



House of Commons
CANADA

Standing Committee on Fisheries and Oceans

FOPO • NUMBER 034 • 2nd SESSION • 40th PARLIAMENT

EVIDENCE

Thursday, June 18, 2009

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Chair

Mr. Rodney Weston

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• (1130)

[English]

The Chair (Mr. Rodney Weston (Saint John, CPC)): We'll call our meeting to order.

Thank you very much for joining us, ministers, and your delegations with you here today.

I apologize for the tardiness of our meeting. I guess we'll blame that on the executives of Nortel.

We'll proceed into our meeting this morning. I understand you have a presentation you would like to make, and Mr. Roach, I believe you are going to lead the presentation here this morning.

Members, if you have difficulty viewing the screen, you have a copy of the presentation in front of you as well, if you want to follow along.

Mr. Roach, just so you and all the ministers understand, you may hear sometimes throughout the meeting today a beeping noise coming from the front. Our members are constrained by timeframes with questions and answers, so if you hear that beeping noise, I would ask that you begin to wrap up your comments at that time.

We look forward to your presentation here this morning. Please proceed.

Mr. Greg Roach (Assistant Deputy Minister, Fisheries and Aquaculture, Government of Nova Scotia): Thank you, Mr. Chairman.

Members and Ministers, my name is Greg Roach. I'm the Assistant Deputy Minister of Fisheries and Aquaculture for the Province of Nova Scotia. I've been asked, on behalf of Quebec and the Atlantic provinces, to make the presentation to start off the discussions with you today.

As the chairman mentioned, we have the presentation in French on my left and the presentation in English on my right. I will go through the presentation from a generic perspective for Atlantic Canada, and then each of the provinces will speak in turn to the specific issues for their jurisdictions. Then we will sum up with a little summary of some of the needs for the immediate future. Then we would like to open the discussions with you at your wish.

First, I will start off by noting the importance of the lobster industry to Atlantic Canada. As the opening slide shows, this is a billion dollar industry. This is the largest single-species fishery in Canada, and it basically is the cornerstone, particularly in the

Maritimes, of the fishery industry. But it is also important for Newfoundland and Quebec.

The next slide gives you an understanding of the lobster areas throughout Atlantic Canada. The industry is managed according to small units. Some areas have very large fisheries. Others are supplementary fisheries. But basically the species is found from Labrador all the way down to the U.S. border. If you go into the U.S., it would be found right down to roughly Virginia. This is the only place where this species of lobster can be found. We basically control roughly 60% of the volume of lobster that goes onto the world markets.

To get a little idea of the landings and the status of the resource, this graph before you shows the landings from the early or mid-seventies to the present. You will see that the resource is actually in very strong shape. The fishery in the last roughly 10 to 15 years has been landing levels equivalent to landings we haven't seen since the late 1800s. So the resource itself is very strong.

You'll notice a slight dip in the Nova Scotia landings. The blue, at the top, in 2008, is largely reflective of the fact that the Nova Scotia fishery ends on December 31. There's a lot of data that has yet to be tabulated for the 2008 fishery. Also, with the poor prices at the end of calendar year 2008, there was an abundance of private sales. So these numbers will be revised up. It's very probable that the landings in 2008 in Nova Scotia will be fairly similar to 2007. The point from this is that the resource remains extremely strong and is at record levels.

There are two major components of the lobster fishery. They are the live lobster sales and the processed lobster sales. This slide gives a little idea of how Canada fits in. In the live market, there are roughly about 80 million pounds. Sixty million of that will come from Canada and 20 million will come from the U.S. On the Canadian side, Nova Scotia is a major live producer. Newfoundland and Quebec focus on live lobster production. There would be live lobster production in New Brunswick and Prince Edward Island as well. But New Brunswick and Prince Edward Island focus on the processed lobster market. You can see at the bottom part of that slide that the processed market is also about 80 million pounds. Of that, roughly 40 million pounds are landed in the various regions in Canada, and about 40 million pounds come in from the U.S. and are sent to our major processing facilities, mostly in New Brunswick, and processed for the market. So we import a large number of lobsters for secondary processing before marketing, and we export live lobsters throughout the world.

To give a little idea of how important this industry is, this shows the number of licence-holders in Atlantic Canada. The Newfoundland number of 2,900 is not reflective of the number of active participants. We will hear a little more about that. In Quebec, and particularly in the Maritimes, most of those licence-holders are actually active fishermen. So we have roughly just under 10,000 licences or fishing enterprises out there.

To give you an idea of the employment issue, each boat has two to three crew members, including the skipper. So when you look at these enterprises, there are roughly 2,500 people employed on the harvesting side. In addition to the harvesting side, there are processing jobs as well as packing and shipping companies. There are about 400 of those companies, so there are thousands of jobs in that component, plus the spinoff and support industries. These include the trucking companies as well as all the fishing supply companies dealing in rope, buoys, fish traps, and bait. Basically, the social fabric of the east coast communities throughout Atlantic Canada and Quebec is highly dependent on the lobster fishery. It is one of the main economic engines in our coastal communities.

I'll move now to market information. This is an issue that we are struggling with, and we have to deal with it as we go forward. Roughly 85% of our lobsters go to the U.S. This is in all product forms, the live and the processed products. We have 10% going to the EU, 2% to Japan, and the rest to other countries throughout the world. So our lobsters are shipped throughout the world, but the vast majority end up in the U.S. market. Historically, that worked very well for our industry, particularly when the Canadian dollar was of relatively low value against the U.S. dollar. We'd ship the lobster to the U.S., they'd ship the money back, and we were all relatively happy.

But times have changed. The currency exchange went from roughly \$1.60 down to the equivalent of a dollar. The Canadian dollar has gotten stronger over the last 10 years and has actually reached par at times during the last couple of years. It blipped a bit in the last six months but is now getting stronger again. The price of lobster usually tracks the currency quite accurately, but the economic downturn has seen the bottom fall out of the lobster market. Although the resource is strong, the price has dropped dramatically. Since the fishermen fish for dollars, not for pounds, it has hurt the enterprises significantly.

One of the issues we face is too great a reliance on the U.S. market. Another is food service. Lobster is a major food service item, and the downturn has meant a decline in that market, particularly in the U.S. EU tariffs also present a challenge. We would like to see industry growth in that market, but the tariffs are a problem, particularly for processed products coming from Canada. Another challenge is the strong Canadian dollar, together with the unpredictability of currencies. If there is a gradual change in the currency rate, that's one thing, but when contracts are made and the currency changes by 10% in a month, it causes havoc in our pricing.

We also have inventory problems in Canada, the U.S., and the EU. These have to do with the storage of both live and processed product. With respect to supply, it's difficult to get accurate information on how much lobster is being held in the various pounds throughout Atlantic Canada or on how much inventory exists throughout the product chain. Also, we have some provincial differences, so it's not

as if one solution fits all cases. There are different challenges in each of the provinces.

Finally, the lower prices are not being met with lower operating costs. Fuel prices are growing in the fishing industry. They subsided for a while, but now they're rising again. The price of bait and equipment is increasing, so the returns are going down while operating prices are continuing to increase.

• (1135)

On some of the other issues with the resource, stocks are at record levels, as I mentioned, but we don't have a great deal of information on what's driving the system. We can't have really good comfort that in the long term we are going to be okay. We still need a lot more information on the science and structure of the resource.

