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## Standing Committee on Fisheries and Oceans

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**Thursday, May 18, 2006**

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**Chair**

Mr. Gerald Keddy

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•(0835)

[English]

**The Chair (Mr. Gerald Keddy (South Shore—St. Margaret's, CPC)):** Gentlemen, I think we do have quorum. We have witnesses, and we have a very tight timeline today.

I'd like to invite our witnesses, Mr. John Hughes, president of the Gulf Trollers Association; and Jim Nightingale, director of the Gulf Trollers Association. Welcome, gentlemen.

The clerk informs me I'm supposed to say the orders of the day are, pursuant to Standing Order 108(2), a study on fisheries management.

Now we're going to welcome our witnesses.

You have 10 minutes. I would ask you to stay within the 10-minute parameter, please. That will allow ample time for questioning. I know it's always a little difficult to keep a 10-minute brief, but we'll assist.

**Mr. John Hughes (President, Gulf Trollers Association):** Thank you, gentlemen. Thank you for granting us this meeting here today.

My name is John Hughes. I'm the president of the Gulf Trollers Association, and with me is Jim Nightingale, one of our directors.

The commercial salmon fishery on the west coast of Canada is comprised of approximately 540 trollers, 1400 gillnetters, and 280 seiners. The Gulf Trollers, who Jim and I represent, comprise 124 of the licensed vessels within the troll group. We are hook and line fishers who produce a high-value salmon, destined mainly for restaurant markets around the world.

Many of us have spent our lives in this fishery and, until recent times, have made a reasonable living. Unfortunately, the last decade has seen some extremely grim years. If changes are not made quickly to the west coast commercial salmon fishery, we will be drifting into extinction. This is not the result of a lack of fish. It's the result of the way DFO manages the fishery. It was said very clearly in the Pearse-McRae report, "the time for tinkering is past". We need a major change and we need it now.

We have come through a period during which DFO reallocated our catch. This was done to support the settlement of native land claims, to appease sports fishing interests, and in response to the threat of SARA legislation. DFO's actions may have satisfied those demands, but resulted in the crippling of the fishery. Our fishers can't last much longer unless major change comes to the way this resource is allocated.

In order to become viable, we need three things to happen. In 2006, we need DFO to assign an exploitation rate of 40% on Cultus Lake sockeye stocks. We need this in order to harvest the large numbers of abundant sockeye that will be returning, mixed in with this stock of concern. This is the bumper year of the four-year sockeye cycle. This is the year that the commercial industry normally uses to carry itself through the next couple of years, which are going to be pretty lean. It really is now or never for us; we're on our knees.

In return for granting the 40% exploitation on this stock, the commercial industry will take 100,000 sockeye from their catch to be put back into funding the infrastructure of the Commercial Salmon Advisory Board, plus share in a multi-year plan, fostered by us, to rebuild Cultus Lake stocks. This is a significant amount of money and would be a breakthrough in co-management.

Additionally, before 2007 and into the future, DFO needs to change its allocation practices to ensure that every user group is accountable for its catch. To do this, we need each sector, including the sports and the native, to be assigned a fixed percentage of the total allowable catch, to be held accountable for its share of the catch, and to be assigned a harvest ceiling on the stocks of concern within that catch.

The last step we require in becoming viable again is a new sharing arrangement within the various sectors making up the commercial fishery. A new allocation formula must be developed that's based on pieces or weight, rather than on ex-vessel value. The present allocation formula drives salmon prices down, rewards low quality, and punishes those doing value-added work to the fish on their vessels—clearly the wrong way to use a Canadian resource.

We would like to continue to be commercial fishermen, and we'd like to continue supplying Canada with wild caught salmon. But if, in its wisdom, the Government of Canada has decided they would rather see this salmon resource harvested in a different manner, then we expect Canada to do the proper thing. Reallocation without compensation is not acceptable in any other resource industry. We question why it is being done in the fishing industry.

In closing, what we are asking of your committee is the following. We want support for the 40% exploitation rate on Cultus stocks. We would like support for our proposal that allocation is the key to conservation. Each user group must have a fixed percentage of the allocation pie. It must have a ceiling assigned on stocks of concern, and it must be held accountable for its catch. We also request that you send a letter to DFO requesting support for the Commercial Salmon Advisory Board, in resolving the issue of inter-sectoral allocation. To do that, we need a mediator, and we need DFO to supply us with their technical people to help us resolve this issue.

But most important of all, we need DFO to make a statement. We need them to tell the CSAB that they will support us until the end of the year in resolving our problems with reallocation within the commercial industry. If we are unable to do that by the end of the year, they will force binding arbitration.

Gentlemen, we have supplied two briefs, which are in front of you. In one brief, there's a correction on the second page that's in the works.

**The Chair:** I would like to apologize and to interrupt for one second, Messieurs. We were unable to get all of the briefs translated on time. One was translated, and there was another that wasn't.

**Mr. John Hughes:** So there will be some changes coming to this brief. While we were in Ottawa, one more document came to our knowledge, and we will also supply this document; this morning it'll be translated. This document more eloquently expresses exactly what we've said here. He's an independent individual and obviously not a fisherman—he could express himself in a much better manner.

I'll close here and take questions, but I'd like to thank you. This morning when I got up and opened the drapes, it looked just like the Queen Charlotte Islands.

• (0840)

**The Chair:** Mr. Nightingale, did you have anything to add?

**Mr. Jim Nightingale (Director, Gulf Trollers Association):** No, I'll participate by taking questions, but I'll leave that as our statement.

**The Chair:** Mr. MacAulay, you have 10 minutes

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

Welcome. I'm glad to meet you again.

I'd like you to expand on a number of things. I had the pleasure of sitting down with you for a few minutes a day ago, but I'd like you to explain to the committee the value-added, what happens to the value-added when you add value-added to the fish, and how that affects the quota, and how it affects what amount of pieces or fish that you're about to receive or that you're allocated, and how you feel it should be done. Possibly other sectors in the fishery should be encouraged or something should be done on an equal playing field. If I understand it correctly, you've value-added your fish, and because you've value-added your fish you get fewer pieces. I think it's important the committee hears that.

Also, I understand some species are in trouble. You touched on that slightly in your opening statement, but I'd like you to expand on that because I think the committee needs to hear what you intend to

do, or what you will do to help re-establish that species. Of course, that's a great value to the fishery.

Also, I don't believe you mentioned it, but I'd like you to inform the committee as to what difficulties you're having with the sports fishery. We all like sports and this type of thing, but we need to understand what that does to your income and how it affects what you actually make. You're a commercial fisherman, you need to make a living, and it's important the committee and the government understand what takes place when a lot of pieces or allocation goes to the sports fishery.

If you could enlighten the committee on these points, it would be very much appreciated.

**Mr. John Hughes:** As far as the value-added process goes, the way the commercial fishery is allocated within the three gear sectors, it's done on value of the fish and it's done with a sockeye equivalence, which can be a little bit complicated, but if you just stick with the value of the fish, how it's allocated within the groups, it will cover the concern here.

Trollers, by the very nature of the fishery, handle each fish individually. The fish is killed, it's bled, it's gutted, and it's individually handled. In some cases it's taken—maybe about half the trollers have freezers at sea and they freeze it and they put out a beautiful product. We get top dollar for that product, and it seems like an excellent piece of business to do.

The net fleets, the seiners, and the gillnetters sell their fish in the raw. They're not bled, and it's just a full package. They're actually processed in the plants. For our fish, in some cases, the only thing they do in the frozen case is maybe put them in a plastic bag and sell them to the retail customer.

What happens the following year is this. You've produced a nice piece of cash from your business, but in the following year allocation is done on value. So the trollers are punished because they've added extra value on the product at ex-vessel. The net fleets get more fish out of the process because they've produced a lower-quality product and they get rewarded by getting more fish given to them to try to balance the earnings. Clearly this is a real concern, because we should be trying to get as much value as we can out of this resource, and each sector should be encouraged to add value.

What we are proposing to change this process is to not use value but to use either pieces or weight to allocate the product. If you use pieces or weight, then every single vessel, every single fisherman, has a vested interest in increasing the value of that fish.

So I hope that answers that one question, and Jim, perhaps you can do Cultus Lake.

