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Chair

Mr. Rodney Weston

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• (1310)

[English]

The Chair (Mr. Rodney Weston (Saint John, CPC)): We're ready to begin.

I'd like to thank our guests for joining us. This afternoon we have two more witnesses, one from the Nova Scotia Fish Packers Association, Mr. Morrow, and the other from the Millbrook First Nation, Adrian Gloade.

Gentlemen, the way that we operate here is we give ten minutes for presentations and then we proceed into questioning. The members have specific times allotted to each for questions and we try to adhere as closely as we can to the timeframe allotted.

Mr. Morrow, you're going first, so I'll ask you to proceed at this time with your presentation. Thank you.

Mr. Denny Morrow (Executive Director, Nova Scotia Fish Packers Association): Mr. Chairman, thank you for the invitation. I wasn't really sure what I should be addressing today, but I was told that lobster markets and lobster prices would be something that would be welcome if I aim some remarks at that.

Given the short time period, I've done a summary of the fall-winter season and the pricing. I could go over those points. One of our member companies has prepared an outlook for the spring, so I have that outlook and a number of the topics. I'm not sure I'll have time to cover everything. They're both important. So which one would you like me to do first? I can go to the spring, to what the outlook is, or run through—

Mr. Greg Kerr (West Nova, CPC): Give the most important one and go for it.

Mr. Denny Morrow: The most important one? Spring?

Mr. Greg Kerr: Whichever's the most important.

Mr. Denny Morrow: Okay. I'll quickly run through the fall and winter.

I'll start out by saying that the economic financial crisis that unfolded throughout the fall of 2008 affected the demand for lobster. It was perceived in our markets as a high-end special-occasion food. The shore price fell to \$2.00 to \$2.25 U.S. in Maine during October. Grocery chains ran specials at unheard-of low prices in the U.S., and demand remained low, even at those store prices.

The world banking crisis was affecting seafood buyers and their distribution chain customers through tighter credit and concern about uninsured receivables.

The Atlantic Canadian lobster industry sees one of its two yearly gluts of landings during December as the Bay of Fundy fishery and the LFA 33 open. Buyers were expecting heavy landings if the weather was favourable to fishing.

This year we had almost an extra week of fishing because of the way that the last Monday of November fell on the calendar.

Pre-season market intelligence revealed a possible 50% reduction in sales to restaurants in the U.S. due to depressing economic news and the deepening recession. Economic conditions were also deteriorating in the EU and Asia.

Exports of live lobster from the Bay of Fundy to the Japanese market were affected by concerns over paralytic shellfish poisoning levels in the tomalley.

In recent years, the P.E.I. and New Brunswick-based lobster processing plants have purchased up to ten million pounds from the Southwest Nova fall-winter fishery. Shore price and the level of inventory held by the processors affect their appetites for buying during December. Discussions prior to the season opening indicated that three million pounds might be the processors' limit this year, and only then at much lower pricing.

The banks were cautioning lobster buyers about credit levels and how much risk should be assumed. With food service restaurants' demand decreasing, the live lobster buyers were hoping that low prices would stimulate holiday demand in the retail grocery sector. Everyone had concerns about a large inventory carry-over in January. Most processing plants would be closed and the economic recession would likely be worsening.

Landings were heavy, as expected, until mid-December. The season also started early, as I said, due to the position of the last Monday in November on the calendar. LFA 34 fishermen decided not to fish on Sunday in an attempt to slow the landings. The fishery opened at \$3.25 Canadian per pound. Fishermen even stopped fishing for two days in early December to protest the low shore price.

By mid-December, many buyers were reporting export demand to be very slow and were nervous about the buildup of inventory. We talked about the possibility of a worst-case scenario, where a portion of a high inventory carry-over might end up in the landfill.

After December 15, mother nature intervened and we seemed to experience one storm after another. Landings fell off from early in December. As we had hoped, retail grocery holiday sales of live lobster were brisk as consumers responded to the low prices. The media focused on the plight of lobster fishermen by running almost daily stories about low prices and the hardship of fishermen. "Joe the Plumber" celebrated the Christmas-New Year's holiday by eating lobsters at home.

By early January, the P.E.I.-New Brunswick processors had purchased about six million pounds, double the expected amount, at a price around \$3.90 delivered to the plant.

For many shore buyers, the first of January saw inventories cleaned out and the prospect of additional landings dismal, due to weather and a low shore price that was no incentive for fishermen to brave winter conditions.

There is always some demand for lobster exports during January, February, and March. Some shore buyers began to bid the price up for the meagre supply of newly caught lobsters and for some of the held product. Fishermen felt they had been misled and sold at too low a price in December.

• (1315)

Conclusion: if the weather had not affected landings from mid-December, if the processors had held to their three-million-pound prediction, if the retail grocery demand had been less robust, if the media hadn't provided so much free publicity for the product leading up to Christmas, if the fishermen had held a significant quantity, the landfill scenario and a further price crash during the winter might have been the topic of our discussion today. Hindsight is 20:20.

I can go on to the spring. Spring lobster production from Atlantic Canada is estimated at about 60 million pounds. The historic breakdown of that product usage is: processing, usually about 30 million pounds; live market, about 30 million pounds. Some of the questions we have at this point when we're thinking about prices for the spring catch include: will this year's landings be comparable to last year's, will the processors take their normal percentage, and at what price point can the processors take their share?

We have a few factors to consider. The U.S.A. summer and fall lobster production is approximately 30 million to 40 million pounds on top of the Canadian. I'll mention a few of the issues and you can question me about them. As we look ahead to spring, boat price is about \$7 this week. It was \$3.25 during the winter. Nobody could say right now what the boat price is going to be this spring, but it's a fair prospect that it will be lower than the \$5 price that we had last spring. We expect excellent quality during the spring. We expect the landings to be at least as strong as last year. Demand is the \$64 question.

How much will the processors take? The credit crunch and the buildup of inventories of some of their product is certainly going to affect how much they buy and the shore price of the product. The international economy seems to be getting worse as more and more

people receive their layoff notices. Credit is a big issue for this industry, because we borrow money to buy lobsters to hold an inventory. Our customers are worldwide. In some cases, we're not able to get insurance for our receivables. So there's plenty of risk out there.

Fuel prices are a plus. They are certainly down from what they were last spring and summer. And right now we have a good exchange rate with the United States, which we did not have last spring. With regard to airlift, we're in a better position than we were in December—there will be some additional airlifts out of Halifax.

With respect to paralytic shellfish poisoning in the Japanese market, it's ironic that the U.S. FDA raised this issue last July. Lobsters can go out of Connecticut and New Jersey to Japan without being tested for PSP. Canada got included in the FDA warning. We have to do pre-testing of our product before we ship it to Japan, and then pay again when it gets to Japan for lot-by-lot testing. CFIA and DFO are working on the issue, but right now it certainly restricts our market in Japan.

These are some of the issues as we look ahead to spring, and I'll close with that.

The Vice-Chair (Hon. Lawrence MacAulay (Cardigan, Lib.)): Thank you, Mr. Morrow.

Mr. Gloade.

Mr. Adrian Gloade (Fisheries Manager, Millbrook First Nation): Thank you.

I'm Adrian Gloade, speaking on behalf of Millbrook First Nation out of Truro, Nova Scotia. I represent close to 1,700 band members from our first nation, on and off reserve. We have roughly 50 commercial licences, and I'm here to talk about how the lobster fishery will affect us at home in our community.

We're kind of in a crisis right now, and we're probably meeting twice a week just on hearsay about what the lobster price is going to be this year. It seems to be having a snowball effect on my fishers about whether they want to go lobstering this year or not in the spring season. We have licences for the eastern shore, the gulf, and down here in Digby area 35.

Just about every captain is telling me he can't even field a deckhand crew now because the rest of the crew want to go snow-crabbing. There are many challenges with chief and council to try to get these fellows to take these licences. With the hurry-up effect of the snow crab season starting earlier this year, I have a captain saying he can only afford to take one person because all the rest want to go snow-crabbing. That brings us to how many will stay home—employment issues and EI issues.