On the harvesting side, there are too many fishing vessels in many of the areas. In some of the areas, it's not so bad, but in other areas, the number of harvesters is far too great for the available resource.

We have a problem with gluts. The activity has short windows. All of a sudden, we have all these lobster landing ashore, either to be processed or to be absorbed by the market.

We have problems with supply information. We need to get more accurate information on the landings and available resources.

Then, of course, there is the price volatility in the market. There are all kinds of issues there. Sometimes it will spike up in the wintertime and then depress to very low levels.

Again, I stress that there is too much reliance on the U.S. market, and now the markets are starting to demand certification. They want to know that your fish were harvested in a manner that will be sustainable and will be carried forward into the future. Some of the major chains in North America and Europe are saying that within a given period of time all fish being sold will have to be certified as sustainable fish from a sustainable fishery.

The traceability issue is another thing that's coming forward in the lobster fishery, where we have to show that the lobsters actually came from a sustainable fishery and are safe products all through the value chain.

There's one other concern from one specific market, which could, but hopefully won't, grow. We had some problems with paralytic shellfish poisoning showing up in the tomalley of lobster. It has shown up only in the tomalley. That's the green product inside the body, which is popular in some markets. It's not a problem with the meat and it's not at levels that have traditionally caused concern. However, it is something that has to be addressed, and it's being addressed as we export to Japan.

There are some additional issues. One is the human resource. Like many other industries, we have to look at some succession planning. Our fishermen are aging. Today, young people are leaving our coastal communities. We have to make it in their interests to stay and continue to work in this viable industry, whether it's in the processing sector or the harvesting sector.

We've had some issues recently with credit and finance. Below-market prices and higher operating costs make it very difficult for some harvesters to pay their boat loans and basically pay the bills on their enterprises. In some sectors they are overcapitalized. The vessels are very large and very expensive, so they have to get the money to pay these bills. New entrants are struggling to find a source of capital to get in. Also, processors are at times having problems getting access to working capital to buy their product until they get the money back out of the marketplace.

It's not all bad news. There are strengths.

The resource, as I mentioned, is very strong in most areas, but not all. For example, the Northumberland Strait is still facing some resource challenges, but in many areas the resource is very, very strong.

As well, it's a high-quality product that has potential for higher prices in all markets. We see great market opportunities in Europe and in developing economies like China, India, and Indonesia.

There are recent announcements for marketing and promotion funds from the federal government, and there are also some provincial funds that we can use to help develop these markets.

Also, there now is a lot of interest from the lobster industry in developing a new industry-wide Atlantic lobster council. It will be an industry-led forum to start addressing some industry needs, such as eco-certification, marketing, and traceability. This is a new development in the industry that has promise for the industry in regard to guiding its own interests into the future.

There are more strengths. The forum I just mentioned, the industry council, needs to be helped along. They have to sort out who's going to pay for this council as we move into the future.

We also have some new technologies on the horizon for the processed products—new product forms—and also in shipping. There are some developments on specialized containers for overseas shipment of live lobster products, which will address the cost of shipping by air freight and also the carbon footprint associated with the air shipment of food.

• (1140)

The industry is viable when supplies and markets are favourable, so there are great opportunities there.

Finally, consumers are becoming much more aware of the health benefits of seafood, so the lobster industry can also take advantage of this trend in the world.

We'll now go through the specific interests in the different provinces. I'll continue, as we do not have a minister in place for the new government. I'll give the Nova Scotia concerns, and then the other provinces will quickly give an overview.

In Nova Scotia we have two general regions—the outer coast of Scotia Fundy and the gulf region—and roughly 3,300 fishermen. It's basically the social structure of the Nova Scotia coastal communities. Anybody who has travelled through Nova Scotia has seen that virtually every coastal community has a wharf with several fishing vessels. Most likely the basis for those vessels is lobster, so it defines our coastal communities. The value of lobster to Nova Scotia in 2008 was \$352 million. I suspect that number will go up as the numbers come in—and close to 22,000 metric tonnes, and that will go up as well.

So the issue that many harvesters have is that there are few opportunities for diversity. Our groundfish fishery is in a very depressed state, and remains depressed, so there are no other fishing opportunities. We have some crab in eastern Nova Scotia, and that's a very important fishery, but it is also facing price and market challenges. There are very few other opportunities for things like inshore scallops and herring to make money.

From an income and financing perspective, our skippers and crews have a lot of concerns about income reductions that are going to cause them personal grief. These lower incomes will impact their EI eligibility and benefits into the future. In some areas, like the Northumberland Strait, the fishery simply can't support the number of enterprises that are there. In other very strong areas, the overcapitalized large vessels are struggling because they need high returns to pay their enterprise costs. We are addressing some of these issues through the fisheries loan board, which is managed by the department. We have some flexibility on our loans; however, we only hold 20% of the loans. The rest are with commercial banks.

We also have a new loans-for-licence program that will address the new entrants in the fishery. Of course, the province is prepared to cooperate with the federal government in the new programs that have been recently announced.

Quebec has roughly 561 active fishermen in the licence-holders, but the industry provides 3,250 jobs in the fishing and processing sector. Lobster is very important for the small communities in the Magdalen Islands, the Gaspé, and the north shore. Of the value of Quebec fish and seafood landings, 30% comes from the lobster industry. It's particularly important in the Magdalen Islands, where 72% of the value of seafood landings comes from lobster—and about 26% in the Gaspé. For the processing sector in Quebec, roughly 29% comes from the lobster industry.

There's been a great decrease in the lobster income, and the concern from Quebec is EI eligibility and being able to maintain maximum benefits for the participants.

We need to provide short-term support for financing the operation and immediate economic relief for fishermen. New market developments are needed and financial support for rationalization. We need financial support to get new entrants into the fishery and help them carry their debts.

Now we will turn it over to Newfoundland.

• (1145)

Hon. Tom Hedderson (Minister of Fisheries and Aquaculture, Government of Newfoundland and Labrador): Thank you very much. Again, it's a wonderful opportunity to get before this committee and be able to talk, so we really appreciate the time.

In the interest of time, to give you some sense of my jurisdiction of Newfoundland and Labrador, you can see on the screen that we do have a situation where we have 5% of the resource, yet 30% of the licences. That is problematic, as you can see, just by those numbers. Going down through, we also realize that some of these licences are, in actual fact, latent. That causes another difficulty.

We have at least 340 different communities that these harvesters are from. In particular, the west and south coast of our island are the most vulnerable, being the most dependent on the lobster fishery.

On income, the harvesters who are dependent on lobster in the province have the lowest income of fishers in the entire region. Of course, when we look at the numbers there as well, just skipping down through, last year we talked about landed value at something like \$32 million in 2008. This year, because of not only the lower price but also a decline in the resource in some areas, this combination means that you're looking at about \$16.5 million this year, which is income cut basically in half. When you're talking about these harvesters, you're talking about harvesters who made, at tops, probably \$8,000 in gross income last year, and this year you're talking about \$4,000.

I can only talk about the dire straits these people are finding themselves in, as now they finish up on their respective seasons.

On financing, again there are programs available, but the low incomes are the biggest problem. They're highly dependent on the fishery, and basically there's nothing else for them. We need a long-term restructuring plan in this sector that improves the viability of it.

