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**Thursday, May 14, 2009**

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**Chair**

**Mr. Rodney Weston**

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•(1115)

[English]

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

Ladies and gentlemen, thank you for joining us this morning. We appreciate your making the effort to travel to Ottawa to have a discussion with the committee this morning.

I'm going to open the floor for opening comments. I believe, Mr. McCurdy, you're going to lead off. Ms. Inniss, you're going to follow, and Mr. Frenette, you're going to bring up the rear.

Monsieur Blais.

[Translation]

**Mr. Raynald Blais (Gaspésie—Îles-de-la-Madeleine, BQ):** I have a point of order, Mr. Chairman.

First of all, I want to thank the people who are here today.

However, I would like to emphasize to the members of the Committee that the delegation from Quebec has not been able to come. At first, the meeting with the minister was supposed to take place today, but then it was moved to tomorrow. However, the people from Quebec had planned to go to that meeting.

In my view, in all fairness, the representatives from Quebec, Mr. Cloutier and Mr. Poirier, should be allowed to appear before the Committee next Tuesday, after the break week.

[English]

**The Chair:** Thank you, Monsieur Blais.

Possibly we can go in camera to have a discussion following the presentations and the question and answer period with our guests today. We can have a further discussion on where the committee should go beyond this point today. Thank you very much for raising this, Monsieur Blais.

Before we begin, ladies and gentlemen, we have certain time constraints that limited us in presentations and in the questioning and answering session. I have a little timer, so if you hear a beeping noise, try to wind your comments up as soon as possible to allow for everyone to have input and to allow for a fair and equitable opportunity to question you as well, based on your comments.

Having said that, are there any questions or concerns from any of our witnesses here today?

If not, I'll ask Mr. McCurdy, please, to proceed with the presentation.

**Mr. Earle McCurdy (President, Fish, Food and Allied Workers):** Thank you, Mr. Chair. About the only concern we have relates to the price of lobster.

I appreciate the opportunity to come up to deal with this issue. I will be attending the meeting tomorrow the member just referred to, with the minister in Moncton.

Our organization represents the lobster harvesters in Newfoundland. There are about 2,900 licence holders, but that number includes some who are relatively inactive or for whom lobsters are a relatively minor part of their livelihood, because there are parts of the province where lobster is not terribly abundant. There are others for whom lobster is the number one species. I noted that the average landed value per licence in the province of Newfoundland is \$32,000, but it would be relatively little for some and higher for others. For some it's really the principal thing.

There are whole communities that are significantly affected by this issue, the lobster fishery being probably the single biggest source of income for the community. For example, in Mr. Byrne's district there would be quite a few. I know there was a meeting held there last night with a couple of hundred lobster fishermen in attendance, and none of them are going on the water. We're starting a tie-up this morning, because prices have gone to levels at which you don't even cover your costs.

It's probably 25 years since the price of lobster was as low as \$3 a pound, which is what the current price was after it dropped 50¢ or 60¢ earlier this week. The break-even point, if you're depreciating your assets and running your business properly, is every bit of \$5 a pound, and possibly more. When you get down to a price with a "3" in front of it, there's no way in the world that you're even covering your direct costs, let alone contributing to overheads.

Crew jobs are being lost hand over fist. It's a tough situation. The landed value for lobster in our province is significantly below what it is in other provinces—roughly comparable to Quebec's, as I understand it, but well below the maritime provinces'. But as I said, for those who fish it, it's still a very important part of their livelihood, and for some of them it's really the number one part.

I apologize for not having a prepared presentation; this came together on short notice. But I appreciate the opportunity to raise these issues. We're certainly interested to follow the debate in the P. E.I. legislature in recent days and trying to understand exactly what's going on there, with an issue over some kind of joint federal-provincial initiative on lobster having been not exactly leaked, but it was prematurely made public knowledge. Our view is that what we have is an Atlantic-wide problem, and any solution should be looked at from the point of view of Atlantic-wide solutions as well, certainly insofar as the federal government's participation would be concerned.

• (1120)

In our judgment, there are essentially two categories of measures needed to deal with this situation. There is quite a serious short-term situation. We're being buffeted by the same forces that have caused problems in industries from automobile to aerospace to forestry, and so on. The world economic forces are making it a tough world in which to do business at the moment.

Lobster is seen as a luxury item, and in tough times, people tend to cut back on those types of purchases. Even though you can go into a supermarket and see lobster priced just as cheaply as hamburger, people buy hamburger because they can't afford lobster. That's the psychology, even though if they looked at the price tag a bit more closely they might say it's not a bad deal. We had Mother's Day specials listed this past weekend in St. John's for under \$6 a pound retail, which for lobster is exceptionally cheap. It's great for consumers but an absolute disaster for primary producers, because that's not the price to the harvesters. That's the price with two or three middlemen in between.

So there are really two categories of things needed. One is short-term, for people who are in dire straits on a short-term basis, and the other is longer term. The statement issued by the Premier of P.E.I., or at least a version of it that was published in the press, certainly touched on a number of items that would be useful to pursue in dealing with the situation, including emergency inventory purchases of live lobster, an industry rationalization program, a low-interest loan program, flexibility in the EI program, and marketing and product development. So those are issues. I guess the latter ones are perhaps more provincial in scope than federal. The others have a significant federal flavour to them.

In particular, in terms of doing something quickly, the EI program probably lends itself to this fairly well because of the provision for pilot projects. I believe it will be possible through that program to do something relatively quickly to meet the need. Presumably in the meeting tomorrow we'll be getting into some of the detail around that.

It seems to me that, in terms of addressing the problem, we have to try to find solutions that don't add to the problem. In other words, right now we have a serious inventory problem. We don't have processed lobster in Newfoundland. Our lobster is pretty well all sold live. We don't have the canning and things that they have in the other value-added packs that are more prevalent in other provinces. But some of those markets, I understand, are really badly flooded with inventory. It would seem to me that something that adds to the inventory problem is probably not the best direction to go in.

Something that maybe pulls back on the supply to try to get the inventory more in balance with the demand would be the direction that makes sense to me. It would happen to coincide with the conservation objectives as well, because it would give the resource a bit of a break.

In the long term, clearly, rationalization of the fleets is critical. Most of the fishing fleets in Canada are out of whack with the available resource. If we're going to compete with other countries that are selling into the same markets as we are, I think it's important for people to realize that, virtually without exception, the other countries are contributing government or public money into a rationalization program to buy out effort from the fleets. We have a rationalization program in Canada, but the entire bill is being passed to industry, which doesn't have the dollars to afford it.

I'll let it go at that and leave it to my colleagues, and I'll be glad to address any questions thereafter.

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

Ms. Inniss.

**Ms. Ruth Inniss (Organizer and Coordinator, Special Projects, Maritime Fishermen's Union):** My name is Ruth Inniss. I work with the Maritime Fishermen's Union.

The Maritime Fishermen's Union, for those of you who don't know, is made up of membership in New Brunswick and Nova Scotia, with about 1,600 members. The lion's share of the members are in New Brunswick. In Nova Scotia there are a number of other organizations.

We're here, as Earle said, to talk about the crisis in the price of lobster in the industry. In New Brunswick, the lobster industry accounts for 55% of commercial landings revenues, \$82.8 million. That was in 2006. The export value for the lobster industry in New Brunswick in 2006 was valued at \$377 million. The asset value for the east coast of New Brunswick inshore is valued at approximately \$180 million. There are 1,200 New Brunswick inshore captains, plus an average of two helpers per enterprise; these enterprises directly employ approximately 3,600 people and provide fish for 5,000 workers in plants.

That gives you a bit of a snapshot of what's going on in New Brunswick. Earle has covered a lot of the short-term and long-term points we've talked about.

The Maritime Fishermen's Union is one of the organizations that are part of the Atlantic Alliance for Fisheries Renewal. It's a fairly new alliance that's come out of this lobster price crisis, and so on. Most of you who have anything to do with fishermen's organizations know how difficult it is for them to come together on anything; this is an Atlantic-wide alliance. I feel it is really important that the Atlantic fishermen's organizations have come together.

As Earle said, there are two groups of objectives. They are broken into short-term and long-term objectives. Earle went over them for you, so I won't reiterate. One of our biggest concerns is that the short-term goals need to be met, and they need to be met quickly, by 2009 or 2010, but we can't lose sight of the fact that we have to do something with the fishery on the east coast. There have to be, as Earle pointed out, rationalization plans. There has to be work done on fisheries renewal on the east coast. It has to change the way it looks. There are too many fishermen fishing. Earle talked about the overcapacity, and so on.