Depending on what the lobster price will be, I could have as many as 21 of my workers sitting at home. I'll have to try to find work for them in our other commercial fisheries. It's going to be a tough thing to do. We're trying to meet with the band members once a week now to find a solution to this problem. As Denny said earlier, maybe the price will come back, but these are the issues I'm dealing with right now.

I'm here to basically say that it has an effect on my snow crab, tuna, swordfish, and scallop licences. We had various crews picked for certain licences, and now with deckhands not wanting to go it's putting pressure on other people to move aside. It's not a very good place to be right now.

That's about it.

• (1320)

The Chair: Thank you very much.

Mr. Andrews.

Mr. Scott Andrews (Avalon, Lib.): Thank you very much, Mr. Chair.

Thank you for coming in today and sharing your thoughts with us.

Denny, I'd like to talk about the inventory. We heard yesterday in P.E.I. how much inventory is on hand right now. It's hard to get a good figure—whether it's in dollars or pounds—on how much inventory is on hand right now. What would the inventory of the industry normally be right now, and how much more is on hand this year than in previous years?

Mr. Denny Morrow: For live inventory, we do have a system that we run with the AVC Lobster Science Centre in Charlottetown, where we have 12 or 13 companies submitting on a weekly basis what their live inventory is in pounds, from their tank houses. The last figure I saw, I think last Friday, was an extrapolation from those 12 companies, with an estimate of about two million live pounds.

Where does that stand versus the last two years? Two years ago we almost ran out of lobster, and we hit \$15 a pound. Trying to pull some lobsters out of the water at those high prices really cut us up in the market; a lot of restaurants took lobster off the menu because of that high price.

So we're somewhere between where we were two years ago and where we were last year. The last graph that I saw showed it had flattened out and was starting to hold its own; it wasn't going down further. So I think we have a moderate inventory of live lobster right now.

If you're asking the question about processed product, that's a very important question, because, as I said, out of the 60 million pounds we expect to be landing this spring and early summer, 30 million pounds have traditionally gone to the processing sector in P.E.I. and New Brunswick. So whether or not they buy that 30 million pounds is very important. Let's say they only buy half of that, because of their high inventories; and if we dump the rest onto the live market, it will depress the price.

So we don't have an inventory system. It's up to those companies, I guess. Maybe Mr. MacAulay might have a better understanding of

where those guys stand—Ocean Choice, and some of those companies—with their inventory.

I've been told that popsicle packs of frozen boiled lobster are a problem. They have pretty heavy inventory of them.

• (1325)

Mr. Scott Andrews: That's where we're going.

So your live inventory is about normal. You're okay on that front.

Mr. Denny Morrow: We're okay there.

Mr. Scott Andrews: But the real issue is how much processed inventory they have. From what you're hearing, do you have any indications, in comparison with previous years, of what's there right now? I asked Ocean Choice that exact same question yesterday, and they wouldn't tell me exactly how much inventory they have.

Mr. Denny Morrow: You have to understand the way this industry works. In Nova Scotia, we don't process much lobster, or hardly any, so we buy it primarily from the live market. Because we have too much for our market, we're selling to the processors as well. So it's in their interest, I guess, to get the product as cheaply as they can. They don't really level with us, I guess, as to what the situation is. We can guess.

I think that's one of the things that has to improve in the industry, as there's too much of this unknown stuff. We need to be working together better, and also with the harvesters. We're faced with two gluts of lobsters that come in very quickly in December and May. Somehow we have to spread that out over the year, whether it's processed product or live product, because restaurant chains and retail groceries don't want product today, but then for the next eight months they can't get anything.

So handling the inventory involves a great deal of financial risk, as well, for everybody doing it.

Mr. Scott Andrews: When you talk about the live lobsters in pounds—and we were getting a bit of this yesterday—there are not enough facilities to hold live lobsters. Is that a fair comment, or how would you feel about that?

Mr. Denny Morrow: We think we have more than enough holding facility capacity in this region, certainly in Nova Scotia.

Mr. Scott Andrews: So that wouldn't be an issue here in your area?

Mr. Denny Morrow: No.

Mr. Scott Andrews: You alluded to the credit crunch that's going on right now. Do you want to explain that a little bit further? Do you have any possible solutions for the fisheries committee to look at?

Mr. Denny Morrow: I wish I could fix the banking situation. People seem to be trying to, but...

I'm aware that every company is handling it differently. The big banks extend credit. Last November, when we were looking at what price we could open at, I was getting comments from some of our buyers or companies that they only had half the credit they had last year.

Also, in the past I could sometimes exceed that credit limit, and they would stay with me. But this year, one guy called a few days before the season opened and said he just had a call from his banker and the banker had told him, this is what you've got, and don't go over it.

Also, we met with a company out of Boston that gives credit outlooks, and they warned us. We know it's difficult to get insurance for our receivables, but they warned us to be very careful about how much receivable we ran up, as some restaurant chains were going into bankruptcy.

So I don't have a solution. As time goes on and the recession runs its course, hopefully we'll get back to a better credit situation

Mr. Scott Andrews: Would you expect there to be a role here for the government to step in, similar to what's happening with the auto industry? Is there any avenue you know of right now where you could go, or would that even be useful to you right now?

Mr. Denny Morrow: It's an interesting question.

Receivables insurance might be something.

It's possibly also a good question for the processors, because the credit situation is limiting the amount of inventory they can build. So if credit is the issue, and they still have a good market outlook, given their price point, maybe the government can do something there.

•(1330)

Mr. Scott Andrews: Are you dealing with foreign banks or Canadian banks?

Mr. Denny Morrow: Certainly the Icelandic bank was a big player. They're out of the picture now. But mostly, down here, we're dealing with Canadian banks.

Mr. Scott Andrews: Thank you.

Hon. Lawrence MacAulay: Do you do some processing?

Mr. Denny Morrow: There's a little bit of lobster processing done in Cape Breton. There's a small company in the Pictou area, and then Clearwater does some at its Lockport plant.

Hon. Lawrence MacAulay: There were statements made that there were difficulties with the holding facilities. Some of the holding facilities aren't up to scratch, if you know what I mean. So they don't have the proper holding facilities. I don't know if you wish to comment on that, but we've heard that certain areas have the proper holding system and some do not, and this affects the quality of the product that's being shipped.

Also, the popsicle pack is obviously causing a major problem in the lobster fishery.

My colleague is right, private companies seem to be reluctant to indicate all their details, and I suppose that's their right to do or not to do.

I'd just like you to comment on that.

Mr. Denny Morrow: In southwestern Nova Scotia, I think we have more than enough—

Hon. Lawrence MacAulay: But what is your general opinion, overall?

Mr. Denny Morrow: In Prince Edward Island and New Brunswick and the gulf fishery, you could maybe use more holding facilities for live lobster.

When you talk about holding in this region down here, it depends on whether you're talking about fishermen holding or you're talking about buyers holding. Most of the buyers have invested in pretty good facilities. Fishermen's holdings sometimes can just be in the crates, in the water. If they hold them for very long, waiting for the price, then sometimes the lobster is not good quality.

Hon. Lawrence MacAulay: That's not good to do.

Mr. Denny Morrow: No.

The Chair: Thank you.

Monsieur Blais.

[*Translation*]

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

Good afternoon, gentlemen and welcome to the committee.

We have been talking about solutions that may be considered to deal not only with what has happened, but also with what is coming. I would like you to talk about very short-term solutions. We all know there is another player in this game, which is the provincial government. The province can take some measures but, for the time being, I want you to talk more specifically about federal solutions.

[*English*]

Mr. Denny Morrow: The recession conditions are the big factors that are driving the market down. I think I said earlier that we received a review from John Sackton of Seafood.com at the lobster round table at the end of January or in February. His research had shown that restaurant buys were off by 50% in the U.S. A lot of lobster goes to that food service sector. We had to reorient to the grocery chains. The price points for grocery chains are lower. They need to run specials to get people to buy them.

I don't know what we can do to stimulate demand. The federal government gave us some money. The Minister of Fisheries found approximately \$300,000 and the provinces kicked in some money. We've produced some generic marketing material, but it takes time. It was a short-term thing.