**Mr. Jim Nightingale:** I'll just finish what John was saying by pointing out that the study that has not been translated yet and has just been submitted is called "Allocation within Commercial Fisheries in Canada" and is on Pacific herring, salmon, and groundfish. This paper, prepared and presented by Gordon Gislason, goes into great detail and explains very clearly sockeye equivalents. When you get that paper, if you were to read it, you'd have a very good explanation of what John is talking about regarding sockeye equivalents, which is quite technical to get into here.

Concerning Cultus Lake, there is a run coming back this year on the Fraser River. There are 18 million sockeye coming back. This is a huge number of fish and this is a run that in the past we would have made a lot of money from, but this year we have a situation with the Cultus Lake stocks. Cultus Lake is a lake very close to Vancouver. It's just a little way up the river and there are a lot of problems in that lake. The sockeye that go in there are in big trouble. Last year we were not allowed to fish at all because of concerns with that run and the timing and the way they came in.

We are allowed to take a certain amount of that run—a certain percentage—as what we call “morts”. To be able to catch any amount of that fish, we think we need to have an allocation of morts on that stock of 40%. This seems like a high number, but we've planned amelioration on that lake. We have a proposal to look after some of the problems, to spend money looking after.... This is a first for fishermen, to tax themselves to do the work to ameliorate the problems in the lake. We have consulted scientists and we have reports that tell us that our work on that lake will be of more benefit to bringing the stock back than cutting back the commercial fishery to a lower rate of harvest, and that it should be able to sustain a 40% harvest rate.

The problem on the lake is that milfoil has been introduced. And the milfoil has created a situation where the pikeminnow, which is a predator of the small salmon, is able to hide in the milfoil and attack the small salmon as they're hatching and going out of the lake. It's a major problem.

The problem isn't so much with the commercial fishing; the problem is in the lake, and this proposal will do much.... If we were to stop the commercial fishing of this stock without looking after the problems in the lake—maybe I'm going on a bit long here—that run would become extinct. We have to look after the problems in the lake.

Go ahead, John.

• (0845)

**Mr. John Hughes:** What we have a problem with here is that this run is endangered. Unfortunately, this run also comes in with the 17.5 million sockeye that aren't endangered. They're mixed in and we can't tell them apart, which means that when we catch the stock of abundance, we also catch the stock of concern. It really hamstringing our fishery.

The Commercial Salmon Advisory Board hired a biologist to have a look at the lake and see what we could do. Overfishing in the lake is not the problem, the problem is in the lake itself. We decided to put together a chunk of money and invest in enhancement in that lake to see if we could bring back that lake. Our biologist tells us that if we do this remedial work, we will have a better return in four years than if we don't even fish. So it's a major step forward.

We asked DFO if we could do this last year and we were flatly turned down. We're dusting it off and asking to do it this year. DFO told us last year, “If you can convince the natives on the river to do this, we'll support you; otherwise you're on your own.” This year we went around and talked to all the user groups. All the commercial fishing groups are onside. The Sportfishing Advisory Board is onside. The Native Brotherhood, which represents the 30% of commercial fishermen who are natives within our group, are onside.

The ocean natives in Johnstone Strait are onside. The environmentalists wanted to hold us to 11% last year, but we're hearing that they could maybe go for 30% if we did all this remedial work.

The last ones to get onside were the in-river natives. We really didn't have much hope for that. With 97 bands on the Fraser River, it's quite a job. Nonetheless, last week our counterparts met with some native representatives, and they're meeting with them again later this week and next. The natives have questioned our science. We'll be busy next week exploring that science with them some more. They also want some recognition, in trade, that we recognize that they have some economic opportunities with these fish.

We have reluctantly agreed to this, but we have some provisos on it—that the fishery operates similar to our fishery, under the same rules, and that accountability is extremely important. Every fish has to be counted or we're all in trouble.

It looks like we may be able to pull enough support together to make this thing happen this year. It's really an exciting prospect. It must happen.

• (0850)

**The Chair:** We'll go on to our second questioner.

Mr. Roy, seven minutes, *s'il vous plaît*.

[*Translation*]

**Mr. Jean-Yves Roy (Haute-Gaspésie—La Mitis—Matane—Matapédia, BQ):** Thank you, Mr. Chairman.

I was reading your document and listening to you speak about the new management framework. You refer to four options. I would like to know a bit more about your relations with FOC at this time .

A bit further in your brief, you say that it is each year a difficult exercise. If I understand correctly, there is each year a new resource allocation exercise and each year a new negotiation with the department and with all the industry groups, and that would not change with the new system. So, you would like the management framework or resource allocation framework to be changed and to become permanent in order to give some stability to your industry. Am I correct?

[*English*]

**Mr. John Hughes:** From my perspective, the major problem with our interchange with DFO and co-management is that the policies we have set in place are all open-ended. There's no finite time on them. There's no requirement to review them. I firmly believe that any policy you put in place should have a mandatory review at some point in time so that you can force changes to happen where they have to happen.

Right now we have a sports priority access that is absolutely killing the commercial fishery. We can't effect any change, because that's the policy. That's what we're told: that's the policy. In terms of the allocation within the commercial sector itself, every single user group admits that it's broken, that it doesn't work, but that's the policy.

We're having great difficulty ourselves, within the commercial sector, changing that policy and agreeing on what it should be. Even though we all agree it's broken, somebody is going to have to give something up to change it, and that's a very difficult thing.

So I think you have to have these things forced upon you at some point in time. The SARA legislation is killing us, but at least when they put it in there they put in a forced review period at the end of five years. Every piece of legislation should have that. Every policy should have that.

I hope that answers your question.

[*Translation*]

**Mr. Jean-Yves Roy:** I have some concern with part of your answer to my question. You say to that the department is granting priority access to sports fishermen and that it does not want to review its policy. That is clearly your message. However, if the department wants to review its policy, it will have to discuss with all the user groups.

Is the sports fishing industry willing to compromise? That is probably the main issue since there will have to be negotiations with the various user groups. That might be one of the reasons why the department does not want to review the policy.

[*English*]

**Mr. John Hughes:** The sport-fishing industry, and it is an industry, has a very powerful lobby. A lot of people buy sport licences. Politicians respond to a lot of voters. The actual lobby itself is made up extensively of businessmen. There are lodges and there are very large charter vessels that make a great living catching basically the same fish we're after.

As recently as the last five years, this growth has been phenomenal in British Columbia. For instance, five or six years ago, on the north coast, there was a very low catch of chinook salmon, one of our key fisheries as a troller. Last year they took 80,000 pieces—80,000 spring salmon. This year we're assigned 156,000 spring salmon; they're assigned 75,000. On the coho side of the business, they're up to over 100,000 fish a year, a tremendous amount of fish.

They have what's called priority access. A number of years ago, Canada deemed that this fishery was more valuable than ours, so they gave them priority access in years of low abundance so they could run their businesses. Well, that's turned into priority access all the time. The bomb we had dropped on us a week or so ago by Fisheries and Oceans Canada....

By the way folks, if the west coast of Vancouver Island chinook catch goes over 10%, you won't get fish next year. What's going on here is that in the Queen Charlotte Islands we fish chinook, and there are some very healthy runs there. But the west coast of Vancouver Island chinook are endangered. In order to protect them, we're being held to a 6% harvest this year. In other words, 100% of our harvest is looked at, and if it's over 6% of west coast Vancouver Island spring salmon, we're in trouble.

Right now, as we speak, there's a boat out there test fishing. And every two weeks a boat goes out there test fishing, and we're paying for that ourselves, the fishermen. We do DNA testing on that fish,

and it establishes the percentage of west coast fish in there. If it's over 6%, we don't go fishing. If it's under 6%, we go out fishing. If it goes over 6% when we're out there, we're moved out of those waters or we're shut down. At the same time, the commercial lodges down the coast are left to fish. In fact, the mobile mother ships can move into those areas with their sport fishermen and fish and catch the very stock we're concerned about.

That would be fine if they had their own level they had to manage to, but what happens is that all of it is put into a pot, and at the end of the year it's looked at, and if it's over 10%, we don't fish the following year, but the sport fishermen do.

What we're saying here, and what we're requesting, is that everybody be put on a level playing field. Give them a piece of the pie, but hold them accountable also to the level of endangered fish.