I have some documents that I will leave with the standing committee. One of them is a pilot project that the MFU has put together in looking for money to deal with this. One thing we're doing is asking harvesters in return to be stronger on conservation measures, and so on. We're not just looking for an infusion from the federal and provincial governments; we realize that organizations and the harvesters have to move on conservation issues as well.

In terms of moving on conservation issues, through the winter and the spring a lot of work was done in the southern gulf on conservation. Groups came together and put forward their plans for conservation, and it was really difficult. It was difficult to get fishermen to agree on that, and at the end of the day the minister came out and said, "You can do it or you don't have to; it's up to you." That was really difficult for organizations that wanted to move forward with conservation and take some responsibility.

I think I'll leave it there, because Earle has covered most of the details, but the one point that I want to make sure we're all aware of is that we can't lose sight of the long-term goals.

• (1125)

**The Chair:** Thank you, Ms. Inniss.

Please go ahead, Mr. Frenette.

**Mr. Ed Frenette (Executive Director, Prince Edward Island Fishermen's Association):** Thank you, Mr. Chairman.

It's nice to see you all again after your trip to the east coast a short while ago. The weather has improved slightly. Let's hope it improves some more.

I really reiterate what my colleagues said here earlier. There is a very deep crisis in the Atlantic lobster industry, not only in Prince Edward Island but through all the five eastern provinces. I've given you information in the past at a previous meeting, but I'll just perhaps give you a reminder of the situation in Prince Edward Island.

P.E.I. has 1,300 lobster harvesters. The lobster fishery is their primary source of income. While there are other species, they're minimal, and everyone in Prince Edward Island is fully dependent on lobster as their primary income source. We're divided into three lobster fishing areas, two in the spring and one in the fall.

At the present moment this year, prices are \$2.75 a pound live for canners—that's the 71 millimetre to 81 millimetre size—and \$3.50 a pound for markets, which is over 81 millimetres. These are the lowest prices in the region, and we wonder why. We look across the strait at parts of Nova Scotia where they fish essentially the same waters, the lobster are the same size, they have similar resource management schemes, and the prices there are \$3.50 and \$4.00. So

we have some very strong concerns about what is actually going on through the marketplace, particularly at the level of brokers and wholesalers, but we don't have the answer at this point.

Nonetheless, these prices fishermen are receiving are far, far below their basic cost of production, and they are in crisis mode right now. We've seen in Prince Edward Island already fishermen being put on daily boat quotas by processors. We've seen some buyers refuse to buy on particular days. This is the first time in the history of the P.E.I. lobster industry that this has ever happened.

As I mentioned, there are two spring zones in Prince Edward Island. Landings on the north shore of P.E.I. in LFA 24, as it's known, are reasonable. However, with the low price it's very, very difficult for people to earn a profit. In LFA 26A, which happens to be Mr. MacAulay's riding, landings are low and prices are low. People are dismissing long-time crew members; members who have worked with their captains for 15 and 18 years are losing their jobs. Working wives are taking leaves of absence from their traditional work to work on the backs of the boats with their husbands just to try to make ends meet. It's a very sad situation. This is on top of what happened last year, when there was a full 25% reduction in the shore price of the raw product. So now we're seeing, in two years, more than a 50% reduction in the price to fishermen. They simply can't afford it.

Again, in conjunction with my colleagues here, we fully agree that there has to be both a short-term and a long-term approach to this issue. We would argue there has to be some sort of price stabilization support from both federal and provincial contributions, so people can in fact make some sort of a living out of this industry for this year.

The adjustment of the fishers' EI program is vital to the welfare of all fishing families over the course of this coming winter. We have submitted a document to the government and to members of this committee in the last number of weeks arguing that EI should be based on 2008 levels. This would ensure that people in fact could at least feed their families and pay their household bills over the course of the winter. Without that, we're going to see a large number of bankruptcies and we're going to see people going on welfare. And I'm not exaggerating at all when I say this. It's very, very serious.

• (1130)

We suggest that an EI program, possibly with pilot projects as Earle had mentioned earlier, may have to continue into 2010 and 2011 if this recession does not ease.

In Prince Edward Island, of course, we're going after our provincial government for an expansion of their low-interest loan program to fishers. We're looking for a debt repayment holiday where necessary for fishers who are in the most serious trouble, and certainly special consideration for recent new entrants to the industry who bought in at relatively high prices, have very high payments to make, and are facing the brunt of this whole process.

We suggest that there has to be some level of credit support to the processing industry. We know that processors have not been able to access their usual lines of credit. The private lenders have been very reluctant to fund them, as in all manufacturing industries. That's affected somewhat the processors' ability to buy, and if they're not buying, fishermen aren't fishing, and of course money is not going through the system.

For the long term, obviously, we need immediate action to begin on a licence rationalization scheme. We agree that it has to be Atlantic-wide. As most of you may understand, in Prince Edward Island and certainly in New Brunswick, for a number of years now we've been looking for a licence rationalization scheme, particularly in the Northumberland Strait. We started this, I guess, around the year 2000. There was some slight buyback through crab money allocations in 2004 and 2005, but the situation so far has not improved, and we're hoping that the government and the minister will go forward with a licence rationalization scheme.

Down the road we feel that in terms of a total industry restructuring at other fleets, other fisheries, we have to put proper funding to an extensive international marketing and sales initiative to market Canadian fish products. It hasn't been done extensively to this point, but we hope we will move in that direction.

There also has to be a program of industry information and education to the rank-and-file fishermen. When we look at the east coast of Canada, we're looking at 10,000 fishing enterprises. They're spread out over a host of rural communities. Many of the fishers' organizations do not have the capacity in terms of funding or personnel to reach out to all of them, to advise them and inform them of all the issues that are going on. We're urging both our provincial and federal governments to really get inside in terms of developing a proper program of information going to fish harvesters. In that case we see a good deal of effort has to be put towards the whole issue of equal labelling, the ocean-to-plate or fishing-for-the-market concept, and we're looking forward to some assistance in that regard.

I'll leave it there, Mr. Chairman, and allow you to ask your questions.

Thank you.

• (1135)

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

Mr. Byrne, I believe you and Mr. MacAulay are going to share some time here.

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

Thank you to Ed Frenette of the P.E.I. FA, to Ruth Inniss from the Maritime Fishermen's Union, and to Earle McCurdy of Newfoundland and Labrador's FAAW for appearing before us.

You've highlighted very well the crisis in the fishing industry, specifically in the lobster sector. This being a billion-dollar industry to Atlantic Canada, we share your concerns.

We have some time together this morning, so we'll be able to flesh this out better through the questions that we'll be presenting to you.

But I will say that we hope you get your meeting soon with the Minister of Fisheries and Oceans. My colleague Lawrence MacAulay from Cardigan in P.E.I., and Scott Andrews from Avalon, and I think it's very important that you meet with the Minister of Fisheries and Oceans soon. We understand that it's tentatively set for tomorrow. We hope that becomes a little more solid in terms of the date.

I'll be sharing my time now with Mr. MacAulay, but I want to head back to some questions about that rationalization, that Atlantic-wide effort, as well as some very specific issues about access to credit and certain circumstances in Newfoundland and Labrador that are related to lobster fishermen and ice conditions.

Mr. Chairman, Mr. MacAulay can take the microphone.

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

Thank you, Mr. Chair.

I want to welcome my neighbour Ruth Inniss, and Earle McCurdy and Ed Frenette, who are only too well aware of the many problems in the lobster fishery.

There are many questions to ask, but I would like to ask you, Ed, on the rationalization. Of course I have a motion before the House of Commons. I truly believe it has to be eastern-Canada-wide, Quebec and the rest of eastern Canada. And I try not to be political, because you do better if you're not political. I don't want to offend my good friends across the table, but I think rationalization and licence rationalization is much more of a federal responsibility.

I don't know what's going to be announced—and there was a problem in the provincial legislature, whatever happened, whether politics was being played or not—but we're playing with lives here. We're playing with people surviving and being able to stay in the province. If we're not successful in dealing with this, in my opinion, we won't have any rural community in my district and on the south shore of Prince Edward Island. But, again, I stress it should be for all of eastern Canada.

I would like your opinion, Mr. Frenette, on the rationalization, and also address if we involve the province, if we involve the industry, keeping in mind that example. I think in Pinette one fisherman took in 14 lobsters one day. I don't know where they're going to find funds or anything else to be involved in a rationalization.