We need to think about the future. We had our lobster roundtable meeting in Halifax. Quebec was represented, as well as Newfoundland and the three maritime provinces. We're going to form a steering committee. We're going to look at long-term promotion of the product. Marine Stewardship Council certification is another big issue. I know that P.E.I. has already done a pre-assessment on that.

I think the industry is very fragmented. We have to get together, buyers and harvesters, if there's anything the federal government can do to facilitate that. But I don't think there is a fix in the short term.

It's going to be supply and demand right now. If the supply is really heavy this spring, I expect the price will go down.

Other than playing around with supply, I really don't have any answer to that. I don't think there's anything the government can do.

• (1335)

[Translation]

Mr. Raynald Blais: There is also the Atlantic Canada Opportunities Agency, ACOA in English and APECA in French. Do you think this agency can be part of the solution?

[English]

Mr. Denny Morrow: Targeted generic promotion is a good thing. We've produced some materials. Unfortunately, these materials will be used by distributors and wholesalers. They were used at the Boston Seafood Show and the Brussels European show. Targeting consumers with generic material is a good thing, so that we pull some consumers into our retail grocery and restaurant chains.

I'm a firm believer that, on our side and on the buyers' side, the industry should be the primary contributor or a primary contributor. There's certainly a role for the federal government, whether it's through ACOA or Agri-Food Canada, but we need an industry body to put its 25-cent dollars or its 50-cent dollars into the pot. We need a steering group from the industry to manage how it gets done and what markets to target.

Yes, there are certainly things that we can do on the demand side, but I don't think there's a quick fix.

[Translation]

Mr. Raynald Blais: Clearwater Seafoods CEO told us this morning that one element of success may be the quality of the product at all levels. In your opinion, is this part of the solution?

[English]

Mr. Denny Morrow: Certainly it is in December. We land a lot of lobster in a very short period of time. It's not always handled properly on the boats. That could be improved. You have warm-weather fisheries taking place in the gulf, where the lobster is stressed, so handling is very important. Again, there's the holding capacity in the southern gulf, so that it's held properly.

Another issue, I'm told, is where the fishermen are fishing seven days a week and the plants are processing. They don't even get to close down on Sunday. They don't get to catch up. Sometimes they have to force product through into popsicle packs, something that they would rather not do. But it's coming in so fast, that's all they can do with it.

There is one other thing I would mention as a role for the government. It's not short term, but we pay, I think, an 8% tariff on live lobster going to the European Union, and that's not 8% on the wharf price. That's 8% where it's landed, with shipping and all that in there. We pay about a 20% tariff on our processed product, which is formidable when you're trying to competitively market a product in Europe against the shrimp and a lot of other products from around the world.

That's a big market, the European Union, so if you want to do something for lobster, the Canadian government could negotiate with the EU. Let's go after tariff reductions.

The Chair: Thank you.

Mr. Stoffer.

Mr. Peter Stoffer (Sackville—Eastern Shore, NDP): Thank you, Mr. Chairman.

Mr. Morrow and Mr. Gloade, thank you very much for coming.

Adrian, you indicated that some of your guys want to go out crabbing, but since lobster is an optional item to buy in a store, as would crab be, wouldn't the crab industry have similar concerns as the lobster industry?

• (1340)

Mr. Adrian Gloade: As of last year it really wasn't. We didn't get hit too bad. It was still very profitable on our part. The way we paid our fellows, through cents per pound, still worked out really well for them, other than their having to fend for themselves for fuel, bait, and so on.

Mr. Peter Stoffer: Now, you are one out of 34 bands in Atlantic Canada, if I'm not mistaken.

Mr. Adrian Gloade: Yes.

Mr. Peter Stoffer: Are the other bands having similar difficulties to the ones you're having?

Mr. Adrian Gloade: Yes. I go to various meetings, whether it's through APC, with management of the fisheries; we all meet probably once a month, and everybody is facing the same dilemma.

Mr. Peter Stoffer: Who do you sell most of your lobsters to?

Mr. Adrian Gloade: It depends. We fish in basically three or four different regions. We just basically send to the local buyer.

Mr. Peter Stoffer: Mr. Morrow, the indications are that the government can either do lots of things or not do lots of things. Sometimes if it's just a supply and demand system, then basically you let the marketplace decide and eventually things will clean up. But in the meantime, you did mention some things the government could do in terms of holding the insurance, when you have all of that, and of course the credit systems. The credit systems will be a lot harder to pick after that.

But in your long experience in the fishing industry... With everything that is happening in terms of the demand cycles, you're right. In December, for a few days after dumping day, man, this place is packed with lobster. It's the same in May.

You said it could be stretched out over a longer period of time. We heard in Quebec, for example, that some of the fishermen voluntarily reduce the number of traps on their boats. In P.E.I. or the Magdalens—one of the two—we heard that they don't fish on Sunday. They've taken that day off. Would those types of relaxations on the concentration of that effort be something that LFA 34 should look into, just to ease the pressure of what's coming into the processing plants at the same time? Do you have any other recommendations you would make?

Mr. Denny Morrow: I think somebody from DFO at a meeting yesterday pointed out that about 50% of the lobster that's landed in LFA 34 is landed in the first 15 days in the season, so there is a big concentration. You have to remember that once the water gets cold in January, lobsters don't trap very well. The fishermen have to have a price that will enable them to fish in deep water where they can find pockets of warmer water where the lobsters will crawl. Certainly a \$3.25 price doesn't do that. It doesn't even cover for a lot of fishermen the costs they had in December.

Believe me, I'm not here today to say that this is going to be the price this spring. We really hope that with supply and demand we can work it so the fishermen can survive this period, and that we can survive it. So spreading it out, yes, we're constrained by the length of our seasons, and the length of the seasons are there for good reason. We try not to fish when the lobsters are moulting.

Sure, I think there are some things that can be done. I've always wondered myself if we couldn't reorient some of that December lobster, catch it later and spend more time promoting and working on summer sales when people are vacationing all over North America. If we had good promotional campaigns and worked more on that market, and also the European market, maybe we could reorient things a bit.

Mr. Peter Stoffer: I have two other questions. The first one is for both of you.

Denny, as you know, in the past few months there were a fair number of media articles about the fishermen talking about a lobster marketing board or marketing system. I was just wondering about your views on that—and Adrian, your views as well.

The last question for both of you, and I've been asking this question to others, is regarding Georges Bank and the possible lifting of the moratorium from oil and gas exploration and seismic testing. I'm just wondering what the fish packer association's view would be on the those issues.

Mr. Denny Morrow: I'll go first.

On marketing boards, we're free enterprise people. We believe that companies, if they can make a profit, will do the best job, but an industry promotional council, I think there's buy-in for that. Let's involve some harvesters and let's direct some money at generic marketing of the product. Sure, we can do that.

Georges Bank is the only place between Cape Cod and Labrador where we've had any significant recovery of a groundfish stock. We have the biggest biomass of haddock that we've had in the last 50 years on Georges Bank. We have 20% of the bank and the Americans have 80%. We don't think it should be put to additional risk through oil and gas. There's a bill in the U.S. Congress right now

to protect the 80% of the American side. I've been talking with staff from Congressman Markey's office, and we expect the Americans will pass that legislation to protect their part of the bank. We manage the groundfish stocks together with the U.S., and it's been successful. We think we should be cooperating with them on protecting Georges Bank from oil and gas exploration.

As an industry, we've cooperated with the oil and gas industry. They can fill their boots on the Scotian Shelf. There are no other areas protected, and they've been drilling and doing seismic all up and down the Scotian Shelf. We haven't objected to that, even though it's sometimes interfered with the fishing we do.

● (1345)

Mr. Peter Stoffer: Adrian.

Mr. Adrian Gloade: I agree completely with that.

Mr. Peter Stoffer: And the lobster marketing board?

Mr. Adrian Gloade: Well....

Mr. Peter Stoffer: If you don't like the idea, just say it.

Mr. Adrian Gloade: I don't like it.

Mr. Peter Stoffer: In 2000 we asked that question, and the answer was no. Okay, thanks.

The Chair: Thank you very much.

Mr. Kerr.