In the short term—just now I mentioned the \$4,000—income support is front and centre. Perhaps the cleanest and best way to get to that has been advocated by the harvesters, their union, and of course our jurisdiction, and that is, in the short term, improved access to the EI system, which could certainly help to alleviate the impacts of this very difficult season.

In the long term, I share the same concern as the other jurisdictions. We are talking about rationalization, but rationalization with regard to restructuring. It's not enough just to take players out. We have to make sure that in doing so, it is adding to the viability of that particular industry.

On marketing, there is no doubt, and I emphasize that marketing is key. But in the short term, right now, marketing is not going to put food on the table. What they have is an income level that can't sustain their standard of living at this particular time.

As well, there's no doubt about the sustainability of it, the certification that we need. All of those are great things in the long term. I came before Minister Shea to ask again, with regard to the program she had on the table, whether there was flexibility to meet perhaps some of the unique needs of the harvesters at this particular time. I've been given the assurance that there is flexibility, and of course now we'll go forward to see how we can present to the government a plan in the short term and the long term.

I hope I've gotten a sense across that as a region we're in this together. I'm very pleased to be standing—or sitting, I should say right now—with my colleagues, because we're all on the same page in that regard. But there are some unique circumstances throughout the region that also have to be taken into account. We're hoping the flexibility will allow that.

Having said that, Chair, I'll pass it back to our presenter.

• (1150)

Hon. Rick Doucet (Minister of Fisheries, Government of New Brunswick): Thank you very much. It's really an honour to be here to represent New Brunswick and to be part of this group that we've been working on since December.

I'm really pleased you've taken the opportunity to listen to us today. Lobster has certainly been a good topic over the last 24 hours here in Ottawa. We're really pleased with the reception we've received. I know a lot of folks did get out to the Atlantic Canada lobster kick-off last night. It certainly was well attended. If you didn't make it, unfortunately you missed out on something good.

With respect to New Brunswick, the fleet has 1,560 licensed enterprises divided between the Gulf of St. Lawrence and the Bay of Fundy. Our total landings are 6,320 tonnes, or about 14 million pounds. In the spring, we fish in the Bay of Fundy and the northeast part of the province; in the summer, the Northumberland Strait; and in the late fall, the Bay of Fundy.

Our landings have a value of approximately \$85 million, but our exports are \$364 million. We should clarify that. Only about 25% of what we export is actually landed in New Brunswick. Processors and live shippers in New Brunswick buy lobster throughout New England and other parts of the province. Basically we're the centre of processing activity for Atlantic Canada. We're primarily a frozen lobster producer, with only about 6% of our exports being live in terms of our total value.

Much of our inshore fishery depends on lobster, and that fishery is certainly under a lot of pressure right now. We need some of the short-term relief suggestions that came from the fisheries group, such as the UIC program, just as the minister from Newfoundland mentioned, and whatever other short-term measures there could be, because some fishermen are having a very, very difficult time in key areas. That's basically what has brought us together here. The market has fallen out, and we're seeing the results of this on the wharves and in the shore prices.

Manpower continues to be an issue. It is becoming difficult. There are problems not only on the boats with staffing crew, but also with respect to staffing some of the processing plants. The way the trend is going right now, we see that continuing.

The current revenues are below sustainability, and the new entrants and future of our fishery are being particularly hard hit. The new entrants have borrowed to enter the fishery, and low prices certainly make it difficult for them to support their financial obligations.

What's taking place in New Brunswick? About two years ago, the industry embarked on a fisheries renewal program. We brought all parts of industry together, from the harvesters to the processors and plant workers and marketers. It was probably the largest collection or collaboration of people from the industry in many years. It was our opportunity to bring people out of their silos, from the harvesters to the processors and the marketers, to get a better understanding of what each of us was doing. From there we were able to develop the fishery renewal framework, which charts a clear course for the fishery in the future.

It took a lot of work to get to that stage. We were able to gather the stakeholders to determine what direction we needed to go in. The areas they wanted us to focus on were the market and market access, and they are where we have invested heavily on the marketing side.

Now we've established the ministers' round table, along with regional forums and regional round tables, and we are collectively working together to reach out to the fisheries groups to determine what direction we need to go.

What we've done as a province is we've brought the Fisheries Development Board back into the Fisheries Department. Currently we're reviewing all the programs available to the industry and we are trying to find out exactly where the gaps are and the possibilities for us to fill in those areas. At least now the department is undertaking the work that's needed to work with this board so we can better assess the needs right on the ground.

As far as ocean to plate is concerned, our future lies in doing a better job of meeting the expectations of our customers. Rather than fish and process lobsters and then try to find someone to buy them, we need to manufacture the lobster products that customers want to buy and then fish to support those products. We have to start with the customers and make sure customers' needs drive our activities at home.

• (1155)

Customers are demanding that fish and seafood come only from sustainable fisheries. You've seen the announcement, two or three weeks ago, with respect to Loblaw's, where their sole seafood sourcing is going to be from a sustainable environment. We're not ready. We're not totally ready for that and we have to get there. Of course, we're seeing what's happening in Europe. By January 2010, they'll already be refusing to purchase some of the products because of traceability. So we have to fast-track and get ourselves into the area we need to be.

That's it from New Brunswick, but I understand we'll be talking afterwards and answering questions.

Mr. Greg Roach: Thank you.

Prince Edward Island.

Hon. Neil LeClair (Minister of Fisheries, Aquaculture and Rural Development, Government of Prince Edward Island): Thanks, Greg.

I was looking at my watch. I'm on P.E.I. time; it's one o'clock. I figured the whole thing would be over now and I wouldn't have to say all that.

I really appreciate coming here and having the opportunity to present both yesterday and today. It's been great. The event last night was a huge success in our terms. I appreciate everyone taking the time to hear about some of the problems we have in our industry and what's going on in the world marketplace that affects our industry.

I'll give you a short overview, and you have the slides of the Prince Edward Island industry. We have 1,289 licences in P.E.I., basically all active—everyone fishes. In 2008, we had 9.92 metric tonnes of lobster, or about 20 million pounds, landed. Harvesting and processing are the main components of our industry. Most of our lobster is processed and constitutes probably half of our catch.

There are nearly 6,000 people involved in the industry. Certainly, financing has been a big factor this year, both for the fishers themselves and for the processing sector. It has been a big issue. We worked long and hard all winter to make sure that our processors had access to financing. It was an issue with them. Everyone in the industry is hurting, not only the fishers. It runs right down to plant workers and everyone.

Here are a few of the things that we've done and where we plan to go in the future. We've brought in a low-interest loan program for our fishers, so they could basically restructure their debt. We brought it in through our lending agency, and I think we have over \$20 million involved in that right now. Actually, we're looking at opening it again, because there has been further hurt this spring and there are many more fishers who need to restructure and consolidate.

We put in a future fisher program. Yesterday, I was asked why we would do that if we want to get people out of the industry or get some gears off the water, but when you move gears off the water, it's because there aren't enough stocks to sustain the number of gears fishing. It's not to get fishermen to stop fishing. Most of our fishing captains now involved in the industry have an average age of 55 years, so we need new entrants into the industry as well.