And I also want you to elaborate on what you think will take place if employment insurance is not adjusted. It's an insurance program that can be a pilot project or whatever. This is an emergency. This is a crisis in the fishery. What will happen to not only the fishermen and the people who are involved in the industry, but to our communities and everything else? I can see a disaster coming.

• (1140)

**Mr. Ed Frenette:** Thank you, Mr. MacAulay.

In terms of rationalization, we've had lengthy discussions over the years with a series of federal ministers from both the major parties. In latter years, we've been told directly that it would have to be a self-rationalization scheme, that the industry itself would have to bear—

**Hon. Lawrence MacAulay:** Can I interrupt you for one minute?

Are you telling me you've been told it's the industry itself, the people who are catching little or no lobster have to be part of the payment process of the rationalization?

**Mr. Ed Frenette:** I was building up to something like that, Mr. MacAulay.

The previous minister certainly let it be known that his approach was only on the concept of self-rationalization, and the industry would have to bear the full price and brunt of that process. In more recent months and weeks, we've had discussions with Minister Shea; we've had discussions, at least in P.E.I., with our own provincial government; and we've had various discussions within our own organization and our membership.

Basically, there is agreement in principle, at least in terms of the P. E.I. lobster fishery, that people are prepared to go forward with a three-party approach to rationalization. While no definitive plan has been designed yet, and no amounts of money have been determined, it appears as if we're moving in the direction where there may be a federal cash infusion off the top, a long-term loan provided by the provincial government that would be repayable by those remaining in the industry at low or no interest rates over a 25- or 30-year period. We feel that is feasible, in terms of the industry involvement and provincial involvement.

**Hon. Lawrence MacAulay:** Would this apply to the LFAs or the total industry?

**Mr. Ed Frenette:** We're talking about the P.E.I. lobster industry, so we're looking island-wide at our three LFAs. But we're starting in the most hard-hit areas, which are areas 25 and 26A.

**Hon. Lawrence MacAulay:** But in the proposal being discussed you would be asking LFA 24 to contribute to the rationalization program if they do not wish to be directly involved in it.

**Mr. Ed Frenette:** No, we haven't gone that far yet. We're envisioning that there may be an overall packet of money, but there are three different approaches because of the variances in each fishing zone. The interests of people in LFA 24 may be for other types of licences besides lobster. But in the Northumberland Strait, the major concern is lobster licences.

• (1145)

**Hon. Lawrence MacAulay:** And the EI issue?

**Mr. Ed Frenette:** The EI issue is vital. Already as a result of the decrease in prices last year, we've seen a number of bankruptcies. There are a number of fleets for sale that no one can buy. Landings in areas this year are extremely low, as we expect them to be in the fall. This is on top of five to seven years in 26A, and probably ten years in area 25, in which landings have been consistently low.

At our last meeting in Montague, Prince Edward Island, I mentioned DFO figures that were published in 2006. They put net fishing income in area 25 at slightly over \$7,000, and in area 26A at slightly over \$11,000. People cannot live on such a low income. If they don't have access to EI based on last year's landings program, in P.E.I. we're going to see dozens, if not hundreds, of bankruptcies. We're going to see declines on many sides in our rural communities—in infrastructure, small business, and tax base. People cannot even

go out west any more for jobs, as they've been doing for the last number of years. There's nothing to fall back on.

**Hon. Lawrence MacAulay:** I realize it's a very serious problem. It's a provincial issue, but it involves the total package.

Will the lack of competition in the processing industry in Prince Edward Island have an effect? You mention that there's a better price in Nova Scotia than in Prince Edward Island. To me, there's a monopoly in the processing industry in Prince Edward Island. Do you see that as helpful or harmful in what's going on?

**Mr. Ed Frenette:** From the producers' point of view, with the restrictions on access to processors and buyers, the competition has been strongly reduced and they have no place else to go. For the first time, people are not buying fish for a day or two, and boat quotas are being put on arbitrarily. This sort of thing has never been heard of before. There is an argument among the harvesters that the so-called Ocean Choice agreement signed between the company and the provincial government in Prince Edward Island should be broken to lift the moratorium on processing licences. In fact, I think I saw in this morning's Charlottetown *Guardian* newspaper that last year someone had been fined \$10,000 for processing lobster illegally in a plant that's fully prepared to process.

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

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

Monsieur Blais.

[*Translation*]

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

Welcome gentlemen, madam.

We have already heard many things. I know that the lobster industry was considered some time ago as a very prosperous one. Everything was going fine, or almost. It was not obvious because there were some fishing areas where the incomes were very low, but they were somewhat better in others. Nevertheless, on the whole, the market was rather good.

We are now in the throes of a recession that hits mainly the United States but that also spills over here. Tell me if a scenario such as I will describe is possible, because I have no idea: if we did not have this global recession, do you not feel that we would still have problems in the lobster fishery? We are focussing a lot on the price at this time, but the malaise might go much deeper than that.

Do you believe one short term and very circumscribed intervention would be enough to solve the problem? I would like to hear your comments on this.

• (1150)

[*English*]

**Mr. Earle McCurdy:** I think you're correct. The way I would characterize it—and it's based probably in large part on the sheer number of licences and people who are participating in the fishery in relation to the total value of the resource—is that even in reasonably good times things are pretty marginal. We can get by in a reasonably good year, but there's very little strength to survive the kind of downturn we've gotten. In fact, there are not many sectors that really can, but I think we're particularly vulnerable.

It happens to coincide with the moving of the baby-boom generation out of the fishery, and I'm sure a lot of other industries have the same situation. In a way, that presents an opportunity. In our organization, we did a survey of our members, and over 70% were either definitely interested or said they might be interested in selling their enterprises. Who bears the cost of that? That's the problem. To date, it's been, as I made reference to a minute ago, self-rationalization. The industry fully funds that. The problem is that the associated debt load means that even though you hope that if in the long run there are fewer people there will be more to go around, if the debt associated with buying somebody out doesn't make that pay off, you're no further ahead; you're further in debt.

I think we were vulnerable before this tidal wave hit the economy. That vulnerability was exposed pretty quickly once the recession took hold, and I believe it's key. If there's going to be a fishery of any vibrancy in the future to maintain populations in those rural communities Mr. MacAulay spoke of a minute ago, I think that issue of right-sizing our fleets has to be dealt with. As I mentioned earlier, virtually all our competitor countries, the people we're competing in the market with, have put major funding into fleet buyouts, because they have much the same problem. The cliché is too many fishermen chasing too few fish. I think it might be too many fishermen chasing too much debt. But in any event, there is that overall level of debt in the industry in relation to the annual landed value, which means that we're always vulnerable, always on the brink. If anything comes along like this current economic recession, we get swept away in it.

[Translation]

**Mr. Raynald Blais:** Would you like to say a few words, Ms. Inniss?

[English]

**Ms. Ruth Inniss:** I'd just like to add to what Earle said. One of the numbers that we in the AAFR, the alliance, have been looking for is a one-third reduction of the fleets and enterprises in Atlantic Canada. That would increase the viability, the stock rebuilding, and so on, of the market. So that's the sort of number we're looking for.

Earle was talking about debt, and the debt is huge. We have some members who have just bought into the lobster fishery within the last couple of years. When we're talking about the short-term actions we can take to help, the loan relief that Ed was speaking to is very important for these particular members.

Another part of the problem—from the past—is that the prices of lobster licenses and lobster gear were, for a number years, completely inflated. Because of that, people are still dealing with the price inflation of lobster gear. Those prices haven't flattened out or levelled out yet. So that's another thing adding to the crisis, besides just the market you were talking about.

[Translation]

**Mr. Raynald Blais:** I have one last question, if I may.

Could we not contemplate for this industry a kind of stabilization insurance program that would involve some costs for the participants but that would be managed by the government or in some other fashion? Would a stabilization insurance program that would be based mainly on prices — obviously — not be something that could provide a far brighter future to the industry?

We have a crop insurance program in agriculture. However, in the fisheries industry, there is no such thing at this time. Could this be an avenue, a solution?

• (1155)

[English]

**Mr. Ed Frenette:** Mr. Blais, thank you.

I think there is a host of ideas and notions that have to be considered. The one you raised is one that we've discussed internally for some years now. We've offered the suggestions to government. They certainly haven't been picked up on to this point. Essentially the only protection for fishers is the EI system at this moment. But if we're going to readjust and restructure our industry over the long term, I think those are the types of issues and solutions we have to examine closely and perhaps apply.

**The Chair:** Thank you.

Mr. Kamp.