• (0855)

**Mr. Jim Nightingale:** Mr. Keddy, may I comment on this, too?

I'd like to point out that the halibut fishery has also had a problem with the sport catch increasing at its expense, and there's been a 12% cap put on the sport catch of halibut. The same lodges that target spring salmon on the west coast of the Charlottes also target halibut, and they've been given a 12% cap. We've been given a promise by the minister that they'll be held to that, which the halibut fishermen are very happy about. We really need something like this with the sport fishery's allocation.

The trouble is, and John said it in his presentation, without allocation, the different user groups fight over the resource, and they don't look after conservation. And in the case of the commercial sport fishing industry, they have no motivation to be worried about conservation, because they just keep taking away from us. If we are all given a set piece of the pie, then we will be much better at looking after the resource. And we need to look after the resource.

Thank you.

**The Chair:** I appreciate that.

We're going to hear our next witness. That's the end of the seven-minute round. We have ten minutes, which will be split between Mr. Cummins and Mr. Kamp, I believe.

**Mr. John Cummins (Delta—Richmond East, CPC):** Thank you very much for showing here this morning, gentlemen.

What I want to do is go back to this Cultus thing, because I think the Cultus issue is probably going to be the defining issue in the fishery this year. I'd like to walk you through it to make sure everybody around the table understands what we're talking about here.

There are 17 million or 18 million sockeye returning to the Fraser this year. Half of that, roughly, will be the total allowable catch, which will be divided up between the various user groups.

You suggested—and correctly so—that the exploitation rate of those Cultus sockeye was, I think, 11% last year, and that's the number that's on the table now and that's being negotiated. The commercial fleet is saying the exploitation rate should be about 40%. There are some native groups saying zero.

When we're talking about a 12% exploitation rate, we're not talking about very many fish, are we?

**Mr. John Hughes:** No, we're not.

**Mr. John Cummins:** About how many?

• (0900)

**Mr. John Hughes:** I don't have a calculator. It's probably about—

**Mr. John Cummins:** It's only a matter of a few hundred fish, isn't it?

**Mr. John Hughes:** Yes, maybe about 500 fish.

**Mr. John Cummins:** Yes. The issue here, really—and correct me if I'm wrong—is that the department thinks the problem is outside the lake, that they can fix the problem in Cultus Lake if they restrict commercial fishing. That's the big fix. Is that correct?

**Mr. John Hughes:** Yes.

**Mr. John Cummins:** The industry's position, and that of most reasonable observers, is that the problem is in the lake.

**Mr. John Hughes:** That is correct.

**Mr. John Cummins:** And the problem in the lake could be summarized threefold: one, there's a predator fish, a pikeminnow, that attacks the hatchery sockeye and what not that are released into the lake and consumes great quantities of them. That's problem one.

**Mr. John Hughes:** That is correct, yes.

**Mr. John Cummins:** Problem two is milfoil.

**Mr. John Hughes:** That's correct.

**Mr. John Cummins:** And problem three is that Cultus Lake is a highly developed recreational lake with boats and Sea-Doos running around like crazy all summer long.

**Mr. John Hughes:** It is a playground for Vancouverites.

**Mr. John Cummins:** It's the playground for Vancouver.

And the department—correct me again if I'm wrong—has refused, to this point, to address those problems.

**Mr. John Hughes:** Well, we brought them kicking and screaming into addressing the problems—

**Mr. John Cummins:** Precisely.

**Mr. John Hughes:**—and they say they don't have the money to do it.

**Mr. John Cummins:** So they've allocated, I think, \$250,000, and they now have started a cull of these pikeminnows, they're doing a small-scale harvest of milfoil, and to my knowledge there's nothing done to address the other issues.

**Mr. John Hughes:** The milfoil has to be harvested in the wintertime or it increases in numbers tremendously, yes, and I believe a number of fishermen are trying to do some harvest of the predator fish as we speak.

**Mr. John Cummins:** Yes. So the problem is that industry has said, "We'll put the money up to fix the in-lake problems—because we think these are the problems—if you'll give us permission to do it and if you'll recognize our efforts", and nothing has been done until just within the last couple of weeks, I guess.

**Mr. John Hughes:** It's been fairly recently that DFO has come on side, saying that something has to be done in the lake, yes.

**Mr. John Cummins:** Is there any indication from DFO—and I don't know what the criterion for success on the harvest of pikeminnows is—that they would be prepared to raise the exploitation rate of Cultus sockeye if there were a reasonable harvest of pikeminnows, whatever that might be, or if somehow or other they were able to address the milfoil problem?

**Mr. John Hughes:** We aren't being told much, but from listening we're getting the indication that DFO could maybe live with a 20% harvest rate. The problem with this is that the Pacific Salmon Commission, which is the body that advises DFO on the management of sockeye, has recommended a 42% harvest rate on the late sockeyes. Once you tell the Americans that they can take 42% of those fish, they're going to take 42% of those fish. They're not like us Canadian fishermen. What will happen when they take their 42% of the fish, they will take a percentage of Cultus morts in that thing, and it's estimated that will be probably 7% or 8%. The natives will take a percentage of those morts in their food, ceremonial, and social fishery. They'll also take a percentage of those morts in their economic fishery. What happened last year when the natives finished and the Americans finished was that there was nothing left for Canada.

If we stay at a 20% harvest rate on this stock, we are going to let a tremendous amount of sockeye back onto the spawning beds, and that's not good news. It's not good news for the resource; it's not good news for us. Right now, we're having trouble with the Horsefly, which we never had a problem with before, because we let too many fish back onto the spawning beds. So this is a really complex issue, and it's one that needs proper management.

**Mr. John Cummins:** The commercial fleet, with its long history of fishing the Fraser River, is at the bottom of the pecking order when it comes to access.

• (0905)

**Mr. John Hughes:** That is correct.

**Mr. John Cummins:** The likelihood is that even with a 20% exploitation rate the opportunities for the commercial fleet are going to be extremely limited this year.

**Mr. John Hughes:** We will be barely able to survive, if we can survive, and we certainly won't be able to take 100,000 fish and put them back into Cultus Lake.

**Mr. Jim Nightingale:** Mr. Cummins, there's a good possibility that there won't even be a commercial fishery at a 20% exploitation rate.

**Mr. John Cummins:** Precisely, yes. So that really has to be the issue at the forefront here. If you don't get an opportunity to fish because of Cultus, nothing else matters, does it, at this point?

**Mr. John Hughes:** That's true, unfortunately.

**Mr. Jim Nightingale:** There will be several of the following years where we won't have any run that's commercially exploitable, so this is a run that we need to make some money on if we're going to have enough money to stay in the business.

**Mr. John Cummins:** That, Chairman, is really the nub of the issue here. The failure, actually, of the department to act quickly on this Cultus Lake issue, and to act at all until just very recently, is going to have a huge cost on the industry. Do you have any estimate of the lost revenues in British Columbia?

**Mr. John Hughes:** Over \$100 million, I'm sure.

**Mr. John Cummins:** Yes, a huge loss. That's a loss to fishermen unless this issue of the Cultus is addressed. I'm really concerned about that Cultus issue.

The other issue I want to talk to you very briefly about, because we're going to be running out of time here, is what is the commercial allocation? If there's a total allowable catch of 8.5 million on a run of 17 million fish, what percentage of that in the end is going to accrue to the commercial industry?

**Mr. John Hughes:** It should be around about 5.7 million if they go to the 40% exploitation rate. That will include the commercial fishery, and it will include the natives taking their pilot fisheries. So it's a lot of fish. Our market suffered last year because we had no commercial opening at all on the sockeye last year. We had a pink opening late in the year for four days and we were allowed sockeye bycatch, but by that point in time the sockeye had evolved into being almost worthless on the troll market.

**Mr. John Cummins:** How does the government keep track of your catch?

**Mr. John Hughes:** The government keeps track of our catch through logbook programs and then through sales slips that are mandatory for us to report. In our quota fisheries, we have mandatory dockside validation with an outside validator.

**Mr. John Cummins:** Could you explain how the logbook works, for the benefit—

**Mr. John Hughes:** By midnight on any given day we have to log into our logbook what we have caught that day. In my particular vessel, it's also electronically reported to Fisheries through satellite. Basically, every fish is counted.

**Mr. John Cummins:** Is there much room to beat the system, so to speak?

**Mr. John Hughes:** There's not much room. I guess crooks can usually weasel around to some degree, but certainly it would be minimal.

