Klondike", I wrote it down because I hadn't heard that expression before in the industry. I'm just wondering if you agree with that statement, or what your view is on that.

Ms. Norma Richardson: I'm not saying there are too many buyers. I agree with them in a sense, if it's a guy who comes in with a truck today and then he's gone and you don't see him anymore. But where we live, most of our buyers are there year after year after year, and we don't think that. The competition is healthy and we feel it's something that needs to happen. We don't want to concentrate this into one hand.

Years ago, before my time, our fishery was owned by the fish buyers or the fish plants. It was a totally owned fishery on that shore. They've gotten away from that and they're all independent. So they don't all sell to the same buyer, but they distribute it out, so they keep these guys coming back so they have competition.

But in saying that, I think there's also a little bit of loyalty to some of these people, too, and loyalty to the community, because they want to keep that money there. They don't want it moved someplace else; they're trying to keep it within the community and keep it circulating there.

Mr. Peter Stoffer: Now, Norma, we heard in the Gaspé about the efforts of the individual fishermen and organizations in their conservation efforts and reducing the number of traps per boat, etc. We've also heard on P.E.I. quite clearly that a buyback option was something they would look into. Yet Mr. Spinney was clear that in LFA 34, a buyback is not on the table—at least it's not being discussed.

I'd like to know what your organization—and Guysborough, if you could speak for them, if you're aware of their concerns—thinks of a rationalization of the industry in terms of where we would reduce the effort on the water.

Also, is the 15% mortality rate that Mr. MacDonald indicated a fairly accurate figure, because we've heard Mr. Hines say they treat

the lobsters like eggs on the boat? I haven't heard that expression either. Any time you handle literally thousands and thousands of lobsters, there is going to be some damage to some. I just want to know if that 15%, in your experience, is an accurate figure.

• (1150)

Ms. Norma Richardson: I'll go backwards and answer your last question first.

We don't think it's accurate.

Ms. Nellie Baker Stevens: We know it's not.

Ms. Norma Richardson: We know it's not in our particular area, especially. We've worked with the Nova Scotia Fisheries Sector Council. They have a lobster handling video and brochures, and whatnot, out on how to handle lobsters properly. That's been shown in a lot of organizations. It's an educational process.

Our boats are day boats. They're out at four in the morning and are maybe back anywhere between two and eight o'clock at night. They sell their lobster that day. So they don't hold it for any long period of time. For us, I would say we're at zero mortality in the landing process.

Ms. Nellie Baker Stevens: Could I add that our lobsters are hard-shelled, strong, healthy, and full of meat?

Mr. Peter Stoffer: Did you hear that? They're the best lobsters on the eastern shore.

Ms. Norma Richardson: Well, they are better. And we've had the buyers tell us that as well.

Mr. Peter Stoffer: I rest my case.

Ms. Norma Richardson: You rest your case.

I guess the buyback is not on the table for us either. We have not contemplated it. We have not talked about it. Well, we've talked about it, but it's not on the table. Our guys feel like their enterprises are there. They want them there, for their children to be able to come into the industry. They want to keep it owner-operated. They want to keep it the way it has been. Hopefully, with some of the programs out there, these people can buy back in.

Mr. Peter Stoffer: Thank you.

The Chair: Thank you very much.

Mr. Kamp.

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

Thank you for coming all this way. I know it's a bit of a drive for you to come all the way to Yarmouth for these meetings. We do appreciate it, and we thank you for your contributions.

Your association is called the Eastern Shore Fishermen's Protection Association. What's being protected?

Voices: Oh, oh!

Ms. Nellie Baker Stevens: I'd like to answer that.

We're protecting the fishermen!

Mr. Randy Kamp: Fishermen or fish, I guess.

Ms. Nellie Baker Stevens: We're protecting the fishermen, because to every meeting I go, there's a likelihood the fishermen are going to be endangered. And I don't even mean that to be funny. I really do mean it.

We go to so many meetings, 70-odd a year, just to go and know what's coming down the tube next, because it's always something bad. It isn't often I go to a DFO meeting where they tell me something wonderful that I can take back and say, isn't that great. It's always a case of more downloading, more downloading, or a new regulation and you've got to redo your gear, or you've got to do that, or we've got a framework for this and we've got to get a plan for this, which you have to follow. Oh, and then they'll say, let's throw that in.

So we're really trying to protect the fishermen, and the fishery in their communities, so they stay there, against all the pressures that are coming down on a continuing basis.