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

Thank you, Mr. Frenette, Mr. McCurdy, and Ms. Inniss, for appearing. I know we've heard from two of you before on this issue, but it never hurts to hear some of the same things again, and to get into some other matters as well.

Let me start with the issue of rationalization. Maybe I can start with you, Mr. McCurdy.

You mentioned or made a statement of some kind that other countries, or most other countries—or maybe it was all other countries—who enter into rationalization programs have those programs funded by their governments. I just wonder if you could flesh that out a bit for us, and give us some examples, and so on, of how that works.

**Mr. Earle McCurdy:** Yes, I can mention a few. I don't have all of the particulars on all of them, by any means.

Argentina, for example, in recent weeks has come out with one. There was a significant one announced recently in New England. I know the European Union has put money in place.

The only figures I've seen have been for the British Isles, but they have an ongoing program of fleet reduction; it's an ongoing strategy to buy out excess capacity. I just wish they'd use a bit more of it on the fleets that fish on the nose and tail of the Grand Banks.

There are a few more examples. Australia had a fairly major one recently. Victoria, a province in Australia, had a very localized one for their rock lobster fishery.

There is a host of these, the idea being the recognition that the sheer capacity in relation to the resource creates a couple of problems. Number one, there are real viability problems for fishing enterprises; and second, there is the pressure on the resource from the sheer pressures to meet payments, and so on. These fleet reduction strategies really address both.



In the case of our industry—which is probably true of those other countries as well—you form a strategy for dealing with this inter-generational shift that's about to take place, because a very substantial percentage of the licence holders are 55 plus in age. And I guess the question is, are we going to inflict on the next generation of licence holders the same over-capacity that has bedevilled the current generation, or are we going to say here's an opportunity to make some significant structural change for the long-term benefit and stability of the industry?

**Mr. Randy Kamp:** So most of those are long-term solutions, and not reactions to the economic downturn or world economic forces, I think.

**Mr. Earle McCurdy:** I think they're a bit of both. I've read press clippings and stuff like that; I wouldn't call myself unduly knowledgeable about what's happening elsewhere, but keep up with it as best I can.

I might have a couple more examples here.... Anyway, I've given you an idea.

It's a combination of measures. Some are related to the immediate economic situation in the world, and some are long-term structural adjustment programs.

• (1200)

**Mr. Randy Kamp:** With respect to the lobster industry, how long has there been a sense that we need to deal with access, the capacity issue, and rationalization? How long has there been a consensus, I suppose, within the industry that we really need to do this?

**Mr. Ed Frenette:** If I can speak for P.E.I. and perhaps the three maritime provinces—at least in the southern Gulf of St. Lawrence—I'd say it's been since the late 1990s. Certainly the organizations were lobbying for assistance for rationalization in the Northumberland Strait as early as 2001, and were able to access money from crab distribution in 2004 and 2005, in minimal amounts, to buy out a few fleets. However, as we know, legal decisions have interfered with that, and now we're in a situation where we haven't had any since 2005.

**Mr. Randy Kamp:** Okay, thank you.

I think we probably all agree that the solution for what the industry is facing at the moment is going to require both levels of government and industry being in some kind of collaborative solution.

As far as I know, the meeting is firm. I know Mr. Byrne isn't sure about that, but I understand it will be from noon to five tomorrow in Moncton. I think that's a good thing.

Ms. Inniss, you referred to conservation measures the industry is putting in place, partly to respond to the situation they find themselves in. I just wonder if you could tell us a bit more about these. Or perhaps the broader question is, what do you think the role of industry should be as we move forward here? I think I've heard you say what you think the role of the federal government should be—at least with some measures—but what should industry's role be?

**Ms. Ruth Inniss:** What I have here is one of the documents that I plan to leave with the committee. There was a pilot project that was put together by the fishermen in New Brunswick. This will give you an example of that. I'll just read from it: “The program would

essentially require that existing government programs...”—community investment funds, EI programs, and so on—“be used to top up fish harvester revenues to a breakeven point for 2009.”

That has been discussed already. They're talking about around \$200 a week for captains and their helpers, and in return for that, for somebody to take advantage of that exchange, inshore fish harvesters in communities who are willing to entertain the pilot project would have to move to a 76-millimetre lobster. I don't know if that means anything to you or not, to move to a 76-millimetre lobster from a current 70-millimetre lobster. So that's a fair jump. That's one of the concessions that the industry within New Brunswick and the MFU have been talking about back and forth to make it work.

So we're not just saying we want you to give us money and help us get through this year and so on. We're taking responsibility for it into the future.

That's one example. Does that answer your question?

**Mr. Randy Kamp:** Partly. What about in terms of supply? If it's actually that part of the problem is that the processors already have a fair bit of inventory, which they're having difficulty selling—that may be arguable, I know, but let's assume for argument's sake that this is the case—are fishermen on the ground already putting in measures to restrict the number of lobsters they're catching?

**Ms. Ruth Inniss:** I have to say no to that. At this point they're not, not in New Brunswick.

**Mr. Ed Frenette:** It remains a wild fishery. There are no quotas, so it's basically get as much as you can in the short time you have available.

**Ms. Ruth Inniss:** And I think that's an effect on the price as well. When the price is so low and their livelihoods are at stake and so on—that's what they see and they have to pay the bills and feed their families and so on—they're going to harvest as much as they can.

• (1205)

**Mr. Randy Kamp:** And in effect, although unintentionally, I know, they make the problem worse in some ways.

**Mr. Earle McCurdy:** That's the irony of it. I think they're driven to it by circumstances. I haven't said this. I guess what our fishermen are engaged in today and for the next several days is in fact a cutting off of supply, but it's hard to do that on any kind of long-term basis. So that's probably more by way of a protest as much as anything. It does make sense in addressing the problem to consider whether we can find a way to improve the inventory situation, not to make it worse. That seems like a logical way to approach it.

**Mr. Randy Kamp:** And I understand if you're the individual fisherman who has the bills to pay, it's a theoretical concept that's not as easy to work out in practice.

This is more of a general question. Do you think there are some Canadian fisheries that are better structured to respond to an economic downturn, a crisis, perhaps, that we're facing, than others? Or would you say in the way the lobster industry is generally structured—a wild, competitive fishery, for example—that it's less able to respond to a crisis like this than another fishery that might have a quota system, for example?

**Mr. Earle McCurdy:** I don't think having a quota system in place necessarily makes the problem any less severe. I think part of the reason that lobster is getting particularly hard hit at the moment is there's just a perception that lobster is a luxury item. I don't know if it's psychological or what it is, but people just sort of say "These are tough times, and you don't eat lobster in tough times".

Some of the other fisheries we're engaged in are more of a commodity nature. We've had some impact on our snow crab fishery, but not to the same extent as the hit on prices in lobster. It has been particularly severe. Whenever you get a large number of participants, as there are in the lobster fishery, it makes it all that much tougher to find solutions. I don't think having a quota system in place necessarily makes that problem any better.

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

Mr. Byrne, I believe you and Mr. Andrews are going to share your time.

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

This is a very tough and bleak picture you're painting. We've heard from you that the industry standard on the break-even price is approximately five dollars a pound. If the industry is now fishing for \$3.00 to \$3.25 a pound, in essence harvesters in Atlantic Canada seem to be subsidizing Red Lobster and The Keg Steakhouse. That has to be difficult on harvesters.

The response to that circumstance is different across the Atlantic provinces. I know individual fishermen and regions have approached the circumstance differently. What you have stressed is that there is a need for an Atlantic-wide approach. You all stated a value to a federally funded capacity reduction or licence retirement and a need for greater access to capital; you mentioned that the current mechanisms and stimulus are not working for the fishing industry—I think I heard you correctly on that—and also mentioned the need for income support and EI changes for fishers, among other elements. That's what we've heard.

One interesting thing that has come out recently in the past number of days is the circumstance in P.E.I. There was what's termed a "leak" within the P.E.I. legislature of a lobster industry support program. The premier of the province called it a leak—not a proposal, but a leak. It seems to indicate that there was something on the table between the federal government and the provincial government of P.E.I. that was being worked out, potentially using community adjustment funds. I say that because, if federal community adjustment funds were to be applied to a lobster strategy, it would have to be both levels of government that were involved in it. And yet an opposition member from the provincial legislature provided information to the House that the premier called a "leak".

We want things to happen in P.E.I.; we want a program to occur there. But you also said there's a need for an Atlantic-wide program.