**Mr. John Cummins:** And you pay for that monitoring.

**Mr. John Hughes:** Yes, we pay totally for the costs of monitoring. One of the things that bother us horrendously is that the other sectors that use the resource really have a very ad hoc, at best, system of monitoring their catch, if any monitoring goes on at all. It's not a reliable figure, and DFO will usually admit that when pushed.

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

We'll hear our next questioner.

Mr. Matthews, five minutes.

**Mr. Bill Matthews (Random—Burin—St. George's, Lib.):** Thank you, Mr. Chair.

Thank you very much. I want to welcome the witnesses.

Maybe I'm a little confused here, but with respect to the three or four things you said you needed, I thought you said you needed accountability for catch.

**Mr. John Hughes:** Absolutely.

**Mr. Bill Matthews:** You've basically given some answer on that to Mr. Cummins when you said how you account for your catch. Are there other fisheries that you claim are not being accountable?

**Mr. John Hughes:** Yes.

**Mr. Bill Matthews:** Can you expand on that for me so I fully understand?

**Mr. John Hughes:** In the sports fishery it's done by what they call a creel count, which means they serve a number of fishermen, and if you're out fishing, they ask you how many fish you caught and you tell them how many fish you caught. There's no inspection; there's no check; there's no validation. It's just you verbally telling them what you caught. They then take that number and they extrapolate it to all the fishermen. The error factor is probably anywhere from 80%.

On the native side of the business, they validate their own catch and....

● (0910)

**Mr. Bill Matthews:** So there's no one who monitors that. Is what you're telling me?

**Mr. John Hughes:** Well, they do have native validators who have been hired by the DFO. But in the Williams inquiry, it became very apparent that that figure is many times what is put as their catch.

**Mr. Bill Matthews:** These people are hired by DFO, but do they have to be native?

**Mr. John Hughes:** That is correct.

**Mr. Bill Matthews:** You talked as well about a harvest ceiling, I think, and a fixed percentage. Do you want to expand on that a bit for me, as to what you meant?

**Mr. John Hughes:** You have a pie of a total number of allowable catch, and in that pie there are a number of user groups. What we're proposing is that each user group be assigned a fixed percentage of that pie, and it raises and drops from year to year, depending on the size of the run. Within that fixed pie, there are also stocks of concern. What we're saying is that each user group should also be assigned a ceiling that they can catch of those stocks that are of concern. Once you do that, then every user group has not only responsibility and accountability, but they also have a desire to make the thing work.

But the key to it is validation. The key to it is counting the fish that each group catches. We're getting to the point now in the halibut fleet where they have a camera on every vessel or an independent observer. They've told us that's going to come to the salmon fleet. Well, that's fine, but I think there's minimal cheating in the commercial fleet because it's fairly well monitored. If they applied similar monitoring to the other user groups, I wouldn't be sitting here.

**Mr. Bill Matthews:** Can you tell me why they're reluctant or refusing to do that? On our coast, we have the same type of observer program and monitoring as you have. There are some who try to beat the system, no doubt. Why is there resistance to deal with it? Can you tell me that?

**Mr. John Hughes:** I think there are two reasons. The first reason is cost, and they say they don't have very much money and, gosh gee whiz, the commercial fishermen pay for their own monitoring, so it doesn't cost them to monitor the commercial fleet. You've probably seen on TV what happens when they try to monitor the native fleet. It can be a pretty ugly process.

The natives in British Columbia are a reality, and we have to deal with that situation in some way, shape, or form in a reasonable and fair manner. But what has to be remembered is that 30% of our fishermen are native fishermen and these people are being violated to the same extent as we are. This is a phenomenal resource that everyone can share in if it's properly managed.

**The Chair:** Mr. Stoffer.

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

Again, I apologize to our witnesses for coming and going like that, but duty calls.

You talked about sport fishing. This committee has been looking at this issue in terms of our various reports on the west coast, and we notice that there is a tremendous growth in the sports fishing industry. We suspect that much of that is because of provincial and federal buy-in to that, with the excuse that a sport-caught fish does more for the economy than a commercially caught fish. Many commercial fishermen doubt that, of course. They say that's wrong. I was wondering if you can put on the record what you consider the value of a commercially caught fish as compared to a sport-caught fish.

**Mr. Jim Nightingale:** There was a report a number of years ago that DFO commissioned, the ARA consultants' report. It postulated that a sport-caught fish was basically valued based on the spinoff effects of the sport-caught fish, which included every outboard and every set of oarlocks that were sold in British Columbia. Our commercially caught fish were valued on the landed value, the money paid to the fishermen, and that's all. It was comparative. Our fish were only valued at what the fishermen got for the fish.

We think it's unfair to compare apples to apples. The commercially caught fish are worth maybe three to four times that price. There is all kinds of value added before it's shipped to Japan: there's processing; there are repairs; there are industries associated with our fleet; and there are a number of spinoffs.

In the sport fishery, we estimate that about 25% of the people who go sport fishing are from outside the country, and those people create export dollars. Some of the lodges are owned by Americans, and the profits go outside the country too.

For commercial fish, especially our fish in the west coast and the Queen Charlotte Islands, 75% is exported, and it's new money coming into Canada. Compare the fact that 75% of our commercially caught fish is exported, bringing money in, versus 25% for the money the sport sector brings in.

We think the ARA consultants' report did not value our fishery the way it should have been valued.

●(0915)

**Mr. John Hughes:** Having said all that, we don't have a problem with the commercial sport industry staying in business; we don't have a problem at all. Assign them a share, hold them accountable, and count the fish. We'll all live together.

**Mr. Peter Stoffer:** Gentlemen, you indicated that you wanted to come to some arrangement with the upper river aboriginal groups, even though it probably took a lot of soul-searching to be able to do that. You've indicated to them that if we're going to allow some commercial activity on fish they're catching, in many ways they already have commercial activity, only it's not, as we would say, properly monitored or, in some ways, legal.

What is their response when you say that we can all fish by the same rules, count every fish, and have it managed by DFO, etc.? What's their response when you indicate that to them?

**Mr. John Hughes:** There are some bands that fish responsibly and there are other bands that don't, and they aren't particularly interested in having a dialogue with us. They think all the fish belong to them, and that's how they operate. But there are lots of natives, as I said, in the commercial fishery and there are native bands up and down the coast that want to see this fishery survive.

Unfortunately, in the Fraser River area you have 97 bands, and they don't necessarily get along with each other either. There has been an attitude in the past that I've heard, where if you let this fish go by, the guy up the river is going to get it, so you might as well take it. We've had years when the upper river bands don't get any fish because they've been cleaned out downriver.

**The Chair:** Mr. Kamp.

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

Thank you, gentlemen, for appearing. Of course, we've had other conversations as well.

I wanted to follow up a little on the allocation issues that you raised, within the commercial sector rather than between sectors. I think I understand your position on the difficulty of using sockeye equivalents as some kind of basis for that allocation.

In one document, you suggest that we should entrench each gear type's overall share at 22% for trawl, 38% for gillnet, and 40% for seine. Is that based only on historical figures? How did you come up with that? Why is that fair, in your opinion?

**Mr. John Hughes:** About 12 or 14 years ago there was a gentleman by the name of Kelleher who was given the task of sorting out allocation; he brought down the Kelleher report. That's basically what was recommended in that report. It's basically how the allocation has happened since that period of time. Each year we get into a room and fight with each other, but the overall objective is to balance the catch between 22%, 38% and 40% using sockeye equivalents.

When he struck his report, there was a coast-wide fishery. Shortly after his report was struck and shortly after we agreed to it, they broke the fishery into eight areas. There are three areas for trollers, three areas for gillnetters, and two areas for seiners. We used to have Fraser River sockeye as the commodity to deal off to each other and equally share. We cannot do that any longer because we're broken into physical areas, and those fish aren't available to the different areas, if you can follow me in the process.

So that allocation process is really broken, and it can't be fixed under the present structure. Everybody agrees it's broken—DFO, all the commercial sectors, outside people looking at it. It's broken, boys; it won't work. So last year the CSAB was, along with Fisheries, charged with correcting it. One of the things Fisheries brought into the room was what they called a gaming exercise. It was really an exercise to value our licences for sale back to the natives to settle land claims.

It's fine to buy my licence, but what's it worth? What are you buying? Right now, all I have is an opportunity to go fishing; I don't own anything.