We put in a future fisher program to help them to a certain extent with some interest. Also, we want to educate young fishers about financing, marketing, and all aspects of the industry. I think they need to broaden their knowledge in the industry to make it more viable for themselves.

We've invested in local, regional, and international marketing. We've started a lobster industry round table, which is very successful on P.E.I. It's bringing both sides of the industry together and getting them working together and getting some of the mistrust away from the processor to the fisher, control and pricing, and things like that.

We also have a lobster monitoring program that is working very well, giving us some idea about our stocks in the Northumberland Strait and the gulf. There is a lot that we don't know about our lobster stocks and there's a lot more to learn, because we really don't realize what affects them and why some years they're up in one place and down in another.

We recently put in a five-point plan, but a lot of it involves the federal government. We had a meeting with the minister this morning and there are still more details to come out. As a province, we're certainly looking at all of the aspects. One of the big ones is the rationalization or restructuring. We're certainly on board for that, and as a province we'll do everything we can to see those details come to fruition.

• (1200)

We want to see restructuring in all areas, and I don't think you can have rationalization without the whole industry changing for the long term as well, because there are a lot of things that haven't been done over probably the past twenty years, and the industry has to change as well.

I'll leave it at that for now as far as our province goes. I really appreciate the opportunity to present here, and if we can answer any questions or anything in the next hour or so, we'd be glad to. I guess we have more time than I thought.

Thank you very much.

• (1205)

Mr. Greg Roach: Thank you, Minister.

Now we'll quickly sum up the needs for the short term and the long term in two slides. The short term involves marketing initiatives, some of which have recently been announced. We have to move forward to expand our markets and get some form of immediate economic assistance to our fishing industry. We've focused on EI, and there is also some other programming. This ties in to the recent announcement that Minister Shea has made about the immediate fiscal needs of our harvesters. We need industry rationalization or other restructuring. Some new programming has been announced on that front, so the provinces are prepared to work with the federal government and DFO on that front.

There's also a need for financing, for credit for the fishermen and the processors. That's going to move forward in the very immediate future. There are some flexibility options in loan boards, but there may be some needs for other industry sectors.

There's a strong need for regional cooperation for stakeholders to work together, and that has to do with the lobster council I referenced earlier. That is up and running, or trying to get up and running, so there's an immediate need to support this particular group so that they can get organized and start to move forward to address the needs of the industry from an industry perspective.

As far as the longer term goes, I'll turn it over to Minister Doucet from New Brunswick to show some of the things that we see are needed in the longer term.

Hon. Rick Doucet: Thank you.

With almost 10,000 licence-holders and more than 600 processing and shipping companies spread over five provinces in six U.S. states, the lobster industry isn't anything, if not diverse. At the same time, lobster represents only \$1 billion, or less than 0.5% of the international trade in fish and seafood. We need an organization that can guide the industry in this time of restructuring to make sure our products exceed the expectations of customers.

Fortunately, industry has just created such an organization in the lobster development council in the Atlantic lobster round table. In these tough times this organization will require support from governments to keep it up and running. We also have to improve the quality of product we deliver so that every lobster experience exceeds the customer's expectations. We aren't really doing a good job of that right now, and it shows in the prices we are getting of our version of champagne. We have to stop processing for inventory and process for the market.

Now, on the issue of eco-certification, traceability, and improved resource management, eco-certification and traceability are complex processes that are now being required by customers. It doesn't really matter what our feelings are about the different options for eco-certification. The customer has spoken, and they are required to do business in today's international seafood market. These programs aren't cheap and many aspects are well beyond what individual enterprises can afford. There will be a requirement for public support for these initiatives, just as we provide public support for other import and export products. Eco-certification is fundamentally an announcement of how good a job we are doing in managing our fisheries resource. No fishery has ever been certified without having to respond to specific conditions and to change the way they do things. Lobster will be no different. There is considerable improvement that we can make in managing our resource and improving the sustainability of the fishery, but it requires change, that is, change to DFO in the way it manages the resource and change within our provincial departments on how we manage on the processing and trade. We need to show leadership in this area if we are ever to exceed our customer expectations.

On the issue of industry rationalization, reorganization, and restructuring, this is so key and essential to when we get to the other side of the mountain, and that's where we want to get to. It has been said many times before about the fishery that there are too many boats chasing too few fish. We're not structured to get the best value from the limited resources that we have. We have to change many things we do, including what we fish, when we fish, how we fish, what we process, and how we get it to market. Simply buying out licences will not address the structural problems in the industry, but at some point overcapacity will have to be addressed, and there appear to be very few options that do not involve some form of government participation.

I know it's very difficult. We're sitting around here as ministers of fisheries in our respective provinces, and I know we have ministers and MPs from Canada. We know it's very difficult to make government decisions because as elected officials we want to make everyone happy. Unfortunately, we have a crystal clear opportunity here. It's not about making people...it's about making decisions that will allow the fish and seafood industry to be viable and to make a very positive contribution to our communities. It's no longer good enough for us to talk about sustainability or adapting to the market or ocean to plate. It's time that the changes we all know have to be made...we have to make them. I still look at it. I look at the industry. We see what's happening.

Over 70% of the gulf fish are fished before they get a chance to spawn even once. It should be clear to everyone that we need to increase the carapace size to strengthen the resource. We've talked about carapace size amongst us in the provinces, and I know there have been discussions at the federal level. We have to be harvesting what the market wants. We can't be in a situation where we're competing with the shrimp industry, with farm-raised jumbo shrimp. We're producing two- to three-ounce tails to go into the marketplace because all we're doing is trying to compete with an industry that's already doing a good job. We have to get our Cadillac out there. I think of lobster that's being harvested before it's had a chance to sexually mature. We're killing the goose that lays the golden egg here.

• (1210)

We talk about sustainable management, but we'd be hard-pressed right now, when we talk about certification, to find a lobster fishery presently, today, in Atlantic Canada that will meet the certification process. We have to get there. It's imperative; we have to get there.

We all understand that it's impossible to make everyone happy. It's a very difficult task, a daunting task, to make everyone happy here, but we have to start changing the way we manage the fishery. We have to go through the process of changing our provincial departments, and fishermen and processors are going to have to change the way they do things. DFO has to change the way it does things also.

Committee members, I appreciate the time. I know I'm getting clipped here, but I'll simply say we have to crystallize this opportunity. We have a tremendous opportunity to move the industry forward. Today, we have short-term challenges. We have short-term challenges that are happening right now, but what about tomorrow? What are we going to do when the markets close up?

Thank you.

The Chair: Thank you very much. We really appreciate the presentation here this morning. I know members really appreciate the level of detail that's been provided by the delegation this morning.

There is one thing I neglected to do at the beginning, and I apologize. I would ask you to go across the delegation and introduce yourselves and the role you play, before we move into questions from members.

May we start with you, Mr. LaFleche?

Mr. Paul LaFleche (Deputy Minister, Fisheries and Aquaculture, Government of Nova Scotia): Yes. I'm Paul LaFleche, I'm the Deputy Minister of Fisheries and Aquaculture and Agriculture for Nova Scotia. I'm representing the Government of Nova Scotia, as we will only find out who our new minister is at 6 p.m. tomorrow night. I am pleased to be here and will do my best to represent our interests.