Is there a concern there? I'll ask Ms. Inniss and Mr. McCurdy—and Mr. Frenette, if you would reply as well. Could the federal government be one-offing this and only dealing with one province at a time, and only dealing in this particular case with P.E.I., using community adjustment funds? Why would this be called a "leak" rather than a "proposal"?

Earle, would you be able to provide us with some insight?

• (1210)

**Mr. Earle McCurdy:** No, I'm afraid I can't to any extent. The only information I have on it is what I've read in the media. It seems to me that the federal government is going to be participating along with a particular province. I would assume that whatever arrangement is made would at least be made available to other provinces.

The problem I was getting at is that there really is a very similar problem Atlantic-wide. The numbers of participants or the dollars may vary from one jurisdiction to another, but the severity of the situation on individuals and families in small communities is very similar right across the region.

**Hon. Gerry Byrne:** Mr. McCurdy, you haven't been involved. The provincial government, I know, has always been very active in discussing and consulting with the FFAW on important fisheries matters. You have not been contacted by either the provincial or federal governments to sit down in a discussion on a community adjustment package on lobster in Newfoundland and Labrador, have you?

**Mr. Earle McCurdy:** No.

**Hon. Gerry Byrne:** Ms. Inniss, representing fishermen from New Brunswick and from Nova Scotia, has the MFU been involved in those kinds of discussions?

**Ms. Ruth Inniss:** To date in New Brunswick the MFU has not been involved in those discussions. Even after there was a call for a meeting and a call for action and so on, the Province of New Brunswick had not—

**Hon. Gerry Byrne:** Thank you, Ms. Inniss.

I sincerely hope that things happen in P.E.I. and happen soon. But I also hope that there is consistency across the Atlantic region and that the federal government engages in discussions with all stakeholders and with all provincial governments on a lobster industry adjustment and income package. That would be very important.

Earle, I want to touch on something that's a little closer to home for you and for me, a local industry. Fishers from the northeast coast....

Oh, I'm sorry, Mr. Frenette.

**Mr. Ed Frenette:** In Prince Edward Island we've begun what we're calling our provincial lobster round table. This has been going on for six to eight months now. Issues are discussed there with industry, the province, and DFO, with outside assistance from the university and community organizations. We've been talking about the very issue we're talking about today, only we've been talking about it much longer.

As part of that process, industry and the provincial government have been approaching DFO to begin a lobster rationalization program, particularly in the Northumberland Strait. Rather than suggest that the minister is "one-offing" things, I think that perhaps the Province of P.E.I., in this instance at least, may be a little ahead of the pack. It's much easier to do that sort of thing in our smaller province than it is in the larger ones, I'm sure.

As for the community adjustment program, it's been conceived as a possible source of money, but there has never been anything definitive stated to our organization or to the industry in P.E.I.

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

Mr. Stoffer.

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

I want to acknowledge that Mr. John Sutcliffe, from the Professional Fish Harvesters, is here as well.

John, thank you for that.

Ed, Ruth, and Earle, thank you very much for coming. I'm sorry I had to step out earlier.

When we did our lobster tour, we were in southwest Nova Scotia and asked the question about buy-back or fleet rationalization. They were fairly unanimous there in saying they weren't interested in it. If you have the largest lobster fishing effort down there saying no to this one particular program of fleet rationalization, yet in Newfoundland, Gaspésie, New Brunswick, P.E.I., and other parts of Nova Scotia they are saying it's something they would do, I can understand the government being a bit hesitant about trying to have a "one size fits all" type of arrangement for that particular issue.

Where there could be commonality, I think, and correct me if I'm wrong, is with the access to EI, as you mentioned before, as well as with the top-up—the \$200 that Ruth talked about—and also, with trying to get the price up. If they had been getting six dollars a pound for their lobsters, a lot of these problems would have been dissipated. The problem, of course, is selling those lobsters. You said yourself, Earle, that people aren't buying. I asked a lot of people on the Hill and back home when the last time was that they had bought a lobster. They said, "Last year, when the guy in the truck came up in the parking lot and sold it off the back of it."

Can you give examples of how many fishermen you know of who are selling lobsters off the backs of trucks now, basically for survival?

With southwest Nova Scotia not wanting to be part of a so-called buy-back or rationalization program, what advice would you give to the government or to us that we can then give to the minister along the lines that if you're going to do P.E.I., then do it here? How do we do that together and move it very quickly?

• (1215)

**Mr. Earle McCurdy:** I'm not quite sure whether this document has been presented to this committee or not, but the alliance that Ruth spoke about earlier was among several harvester organizations throughout the Atlantic, and the document is *Renewal of the Atlantic fisheries: an action plan for fleet rationalization*.

We propose in the document that there be a fund that could be accessible to those fleets, and within the fleets to those individuals who chose to avail themselves of it, for fleet rationalization purposes. It would be totally voluntary, but there would be a specific checklist that would have to be met in order to qualify. It would include detailed business plans—implementation plans, objectives, and so on—as well as cost-sharing by industry;

additional investment commitment from provincial governments or other partners; and a well-developed conservation strategy, setting out some fairly hard targets as to what the long-term goals were.

If a particular area said they weren't interested in it, that would be absolutely their prerogative. The idea would be to have a fund—nothing to be imposed on anyone—to say that if you can meet those criteria, including bringing some money to the table, then we think it's in the long-term interest of the Atlantic fishery to get the right-sizing of the fleet in relation to the resource, and we have a structure and a fund here designed to help achieve that.

That's how we would see going at it.

**Mr. Peter Stoffer:** To clarify for the record, when you say fleet rationalization, you're not just talking about a licence buy-back, but talking about the whole enterprise—the boat, the gear, and everything else.

**Mr. Earle McCurdy:** Yes. There is an enterprise buy-back in some fisheries in Newfoundland, but it's entirely funded by industry, and the cost of buying out those enterprises is burdening those who buy them. As recently as a couple of days ago I was talking to someone who said he really wished he had never gotten into it, because he's only now realizing just how heavy the impact of that debt load is on his enterprise.

**Mr. Peter Stoffer:** In terms of the conservation plans, some areas like to V-notch, some areas have different sizes. In the Gaspé they talked about reducing the number of traps per boat. So there are different conservation plans for different regions.

Would you be talking to the minister, in terms of a conservation plan with not necessarily a patchwork quilt of conservation plans, depending on whether you're in Yarmouth, Neguac, in P.E.I., Newfoundland, Gaspésie, or northern Nova Scotia, or would you allow each region or each organization to come up with their own conservation plans in consultation with the province and DFO? Would it be one size fits all throughout the entire region?

**Mr. Ed Frenette:** Mr. Stoffer, it can't be one size fits all. The biology of the animal, for example, differs from place to place. In the warm waters of Prince Edward Island it matures a lot faster than it does in the colder waters of Newfoundland or Cape Breton. Those are the types of things that have to be taken into consideration.

Our approach, at least from the P.E.I. FA's position, is to go lobster fishing area by lobster fishing area. It cannot be one size fits all.

**Mr. Peter Stoffer:** I can see the difficulties the government would have in trying to put all that together in a hurry.

**Mr. Earle McCurdy:** I agree with Ed's comments in that regard.

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

Mr. Weston.

[Translation]

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

We have been hearing everywhere, and again in your comments today, that there is a very strong sense of individualism in the lobster industry. Even if we admire this independence, it seems to me this can also be a burden that hurts the ability of the industry to come up with a plan to sell more lobsters here in Canada, in the United States and in other markets.

Could you comment on the ability to develop a marketing plan that would have input from fishers and governments?

• (1220)

[English]

**Mr. Earle McCurdy:** From my point of view, as a general statement I think the way we market fish—certainly in our province, and I believe it's probably true for the country as a whole—is a weakness in the industry. Some sectors may be better than others, depending on how concentrated a particular sector is. But generally speaking there isn't much coordination. Our crab fishers in our province are not doing as well in terms of prices as they would be had we a more strategic and coordinated approach to markets. We've been working with our provincial government to try to resolve that.

The provincial government in Newfoundland offered to put roughly \$5 million into a provincial marketing council, similar to entities that exist in places like Alaska, Norway, and other jurisdictions, to do generic promotions and develop strategies for marketing, and the Newfoundland processors turned it down, if you can believe that.

I think there is a need to have more of a strategy, to have a more coordinated effort in lobster, and generally in how we market our products. I don't think we have much of a strategy. I have to say it's totally disconcerting when you hear the chief executive officer of the single biggest lobster-selling company going to the public media talking about the lousy quality of our lobster. It's a bit like the president of General Motors saying on public television that the Impala is a bucket of bolts or something. But that happened as recently as yesterday, and for the life of me I can't understand what thought process gave rise to that particular utterance. I hope he doesn't let it happen again.