So we had to put some value on these licences. One of the ways we put value on the licence is to take all of the estimated runs and put them in a pie; then we break it up into individual licence holders, and we all have a piece of that pie. For instance, there are 538 trollers, and they get 22% of the overall catch, so you'd divide that catch by 538 and you'd get my share, and if a native buys my licence, that's in fact what he's buying.

Now, if a Fraser River native buys my licence, he doesn't want the Skeena River sockeye; he doesn't want, necessarily, the spring salmon in the Charlottes. So what we were proposing is that we set up a trading bank, such that the excess fish that cannot be accessed by that particular band is put into the bank for bands that can access it, and that there be a trading process. What we're proposing here has some concerns, but we can't see a better system.

But that's not what we're really doing here today. That's a task the CSAB has to do. They have to sort out what the best method is to allocate the stocks. What we're asking this committee for is basically financial and technical support to the CSAB so that we can have proper negotiations to make this happen, but above and beyond all, a finite date, whatever—by the end of December, you guys resolve this, or we're going to resolve it with binding arbitration. And I don't think there are too many fishermen...I know I don't want to see it go to binding arbitration; I want to resolve it.

● (0920)

**Mr. Jim Nightingale:** Mr. Keddy, may I comment, please, very quickly?

Just one bizarre outcome of sockeye equivalents is that this year, because in the north they did fairly well—they did something last year—and we're all lumped in together, sockeye are going to be taken away from gulf trollers in the gulf. This is bizarre. It's not fair at all, but it's an outcome of this sockeye equivalent trading process.

Thank you.

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

I would like to thank our witnesses—

**Mr. John Cummins:** Could I ask a couple of quick questions?

**The Chair:** No, John. We're out of time, and I have two questions I want to ask, or actually three.

From discussions with you gentlemen yesterday and after listening to you this morning, I just want to zero in on the three main points you want our committee members to take away from this meeting. You can correct me if I'm wrong.

The first point I'm looking at is that allocation based on value isn't working for your fleet but has actually caused a diminished TAC for your part of the industry over the last several years.

The second one is the issue with the Cultus Lake stock and the fact that you need an increased catch on the Cultus Lake stock this year.

But the third point has not been mentioned, and that's the fact that, as I believe you explained, you folks do the DNA testing for the Cultus Lake stock. Am I correct on that? Or does the commercial fleet do the DNA?

**Mr. John Hughes:** No, the Pacific Salmon Commission does the testing on the DNA for sockeye.

**The Chair:** When that occurs, you end up having your quota cut on that run of fish—

**Mr. John Hughes:** Or we end up not being allowed to fish.

**The Chair:** However, when you're not allowed to fish it, the recreational fishery continues to fish that stock.

**Mr. John Hughes:** No, that's not correct. The recreational fishery is, in theory, held to 5% of the sockeye catch. In fact, they went over that last year because they're a growing group of people. They are shut down if we are shut down, usually. Last year was the first year I saw them open when we weren't. I don't know how that happened.

● (0925)

**The Chair:** Just to return to this issue one more time, when you're out of the fishery, who determines what other gear sectors, whether it's recreational, trollers, or whoever, are allowed to fish the same stock of fish?

**Mr. John Hughes:** The Department of Fisheries and Oceans.

**The Chair:** And you don't have any input in that?

**Mr. John Hughes:** We have none whatsoever, except we can advise, and we do.

**The Chair:** Back to your main issues: your share of the Cultus Lake stock, which you don't feel you have enough input into; your allocation based on value; and what other issue is the main issue you would like us to take away from this meeting?

**Mr. John Hughes:** The other issue is reallocation without compensation. If you're going to take these stocks and give them to the sports people, to the natives, to anybody, and that's what you're determined to do, we disagree with it. But the least you can do is compensate us and let us have fair market value.

**The Chair:** Go ahead, Mr. Nightingale.

**Mr. Jim Nightingale:** In other resource industries, it's not acceptable to reallocate without compensating the people who presently use the resource.

**The Chair:** It would seem to be only fair to have fair compensation for your quota.

Thank you, gentlemen. We are out of time. I appreciate your coming today. You gave an excellent brief. Hopefully you'll see some movement on some of your issues.

To the committee, before we go to our next witness and while we have quorum, we do have an interim budget, until the end of June, to approve here. It's to cover the travel and the cost of our witnesses. We're just going to be two seconds here if we can approve this, and then everyone can say farewell to the witnesses.

Do we have approval on \$6,400?

**An hon. member:** I so move.

(Motion agreed to)

**The Chair:** We will suspend for two minutes so everyone can say farewell.

• (0925) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (0930)

**The Chair:** Pursuant to Standing Order 108(2), a study on the proposed reform of the Fisheries and Oceans Canada's at-sea observer program, I'd like to welcome our witness.

Welcome, Monsieur Gagnon. If you would like to proceed, go ahead.

[*Translation*]

**Mr. Marc Gagnon (President, Biorex Inc.):** I want to thank the committee for providing me with this opportunity to express our serious concerns with the proposed reform of the At-sea Observer Program announced last year by FOC.

Biorex management and staff are strongly opposed to the proposed reform of the Program. We believe that its implementation will have very negative consequences for all the stakeholders, including fishermen, observers, the Department and observer companies like Biorex, and that it will go directly against the objectives of conservation and protection of Canadian fish resources.

There are many reasons why we make this statement and it would be difficult to explain them all in this short period of time. A document detailing all of our concerns has already been distributed to the members of the committee and I will therefore limit my presentation to two major aspects of the proposed reform, which are the integrity of the program and its cost.

Our main concern with this project is that it grants fishermen the right to choose who is going to observe their fishing operations. Therefore, the observer companies and the observers themselves will be in a conflict of interest. Indeed, competitive pressures between the companies that will try to obtain or keep contracts with the fishing industry will create a situation where industry will try to manipulate the system to its benefit.

Furthermore, as with the dockside weighting program, which is being used as a model for this proposed reform, the new system will allow the fishing industry to create and control its own programs.

Finally, at-sea observers will constantly have to make compromises between the requirements of the program and the desire of some fishermen that they ignore irregularities or manipulate the data. One should understand that an observer who ignores an irregularity or who falsifies some data could considerably increase the profits of fishing operations and that, with the new system, this might guarantee some future contracts to his employer or guarantee his own employment.

The problems affecting the credibility and integrity of multiple provider programs such as the one that is proposed are well-known by national and international experts and stakeholders. They have been highlighted in several international conferences and government reports mentioned in our brief. I would only mention the two most relevant examples.

First, an independent expert hired by FOC to look at the various options to reform the At-sea Observer Program recommended in 2000 to maintain the existing regional exclusivity system. Obviously, the proposed reform goes completely against this basic recommendation.

Second, out of the hundred observer programs existing in the world at this time, only two allow fishermen to select their own observers. Both operate in Alaska and both have credibility problems.

As a matter of fact, the American government is carrying out studies at this time in order to change this system and to make sure that fishermen will not have the right in the future to select their observers.

To conclude my remarks about the integrity of the program, the general consensus is that granting the industry the right to select the providers of observation services would be akin to hiring the fox to protect the chickens.

As far as cost is concerned, the government claims that it will save about 2 million dollar per year across Canada with the new system. Not only that, it claims that the cost of the program to fishermen will be reduced.

Our contention is that this is not based on credible estimates and that the economic impact of the reform on fishermen and on society in general would be negative, for the following reasons.

• (0935)

First, the 2 million dollar saving for the government would come from transferring to industry the cost of coordinating the program which at this time is paid by the department to observer companies. In the existing system, this amounts to a cost of 3 million dollars a year for the whole of Canada. Secondly, the government is forecasting an increase of one million dollars of its internal costs relating to the control of the new system. So, 3 million dollars minus one million dollars equals the 2 million dollars the government hopes to save.

Second, according to figures published by FOC, the cost of administering the program would increase by one million dollars per year. With the reform, the level of competition between observer companies is more likely to decrease than increase. As is presently the case with the dockside weighting program, observer companies that will be controlled by the fishing industry will end up with a monopoly to provide services to their own fleets.

Third, the proposed reform would include the fragmentation of the regional programs in smaller units, which will lead to a substantial loss of savings of scale as far as coordination is concerned and will increase the cost of moving observers between the ports of a registry of the ships.