Mr. Joseph LaBelle (Project Executive, Strategic Initiatives, Fisheries, Government of New Brunswick): My name is Joseph Labelle, and I'm a senior adviser with the Department of Fisheries in New Brunswick.

Hon. Rick Doucet: I'm Rick Doucet, Minister of Fisheries in New Brunswick.

Mr. Greg Roach: As I mentioned earlier, I'm Greg Roach, Assistant Deputy Minister for Fisheries and Aquaculture for Nova Scotia.

Hon. Neil LeClair: I'm Neil LeClair, Minister of Fisheries, Aquaculture and Rural Development, P.E.I.

Mr. Richard Gallant (Deputy Minister, Fisheries, Aquaculture and Rural Development, Government of Prince Edward Island): I'm Richard Gallant, Deputy Minister of Fisheries, Aquaculture and Rural Development, Prince Edward Island.

Hon. Tom Hedderson: I'm Tom Hedderson, Minister of Fisheries and Aquaculture in Newfoundland and Labrador.

Mr. Alastair O'Rielly (Deputy Minister, Fisheries and Aquaculture, Government of Newfoundland and Labrador): Good afternoon. I'm Alastair O'Rielly. I'm Deputy Minister of Fisheries and Aquaculture in Newfoundland and Labrador.

The Chair: Thank you very much. Once again, thank you for your presentation. I know members have lots of questions, so we'll move right into questions at this time.

Mr. Byrne.

Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.): Thank you, Mr. Chair. Thank you, Ministers and Deputy Ministers, for joining us.

I'm joined at the table by my colleague, Lawrence MacAulay, the MP for Cardigan, Prince Edward Island, Scott Simms, the MP for Bonavista—Gander—Grand Falls—Windsor, and Scott Andrews, the MP for Avalon. We just mentioned that, to us, your last two slides are probably the most important slides of what you had to say in your presentation.

We haven't a lot of time, so I'll split my time with my colleagues.

Very quickly, could you give us some reference as to whether or not the impact of the income shortfall in the lobster industry is very comparable to the impact of what we're now experiencing in the shrimp industry? We're seeing basically all fisheries across the board having significant income reductions to all fishers.

Will the \$15 million short-term assistance for the lobster industry be adequate in responding to the needs of fishers from Quebec, Nova Scotia, P.E.I., New Brunswick, and Newfoundland and Labrador? Are there other mechanisms available that you would recommend to us as a committee and to the government, specifically through the EI system, to be able to respond to the income shortfall? That's one of the most important aspects that fishermen and our constituents collectively have been telling us is their primary concern. It's being able to survive the short-term crisis in order to be part of the long-term renewal.

Would you be able to comment on the \$15 million, but as well, is there any advice you could give us as to what needs to happen within the EI system, if that's appropriate, to be able to respond?

•(1215)

The Chair: Minister Hedderson.

Hon. Tom Hedderson: Okay, I'll start. Again, I appreciate the question from the honourable member.

First of all, you put in all the fisheries. Shrimp, for example, is \$100 million, so obviously \$15 million would not come close to the income support through EI or otherwise. I guess I can go back to the \$15 million as it applies to the lobster. Again, looking at the value of the lobster in Newfoundland, it was only 5%, but I would imagine from the other jurisdictions that would go into many millions of dollars. If you look at bringing it up to the levels it was in 2008, I don't see it. As well, from our jurisdiction, our ask with regard to EI accessibility was to base this year's EI on last year's benefits, so look at 2008.

I hope that might answer your question.

Hon. Gerry Byrne: Would that be a consensus of the provinces of Quebec, Nova Scotia, New Brunswick, P.E.I., and Newfoundland and Labrador, or would that be—

Hon. Tom Hedderson: I'd have to pass it down the line.

Hon. Rick Doucet: Basically there is consensus.

Hon. Neil LeClair: In our landings just in price alone we're probably down about \$20 million on P.E.I., probably \$25 million, I would say, just in the price difference from last year.

As far as the \$15 million is concerned, I guess we'll have to find out what the details are or if there is a cap on it or how much is.... I've heard \$5,000 per unit or per fisher. It depends where it goes. On the south shore in the Northumberland Strait they catch about 8,000 pounds. If the price of that product is down, it's usually lower in the spring, so it'll probably be down \$1.50 from last year, and they're really going to hurt.

Hon. Gerry Byrne: Thanks very much.

Mr. Chair, I know we're very rushed, and my colleagues want to get a question in, so I'll turn it over to Lawrence MacAulay.

Is there certainty that there is a consensus that you would like to base it on 2008 earnings to apply to 2009? I'm seeing heads nod, so I'll take that as a consensus.

Hon. Lawrence MacAulay (Cardigan, Lib.): Thank you very much. I appreciate that.

In any sector, if you could go back to the previous year, it can be used as a pilot project, and that would relieve a lot of the financial stress in the fishing industry and in other industries across the country.

Mr. LeClair, first I'll ask you about rationalization. My concern about rationalization is that there has been a lot of discussion here on it and the industry involved. It's awfully difficult for me to understand somebody who's going broke being able to help financially in rationalization.

I'd like your opinion, but I just want to give you where I am coming from. I think that each LFA can vote. I don't know...in LFA 24, which probably has the lowest carapace size in the country—we hear of carapace-size talk—it's the most successful fishery in the country. But each area has different problems.

I'd like to have your view on rationalization and how it should be done—possibly trap reduction. That's where I'd like you to go, and I would like the other ministers to respond, too.

Hon. Neil LeClair: Yes, thank you, Lawrence.

That's exactly right. As I said earlier, industry has to be involved. If rationalization takes place, the commitment from industry and from each LFA is different. But they have to look at the situation, whether it be trap reduction or to lengthen the season so the processors can get the product in the right product form for the market and get it sold, instead of producing for inventory.

•(1220)

Hon. Lawrence MacAulay: But I'd like you to refer to loans to the fishery, large loans to each LFA.

Hon. Neil LeClair: I like the concept that's been out already where the federal government is going to put in an amount of money in the form of a grant to get these LFAs started. I think once they're started, and if they get the ability to get a couple of years.... I don't think they have to take all the gears out of the water overnight, but if they can come with a long-term plan and they get input from the federal government to start this plan, in my area of P.E.I. we would probably look at helping them out with a low-interest loan as a part of the program, or maybe no interest on the loan to get them started. Then later on, when the catches go up when they increase the number of landings and the amount of money they make, they could put money back in to continue this process and continue to buy some gears.

Hon. Lawrence MacAulay: Thank you very much. I have many more questions, but no time.

I'll pass to Mr. Andrews.

Mr. Scott Andrews (Avalon, Lib.): Thanks.

I have another question on a fisheries-related issue. This week the government tabled the NAFO treaty for the Northwest Atlantic Fisheries Organization. I'd like to hear each minister's concerns, if they have any, about this particular treaty, and in particular if they have concerns with the treaty allowing European and other vessels inside our 200-mile limit, which was in the treaty.

In my view, we didn't ask to have this type of management outside of the 200-mile limit. I would like to hear the thoughts of each minister on their concerns with this particular treaty.

Hon. Tom Hedderson: Again, to the honourable member, I appreciate the question, because it's been a long-standing thought and it's a direction that we would like to see. We have asked a number of governments to make sure that we have custodial management of the 200-mile limit around our coastline. We fear that in its absence we cannot properly manage the resource.