**Mr. John Weston:** Thanks, Earle, for saying that.

Ed, do you have something?

**Mr. Ed Frenette:** Yes, just in terms of marketing, there is the regional lobster round table that's in process and has been now for a couple of years. They've established a subcommittee that will be submitting proposals to a new marketing fund that's become available for seafood products. We hope that will be the beginning of a long-term international approach to both marketing and sales.

**Mr. John Weston:** Ruth, do you have anything to add?

**Ms. Ruth Inniss:** I just want to add that as far as marketing goes, one of our main problems, as I'm sure everybody knows, is that our market has been pretty much pigeonholed to the United States. So in any of the marketing schemes the marketing that goes on has to be worldwide. That has to be expanded.

**Mr. Ed Frenette:** It might be interesting for the committee to note that on Tuesday evening my board of directors had the opportunity to meet a recent immigrant from China, through the P.E.I. provincial nominee program, who says he's interested in buying every lobster in

the Gulf of St. Lawrence. Whether or not he can afford to do it and set up the system of marketing and the system to do it, I don't know, but at least there is some interest there. And in terms of China, that would certainly be a huge opportunity if even a portion of it were....

**Mr. John Weston:** It's something that has my personal interest—and here I am probably about to run afoul of all the west coast fishermen I represent—since I lived in Asia for ten years and know the appetite in Taiwan and Hong Kong for this type of thing, and I've taken marketing from one of the world's top marketing professors, Ben Shapiro.

It seems to me you've got an opportunity out there that's not being exploited. We heard from one of the lobster fellows who testified. When we asked him how he was marketing, he said he just brings the lobsters back and hopes someone buys them. There was no sense at all of what his market was and how to reach it.

I'll be going to Taiwan and Hong Kong in July, and I would love to hear from somebody as to how I could help, as one MP. I'd welcome you to take that on as a challenge.

Do I have time, Mr. Chair, for one more question?

**The Chair:** Not in this round. In the next round you can.

Mr. Andrews. And I'll leave it up to you, if you decide to share your time.

**Mr. Scott Andrews (Avalon, Lib.):** Thank you, Mr. Chair, and I would gladly share my time with my colleague from Humber—St. Barbe—Baie Verte.

Just a little synopsis... We've heard of the importance of an Atlantic-wide buy-back program for lobster fishermen. A particular program, if it were to come, would take some time to get some nuts and bolts around it. So really, when you're looking at that, you're looking at a solution for next year perhaps. It would take some time to get that particular program up and running, and it would only affect a certain number of fishermen.

From my perspective, I'm seeing two aspects here. I'm seeing the buy-back as an important issue we've heard a lot about that needs to be started, and I'd like to go a little bit into the EI for this year's fishing season and how we can help some of these fishermen get through the next couple of years.

Ed, I know you've talked about a pilot project on taking last year's earnings for this year. I wonder if you could just explain about that a little.

I know Mr. McCurdy mentioned a pilot project. Earle, was that the same type of project you were thinking of as well? Is there another option, an EI option, that could be put on the table here, from your perspective, or is what you were referring to the same as what Ed was referring to?

• (1225)

**Mr. Ed Frenette:** In terms of our proposal, basing it on the 2008 EI program, the reason for this is that landings are so low in certain areas that people may not be eligible, based on 2009 landings.

We did a little calculation at the beginning of the season when our lobster prices were \$3.00 and \$3.50. It would require a captain and a crew member to be able to draw fishers' EI from July until November to land 11,400 pounds of lobster. There are a number of areas where that is simply impossible for fishermen to land this year. And when you consider the price, that one-sixteenth or whatever it is that EI uses for its calculations, it's simply impossible. They'll have no income at all over the course of the winter. That's why we're insisting it go back to 2008 levels.

**Mr. Scott Andrews:** Earle.

**Mr. Earle McCurdy:** I have just a couple of points. I'll bounce back for a second to the buyout issue. It really benefits potentially everyone, because although it directly benefits those who avail themselves of the opportunity to sell out, as some leave, those who remain benefit, because the pie has been cut up into fewer pieces. It's really a benefit for everybody.

What I was primarily driving at was that the feature of the EI act that allows for pilot projects in a fairly broad way to address issues in the economy and objectives of the government struck me as a useful vehicle for acting quickly on things. Something along the lines that it describes is certainly one way.

Another—and I don't know this, because we haven't vetted this with anybody, and it's a bit off the top of my head—might be to say that people have an option to simply turn in their lobster permits for the year and extend their EI benefit instead, as a choice. To me it doesn't make sense for us to be putting more lobster into a market that's already saying they don't want the stuff they've already got. That's the dilemma I see: something that helps somebody who has that problem hang in there may create a problem for us next year.

That's what I'm trying to get my head around. With the best of good faith in trying to address a serious problem, how do we avoid extending the duration of that problem because we're just feeding that glut in the market, which is what's really killing our prices at the moment?

We need anything that helps us get around that. I just thought the EI program, in particular the pilot project feature, might be a useful and accessible vehicle for doing so.

**Hon. Gerry Byrne:** Mr. McCurdy, another serious issue that I wanted to raise with you is the circumstances of ice conditions on the northeast coast, the northern peninsula and Labrador.

On April 22 the government did announce, through Diane Finley, that it was aware of the seriousness of the ice conditions problem and its effects on income for fishermen, that it was working with the Department of Fisheries and Oceans on a response, and that it would be announcing that response soon.

I've asked at least nine questions in the House of Commons and through this committee. It's been reinforced each and every time that it was indeed still the case. Unfortunately, we've just heard from both the deputy minister and the minister that DFO does not believe there were any serious ice conditions on the northeast coast this year.

Could you elaborate to the committee your impressions or your understanding? Could you tell us as well as what the impact on income to those fishermen will be without some income support?

● (1230)

**Mr. Earle McCurdy:** I had an opportunity to hear the exchange between you, Mr. Byrne, and the deputy minister, and I was shocked. The information she was relying on was just not accurate. I've had phone calls galore, and I've had e-mails and pictures of communities jam-packed with ice sent to me. There are areas where they haven't been able to get on the water for one single day. The last cheques coming into their households would have been several weeks ago. It was a pressing matter on April 22.

I saw those remarks. I saw the transcript of Minister Finley's remarks in the House, which certainly gave a lot of hope to people that this would be addressed, and I really was quite appalled to hear the exchange with the deputy minister. She's describing a neck of the woods that's different from what I'm living in.

There's a very severe problem. People are without income. There's serious hardship on a lot of families, and they're getting really desperate.

**The Chair:** Thank you.

Go ahead, Mr. Stoffer.

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

Mr. McCurdy, after the seal ban in the EU we had the lobster crisis, and now it's the ice crisis. Your province is getting smacked on the head from all sides. I'm just amazed by the resiliency of the fishermen and their families in having to go through all of this.

**Mr. Earle McCurdy:** Other than that, things are going pretty good.

**Mr. Peter Stoffer:** How much time do we have left? How quickly do we have to have a plan up and running for these fishermen before they start claiming bankruptcy, going to the province, and that kind of stuff? How much time do we have?

**Mr. Earle McCurdy:** It's hard to put a date on it. All I can tell you is that having hundreds of people showing up to meetings in the way that's happening now, saying that they're not going out fishing lobster and that they're going to tie up, is unprecedented in my time, so it's urgent.

I see more of that kind of action out of desperation. People are just at their wits' end and are asking what they're going to do. I think it's critical for something to happen immediately on the short-term issues, and that will at least allow enough of a breather to have a good crack at the longer-term structural problem.

By the way, since you mentioned our province, the Newfoundland government is on the record as being willing to fund 30% of the cost of a licence reduction program. If the federal government comes to the table, our members are willing to pay part of the cost of having a fleet reduction program. The missing party at the table, at the moment, is the federal government.

**Mr. Peter Stoffer:** Very good.

Have any of your organizations had an opportunity to research what the average fleet rationalization would be in P.E.I. or New Brunswick or Newfoundland and Labrador? What would the government be looking at in costs? Because I know that this is the question the government's asked. What is the ask? How much money are you looking at for a particular fund for this region or that region?

I know that there are obviously differences in fleet rationalization costs or prices between P.E.I. and Newfoundland and southwest Nova Scotia and New Brunswick. It will be interesting to see if you've had a chance to get a sort of ballpark figure on that.