Finally, we do not believe it is realistic to claim that the implementation of the new system would lead to a cost reduction for fishermen and for society in general. What is more likely is that the negative impact of the reform on administration and coordination costs as well as on the cost of moving observers will create very strong pressures to cut the salaries of observers and to erode the data validation procedures, to the detriment of the quality of the program.

In conclusion, we cannot understand why some are willing to compromise the quality, the integrity and the effectiveness of the program for 400 000 dollars per region, especially since the savings that the government hopes to make would not really be savings at all for society but would rather be mostly a transfer of costs from the government to the fishing industry.

We believe that it would be a serious and probably irreversible mistake for FOC to implement this reform. In order to preserve the integrity and effectiveness of the program it is absolutely imperative to keep the contractual link between FOC and the observer companies and to preserve their exclusivity on a regional basis through their contracts.

In conclusion, we recommend that the costs of the program be recovered from the industry by FOC rather than by the observer companies through the fees for fishing rights. This change would significantly improve the program for the great majority of stakeholders.

Thank you very much, Mr. Chairman, this is at the end of my statement.

●(0940)

[English]

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

Mr. Matthews, you have 10 minutes.

**Mr. Bill Matthews:** Thank you very much, Mr. Chair. I don't know if I'll take 10 minutes or not.

I want to thank Mr. Gagnon for coming.

Mr. Gagnon, the current fisheries observer program, as I understand it, is funded two-thirds by industry and one-third by government. Is that correct?

**Mr. Marc Gagnon:** It depends on the region. I would say the government pays between 25% and 30% of the total cost of the program, depending on the region.

**Mr. Bill Matthews:** Your concern is that if the industry pays 100% of the observer program, you think it's going to create a conflict of interest, in that observers would be totally hired by and paid for by companies. Is that your main concern?

**Mr. Marc Gagnon:** Not exactly. My main concern is that the proposed reform would eliminate the regional exclusivity in providing services and would create a new system in which an undetermined number of certified fisheries observer companies could offer service to the same fleets in the same region in direct contracts between the industry and these companies. Transfer of 100% of the costs of coordination from government to industry is just one aspect of the big picture.

**Mr. Bill Matthews:** Are you concerned that observers wouldn't do their jobs as well as they're doing them now because they would be paid 100% by the industry? Is that your concern? Really, let's cut through it. Is that basically what you're insinuating?

**Mr. Marc Gagnon:** What I'm saying is that right now we are presently under pressure from the industry, by some fishermen, in our conduct of the program, and we have no incentive in listening to any of those pressures. In the new system that the reform projects, these safeguards will be lost, because the client of the observer companies will not be DFO; it will be the fishing industry.

**Mr. Bill Matthews:** One other interesting observation you've made is that you say the proposed system runs counter to recommendations of independent audits done, I guess, within the department. Have those audits recommended that the present system stay?

I'm not familiar with it, but I observed that you said the proposed reforms run counter to recommendations by DFO internal auditors. Can you tell me what the internal auditors of DFO really said?

**Mr. Marc Gagnon:** I refer there to an audit made in 1995. It was done to address directly a request from the Northern Shrimp Trawlers' Association to enable them to create their own program or to eliminate the present regional exclusivity in providing service that the observer companies have.

The answer to this request was that it was not possible because it would

●(0945)

[Translation]

It would compromise the integrity of the program.

[English]

**Mr. Bill Matthews:** I guess it would be fair to say you're concerned that we might develop a situation similar to what many east coast people, particularly Newfoundlanders and Labradorians, feel about the foreign observer program. In that situation you have foreign countries and foreign ships put on their own observer. It seems to me you now have a comparable or somewhat similar concern about what we might do with our observer program within Canada. There is a great suspicion in my province that observers on foreign ships don't really serve the best interests of the resource we're all concerned about. I gather those are some of your concerns as well.

That's just an observation; I don't expect you to answer that.

That finishes my remarks, Mr. Chairman.

**The Chair:** Monsieur Roy.

[*Translation*]

**Mr. Jean-Yves Roy:** Thank you, Mr. Chairman.

The questions were quite clear, Mr. Matthews. In fact, I see two problems when I read your document. First of all, if I understand correctly, 3 companies would be affected in the East but they are presently independent from industry.

**Mr. Marc Gagnon:** Absolutely.

**Mr. Jean-Yves Roy:** With the proposed reform, they would become completely dependent upon the industry—and would even be subject to its orders—without having any contractual link with Fisheries and Oceans Canada.

**Mr. Marc Gagnon:** Which is presently the case with the dockside weighting program.

**Mr. Jean-Yves Roy:** Yes. Are you talking about the weighting program of landed catches? I know that the Auditor General carried out three audits of this program and has expressed her opinion. This program has been severely criticized precisely because it is too dependent upon the industry. What is your opinion?

**Mr. Marc Gagnon:** I can only speak about the two regions I know well, Quebec and the Gulf. At the present time, the two main monitoring companies are completely controlled by the fishing industry.

I have read the same reports as you, Mr. Roy, and it is obvious that this relation creates problems affecting the credibility and even the integrity of the program.

**Mr. Jean-Yves Roy:** Why do you think the department wants to change the program if it is effective? What are its reasons? It is certainly not a matter of savings since those would be at most 2 million dollars. If you change the program and by this action create 4 or 5 million dollars worth of new problems for the resource, there are in fact no savings. So, what are the reasons given by the Department for that decision?

In fact, the Department is going to transfer the costs to industry and that's all. However, I don't believe industry is going to accept very easily this new burden of significant costs.

**Mr. Marc Gagnon:** I believe this reform project does not make any sense. Honestly, I cannot understand why the Department would do that.

We asked officials to give us explanations and their most frequent answer is that there would be a saving of 2 million dollars per year which would be part of the reduction of program expenditures at the federal level. Apart from that, they never gave us any good reason.

**Mr. Jean-Yves Roy:** This might mean that the resource in eastern Canada might be jeopardized for the sake of saving 2 million dollars per year. As Mr. Matthews said of while ago, it would be similar to what happens now in international waters. We will not be able to rely anymore on the At-sea Observer Program only because the government wants to save 2 million dollars on a huge territory covering the whole of eastern Canada and the Maritimes.

● (0950)

**Mr. Marc Gagnon:** The whole of Canada...

**Mr. Jean-Yves Roy:** It would include Western Canada?

**Mr. Marc Gagnon:** Yes, this would include the Pacific region.

**Mr. Jean-Yves Roy:** All right. Thank you.

[*English*]

**The Chair:** You have one minute left, Mr. Roy, if you have another question.

[*Translation*]

**Mr. Jean-Yves Roy:** No.

[*English*]

**The Chair:** Mr. Stoffer.

**Mr. Peter Stoffer:** Sir, thank you very much for coming.

Does Biorex have any interest at all in any fishing organizations, or is any aspect of your company involved in the fishing industry itself besides the observer...?

**Mr. Marc Gagnon:** Not whatsoever, except some occasional contracts.

**Mr. Peter Stoffer:** How many employees does Biorex have altogether?

**Mr. Marc Gagnon:** Altogether, depending on the season, at the peak of the year we might have 110 employees.

**Mr. Peter Stoffer:** How long has your company been in existence?

**Mr. Marc Gagnon:** Since 1978.

**Mr. Peter Stoffer:** One of the concerns I have is that it appears, as my colleague Mr. Matthews said, that this is a watering down of the possible enforcement and that there may be the opportunity for a fishing company to hire someone who is an OC who may have come from their own company.

For example—and correct me if I'm wrong, if this cannot happen—a person works for a particular fishing company, he gets an OC licence, and that company then hires him or her to do an observer aspect on their particular ship. Is it possible that could happen?

**Mr. Marc Gagnon:** From what I understand of the reform, I don't think so, because in the new system there will still be a third entity, called an observer provider company.

**Mr. Peter Stoffer:** Okay, but what about the following scenario? A person was working for a fishing company, retires, quits or leaves, sets up an OC company, and then contracts back to a particular fishing company and says, "Okay, I no longer work for you, but I can provide observer service." Is that possible?

**Mr. Marc Gagnon:** Yes. That's what we're afraid of for our business and for the integrity of the program.

**Mr. Peter Stoffer:** In the pamphlet that you sent to us, in one of the paragraphs you talk about the fact that the lack of direct contractual obligations between the government and the OCs constitutes another problem. You're saying the government virtually loses its power to control the program. Can you elaborate a bit more on that?