Mr. Greg Kerr: Thank you, Mr. Chair.

Welcome to both of you. This is quite a learning curve for us. Sometimes you think you understand it, and then you learn a lot more.

I'll divide my questions between you, if I could. And I'll start with you, Denny

One of the things that we've heard is obviously about the issue of quality, quality control. The market is all about quality, plus price. One of the concerns—and we've got some variations, and you gave another variation today—is on what sometimes impacts the quality. Could you expand a little on the handling? Part of this was stirred up this morning with the Clearwater comments about the amount of damage that's done that way, I think 15 million pounds, or 15%, or whatever it was. But there's talk of it happening at all levels. You were talking about the handling on the boat, whereas we're thinking of handling traps after they left the boat. Can you expand on what you mean by that, please?

Mr. Denny Morrow: First of all, on the boat, as the season starts, it's very high. As I said, 50% I think is landed in the first 15 days, so you'll see boatloads of 3,000 and 5,000 pounds coming in. Sometimes the boats have been out for too long and the lobsters are not held properly, not handled properly. That's one issue.

You have to remember it's a competitive fishery. Fishermen view it that if they don't catch the lobster, somebody else will, so they're going to do their best to catch as many lobsters in a short period of time as they can. That's the way the fishery operates.

Can we do more on quality with the fishermen? Some fishermen do a very good job; some don't.

Holding.... For lobsters, generally, that are held in crates, in cars just in the water, for any length of time, that's not a good system for holding them.

I'm often asked, "Why don't the buyers have a two-price system or a three-price system?" We would be willing to talk to the harvesters. We need to have more organization in the industry. For example, you could do an auction, an online auction. That's one proposal that's been put forward.

There are others you could entertain, but the way our competitive buying system works is if a fisherman comes in with a lower-grade lobster, usually there's always a buyer who will buy it, and he will pay the same price as the guy who gets the good-quality lobster. Sometimes you'll find a mixture. And if you say "I don't like that lobster, it's not good quality", then you may lose that boat to somebody else.

There are incentives in our competitive buying system that we have right now and in our competitive fishery that don't always work for quality. We have started talks with our lobster industry round table as to what we might do, what alternative there is to the current setting of shore price—one shore price—what we could do. Those are talks at this point.

• (1350)

Mr. Greg Kerr: Okay, perhaps I could just pursue that, because if you're going to stay as an independent industry, quality and price are the bottom line, and governments can't fix that. So I'm going to lead to the next part of that, handling. Is that exacerbated at the processing end? You say at times there's way too much product arriving. Can I assume, from your perspective, that processing can add to the difficulty on quality control, particularly when there are large numbers coming in at the same time?

Mr. Denny Morrow: In our December fishery down here, we certainly welcome the processors, because we have a percentage of lobster that we don't want to put on the live market. It's fine for processing. The fact that the processors are here to buy, this year, six million pounds, sometimes as much as ten million pounds, takes that lobster and keeps it out of the live market, keeps it from depressing the quality that we're sending out.

Some of it, Greg, you can't control. If you have a late moult, sometimes the lobster just hasn't recovered when we start our fishery, so you get a percentage of lobster that's soft, that's not full-meated, and that damages easily. So we move that to the processing sector, and they shuck the meat and they put it into various products. The meat's still fine.

Clearwater made the point about live lobster. We have to make sure that we don't mix the poorer-quality shell product into the live tray. We want to get that out of there and send it to the processing plants. The processed product is still perfectly good.

Mr. Greg Kerr: Okay. I don't know if others had questions, but I have one more on that line.

To me, it comes back to this: it's the selling; it's the market protecting it. And we do hear all those stories of trucks stopped at the border for long lengths of time and Americans being very enthusiastic when it comes to slowing down the product and so on. But if the quality's not there, that's going to really nail you at the border and at other market areas.

What do you see going forward, though? You don't want to see more inventory on the processing side. Overall, you're just saying the inventories are high there, so the more live, the more quality goes out there. What, going forward, in terms of recommendations on the cooperative activity, do you see would make sense? If this is one of those difficult times in our history economically, what should we be collectively doing together that's going to make a difference in a year, or two or three or four years down the road?

Mr. Denny Morrow: I'm not a good person to ask about processed lobster, as to what should be done there.

Mr. Greg Kerr: Okay, I see.

Mr. Denny Morrow: I have had discussions with processors where they talk about the need to slow down the product moving into their plants to give them time. There are some products that are, right now, in high demand. We have some inventory buildup of products that aren't.

That's the situation that has to be corrected. I know the processors on the island and in New Brunswick are having discussions with fishermen. At least I've been told that they have been. I think one of the difficulties is that when the season is under way, it's very difficult to talk to harvesters, because it's a competitive fishery. They're going out every day they can possibly fish. It's hard to even talk to them about, look, our inventory's coming in too fast, or we're getting overloaded and we're afraid the price is going to drop, maybe we should slow things down a little bit. We can't have those kinds of discussions.

We did have one. Ian Marshall from DFO was at the meeting in early December down here because we were afraid of just that. The landings were high, and they were coming in fast, and the price was low, and we worried about a crash. We did, very quickly, pull together some of the major buyers and some of the LFA 34 fishermen, and we talked about it. We said let's have a conference call in another week or week and a half, if we see things getting worse, because we may have to take some action. That's the kind of thing, I think, that we're into now and could very well be into this spring.

How do you get the industry together and say let's make a change, while we're in the season? It's very difficult to do.

• (1355)

Mr. Greg Kerr: Okay.

The Chair: Mr. Weston, you have a minute and a half.

Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC): Thank you.

If Bannister and Landy could run a mile in four minutes, then we can get four questions in a minute and a half.

Thank you both for being here. As the MP for the Olympics riding, I would ask you, have you thought of promoting lobster as the Olympics dish?

Mr. Denny Morrow: I haven't. It certainly is a good idea.

Nova Scotia did a promotional campaign, a first try at it, in Alberta over the Christmas season. It got a good response out there.

Mr. John Weston: Can I suggest that you check with VANOC, the Vancouver organizing committee, to see if there's an avenue there?

Question number two is about the business development corporation. Our minister responsible has said in the House many times that things have been relaxed. Have you looked at that? Will the Export Development Corporation ensure receivables for overseas lobster shipments?

Mr. Denny Morrow: I don't have the answer to that. If you were talking to somebody called MacDonald this morning, for example, or I could have brought two or three of our members together...

I can tell you this is a sophisticated industry, and they use the available mechanisms that are there. So if it's available, I'm sure they're using it.

Mr. John Weston: This government is making decisions faster than I've ever seen any government, and it may be worth checking that moving target, BDC and EDC. You said that 8% export tariff was worth looking at. So it's something perhaps we should flag.

On poaching, conservation is supposed to be the number one objective of fisheries management. As we have to give advice to the minister, can you tell us anything about whether poaching is affecting this industry? We haven't heard much about that in our comments from our witnesses so far.

Mr. Denny Morrow: Well, we have surveillance and enforcement officers, as there are always people who will not abide by the regulations. Greg mentioned trucks being held up at the border two or three years ago. Well, for a couple years the Americans were inspecting and they were finding undersized lobsters, finding berried females. In some crates, they even found rocks. We can always do a better job, and I think the fishermen are the first to call for good enforcement out there. It's in their best interests.

I think the number one thing is whether it can get worse than it is right now. It sure can. If we overfish the resource and we push the resource down, it can be a lot worse and devastating. So conservation is number one. Are we doing enough? I don't think so, in most lobster fisheries.

Mr. John Weston: Thank you.

The Chair: Thank you very much.

On behalf of the committee, gentlemen, I'd like to take this opportunity to thank you for coming here today, meeting with us, and providing us with some feedback and advice. Once again, thank you very much for taking time out of your busy schedules.

We'll take a short break to set up for the next panel of witnesses.

• (1355)

_____ (Pause) _____

• (1405)

The Chair: Thank you, gentlemen, for coming to meet with us today.

Mr. Saulnier, I believe you're beginning. And Mr. LeBlanc, you're going to follow. Is that correct?