**Mr. Ed Frenette:** To date, with the process we've undertaken in Prince Edward Island, the average price has been \$200,000, which retires the core licences completely. This is based not so much on the market value of the licence but on, first of all, getting it out of the water, and second, supplying those individuals who are selling out with some element of basic dignity. They're going to be older people, for the most part, who have used up their savings, sold their land, and maxed out their credit cards. Their RRSPs are gone. They require some dignity when they retire. We want them to continue to stay in their coastal communities, and hopefully those who are willing can be retrained for some other options so they can contribute to those communities in their retirement. But the \$200,000 figure is the one we're using.

**Mr. Peter Stoffer:** Ruth.

**Ms. Ruth Inniss:** I don't have an exact figure, but I know that it totally depends on the area, as you said. It would completely depend on the area. But as Ed said, it will be older people, and they'll be looking at this mostly for their retirement and so on. If they're not, and they're younger people—and this is something I was going to bring up earlier—retraining or training and opportunities within their communities to keep them employed and keep them viable is another really important facet of this problem.

I just wanted to touch as well on the question you asked earlier about what kind of timeline we have to fix this problem. To give you an idea, and I'm sure you know this, the fishery they're fishing right now started at the beginning of May, and it's a ten-week fishery. So that doesn't leave us very much time. When we're talking about loan relief, they're making their payments now. When we're talking about EI, it's going to be within the next very short while that they'll be having to apply for their EI. In LFA 27, they're loading their boats today and they're going tomorrow.

It's going to be interesting to wait and see what happens up there. Some of their buyers are saying that they're going to be getting \$4 a pound up there; they're the market for lobster now, and they're going to be getting \$4 a pound. But we'll see. So that's just another ten weeks after you have a whole other LFA.

• (1235)

**Mr. Peter Stoffer:** Thank you all very much for coming.

**Mr. Earle McCurdy:** On the last one—

**Mr. John Weston:** I have a point of order, Mr. Chair.

We have a really informal atmosphere here, and I think it only supports the intentions of our committee, but I just noticed one of my colleagues pass a note to a witness. It kind of destroys the credibility

of our witnesses. I'm sure it was casual, and I'm sure it was nothing that is a federal issue. But I just think, as a principle, that we shouldn't be passing notes to witnesses in the course of a hearing, because it suggests a lack of objectivity and independence on the part of our witnesses.

I don't mean to offend my colleague. I just think that as a policy, we probably shouldn't be doing that, for the benefit of the public.

**The Chair:** I didn't see the event. I apologize for not paying attention to that.

It's not a point of order, Mr. Weston, but certainly it would be a point you've made. Beyond that, it does not stand as a point of order in the rules.

Mr. McCurdy, would you like to finish up?

**Mr. Earle McCurdy:** I was going to make a comment with reference to Mr. Stoffer's question in relation to the licence rationalization. The last figure I saw was 169 so-called combined transactions in our province where one or more licence holders bought another one out of an entire enterprise and the number of licensed fishing enterprises was reduced each time that happened. That cost has been entirely borne by industry. I would say the range of price tags on those went anywhere from, at the low end, perhaps \$100,000, to in excess of \$1 million, entirely funded by industry.

The detailed proposal that we prepared through our alliance we costed out with an objective of reducing the fleets by one third. Over a five-year period, the total cost by all participants, where everybody came to the table, was \$350 million, which would achieve the objective, by our estimates. That's using some fairly general assumptions as to what the average would be, and so on, but you have to start with something, just to give you an idea of the kind of order of magnitude.

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

Mr. Allen.

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

Thank you to the witnesses for coming today.

I have a few questions I want to ask about the action plan for fleet rationalization. This was prepared by the alliance. Can you tell me what percentage of fishers this would represent from the alliance as compared to all fishers? I'm assuming that it's a significant percentage, but can you tell me what percentage would be involved in this type of thing?

**Mr. Earle McCurdy:** Do you mean our members of these constituent groups?

**Mr. Mike Allen:** How many would be covered, of the total fishers?

**Mr. Earle McCurdy:** In our province, it's virtually 100%. There's a small percentage in northern Labrador that aren't part of our organization. Otherwise, our membership would constitute the full province, which would be, I don't recall the exact number, but in excess of 4,000 in what I would call core fishing enterprises, which are ones that are transferrable. There are other non-core ones, which essentially die with the incumbent licence holder. So it would be virtually 100% of those. I can't speak for other provinces.

• (1240)

**Ms. Ruth Inniss:** In New Brunswick it's almost 100%, about 80%. There are some down at the bottom that aren't members.

In Nova Scotia our membership is smaller, but there are other organizations in Nova Scotia that are part of the alliance as well. I hate to put a number on it, but it's close to that.

**Mr. Mike Allen:** Okay.

**Mr. Ed Frenette:** In Prince Edward Island we haven't signed on to it yet, simply for some technical reasons. It's something we are still discussing; it's just that the timeframe hasn't been appropriate for us at this point.

**Mr. Mike Allen:** Okay.

The amount you're asking from the federal government is \$233 million over five years. I'd like you to clarify this for me, because I think you're asking for basically the majority of it in the form of loan guarantees.

On page 6 of the report, you also talk about there being a number of immediately applicable options to be considered, including adjustment of licence fees to reflect current landed values, debt and tax relief, and then lower interest credit. Is what you're talking about there basically in the form of loan guarantees, primarily from the federal government, to set this pot up?

**Mr. Earle McCurdy:** I'll see if I can find how much of that total of \$233 million would be from Newfoundland. There is already a willingness on the part of the Newfoundland government, as I mentioned, to come to the table.

It would be a combination of putting money in place to provide access to capital for the fishermen to do their share, but also I think it should be cost-shared. If the entire cost of buying out those licences goes on to the next generation of harvesters, the financial resilience of their enterprises will be seriously compromised. The amount of costs in addition to the operational costs associated with business with very volatile returns in terms of prices and in terms of the available resource will leave weak enterprises. We have an opportunity as we go into that next generation to try to fix that, so it would be a combination of direct contributions to a fund to stabilize the industry with the kinds of conditions I mentioned earlier attached and also a combination of probably loans and grants.

At the moment, we haven't had any take-up at all. The provincial government has said, "We have 30% here; Ottawa, are you there with 70%?" The silence to date has been fairly deafening.

**Mr. Mike Allen:** One of the things that has been discussed before in terms of restructuring the industry is what kinds of things you can do to prevent effort creep. In the past history of some of these things there's been effort creep, so that's one of the reasons I wanted to ask

who is buying into this report. But ultimately, at the end of the day, how do you prevent that effort creep?

**Mr. Earle McCurdy:** I think that's a very important question.

I suppose somebody could say that if there's nothing done, then the economics will force people out, and in the long run that might be tough medicine, but it's good. The problem with that is what you then have remaining is this latent capacity. These licences are still in place, and even if somebody doesn't fish them for a period of time, as soon as things look up, all of a sudden that effort goes back in.

Something that permanently removes licences deals with exactly that issue. And I think it's very important to do so, because otherwise you could spend a lot of money and not really accomplish very much in doing so, and who wants to do that?

So we're cognizant of that. For this to work, there have to be... The purpose of it is not to kick anybody out or force anybody out; it should be voluntary. But as people either reach retirement age or reach the point where they just decide they've had enough of it, or whatever reasons they have for getting out, as they get out we'll find a way that in fact that doesn't creep back in by virtue of the licence sort of hanging around in a dormant capacity. We've seen that in the past. A licence will be dormant for a period of time, and as soon as a resource or a market starts to pick up, bang, that effort comes right back into the fishery again.

• (1245)

**The Chair:** Thank you.

Mr. Frenette.

**Mr. Ed Frenette:** It's a mix of parallel programs, as well, through rationalization, in terms of perhaps eco-labelling, ocean-to-plate process, where the nature of fishing will change, where you're fishing for the market as opposed to fishing for the quantity, as we have been doing.

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

Mr. MacAulay.

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

We're talking about this rationalization, and I agree that it should be an eastern Canadian rationalization program.

Now, Earle and Ed, and Ruth too, you talk about the fact that the entire cost of rationalization cannot be left on the shoulders of the next generation of harvesters. Some people I represent—and Ed gave the figures here—have a net income of about \$4,000 from the fishery, including EI. Are you just talking about federal and provincial governments? I don't know how the industry, with this situation and the catches that are being taken in those areas, has any way of having input into rationalization except the governments taking the fleets out—and I mean "out and gone", not to re-enter the fishery.

Would anybody like to comment on that?