When we look at the conventions that are moving forward now, we're expressing concern that there might be, according to the language, the possibility of monitoring, I guess, or even enforcement from outside countries within the 200-mile limit. We see that as not being acceptable. As well, we're one of 12 in that whole regime, and we find that it is very, very difficult to push back. Any change in conventions that would allow any intrusion on our 200-mile limit is just simply not acceptable.

Mr. Scott Andrews: Are there comments from other ministers on that issue?

I have one final question, unless my colleague has anything.

The Chair: You have 30 seconds.

**Mr. Scott Simms (Bonavista—Gander—Grand Falls—Wind-
sor, Lib.):** If I may, I'll return to that issue for just one moment.

Alastair, on these particular amendments to the convention at NAFO, before it comes up for a vote, do you see this as a precursor, then, as a vanguard, towards something you can attain through custodial management?

Mr. Alastair O'Rielly: I think I have your question correct. The question you're asking is whether or not these amendments, these changes, are in any way leading towards a greater level of opportunity for Canada to extend jurisdiction. Really, they're not. They're moving in the opposite direction.

What's happening in terms of constitutional reform and within NAFO is an attempt to fix NAFO and address some of its shortcomings. Of course, as the minister expressed, there are a lot of reservations about whether or not that will be done. Canada's approach has been to work with the other NAFO members and try to effect reforms that will provide for an effective regime. As we all know, NAFO has never been an effective regime for management outside the 200-mile limit. There's a lot of apprehension about whether or not that's going to work. It's by no means, under any shape or form, a substitution for an extension of jurisdiction and adoption of custodial management.

• (1225)

The Chair: Thank you very much.

Monsieur Blais.

[*Translation*]

Mr. Raynald Blais (Gaspésie—Îles-de-la-Madeleine, BQ): Gentlemen, welcome to the Standing Committee on Fisheries and Oceans.

I want to say that even though there are no representatives from Quebec at this table, they are still here to a certain extent. We are representatives of Quebec here in Ottawa. I am fully aware that the Oceans Act is a contentious issue. In theory, that is why representatives from Quebec cannot be here today to appear before the committee. However, I think they stand in solidarity with you today.

Accordingly, I would say that the people of Quebec want adjustments made to the plan that has just been announced to help the lobster industry. This plan should not be implemented across the board, but only in certain places that have had a lot of difficulty. In Quebec, rationalization efforts have been made with respect to conservation. Those efforts need to be recognized and rewarded.

Now, I would like to use this opportunity to talk about another issue that concerns you and that certainly concerns the people in this room today. We also have members of a delegation of cod fishermen from Quebec and New Brunswick here today. They want to know your opinion on the recent announcement regarding the lobster industry.

We saw that it took time before an assistance plan was finally announced. There is a moratorium on cod fishing in the southern Gulf of St. Lawrence. We will not necessarily go into all the details of the dispute over the assessments. But in terms of the impact, the loss of income is devastating for these people.

How are you responding to the situation in New Brunswick, Minister? No doubt, you are concerned by this issue. I found it unthinkable to announce a moratorium without introducing an assistance plan. We help people—and that is perfectly normal—who are going through hard times. When you cut off their resources, the most responsible and respectable thing to do is to introduce an assistance plan. What do you think?

[*English*]

Hon. Rick Doucet: We met on this topic just a couple of days ago. It was a turbot issue, and then a day later there was a cod issue. In my workings with the federal minister and departments, we've drawn a line in the sand. We cannot lose any more traditional share, because this is affecting the viability of communities and fishermen. This practice has to end. We're going to stand behind the fishermen. We're going to work with them to see what we can do. Yesterday, when we arrived, I brought this issue up with the minister and I was able to clarify some details. But we'll be discussing it more later.

[*Translation*]

Mr. Raynald Blais: Does the gentleman from Nova Scotia who is not the minister, but who will soon have a minister, have anything to say?

Mr. Paul LaFleche: That is a policy issue, and I am not able to give you an answer. If you do not mind waiting a few days, I will send you a decent answer by email. Would that be okay?

Mr. Raynald Blais: Fine.

When you have a fishing sector that is in trouble and you decide to impose a moratorium, the least you can do is to give people support like they do in other sectors. I think that everyone would agree on that.

One aspect of the lobster issue that everyone agrees on, which could also be discussed in the cod context, is a plan to buy back licences. Such a plan would provide a medium- and long-term approach to treating people who are being cut off today honourably, in my opinion. But in the short term, we need an assistance plan.

I would like to hear your thoughts on a licence buy-back plan.

• (1230)

Mr. Joseph LaBelle: Our province is continuing to help groundfish fishermen. That is a problem that we have been trying to solve since 1993; it is a long process. Clearly, the decisions that were announced this week caught us a bit off guard. For a few years now, we have been working with people at home to create a rationalization program, a reintegration program. The simple solution would be a licence buy-back program.

However, there are businesses and contractors and fishermen that are important to the communities and that could continue to contribute to the fishing sector. We would like to find a way to incorporate those interests. Allocations vary depending on the type of fish and access clusters. We try to put them together to have a process that allows businesses to be profitable, all the while knowing that the various species have a tendency to fluctuate differently. We have not succeeded in finding a solution that allows businesses to move forward and to look to the future.

Before the end of the season, it was pretty negligible. Now that the cod is disappearing, it will be quite a challenge. The only licence buy-back would take away people who are important to our industry. We want to find a way to establish viable business plans with accommodations. There are other people, other sectors trying to change the situation. The question is, can we put them together?

[English]

Hon. Tom Hedderson: With respect to this rationalization you are talking about—taking licences out or quotas out—to make the industry more viable, in our jurisdiction, of course, we have many species of fish. Generally, we have indicated to the federal government that we are prepared, under our fisheries renewal, to partner with them up to 30% to bring about rationalization. But it would not be rationalization by taking some players out. It would be making sure that the restructuring also takes place so that what we are left with is a viable industry.

For most species, you have some equity in your licences, because you have quotas, and other fishers are interested in getting your quotas, because it would increase their catch. The difficulty we have in Newfoundland and Labrador is that we have small lobster enterprises—small boats—and there are only licences. There are no IQs. So here we have, as I pointed out, 5% of the value and 30% of the licences, and it is really narrowing down so that fishers are

getting something, as I mentioned, like \$4,000 a year. We have to find a way to take out that capacity. In that case, it's not self-rationalization, because they have nothing to offer. A licence is of no value to other fishers. On those we are hoping to partner with the federal government to find a way. Going forward, with the money that has been announced now, we hope there is some way we can do that. The lobster fishery is different from the crab, from the cod, and from others, because you have quotas there. Fishers can self-rationalize, because they can sell those and get out of the business and someone can purchase them and make good on them.

I hope that answers your question or gets to some of the information you needed.

The Chair: Thank you very much, Minister.

We'll go to Mr. Stoffer.

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

To each and every one of you and your respective governments, thank you very much for what you did yesterday in exposing Ottawa to a wonderful eating experience, as Clearwater says, regarding lobsters. A few people I spoke to this morning had never tasted lobster before, and they thoroughly enjoyed it. Thanks to each and every one of you for doing that.