Mr. Randy Kamp: Okay. I appreciate that clarification. I didn't know if it was conservation-based or fisherman-based.

Voices: Oh, oh!

Mr. Raynald Blais: Good question!

Mr. Randy Kamp: I thought I knew the answer, and I was right.

Now, Norma, I think you said in your comments that you didn't agree with DFO's conservation measures, but I don't know if you expanded on that.

Do you mean what Nellie does, that there are just so many of these measures coming forward, or is there anything in particular you're referring to?

Ms. Nellie Baker Stevens: I want to do this.

Mr. Randy Kamp: You can both respond.

Ms. Nellie Baker Stevens: We have a little bit of time here.

Mr. Randy Kamp: Sure.

Ms. Nellie Baker Stevens: What we disagree with, number one, is that they come to the table and say, this is what you're going to do. They came up with a four-year plan to double egg production. Hello! That isn't anything fishermen believed in at all, but it was Ottawa-driven down, right?

We actually did go up the first time they told us to. The next time the fishermen said, no, we're not doing anything this year; we have four years to do it and we'll do something double next year. DFO said, no, you're going up, and we said no. So we had a stalemate, right? That's when it was decided that we would look at the tool box, as there might be something there that we would prefer.

They were going to try to make us go over the American measure, which is ridiculous, because this is your Maine lobster. The best lobster is the American measure lobster, right, and they were going to make us go over it. So we went and hatched the plan, as she said, so the v-notch came up and the fishermen supported it.

What we mean by saying this is that we don't agree on stuff where they say, this is right for your community or this is what your fishermen have to do.

•(1155)

Mr. Randy Kamp: But you agree with, or do you agree with, the goal of doubling egg production, for example?

Ms. Nellie Baker Stevens: We don't agree with their model and how they think they know what's on the bottom. Fishermen do not think the scientists know what's on the bottom, because they say to me, well, how can they double it if they don't know what's there already? I understand it's a mathematical model, or whatever, but that doesn't mean anything to fishermen. So we didn't buy into that.

What fishermen do believe in is putting more eggs on the bottom. That makes sense to a fisherman. The more females you put back, the larger females there are, the more eggs, the more they're going to survive. You put a brooding stock, I call it, out there, and let them put more eggs on the bottom. That makes sense to fishermen.

So I think we're probably going to accomplish what DFO asked us to do, but in our own way.

Mr. Randy Kamp: Do you mean through v-notching?

Ms. Nellie Baker Stevens: Yes, through v-notching.

And what she didn't mention is that this is verified. We get an independent body. The fishermen and scientists may be there, but this is very important compared with the Maine fishery, or even, probably, Newfoundland or what Ashton was talking about. Our lobsters are verified by an independent body; they're weighed, and they make sure they're healthy, and they're put back.

She also mentioned the mutilated lobsters. If this flipper's mutilated in any way, shape or form, you do not bring that in, which is very different from the other v-notch program. You can bring them in, in a year or two. We've had lobsters that were tagged in 2001. Fishermen told me again this year at our meeting that they're still not bringing them in. They still are mutilated.

It might only be a small amount of lobsters—110 pounds—but we're getting the best bang out of putting those back.

Ms. Norma Richardson: That's 110 pounds per fisherman.

Ms. Nellie Baker Stevens: Yes, per fisherman.

Mr. Randy Kamp: Norma, did you want to respond to any of that as well?

Ms. Norma Richardson: No, that's fine.

We're not against conservation. Conservation is our main thing, but it's a matter of doing what makes sense to the fishermen, something they can buy into, something that's done in their words and their way, and not something that comes from on high down to their level.

Mr. Randy Kamp: No, I see that point.

I guess what troubles me somewhat, and correct me if I'm wrong, is that I don't get a sense that anybody, whether it be the fishermen or the fisheries managers, really have a sense of what the biomass is out there. We know what we catch and we know what we maybe put back—if we happen to catch them—and so on, but do we know enough of what the biomass is. If we don't know that, we really don't know what the exploitation rate is. Am I wrong on that?

Ms. Norma Richardson: We don't know that.

Mr. Randy Kamp: Do you have any advice for us on—

Ms. Norma Richardson: Money. We need money.

Ms. Nellie Baker Stevens: We need more sea sampling.

Ms. Norma Richardson: We need more money for science.