**Mr. Marc Gagnon:** Once again, there's a parallel with the present situation with the dockside monitoring program. Right now, we work under a contract with DFO and all our work is aimed at responding directly in the best way we can to DFO needs, which are stated in general contract terms but also in seasonal requirements for each fishery. Once again, there are many changes to the requirements during the fishery.

The fishery is managed on a day-to-day basis and requirements change all the time. The hardest part of our work right now is to keep up with those changes, as the DFO provides us with new instructions about data-gathering procedures or deployment strategies, etc.

If the contractual link between the government, the DFO, and the companies is lost, as in the proposed reform, if I do have a contract with a fleet and the DFO comes and asks me to do some things that are not in my contract with the company, what do you think I'll say to the DFO? I think the answer is obvious.

**Mr. Peter Stoffer:** Finally, if DFO has their way and institutes these new reforms, did they indicate to you a particular date when this is going to happen? Was there a window of opportunity for, say, the committee or you to still raise objections to this?

**Mr. Marc Gagnon:** The history of this episode is this. This reform was announced in the federal budget in February 2005, and our DFO clients called all the observer companies the day after and informed us that this reform was announced the day before. We were asked to attend a meeting in Montreal in April 2005. All the at-sea observer companies and the DFO were there, and the main topic of this meeting was the announced reform. We voiced our objections then to this reform, but basically what DFO told us at that time is, it's done and we're asking you to give us your views on the fine details on how to apply this new reform. We answered them, no, we won't give you our views on how you should implement this reform; what we're telling you is we're against this reform.

• (0955)

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

Mr. Kamp.

**Mr. Randy Kamp:** Thank you, Mr. Chair. I'll be sharing my time with Mr. Manning, so don't let me go beyond five minutes.

**The Chair:** I won't.

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

Thank you, Mr. Gagnon, for appearing.

I appreciate the detailed brief. It will help us to be able to relay your concerns to the minister.

If I understand correctly, the area in question is divided up into four regions and each of those regions has one exclusive contract, and you hold two of those: Quebec and the Gulf.

**Mr. Marc Gagnon:** That's right.

**Mr. Randy Kamp:** What was the process you went through to get those exclusive contracts?

**Mr. Marc Gagnon:** Basically, every three years the DFO goes into a contract award process, an open bidding process, which is announced maybe eight months prior to the closing date in the public electronic contract award system. During the time between the

announcement and the date that the proposals are sent to the government, there may be some questions or meetings to answer bidders' questions.

**Mr. Randy Kamp:** How competitive was that? Were there multiple bidders on these contracts?

**Mr. Marc Gagnon:** No. I must admit that from year to year the number of bidders in each individual region is not very high. We're talking maybe between three and five bidders in some regions in some years, maybe fewer.

To comment on this fact, I would say that the observer business is a very difficult one, mainly because we're offering a service to the fishers for which we are not welcome, necessarily. I can imagine that many organizations—well-established organizations, serious companies that might like to have the contract—look at the request for proposals, which is very systematic and demanding, and look at the prices, and say maybe they won't try.

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

Let me just clarify one thing about the way the system works currently. If I'm a fisherman registered in Quebec, let's say, but I fish both in Quebec and in the gulf, or let's say I fish in another region that's not held by your company, what do I have to do when I go fishing outside the region in which I'm registered?

• (1000)

**Mr. Marc Gagnon:** Right now, the exclusivity of the services is based on the fishing licence, which means that if the fisherman you are talking about uses a Quebec licence to fish, he will be covered by our company, and if he uses a Newfoundland license to fish, even in Quebec, he should be covered by Newfoundland observers.

Fortunately, that doesn't happen often.

**Mr. Randy Kamp:** But it does happen.

**Mr. Marc Gagnon:** It does happen.

**Mr. Randy Kamp:** So the fisherman faces considerable expense. Is it his expense, then, to bring this observer from the area in which he is registered, if he's licensed?

**Mr. Marc Gagnon:** It depends. I'm not aware of those details. I'm not the one in charge of the operational aspects of the observer program.

I would say that if a fisherman changed from one region to the other on an individual trip, I don't think we would ask him to change the observer from one region to the other. We're talking about....

When this happens, we're covering, for instance, northern shrimp vessels, which go to sea for more than 40 days each trip, or fleets, for instance—fleets from Quebec that fish in the Atlantic, where there is a large group of vessels.

**Mr. Randy Kamp:** It's because I understood it to be one of the complaints raised by the fishermen about the current system, complaints that were to be addressed by the proposed new system.

Anyway, thank you very much. I'll turn it over to Mr. Manning.

**Mr. Fabian Manning (Avalon, CPC):** Thank you, Mr. Chair.

I thank Mr. Gagnon for his presentation.

I've dealt with Seawatch Inc. in Newfoundland, who have provided this service to Newfoundland and Labrador since 1981. I'm very concerned about the integrity of the program, with the plans that are being put forward by government, for the simple reason that, as they would say in my neck of the woods, it may be a possible case of hiring the fox to watch out for the chickens. That's not the way we need to conserve our industry.

At the same time, the concern this raises is the cost of providing the service and the cost that goes back to the pockets of the fishermen. My question is, how does your company, or how do the companies involved here, reduce that cost to fishermen?

Right now in my area the continuous increase in fees associated with participating in the fishing industry is a big issue. If this program is revamped to go forward under the present plan of government, as I understand it, the fees will be passed over to the people in the industry once again. That's the concern I have, and I'd like you to address it.

Also, I would like you to address the question of the competition factor—you somewhat answered this with my colleague—among the companies involved in providing the service today. I'd like to know if you could give some indication of what the observer program was costing, say, five years ago compared with what it costs today. Even though I don't support the change to the program—I want to lay that out front, that I don't—I am concerned about the estimated cost of providing the program, from your company's perspective.

I'd like you to address those couple of issues, if you could, please.

**Mr. Marc Gagnon:** Thank you. I'll address the easy question first and then the hard one.

As to how the cost has changed over time, I can only talk for the Quebec and gulf regions. I don't have the details for the other regions, although I have some idea.

In both Quebec and the gulf I can tell you—and DFO and Public Works have all the details on this—that the costs of the observer program between 1995 and now have diminished by 10%, if you take into consideration the consumer price index. There are many reasons this decrease happened, and one of them is that the bidding process was competitive. That's for sure. I don't know many services can demonstrate a 10% decrease in 10 years.

I can tell you also that the prices in the Quebec and gulf regions are very competitive when you compare them with all the other observer programs in the world, except those in Africa. If you compare our Canadian observer program total price per sea day with those for American, European, Australian, or New Zealand programs, our price is very competitive. It's the lowest you will find in the world.

As for the other aspect, which is how to share the price of the program between the government and the industry, my feeling is that it is not my business to determine this or to comment on it. That is between the government and the industry to decide.

All I want to say here today is that the present system is not perfect, but it's based on fundamental principles that ensure the best

price. With the proposed reform, those fundamental principles will be thrown overboard, and anything can happen with the price.

● (1005)

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

Thank you, Mr. Manning. You're actually over your time.

Mr. Cuzner.

**Mr. Rodger Cuzner (Cape Breton—Canso, Lib.):** He can have some of my time, because a number of my questions have already been answered.

Perhaps you could just give me an overview of the industry. Who are the biggest players in the industry? Would your company be one of the bigger players in the industry?

**Mr. Marc Gagnon:** Are you talking about the observer industry or the fishing industry?

**Mr. Rodger Cuzner:** The observer industry.

**Mr. Marc Gagnon:** Currently there are four observer companies that provide service to DFO in Canada. There is one in the Pacific, one in Newfoundland, one in the Maritimes, and our company.

These four companies have been bidding against one another over the last fifteen years. A number of other companies have been bidding, without success, through the years. These are very serious, competent companies.

**Mr. Rodger Cuzner:** You've done work in other regions as well.

**Mr. Marc Gagnon:** Yes. We have won—and lost—contracts in all regions, including Newfoundland and Nova Scotia.

**Mr. Rodger Cuzner:** Thank you.

*C'est ça.*

● (1010)

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

Monsieur Blais.

[*Translation*]

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

Good morning, Mr. Gagnon. I'd like to raise two issues with you : the history of the program and the supposed wisdom of the Department.