Mr. Hubert Saulnier (President, Maritime Fishermen's Union, Local 9): That is correct.

The Chair: Mr. Saulnier.

Mr. Hubert Saulnier: Thank you.

I really appreciate the fact that you have come down here to listen to our views and our concerns. It's a shame—I mean today, April 1. I'd call it the second day of the opening of the season in LFA 34, because every fisherman can set 25 extra traps today, and they're all out there. It's been windy for a week. Anyway, Roger and I, as fishermen, have made it.

I am president of the Maritime Fishermen's Union, Local 9, which is southwest Nova Scotia. I've been working on somewhat of a proposal. I have to say that Senator Comeau called me last fall in regard to what was happening with the industry and how we could work about it and how we could possibly improve it. I have to admit, when December comes around and you get a call from Ottawa from Senator Comeau, my first instinct was "Hey, I've heard that the Prime Minister is looking for people to sit in the Senate".

Some hon. members: Oh, oh!

Mr. Hubert Saulnier: I was very disappointed. I thought this was a hell of a good career for me right now to start with.

First of all, we really want to thank the federal government and the provincial government for the announcements about the funding to help the lobster fishery seek new markets. That happened last fall. It was introduced to us by Mr. Kerr and Mr. Keddy a few weeks ago. The depressed lobster prices last fall showed the importance of dependable market information in a region that is critically dependent on the lobster fishery.

Instability in the lobster fishery has repercussions in all offset sectors of the western Nova Scotia economy. The negative impact was felt in construction, car sales, housing, and service sectors, which is just logical, I would say. This not only affects the regional economy but also results in lower government taxation revenues in the depressed regional economy. Furthermore, this can depress the economy of other lobster-dependent communities of the maritime provinces, as we know we have affected the lobster fishery in P.E.I. by what we did last fall.

This is to propose for your consideration an expansion of your recent initiative with the objective of strengthening the industry over the long term. This, I might add, is a concept that I've been working on with Senator Comeau since December. It's proposed by industry people and members of Parliament—Mr. Kerr and Mr. Keddy—who also agree this initiative has merit.

We will, I guess, get into questions of what the prices are we pay for licences, but we propose that a portion of the considerable yearly licence fee paid into the general government revenues by licence holders in LFA 34—and I do want to specify in brackets 33, as there is another option to work with them too—be directed to an industry-developed agency in southwest Nova Scotia. The agency would hire paid research staff who would report to a board of directors made up of industry representatives. The board would set overall policy and research objectives. An agency directed by the industry would have the trust of the fishermen and the buyers as well and might therefore have access to valuable industry information not readily available to government.

The goal of the agency would be to gather local lobster harvest projections from the industry, to research price and market data, to research transport issues, etc. Staff would analyze the data and propose plans to react to market and economic forces sometimes beyond industry control, as was the case last year. It is vitally important to identify these new diverse market possibilities and enhance the possibilities of shipping live lobsters to market.

Some of the advantages would be—and I have another list in the first document I presented to Senator Comeau—an industry made more stable by dependable research and perceptive analysis, resulting in better revenues for the industry, a more robust local economy, and an increase in government tax revenues.

• (1410)

You may wish to have your economists evaluate the impact, but I am confident they would conclude that a more stable and profitable lobster industry would result in increased total tax revenues and make up for the forgone licence fees.

There should be no Treasury Board difficulties, because the funds would come directly from industry to the agency, rather than from general revenues redistributed to the industry. Government and industry would determine an appropriate amount to go directly to the agency or board. There would be no subsidy issues raised with NAFTA partners or taxpayers, because funding would come directly from the licence fees paid by the industry, rather than from general taxpayer revenues.

Areas 34 and 33 could serve as a test area. If successful, the initiative could be expanded to other areas.

We hope you will agree that this concept is, at the very least, worthy of consideration. I understand that this was hand-delivered to Greg Kerr, Gerald Keddy, and Minister Gail Shea by Senator Comeau.

• (1415)

The Chair: Thank you, Mr. Saulnier.

Mr. LeBlanc.

Mr. Roger LeBlanc (Secretary-Treasurer, Maritime Fishermen's Union, Local 9): I'm Roger LeBlanc. I'm a fisherman. I'm with the Maritime Fishermen's Union. I'm on the lobster managing board, and I'm port representative for LFA 34. I represent roughly 80 out of 972 fishermen.

With respect to this agency we're talking about, it's already money that we're paying in. We pay roughly \$890, and we're asking to get some back. We're all volunteers. I volunteer on the management board, and I'm a volunteer port representative. For example, this year in November at the eleventh hour we had to make a decision on whether we were going to go on Sundays for the lobsters we had. We had to go. I represent 80 fishermen, and before you get to the round table and get all those, it's quite a job.

If this agency were there, they would have a task and they would put letters out ahead of time. We could hire students in the summertime. I don't think a fishery as valuable as ours should make decisions at the eleventh hour. That was one of the things. The other was our trap limit. That was another thing we had to bring back. It's like Denny Morrow said, we had to get to the table. They were talking about all the lobsters we were supposed to bring in during December. As a volunteer and fisherman at the same time, it's pretty hard to get going. Really, this would be very valuable to us.

At the same time, we're looking for new markets. We can even overlook the buyers, or see if we're in good favour or going the right way for new marketing. We need something in our fishery. The way it's looking for us as fishermen, it's not really a pretty picture right now in southwest Nova Scotia. We have a lot of problems coming down the road. There are a lot of decisions to be made and a lot of meetings. We're 18 in district 34, and it's all volunteers. There's no money coming in for nothing. Today we're the only boats at the wharf, tied up, out of all those boats. I believe in the fishermen I represent.

Another thing, off the subject, I'm really in support of owner-operators. Since I've been fishing, I've seen my grandfather and my father, then my father and me, and then me and my son in my boat right now. I'm a strong believer in owner-operators. That's another big problem we have in southwest Nova Scotia.

This agency is something that would be very valuable to us. We hope in the future we'll get it.

The Chair: Thank you, Mr. LeBlanc.

Mr. MacAulay.

Hon. Lawrence MacAulay: First of all, thank you for taking the time from your obviously busy schedule to come to brief us on your situation. You're trying to make a living in a difficult time.

Mr. LeBlanc, you emphasized that you're a strong believer in the owner-operator setup in the fishery. So am I, but I just wonder, do you believe that there should be two licences combined? Is that what you're coming at?

• (1420)

Mr. Roger LeBlanc: No. From the time I was little I can remember—I'm talking mostly about in our wharf—we used to have a lot of fish draggers. Right now fewer than a handful are left. They're all owned by companies. We had all kinds of scallopers. It's the same thing: they're all owned by companies.

District 34 is one of the biggest independent fisheries left. We are seeing it going down the road. It's going down every day. We're losing it.

Where I'm coming from is when the Donald Marshall decision came down, the price of gear went up, and some guys who had fish draggers and quota sold them to the government to accommodate the natives in our fishery. What happened there, for a tax break they bought into our fishery. So with this trust agreement, when 51% of our fishery is owned by companies, we're done. When we get to the table—you have it on the west coast—we won't have a word to say. Now we're still independent fishermen and we still can go to the table and negotiate and have a fair deal, but if the licences keep going into these hands, which should be controlled and still is not, we're going down the drain fast.

For us in southwest Nova, it's really important. That is our backbone right now in the industry, and that's why I'm speaking for owner-operators. I'm a straight believer in owner-operators. At the beginning it was supposed to be that if you sold something to the native fishery, you were buying out of the fishery. You were gone. But that wasn't true, because they came into our fishery.

The way these trust agreements are going right now, we won't be independent too much longer. We can see it going down day by day.

Hon. Lawrence MacAulay: So it's fair to say that the consolidation of the fishery is a major concern to you.

Mr. Roger LeBlanc: Yes, it is.

Hon. Lawrence MacAulay: What is your view on ITQs for boats?

Mr. Roger LeBlanc: I have no comments on that because I'm not in groundfish.

Hon. Lawrence MacAulay: No, but for the lobster fishery.

Mr. Roger LeBlanc: No, I don't think that would be good.

Hon. Lawrence MacAulay: I'm just asking to get it on the record, because that's what's going on here and that's what we want.