Ms. Nellie Baker Stevens: We had a discussion at our meeting, actually, and there was no sea sampling because DFO does not have the money. Apparently, the sea sampling is very important for them to figure out what's out in the ocean. So we need funding for that. That would help.

Now, that's just one thing I heard. You should actually go to the scientists and say, listen, what do you need to do that you're unable to do now to find out what the biomass is? Those are the experts. Those are the people you should be talking to.

Mr. Randy Kamp: I think you're right there. I think our fear is that we don't want to catch the last lobster. When they're referring to the cod problem, somebody said we kept harvesting apples, but we were cutting down the apple trees and finally we cut down the last one. We do want to be sure that we don't do that.

One of the things that the FRCC has recommended in their two reports is that we need to reduce the exploitation rate and reduce the fishing effort. I don't know what you think about that. Do you think there's overcapacity in 32 and 31B, or do you think it's about right?

Ms. Nellie Baker Stevens: No, it's actually very good. Our fishermen actually keep track. They have logs that they fill out for the association to track what's going on with the v-notch lobster and the berried, etc. I do a report every year on that.

It's impressive. You should see my charts, going like this for berried lobsters. It's just going like this. It's just unbelievable. We never thought we'd see it in our lifetime. I wish my father were alive to actually see it, because what we're seeing now is huge.

They're doing a study down in Canso now, and they're finding that the smaller lobsters are becoming mature earlier, at a smaller size. So I'm actually going to do a little project myself this year and get my husband to measure these small ones. I was talking to the scientists yesterday. If it's 71 millimetres—we're allowed 82 millimetres or something now—then it actually got its eggs one time more than what they've been giving us credit for. That's something new.

I must say that in our area we're doing very well, better than we ever thought we would, definitely in our lifetime or in my dad's lifetime. We have only 222 fishermen in those two areas, and it's a big area. It's not as big as their area, of course.

We feel we're managing our area in a responsible way, in a sustainable way, which we need to prove when we go to the MSC. I would advise you to focus your efforts towards 34.

Voices: Oh! Oh!

● (1200)

Mr. Randy Kamp: Thank you for that advice.

Can I ask you about these log books? What are you logging? Does the guy or gal on the water keep a log book, as they do in some fisheries, to record the number of lobsters they catch in a particular hour, on a particular day?

Ms. Nellie Baker Stevens: No, this one is for ourselves. This isn't the DFO one. We keep track of how many berried, because apparently this is important. I got a scientist to sit down and help me form this log book. We want to know what this v-notch program is really doing for us, and in order to know that, you have to know how many of the v-notch you are catching.

Apparently the scientists do little calculations. If they can find out how many of the v-notch are berried compared to the normal v-notch—the v-notch berried has an extra lot of eggs that are in the water because you put it back. So they will give you credit and say, “Because you put x number back, and there are so many more eggs out there, you now have this.”

Also, a lot of fishermen are interested in the movement. We tagged—what did I tell you?—thirty-odd thousand. Fishermen are very interested. They did not want the v-notch because, well, “It might go over there. Why am I going to v-notch lobsters when that can only help them?” They were also scared that the v-notch was going to kill the lobster.

We moved it ahead and said, “Okay, we'll tag them.” To our surprise, we found out they do live. I still have 2001s. They went as far as 666 kilometres, right down on top of Georges. That's our farthest one away so far. New Hampshire fishermen down there send back the information, and it's awesome how far they can actually travel. They're healthy. Let's put it that way.

They tracked the movement. It's very interesting to the fishermen as well. This is what is in our log book. This is what I report to them every year on.

Mr. Randy Kamp: Thank you.

The Chair: Thank you very much.

Ladies, on behalf of the committee, I would like to thank you for taking the time in travelling to meet with us here today. It's very much appreciated. We certainly do appreciate the advice and the recommendations you've made. I will have to agree with my colleague—you are fine ladies, and we appreciate that.

Mr. Stoffer would like to make a comment.

Mr. Peter Stoffer: I have just a slight point of order, to put it on the record for my colleague, Mr. Kerr, my Newfoundland and P.E.I. friends, and Mr. Blais from the Magdalen Islands, that you were under no coercion, there was no enticement, and there had been no prior discussion when you just let it slip out that the finest hard-shell lobsters come from the eastern shore.

Voices: Oh, oh!

Mr. Peter Stoffer: Thank you very much.

That's on the record.

The Chair: I would have to question his need to feel it was necessary to put that on the record and also that there was no coercion.

We will break for one hour for lunch and then resume.

Thank you.

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