Rick, if I may call you Rick, you are absolutely bang on. This is a crystal opportunity for the five provinces and the federal government to work together to develop a long-term strategy and to also develop short-term relief for the fishermen and their families.

This is unprecedented in many areas. I am sure I speak for the committee. We are very pleased to see the cooperative nature of what you are all trying to do. I know, deep down, that it's the fishermen and their families and their communities you are concerned about. But as you know, if there is only one fisherman catching lobster, and he can't sell the lobster, we still have a problem. Marketing concerns are very important, and the eco-labelling, as you indicated, is going to be a serious challenge. I honestly believe that if everybody sticks together and works together on this issue, we can solve this issue, the shrimp issue, the crab issue, and everything else.

I will ask my question and then turn it over to my colleague, Jack Harris, from Newfoundland.

Some fishermen are very concerned about the possibility down the road of an ITQ system or a quota system on lobster. I would just like to have your personal perspective on that, because as you know, we don't know the biomass of the lobsters. That's problem number one.

Mr. LeClair said that we don't really know much about the fishery of lobster in the Northumberland Strait. After all these years, that is a disturbing thing to say.

My question is whether you are looking at or discussing in any possible way an IQ system or an ITQ system, or are there other alternatives you are looking at in terms of the restructuring of the industry?

Again, thank you all very much for your time in coming to Ottawa today.

•(1235)

Hon. Rick Doucet: Maybe I could just fill in here, Peter.

Thank you very much. I'm glad that everyone had a great experience last night. We have to talk to those people who are first-time buyers of lobster because that's where it is; we have to get them back in the business.

In terms of discussions on ITQ, we haven't had any, whether it be departmentally or provincially. We want to make sure that the resource overall is sustainable. That is the key to this, no matter how we boil it down. Whatever decisions have to be made have to be grounded in the best science. It has to be solid scientific information, not something that's pulled out of a hat just because we want to do it. We have to make sure that whatever moves we make are for the sustainability in the long term of where we're going to fit into this array of what's happening with the marketplace. The marketplace will probably dictate that. As far as ITQs are concerned, there have been no discussions with us; it hasn't been thrown about yet. If we properly, strategically rationalize the industry and change the management practices, I don't think we'll see an ITQ.

I think the bottom line is that we will be harvesting the resource in a sustainable manner, we'll be getting the price that's needed, and we'll be avoiding what's happening in the marketplace right now, the spiking and cratering. The spiking and the cratering is not what the market reacts to. If you buy stocks today, what do you do? You wait until the stock price goes down to its lowest. This is the unfortunate thing that has happened in the marketplace today. The eyes and ears around the world are on what's happening in the marketplace in lobster. We're connected very well with the international marketplace, and they're wondering when it's going to drop again. I'm saying "Look, it's not going down, it's going up."

We're pulling together to do what's right, and we want to make sure it's done right. Yes, we could discuss the market and all of that activity and build on that, but if we're not sustainable to that marketplace, then we're done.

Mr. Jack Harris (St. John's East, NDP): Thank you, Mr. Chairman.

I do join with my colleagues in welcoming you all to our committee. I'm delighted—I'm sure we all are—to see the five provinces work together on this very complex and important issue. I suppose in one way there's probably less competition. We're not talking about fishing in each other's backyard here; it's inside the provincial waters for the most part.

One of the intriguing things that I learned today is that the science is not well known, yet I don't see an interest in science as part of the solution. It seems that ought to be emphasized a little bit more.

I wanted to ask about the idea of increasing the size of the lobster, as was mentioned in P.E.I. and a number of places. I know Minister Hedderson from Newfoundland and Labrador would be aware of some voluntary efforts by some individuals on the northeast coast who say they're going to keep these lobster in the water at their own personal expense until next year or the next to ensure they're going to make a sustainable product and build up the industry.

Where you have the gluts and the ups and downs in the market, is there room for a significant program to support this effort to keep the lobster in the water and use it maybe counter-cyclically or something like that? Is there thought of a program like that? I know you're working together, and I hope you'll continue to work together, but there needs to be something that everybody's agreed upon and that hopefully the feds will support.

Mr. Hedderson, do you have any comments?

•(1240)

Hon. Tom Hedderson: My colleague is going to answer, and then I'm going to follow up.

Hon. Rick Doucet: He's going to work it in—

The Chair: Very briefly, please. We're under some time restraints here.

Hon. Rick Doucet: I'll just very quickly answer. This is a problem for all of us. We've come out of the box and said, "Look, we've got to work together here, we've got to look for the long term." By having provinces work against each other it's definitely not going to work, so we have to look at the long term.

If we're talking about a size increase for the lobster, we have to take what the market is demanding. What is it that the market demands? Fundamentally, if it had been five years ago that we were floating this around, no one would have looked at it. I truly feel now, with this recession, with what's happening in the marketplace, with what the fishermen are going through, there is a strong willingness to look at it, and look at it strongly.

Maybe the minister for Newfoundland would like to comment.

Hon. Tom Hedderson: When we went to Moncton a couple of weeks ago, we as a jurisdiction put forth that there have been any number of work studies done on how we can make the lobster industry sustainable. This is where we would have liked to see some of the funding go. With respect to funding, there is an opportunity for any jurisdiction to come forward with a plan. It's not only about income support or marketing. It's also about sustainability and rationalization. In our jurisdiction, there have been a lot of efforts on behalf of fishers to do as the honourable member just said. Our jurisdiction would be open to putting forth a plan to government that would ensure sustainability.

The Chair: Minister LeClair.

Hon. Neil LeClair: That's where we're coming from, too. There has to be sustainability. Whatever way we look at it, we have to talk with industry as well. There could be more money put in at the DFO level to get more science on lobster. I've talked to a number of fishermen and people in the industry since I've been minister, and the science we have on what goes on with the lobster at the bottom of the ocean is not enough. We have to push that forward. We will definitely be talking with industry, and we will do whatever is necessary to sustain the industry.

The Chair: Does Nova Scotia have a position on this?

Mr. Greg Roach: Nova Scotia has been involved in cage-increase programs for the last 15 years or longer. There are active programs under way in Nova Scotia. We have many different sizes, depending on the area. Virtually all of them have moved their carapace size up, and there are some active programs under way today. It's a good biological, marketing, and economic approach. They're under way in Nova Scotia, and we continue to work with harvesters to move in that direction.

The Chair: Mr. Allen.

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

Welcome to all the gentlemen here today. I appreciate your contribution to the event last night. It was a good one. To coin a phrase that's being used in the chamber these days, I want to welcome *my* fisheries minister from New Brunswick. Rick Doucet, I'm glad you're here.

I want to focus on three major areas: working together as governments, industry involvement, and rationalization. With respect to the first area, Rick talked about changing from processing for inventory to processing for markets. Given the \$75 million that is now out there, can you talk about some of the key initiatives that will allow your province to transform the industry from processing for inventory? What do we need to do to get the industry involved so that we can move ahead together? I'm particularly interested in the latent licensing you talked about for Quebec and Newfoundland. Do we have the same type of latent licensing in P.E.I. and New Brunswick? How many of them are out there? How long have they been latent licensed? What's going to happen with those?