**Mr. Earle McCurdy:** Well, certainly from our point of view, we have a number of fisheries that are fisheries that people want to be in, that have significant economic value to them. In most cases, if you look at the amount of quota and the cost of catching it, if we could shave those numbers down a little, then you'd have a much better balance than we now have, instead of the entire cost going to the harvesters.

**Hon. Lawrence MacAulay:** They're talking about shaving the numbers down with people who are in fact going in the hole. And if they don't get the EI package this year, they're broke. That's the problem.

Ruth or Ed, would you like to comment on that?

**Mr. Ed Frenette:** Well, you're right, Mr. MacAulay, in terms of the EI situation for this year and possibly the next couple of years.

In terms of the rationalization, we see it as a three-pronged approach: cash infusion by the federal government; our province is on record, essentially, as saying that they are prepared to provide something in the way of a long-term loan that would be repayable by those people remaining in the industry—

**Hon. Lawrence MacAulay:** Can I just stop you there?

Do you mean you would have to deal with LFA by LFA, not the total industry of 26A and 25 in Nova Scotia and Prince Edward Island? If one of the areas, area 24 or one of Ruth's areas, decides they don't wish to be involved in the rationalization, and you represent the MFU for them, you're not taking them in too, are you?

**Mr. Ed Frenette:** No, it would be completely voluntary, absolutely.

**Hon. Lawrence MacAulay:** But the way you're going to make it voluntary—

**Mr. Ed Frenette:** The way the fishing is conducted, there might be a different application to each LFA, based on particular circumstances in that area, but the repayment would come.... We calculate, for example, in Prince Edward Island, to get out 20% of our licences, a repayment over 25 years would amount to something like \$800 per year per fisherman.

**Hon. Lawrence MacAulay:** But you're recommending that the fishermen, let's say in 26A, pay \$800 a year for the rationalization program?

**Mr. Ed Frenette:** Those who remain in the industry, yes, after the people are bought out.

**Hon. Lawrence MacAulay:** With the situation and the catches there, I guess if the fishermen agree, I agree.

**Mr. Ed Frenette:** The option, of course, Mr. MacAulay, is that the catches for those who remain will increase, corresponding to those who leave.

**Hon. Lawrence MacAulay:** My problem with this is that you're putting a debt on people who are not making ends meet at the moment. But again, if the fishermen agree, that's okay.

**Mr. Ed Frenette:** Believe me, it hasn't gone through the whole process of having a vote by the fishermen themselves. This is just a recommendation at this point, and it stems from those discussions around our lobster round table.

**Hon. Lawrence MacAulay:** I'd better pass. I would....

The way you're going to handle it, then, would be a vote in each LFA, if they wish to be involved in the rationalization or not. I wouldn't mind the three of you responding.

It's in different areas in Newfoundland, and you're talking about different fisheries. You represent areas that are doing quite well in the fishery and some that are not. I'd like the three of you to respond on how you're going to propose the rationalization process to the government without ruining the people who are left in the industry.

• (1250)

**Mr. Ed Frenette:** We established a committee of fishermen to work on the development of a rationalization plan, but as far as we're concerned nothing will go forward at the PEIFA until there's a vote by the fishermen in each LFA to approve it or not. If they approve it, we'll go forward, but it wouldn't go forward without their consensus.

**Mr. Earle McCurdy:** Right now a program is in place on which there was no vote. The Department of Fisheries and Oceans, through the minister and the provincial government, announced a program, the key element of which was so-called enterprise combining, whereby one or more fishing enterprise owners could buy out another at the total cost of the purchaser. So if we could have one where that cost, on a voluntary basis—

**A voice:** I'm having trouble with rationalization.

**The Chair:** Your time is up.

**Mr. Earle McCurdy:** But that's a form of rationalization. That's done where the entire cost is borne by the harvester who chooses to participate. So if we could get one that was cost-shared, then people would choose to participate or not, as they saw fit, I presume.

**The Chair:** Do you want to comment quickly?

**Ms. Ruth Inniss:** I'll just make a quick comment.

Mr. MacAulay, as you said, it will depend completely within LFAs, but until this point, this is the first time we've been seriously talking about having a buy-back or having rationalization with the provincial and federal government that's not just industry. The harvesters we represent are fully aware there's going to have to be some sort of compensation and something from their end. What that looks like right now, I can't tell you, but we're really happy to be able to start having these discussions.

**The Chair:** Thank you.

Mr. Allen.

**Mr. Mike Allen:** Thank you, Mr. Chair.

I have one comment and a question, I guess. Throughout the report you talk about structural change in the industry and that structural change has to happen. The whole idea of making this optional does not appear to put structural change in the industry. I'm having a hard time getting my head around that concept, and that's a concept I'd like you to comment on.



I want to ask one question, and you can answer that. In the April 28 edition of *L'Acadie Nouvelle*, the three maritime provinces now have a marketing scheme going whereby if you buy a case of Moosehead product, you get \$5 off lobster. It's not so bad that you can have your beer with your lobster; that's okay. But at the end of the day, that's with the Superstore. I had a wholesaler who was really very disenchanted with this program call me about this. Can you comment? I thought it was a neat program in terms of generating interest, but at the end of the day I'd like your thoughts on a program like that.

**Mr. Ed Frenette:** All I can say, sir, is that we've had no input into that at all. We found out when you did, when we read the newspaper.

**Mr. Earle McCurdy:** We approached a brewery in Newfoundland to see if they'd do something similar, but they declined. That was a good way to move some product.

**Ms. Ruth Inniss:** That marketing scheme wasn't something we, as industry, were involved in.

I just want to touch on your point about volunteer... I think, given the demographic of the fishing industry today in Atlantic Canada, it's not going to be a problem. Having a voluntary program to rationalize or to get out or buy out of the industry, it won't be a problem.

**The Chair:** Mr. Weston.

**Mr. John Weston:** I have a quick question, and then maybe I'll get back to Mr. MacAulay's line of questioning.

Mr. Frenette, you mentioned that people can't even go out west, as they have done before. I just want to say that the west is welcoming people these days. Honestly, I didn't quite understand what you meant by that.

**Mr. Ed Frenette:** A lot of fishermen who were working out west in the winter months and coming back to fish in the summer months had been laid off and their jobs have not been renewed.

• (1255)

**Mr. John Weston:** Out west?

**Mr. Ed Frenette:** In the west, yes, whether it was Alberta, Saskatchewan, or whatever.

**Mr. John Weston:** Okay, fair enough.

**Mr. Ed Frenette:** They're not able to make the income they've been making in the last ten years.

**Mr. John Weston:** Getting back to Mr. MacAulay's line of questioning, can any of you come up with an idea of how this restructuring could happen to deal with this independence we saw in the witnesses we met in the Maritimes, and who we're hearing from

today, and the need for some coordinated action? I'm still not getting how we could come to some sort of coherent conclusion, whether it's on a sales and marketing agency or on a consolidation system.

**Mr. Earle McCurdy:** On restructuring or fleet rationalization, it's happening now at a kind of snail's pace because the entire cost, as I say, has been left to industry.

We did a survey of our members. We had 1,500 licence holders respond to a detailed survey that took a considerable period of time to sit down and fill out. There was a high level of interest in having the opportunity to sell. And also, people were quizzed as to whether they'd be interested in buying additional quota or additional licences. There was a very substantial level of interest in a program that would do that, because there's a wide perception that the numbers now are out of whack with the available resource.

So I think it is quite feasible, but we need all players at the table, and to date, we haven't had that. The federal government has been the missing player.

**Mr. Ed Frenette:** I think there's another issue that rarely gets mentioned, and that's the capacity of organizations to deal with their rank-and-file membership. While we're three, there are many smaller organizations throughout the region.

We always complain about the lack of capacity. We operate, basically, from hand to mouth. We don't have the ability, either human or financial, to get out and do the information and educational work that has to be done. So we're really limited. That's why things take so long. They're spread out in a vast rural area.

It takes some hand-holding, frankly, to get these concepts and ideas across so people understand them. At recent meetings we've had, both with federal and provincial representatives, we continued to ask for more input from both those levels of government, as well as financially toward the organizations, to help us to do a much better job in serving our members.

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

Ladies and gentlemen, on behalf of the committee, thank you once again for taking the time today out of your very busy schedules to come here on very short notice. We really do appreciate your input today.

I'd like the committee members to stay behind for a two-minute in camera session. We need to deal with Mr. Blais's point of order, and there's another item we need to deal with in camera.

*[Proceedings continue in camera]*

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