Hubert, when you were speaking you indicated some moves were taken last fall and you were speaking about the new agency and you'd pay funds and licences would be returned to make sure there are no trade difficulties. I'd like you to elaborate more on that and what you felt took place last fall and the effect that had on the industry and that type of thing.

Mr. Hubert Saulnier: Senator Comeau asked what could they do to help the industry in a sense. We know quite well that Ottawa cannot submit a cheque for \$5,000 to every fisherman. It goes against the free trade issue and everything else. He came up with a few points. What about licence fees? LFA 34 paid \$1,890 for a licence to fish lobster in LFA 34. Other LFAs in the area paid anywhere from \$100 to \$250. That is a huge variation. He asked what happens if we try to cut the licence fees in half.

Hon. Lawrence MacAulay: You also want that to come back.

Mr. Hubert Saulnier: Oh, yes. I'm getting there.

Cut the licence fees in half. I said that was great, and that every licence holder would probably save some \$900 to put in their pockets, and that's fine, but we have the same old problem. There is no representation. There is still nothing out there to try to promote the product.

I asked Mr. Comeau if Ottawa would be willing to cut our licence fees in half because we pay a tremendous amount compared to other areas. Why couldn't we still pay \$1,890 to Ottawa, general revenues, and they in turn could submit 50% on average to an office in southwest Nova Scotia, where we'd have paid staff, a paid secretary, paid field workers, student hires in the summertime to do surveys of the industry's goal?

Roger suggested we had to make lots of decisions at the eleventh hour. We should have a way to get to the fishermen and see how they liked the fact that we closed the fishing on Sunday this season. We have no way of doing that. DFO can't do that either.

So that was the intent, if that answers the question.

• (1425)

Hon. Lawrence MacAulay: You also mentioned something about marketing and that it might even remove some of the processors in the area. Can you elaborate on that point?

Mr. Hubert Saulnier: It's not to remove the processors whatsoever. We want to work with the processors and the buyers. They're part of the industry, and they're part of what we need. What we know is that we have to try to promote the product. The product is good, and there's really nobody out there who is promoting the product.

Hon. Lawrence MacAulay: In fact, what you're putting in place would be more of a promotional agency that would promote your product and also represent the fishermen, possibly, even at events like this. Is that what you mean?

Mr. Hubert Saulnier: Yes.

Hon. Lawrence MacAulay: You wouldn't have to tie up your boat in order to come and tell politicians what they should do.

Mr. Hubert Saulnier: We could tell you, but...

Hon. Lawrence MacAulay: We know. You did.

Mr. Hubert Saulnier: Promotion, I think, is important. We did a lot of promotion on the back of half-ton trucks last fall, and that was a huge promotion.

Hon. Lawrence MacAulay: What effect did that have?

Mr. Hubert Saulnier: That had a huge effect in the Halifax area. A lot of people were buying a product that they were scared to buy before, because it's always been at an inflated price, and people assumed that it was a luxury product. And now it was cheap, so they bought it and they loved it and they went back.

John mentioned something about the Olympics. Yes, we need somebody who wants to promote the product. That would benefit the fishermen and the buyers, as well.

Hon. Lawrence MacAulay: All governments, over the last number of years, seem to be downloading onto the fishery by having all different types of fees. Would you like to elaborate a bit on that? I think it's becoming more costly all the time with all the measures DFO has imposed upon fishermen that take dollars out of their pockets.

Mr. Hubert Saulnier: That's been escalating since 1996, when we started with community-based management in terms of groundfish. And the downloading costs have escalated. I'm involved in the groundfishery as well, with fish gill nets in the summertime. You have to bring somebody with you at sea as an observer. You have to pay him \$325 a day. You're limited in what you can catch.

There's dockside monitoring. It gets more intensive all the time. It used to be after a certain percentage. Now it's almost 100%. There are the licensing fees and everything else. Last year I could call a monitoring company three hours before I left the wharf. Now I have to call six hours before I leave the wharf to warn them that I am going fishing. So there's been a tremendous amount of downloading cost passed on to the industry.

Hon. Lawrence MacAulay: We've heard a fair bit of criticism about dockside monitoring here.

This is not your area, but of course you sell lobster, and you try to make a dollar, as much money as you can, out of the lobster. Holding facilities have been an issue. It was brought to my attention long before we made this trip. What seems to happen is that lobster, of course, is a delicacy, but it all comes at once, and the problem is that you don't get the full return on your investment.

Do you think there are enough holding facilities? Do we have the proper holding facilities, and if there are not enough, should there be more? And who should own them? How should they be operated? Should it be just the processors, or should it be a cooperative, or should the fishermen own the lobster? Do you know what I mean?

Mr. Hubert Saulnier: Yes.

Hon. Lawrence MacAulay: I've had fishermen in Prince Edward Island approach me a number of times and say that the thing they need is a holding facility—nobody is against processors or anything—so they can control a proper flow of lobster.

Mr. Hubert Saulnier: Yes, it would be according to market demand.

Hon. Lawrence MacAulay: Who should own that?

Mr. Hubert Saulnier: Like Roger, I'm a free enterprise guy. If the fishermen want to get a holding facility, they should be entitled to get one. The problem is that some fishermen at sea and some holding facilities are very good at taking care of their product, and some aren't.

I think Mr. Morrow mentioned a two-price system. Roger and I sell our catch daily. Every day when we come in we sell a premium product. Others just hold the lobsters for a few months in crates. They're in bad condition, and the buyers pay top dollar for them.

• (1430)

Hon. Lawrence MacAulay: In the end, that hurts your price too.

Mr. Hubert Saulnier: It does, yes. It shouldn't be that way.

Hon. Lawrence MacAulay: I certainly apologize. I went over my time. I went beyond it.

Thank you very much.

Mr. Greg Kerr: You look sorry.

Hon. Lawrence MacAulay: Thank you very much for coming.

The Chair: Thank you.

Monsieur Blais.

[Translation]

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

Good afternoon, Mr. LeBlanc and Mr. Saulnier.

First, I want to clarify something for Mr. MacAulay. You asked a question about the increase of fees set by the government or the department. In their response, I think the witnesses said these fees date back to 1993. Your government was in office at that time.

[English]

Hon. Lawrence MacAulay: I didn't say it, he did.

[Translation]

Mr. Raynald Blais: I just wanted to remind you in passing.

[English]

Hon. Lawrence MacAulay: All governments.

[Translation]

Mr. Raynald Blais: Let us get back to your proposal. I suppose you have others, but you insisted on this one because you consider it important. I would like to know why it is a priority for you. This is a pilot project or an agency working in a particular field, but what kind of scope would it have?

We all know that an information campaign or some kind of agency can have a small, medium or large scope. I would like you to explain what this represents to you. What kind of mandate would this pilot project have? How long would it last? A year or two?

[English]

Mr. Hubert Saulnier: We would be looking at this as a long-term project. Hopefully, my goal would be to have at least a five-year pilot project on this system. Again, rather than cutting our fees down, I'd rather use this.

This money would be used to rent an office in southwest Nova Scotia, pay rent, pay electricity, and hire staff. We need a small boardroom, because we have to come up with a board of directors, which would include fishermen and hopefully a few lobster buyers as well. They're part of the solution. We're looking at hiring a secretary, and somebody to keep the books in order and everything else, all the paperwork, the fax machines.

My vision would be to hire an individual staff person who would be working with the person we hire to run this agency—I don't know what to call it, I just call it an agency. That person would be sitting there. A lot of crew members do have concerns and they have nobody to turn to. Hopefully these crew members onboard our vessels would have somebody to turn to if they have a situation or a particular problem. They could go there and talk to this individual and discuss the issue.

This could escalate to become even more than that. We could hire students in the summertime to do surveys and interview the fishermen on things that could be done, too.

[Translation]

Mr. Raynald Blais: Would you say this proposal is a result of this sort of vacuum you have there? It is the only word that comes to my mind. After all, you are already acting responsibly, but it is as if you were substituting for someone else who should normally have done this work in the first place. Product promotion should have been done already.

Mr. Hubert Saulnier: Yes.