• (1245)

Hon. Rick Doucet: There are some loaded questions there. As far as licences, all of our licences in the province of New Brunswick are active. They're working. You were talking about the \$75 million, Mike—I hope you don't mind if I call you Mike. Basically we've gone in three or four weeks from zero to \$75 million. Personally, I think that's a very good start. It points us in the right direction. This activity that's been happening, and I discussed it with the previous minister of fisheries along with the current minister of fisheries, talking about the ocean-to-plate concept, bodes extremely well for the direction we're trying to take the industry in, where we have to be.

We have to be innovative. We have to be preparing product that meets the marketplace and get away from processing the whole inventory. We have to process to get it into the marketplace. There are many companies that we deal with in the States, the Dardens and the Outbacks, with the frozen tail products and the frozen lobster products. A lot of the companies do not have the financing to hold inventory. Neither do our processors. These are things that we're looking at. What is it that we can do to change some of the regulatory environment so that we're processing more in tune with the marketplace?

We have to go through some transformational change in all of our provinces to meet what the marketplace needs. I really feel we're going in the right direction in our own province, especially with the innovations that are in the fisheries renewal framework, where we're pointing the industry and the priorities we take on market and how we need to move and prepare ourselves for the marketplace.

Hon. Neil LeClair: With regard to processing for the market, we took on a program here with short-term storage this spring. Our government found some storage on P.E.I., and we bought the excess lobster that couldn't be processed at a certain point, as it came in because of high landings, and we held it back for a while. This was kind of a pilot project, but it worked. We held the lobster to a point where the processor could then take that lobster, bring it back to his plant, process it for the market that existed, and then sell it in the marketplace. That's something we're looking at, and we're doing tests with the AVC to see how lobster are held in those pounds and things like that, and how they can hold. That's something we're looking at probably for the long term, if that's the way the industry has to go.

The problem we have now is that we get too much product coming in a short period of time. If you can hold it for even up to three or four weeks in a holding facility on land, or whatever the case may be, and then get it back to the processor, instead of freezing it and putting it into a lower-value pack, he can put it into a product that the market is looking for. We've already touched on that this spring here. It worked relatively well, and we're looking at that for the long term too.

Hon. Tom Hedderson: I have just a couple of things. One, you'll realize that in Newfoundland and Labrador we send out live lobsters, so processing is not—although for markets, we're close to Europe and we have toyed with flying them across, but tariffs and that are very restrictive. We're hoping in negotiations that those tariffs will go and allow us to look at diversifying the market.

We're looking at the rationalization as key to moving forward, with the funding that's come available. Of course, again I reiterate 5% of the value, 30% of the licences, of which probably 30% are latent. I'm not interested in rationalizing those in the sense of buying them out. I think we should be looking at those that are active and going in and trying to—and you know the challenges we have with the lobster, that the value of the lobster licence is not the same as others. With those latent ones, my view on that is that if you don't use them, you lose them. The thing is that you can't take out the actives without doing something with the inactives, because then they'll just resurface. Then you have the same problem all over again.

So in working with our federal counterparts, we could find a way in order to ensure that the rationalization we're doing is pointing towards viability of the industry.

• (1250)

Mr. Mike Allen: How much time do I have, Chair?

The Chair: You have three minutes.

Mr. Mike Allen: Okay. I have a couple of quick questions left.

Neil, I'm glad you brought up the new entrants thing again. I guess I'm just concerned as we're starting to rationalize and trying to get the number of traps out of the water, and I agree, if we're going to have fishing in the future, we're going to have to bring in new entrants. A lot of our industries are facing the 55-year-old crunch right now. So how do you make that program complementary with rationalizing getting the new entrants in? You don't want to pancake a whole bunch of these new people in as you're trying to take traps out of the water.

That's my first concern. How do you do that effectively so you don't end up increasing the fishing effort?

I guess my last question is for Rick. In the slides where it talks about New Brunswick, where it talks about not wanting any changes to the EI, that might be because of processing, Rick. Perhaps you could just clarify that, because you were in a consensus across the board with Mr. Byrne's question on the EI changes. But that's a little different, I guess, on the New Brunswick slide, where it says "It is important that this not be aggravated by flexibility in EI rules." So if you could just clarify that for me as well, that would be great.

Hon. Tom Hedderson: I don't think he asked me.

Hon. Neil LeClair: No, he asked me.

Well, the problem is that where we need rationalization is in areas where there's not enough lobster to sustain the effort in the fishery. If those gears go out, their licence is destroyed, and it'll have to close down LFAs. You're not going to take 20 fishing fleets or gears out of a certain LFA and then open it up so some other port can bring in more gear. It's going to have to be worked out around the island, where you don't allow gears to be transferred into LFAs that were hurting already, because you're wasting your time. So once those gears come out of the water, the licence is destroyed, they no longer exist, and it'll leave fewer gears in that certain LFA.

If a young fellow wants to get into the fishery, that's a viable gear he can buy, then, if he wants, with the ones that are left. That's fine. That's not an issue. He can take it from an older fisherman. It makes it worthwhile for that young fellow to want to get in, because there's less stress on the fishery there. He should catch more product and be able to pay for his gear and his licence.

It's not that the concept looks like we're trying to put new fellows into a fishery that can't exist anyway. That's not the point. We want to get so many gears out of the water. If a young fellow wants to come in and he's looking to buy a gear, he's not going to buy one of those that are not viable. It's impossible to do, so he's not going to buy it. He's not going to be looking for that.

Mr. Mike Allen: [*Inaudible—Editor*]...strategy.

Hon. Neil LeClair: Exactly, and until they get a point—

The Chair: Minister Doucet.

Hon. Rick Doucet: Mike, in answer to your question, we want to see some flexibility with EI, to make some EI changes as part of the pilot project, and that's why there's consensus.

But we have some particular instances where fish plants have a hard time getting workers and we want to make sure that does not discourage that process. Some of our plants run from May until December, so we want to make sure our plants have the ability to reach out to get workers, because of our manpower shortages in a lot of cases.

The pilot project is for the boats, but at the same time we want to be cognizant that we want to be able to get workers into our plants.

• (1255)

The Chair: Thank you.

Mr. Gallant.

Mr. Richard Gallant: Yes. I just have a follow-up comment on the minister's comments. The other component of our future fisher program will be to work with the young fishers—and they don't necessarily have to buy a gear today to be eligible, but they may be buying it in the future—in education and training around some of the key things that we think they need to know to be successful in this industry, like understanding the marketplace. For too many fishermen now their market is the buyer at the end of the dock, and they don't understand the value chain.

Financing... This is a tough business. They have to learn that they're just not buying into success. They have to be sharp on the financing, the science, the details around success and some of the work there, and the management that goes on in the fishery. We think if we work with them, they could be better prepared for success.

The Chair: Thank you very much.

Ministers and those in the delegation, on behalf of the Standing Committee on Fisheries and Oceans, I want to thank you for taking the time to come today to meet with us and provide us with your presentation. I also want to bring to your attention that I had the honour earlier today to present in the House of Commons the standing committee's report on the lobster fishery. I would like to make sure that each of you have a copy of that to take back with you to your respective provinces. The clerk will provide those copies to you.

Once again, thank you very much for coming today and taking the time to bring the situation in the lobster fishery to the attention of the committee, and to Ottawa, as Minister Doucet said earlier.

Thank you very much.

The meeting is adjourned.

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

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

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