Mr. Raynald Blais: We should then ask that more resources be provided to those who are doing the job. The fact that you are asking this in order to exercise some control means that the required work is not presently being done.

Mr. Hubert Saulnier: If buyers are responsible for promotion...

[English]

I'll go back to English, if you don't mind.

[Translation]

Mr. Raynald Blais: It does not bother me.

[English]

Mr. Hubert Saulnier: If it's done by the buyers, the promotion, there's still a lack of trust among the fishermen themselves around what the buyers are getting for their product, the shipping cost. Are they really telling us the truth?

This agency would be working on behalf of every licence holder in district 34, and district 33 as well.

I think we'd have a lot more trust among the fishermen coming from this so-called office, body, agency, than from having a buyer promote the product. If MSC is coming down, who is supposed to pay for or cover that? We would like to be involved. Traceability

going to Europe is coming down the road in January 2010. Who's going to pay for that? If it's a buyer, do we trust what he's telling us?

This agency would be the voice of the fishermen, sending out newsletters every month or every second month to the industry on what's really going on. I think it's the trust that needs to be there.

•(1435)

[Translation]

Mr. Raynald Blais: As I understand it, you figured out a solution that you have certainly discussed with your group and others. It is linked to the fact that, generally speaking, independence is vital to you.

[English]

Mr. Hubert Saulnier: Yes.

[Translation]

Mr. Raynald Blais: I am not referring to another form of independence, which should be kept for another debate. You want to be part of the decision-making process, but in a special way. You want to be independent; you do not want to submit to decisions you were not involved in.

Mr. Hubert Saulnier: Yes.

[English]

That is correct, and it's very hard to get young fishermen to take these positions. Roger is probably one of our youngest ones. This document—the first one we prepared—was approved by every fishermen's association within LFA 34. Ashton Spinney signed off on this proposal—you met with him this morning—as well as Wayne Spinney for the Bay of Fundy Inshore, Roger for the Maritime Fishermen's Union, Bernie Berry for Yarmouth County Fixed Gear, and me for the Fundy Fixed Gear Council.

[Translation]

Mr. Raynald Blais: Unfortunately, my time is almost over.

Are there any other short-term solutions you would like the federal government to consider, solutions that would help you both now and in the future? Is there anything else we can do?

[English]

Mr. Hubert Saulnier: Right now we're just asking for some short-term funding so we can develop a business plan, because next season is coming in eight months. If this is ever adopted in Ottawa and approved it's going to take time. So right now for the short term we need some funding to get a business plan, look for office space, get the ball rolling, and see if it's feasible.

The Chair: Thank you.

Mr. Stoffer.

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

Gentlemen, thank you especially for taking the time off the water to come to speak to us.

Sir, how many traps are they allowed per boat in LFA 34 and LFA 33?

Mr. Roger LeBlanc: We are allowed 375 on opening day in the fall, and 25 the first of April. The year before we were allowed 375 and 25 the first of February, and 25 the first of April. So this year we are down 25 traps.

Mr. Peter Stoffer: If I'm not mistaken, LFA 34 has the highest number of traps per boat of all the LFAs. Is that correct?

Mr. Roger LeBlanc: Yes.

Mr. Peter Stoffer: I remember asking the minister this question a couple of years ago. Is that not one of the reasons why the licence fee is higher than in other LFAs? For example, Eastern Shore has 250 per boat. You have 375.

I'm not defending the fee you're paying, but is it not feasible that if you have more traps your fee should be higher?

Mr. Roger LeBlanc: No, because some districts have fewer traps than we do and stock more than we do now.

Mr. Peter Stoffer: Go ahead.

Mr. Hubert Saulnier: I have a document here. We met with Kevin Stringer last March in Moncton at the Maritime Fishermen's Union convention. He said the current fees were based on the market price in effect from 1990 to 1993 and they had nothing to do with the number of traps. He said that needed to be looked at and it would take three years to sort this out. Next fall a document will come out on different ways to set the fees.

So Kevin Stringer, who was the director general last year, has made it clear that these fees have to be looked into again.

• (1440)

Mr. Peter Stoffer: Thank you.

As you know, DFO allowed—it's been going on for a while—a buddy-up system in order to reduce your costs. So if you had 375 traps on a boat, another skipper could come on your boat with half of his traps and you could go together.

I just want to know, because you're so strong on the owner-operator, is the MFU in favour of the buddy-up system in this regard?

Mr. Roger LeBlanc: With the buddy-up system now, if two licence holders get together they're allowed to have 565 traps. We strongly believe that's a good system. The fear we have is that if our trap limit went down to 300 and the buddy-up system or partnership came in and allowed a full 600 traps—the way some of them are heading—it wouldn't be a fair fishery for the independents who only had 300 traps. They would be forced to buy another licence. The boats are big enough to handle this, so we're in favour of buddying up with a total of 565 traps, not a full set of traps.

Mr. Peter Stoffer: All right.

I have two other questions. We haven't heard yet today the effects that EI has on some of your fishermen, whereas in the Îles de la Madeleine and Prince Edward Island unemployment insurance was a huge issue for the fishermen. I'd like you to discuss the importance of EI to your fishermen as well.

The last question is on trust agreements. I've never heard an accurate figure of how many trust agreements there are in LFA 34. Do you have a ballpark figure, or if you don't know, could you put

on the record how many trust agreements are out there? As you know, Minister Hearn previously put in a certain timeline, that after so many years the trust agreements have to end.

I'd like you, if possible, to give information on the EI and then trust agreements, if you don't mind.

Mr. Roger LeBlanc: I don't want to be quoted, but around the table, from what we've been hearing in setting this up, there are all kinds of trust agreements. There are, roughly speaking, about 300.

EI is very important to us. Our crew in some years will make \$30,000 or \$40,000, but this year if they get up to \$12,000 to \$15,000, they're going to be lucky. The families are suffering. It's too bad it has to come to money, but when the money is there, the partnerships aren't there. Family problems are a big thing for us. We really need the unemployment down here, because it's the only thing we have left. We don't have big industries, and fishing is their blood. If we didn't have EI, our fishery would be gone.

It's all right to say that you have a captain with a boat, but if you don't have the engine in the back—the crew—you have no fishery, because you can't go fishing alone.

Mr. Peter Stoffer: Thank you.

The Chair: Thank you very much.

Mr. Kamp.

Mr. Randy Kamp (Pitt Meadows—Maple Ridge—Mission, CPC): Thank you, Mr. Chair. I'll begin and then flip it over to Mr. Kerr or one of my other colleagues, if they have some questions.

Thank you for coming. I know it's a sacrifice to be here when you could be out making money. We appreciate it.

One of our witnesses this morning referred to “industry's failed structure” and was fairly negative about the way the industry is set up—the whole value chain. Do you have any comments on that? Do you think it's working and just needs a little tweaking, or does it need a major overhaul?

Mr. Roger LeBlanc: I fish and I sell every day. I believe I have a good product. It's a fresh product and it's supposed to go on the market every day. What hurts me in my stomach is that my neighbour next door goes out and holds them until that mighty dollar goes up. This year I got \$3.25 for my lobsters; my neighbour got eight bucks, and the quality wasn't there. When those lobsters were sold at eight bucks, there was not one buyer at the door for them: there were a few. So he could sell them all. But that same day, he stayed at the wharf, and I had to fish lobsters for less than he was selling them for. The quality wasn't there, but he is saying the quality is there because of that mighty dollar.

The independent guy who fishes and sells his lobster every day is really being punished for that mighty dollar. So it's not a good system.

•(1445)

Mr. Randy Kamp: You would agree, then, that there needs to be some kind of structural overhaul, whether it be a two-price system or a multi-price system or something that rewards quality.

Mr. Roger LeBlanc: Yes. Last fall we were in a downfall on the price and we had some conference calls. They said if we didn't slash fishing by about the middle of December we might be tied to the wharf, because they were dropping to two bucks. Surprisingly, those guys all held, because of that mighty dollar, and they got over eight bucks. So the trust we were getting between buyers and fishermen, which we hadn't had for a long time, was getting to be there, but I think what happened last fall is that it went back to the other side again.

Mr. Randy Kamp: Would you say there is overcapacity in LFA 34, for example, where there are almost 1,000 license holders, and in LFA 33? Do you think there are too many boats catching too few lobsters?

Mr. Roger LeBlanc: I don't think there are too many boats. In the first month we took too many lobsters out of the water for the supplies we had, and I don't know how you could control that.

We have one of the biggest areas, district 34, and right now the fleet is divided. The extra effort, where the lobster is coming from.... We used to come in at the wharf every day. Right now, in the last few years, most of them have lights. They fish 24 hours a day, whereas before you couldn't. I don't even think that's allowed, but they still have them and they keep fishing 24 hours a day. They get two crews aboard the boat.

That's what happened in the scallop fishery. We had a good scallop fishery. But right now on the effort that we're putting in, I do think there are too many boats. I think it should be controlled. As an owner-operator, I go out in the morning, I'm back at night, but most of these guys are out for four or five days. And it's not the same quality that I bring in. It's coming back that I'm being punished for that extra effort and that mighty dollar.

Mr. Randy Kamp: Okay, thank you for that information and that advice.

Just one final topic, and then I'll past it over.

The report from the FRCC has a section on compliance. It talks about some illegal activities that have been discussed in the consultations and the meetings that they had, like fishing out of season, illegal traps, undersized lobsters, possession of egg-bearing females, and so on. Do you think that's an issue in LFA 34, in your experience?

Mr. Roger LeBlanc: From my experience, it's a big issue. Like I said before, I'm a volunteer and I represent the best way that I can, and I believe in what I believe in. But this year, from what I believe in, and the way we lost the Sundays and we lost 25 traps, I was targeted the second day of fishing this year. I lost 72 traps overnight. Before I replaced those 72 traps and the stock, by law, and before I paid my crew, I had lost fifty grand, just by representing fishermen.

It's all coming back to the illegal fishing. That's why we were targeted. We have a lot of illegal fishing in our area, St. Mary's Bay, the Baie Sainte-Marie, as we call it. And DFO are clamping down.

It's getting better, but still if you say something or you try to represent your fishermen, you get targeted.

The black market down here is a really big problem.

Mr. Randy Kamp: Well, that's interesting and good to know.

Mr. Saulnier, or Senator Saulnier, do you have anything to add?

Mr. Hubert Saulnier: Senator Saulnier, I like that. It has a nice ring to it, doesn't it?

Mr. Randy Kamp: Yes, it does.

•(1450)

Mr. Hubert Saulnier: Yes, in regard to the illegal fishing, there are so many of us. It's very hard. And southwest Nova, with all the islands all around the province, it's very, very hard for DFO to clamp down on every illegal fishing practice taking place. We know it's happening. To what extent, it's very hard to say. But we have to admit that DFO has taken steps forward to try to correct as much as they possibly can at this time.

Mr. Randy Kamp: Okay. Thank you very much.

There's time left, Mr. Kerr.

Mr. Greg Kerr: Thank you for showing up. I know you'd rather be on the water, but you're here. And you're being very candid, which is not a surprise to me whatsoever.

Just going back on the proposal that you talked about, with Senator Comeau—the other senator—I think what's important is to go back to last fall. We were meeting with a lot of you from all around the industry about what the issues were, what the pressures were, what we could do. Those were all very friendly, quiet meetings, I might point out. But one thing that came clear is they were very concerned about the crew on the boats, about EI, all that goes with that. They were very concerned about credit, and the province was moving to try to take some pressure off there. They were very interested in the marketing initiative, and that's mainly where the thrust was coming from.

I just want to point out that when some raised the idea of reducing the fees, it was your own industry that pushed back and said that rather than the money going back into the pockets, the money should be invested into something. Just so everybody's clear, this is an early proposal. There are other things about how you can make it better. You're talking about policing and control. There are all kinds of ideas, I understand, on the table. Is there anything you want to add to that, other than what you've pointed out, as to why this would be an important step forward? It's not that you're paying so much in fees. You are; we understand that. There may be a reason. But if there were a reduction, you'd actually want to reinvest it back into the industry. This is a group you want to make that point to. Why is that a benefit to the overall fishery?

Mr. Hubert Saulnier: Number one, LFA 34 does not have a voice. I represent thirty-some fishermen, and everybody is in the same boat. We need something that's unanimous and has the voice of every fisherman in LFA 34 who would be involved in the decision-making process.

This is all new. It hasn't been escalated yet, but I would assume if we had the right person at the helm, promoting the industry and coming out with recommendations to sustain the industry, it would be beneficial.

We don't look at this body or agency making any recommendations of how we should fish and how many traps we should fish. That would be LFA 34's job. But we meet with LFA 34 and there are avenues that need to be taken, like looking at what is the pre-assessment of MFC, what is the quality, what are the markets out there. The LFA management board could tell this agency to do this work for us. And again, this agency would represent every licence holder, so the trust would be there.

Hopefully you will be interested in this so-called proposal, so we can come up with some more.... This is done by a bunch of uneducated fishermen and senators who draw the stuff as rough as they can—future senators.

Mr. Greg Kerr: Thank you.

Mr. Hubert Saulnier: So keep me in mind, eh?

Mr. Greg Kerr: Okay.

Mr. Roger LeBlanc: So really we would mostly go out of the fishery for help, or being in this organization, like store owners or people who are in the forest, to see where we're standing. It's not to run the whole thing; we want the outsiders to see where we're coming from and get some good people. I think we could be represented very well.

It would be a step forward for us, because in the old days we'd say we'll just go fishing. If I'd told my grandfather that I had to use a suitcase to go fishing, he would have said I'm nuts. But we need some people who are really educated at the front for us, to represent us. There are a lot of meetings we can't go to where we would be represented, very important meetings that we can't go to. I don't think it's done on purpose, but there are a lot in December, and it's our livelihood in December, so we can't go to those meetings. So we would be really represented there. It's a step forward for us.

• (1455)

Mr. Hubert Saulnier: Could I put in another point?

The Chair: Sure.

Mr. Hubert Saulnier: It looks like we're asking for money out of government, to send it back to us, and they send us \$1,000 back for

this agency. If this agency can promote the product and open markets overseas and make it work, and if we can recapture 25 cents a pound more for our product—and 25 cents is not a huge amount—25 cents on 40,000 pounds of landed product per year is \$10,000 more of taxable income for every vessel. So there is no loss to the government coffers in trying to help us form this agency. As a matter of fact, it's a benefit.

The Chair: I'm glad you raised that point, Mr. Saulnier, because that question kept coming to my mind as you were speaking here. I appreciate your coming forward with a proposal.

But I was getting a mixed message, to be very frank with you, around your concept of this agency. The agency you presented initially in your opening comments, I liked the idea with the marketing agenda you brought forward. But as you progressed throughout your presentation I began to think it's more of an advocacy group, that you were looking for an agency of advocacy, as opposed to marketing.

Mr. Hubert Saulnier: No.

The Chair: I wonder if you could clarify that a little bit for me here on the record, if you don't mind. The intent of your proposal today, is it directed more towards advocacy or is it directed more towards marketing?

Mr. Hubert Saulnier: It's directed towards marketing, promoting the product itself. And I'm sure we can find somebody who knows how to promote a certain aspect.

We have a local newspaper in Halifax. I'd like somebody who works in an office all week to open the newspaper on a Saturday afternoon and see a full-page colour ad of a nice red lobster. *The Chronicle-Herald* would love the funding, and maybe the individual would tell his wife, "You know, that sounds good. Why don't we have that?" I think there are many things we could do to promote the product itself, and I'm not an expert in that—far from it.

The Chair: Thank you very much, gentlemen.

Gentlemen, I'd like to thank you on behalf of the committee for coming to meet with us today to bring forward your ideas. I do realize the personal sacrifice that you've made in order to do so today, and let me just say that the committee certainly does appreciate it. It's certainly important that we hear from you and on behalf of the members you represent. Thank you.

Gentlemen, this concludes our committee business today. The next group we were supposed to meet with is unable to come today, so at this point in time I would say the meeting is adjourned.

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