As far as history is concerned, and considering that the program has been in existence since 1978, I suppose that, at the beginning, the fisher-foxes were probably extremely hungry. With time, I suppose the relationship between observers and fishermen improved. I take it for granted that fishermen have some responsibility for the conservation of the resource and want to operate properly.

**Mr. Marc Gagnon:** I agree with you. I would add that, despite what one might conclude from my brief, the fishermen are not the problem here. I am convinced that a good part of the fishing industry is opposed to this reform, mainly because it would compromise the integrity of the program.

Coming back to the history of the program, it was created in 1978 to cover foreign fleets fishing in Canadian waters. Those fleets have progressively left Canadian waters and, from the middle of the 80s, the program started to be applied to Canadian fleets. I can say that, right from the start, we did not have great difficulty working with most of the fishing companies. That has not been a problem.

Does that answer your question?

**Mr. Raynald Blais:** Yes.

Now, let's talk about the supposed wisdom of Fisheries and Oceans Canada. When one wants to change a program, one reviews the program and one calls experts to look at the situation. FOC had asked an independent expert to look at the various options. According to that expert, what the Department intends to do is diametrically opposed to what he had recommended.

**Mr. Marc Gagnon:** Exactly.

**Mr. Raynald Blais:** Who are they?

**Mr. Marc Gagnon:** They are Gardner Pinfold Consulting Economists.

**Mr. Raynald Blais:** So, that expert was hired by the Department of Fisheries and Oceans to review the program and he mentioned in his report that the solution being proposed by the Department did not make any sense. Despite that, it is going forward.

**Mr. Marc Gagnon:** To be more specific, the mandate of Gardner Pinfold was to look at a number of options about which the Department had not expressed any preference. The Department submitted six options and asked Gardner Pinfold to consult all the stakeholders, FOC and the observer companies in order to come up with a recommendation.

**Mr. Raynald Blais:** The consultant did not recommend the one...

**Mr. Marc Gagnon:** No, he recommended exactly the opposite.

**Mr. Raynald Blais:** What did he recommend?

**Mr. Marc Gagnon:** He recommended that the present system of regional exclusivity be maintained in each region. He based this recommendation on the fact that the main priority of all the stakeholders was to protect the integrity of the program.

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

[*English*]

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

Before we go to Mr. Stoffer, Mr. Gagnon, there was a question from Mr. Blais on an independent auditor and we didn't quite catch the name. Gardner Pinfold & Associates, was it?

**Mr. Marc Gagnon:** That's right.

**The Chair:** Thank you.

Mr. Stoffer.

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

I have two quick questions. You're representing Biorex and you say there are three or four other companies. Would they be of the same opinion as your company?

**Mr. Marc Gagnon:** What I can tell you is that at the April 2005 meeting I talked about it was clear from what was said that the other

observer companies had the exact same position about this reform as Biorex.

• (1015)

**Mr. Peter Stoffer:** And it's your conclusion that if these reforms go ahead—and DFO has said that they're done and they just want you to add input on how to reform it—you're saying, and correct me if I'm wrong, that if these reforms do go ahead and DFO does what it wants to do, it could seriously compromise the resource itself?

**Mr. Marc Gagnon:** That's right.

And my comment on this is that, for instance, in our regions one of the main, most important types of work the observer does is to provide daily data to the DFO on open and closed fishing zones based on the amount of soft-shell crab or small fish. So if that type of data is compromised, you have a direct impact on the resource.

**Mr. Peter Stoffer:** You had indicated, sir, that this was in the federal budget of 2005. In the meantime we've had an election, as you know. Is there a window of opportunity for you to change DFO's mind, or is it already in stone?

**Mr. Marc Gagnon:** It's not clear.

**Mr. Peter Stoffer:** It's not clear.

**Mr. Marc Gagnon:** We do hope that what we were told maybe five months ago—that it was done—will be reconsidered by the new government.

**Mr. Peter Stoffer:** Did the government say that or did DFO say that?

**Mr. Marc Gagnon:** That's what I hope.

**Mr. Peter Stoffer:** So you're hoping, but you haven't heard anything.

**Mr. Marc Gagnon:** Yes. But I really don't know what the new government will do with this issue.

**Mr. Peter Stoffer:** My concern is, are we too late or is there still time?

**Mr. Marc Gagnon:** I don't think so. There is still time.

**Mr. Peter Stoffer:** Okay, *merci beaucoup*.

**The Chair:** Just before Mr. Cummins takes the floor, Mr. Gagnon, do you have a copy of the independent audit by Gardner Pinfold?

**Mr. Marc Gagnon:** Yes, I do.

**The Chair:** Could you make that available to the committee?

**Mr. Marc Gagnon:** I will do that, in both languages.

**The Chair:** Thank you.

Mr. Cummins.

**Mr. John Cummins:** Thank you, Mr. Chairman.

And thank you, Mr. Gagnon, for your appearance here this morning.

The issue I'd like to address, if you wouldn't mind, is the issue of costs. In your presentation here it says that DFO reimburses OCs for coordination and administrative costs while fishers pay the OCs for costs directly related to the deployment of observers at sea and on shore about 70% of the total cost. The negotiation of those costs, then, is part of the bidding process, is that correct?

**Mr. Marc Gagnon:** That's right.

**Mr. John Cummins:** So on this bidding process in the particular area that you're in now, the other companies would bid as well, under the normal circumstances?

**Mr. Marc Gagnon:** Yes. For instance, three years ago we bid for the present contract, and in this bid we had to enter the amount we would like to charge the industry. Every bidder puts in the amount, and there is a comparison of those prices that is part of the determination of the winning bidder.

**Mr. John Cummins:** Part of the issue here, from the fishermen's point of view, is that observer costs are onerous, and obviously at times I think they feel they are unnecessary. We all recognize that there is a need, so I'm not debating that point, but the issue is that the costs are seen by fishermen as being a cost they'd like to limit.

So the question becomes, that during the bidding process, is there ever an agreement between companies as to what the fee would be for the at-sea observers? Is there any kind of agreement between the four companies?

**Mr. Marc Gagnon:** No. Never.

• (1020)

**Mr. John Cummins:** Never?

**Mr. Marc Gagnon:** No. We're competitive companies. What our process does is define clearly what can be charged to the industry—for instance, for an hour at sea, for an hour on land, what is acceptable travel, what are the acceptable unit prices for travel, stuff like that.

**Mr. John Cummins:** So that's defined in the process?

**Mr. Marc Gagnon:** Clearly defined in the request for proposals.

**Mr. John Cummins:** What you actually charge in each of those components is what the bid is all about. Is that right?

**Mr. Marc Gagnon:** That's right.

**Mr. John Cummins:** That's how the bid is determined, then, on who can provide the lowest cost to the fishermen.

**Mr. Marc Gagnon:** That's right.

**Mr. John Cummins:** Has there ever been an instance where one of the four competing companies has found itself simply out of the loop, not operating in any of the regions because their bids were too high?

**Mr. Marc Gagnon:** Between the four existing companies, there are new players. Two were in the bidding process earlier and then there were three companies and a new one came in. There were some companies that provided service years ago that are not there today. There are some changes in every bidding process.

**Mr. John Cummins:** I think you see the purpose in my questioning. It is to determine whether or not the bidding process is providing the service at the most reasonable cost. You're suggesting yes, that's the case, because in fact new companies do come in and participate in the bidding process, and companies that have been around for a while are no longer in business so that you have turnover in the service that you would expect in a competitive bidding process. Is that what you're saying?

**Mr. Marc Gagnon:** I would say that the best proof that the bidding process is working is what I said earlier about the price

going down in the last ten years. I think that's the best proof that the bidding process is working. Biorex is always the best bidder and we always have the contract, so somebody might look at that and say, where's the competition here?

**Mr. John Cummins:** Yes.

**Mr. Marc Gagnon:** I think the best proof is price.

**Mr. John Cummins:** It's the price and the fact that there are new entrants trying for the contracts and there are older companies that have fallen beside the....

**Mr. Marc Gagnon:** There have been in each bidding process, about every three years, newcomers, people who lose, and people who win.

**Mr. John Cummins:** Yes.

**Mr. Marc Gagnon:** We lost two bids in Newfoundland. We won for some years in the Maritimes, lost the contract, bid again, and lost. We lost in the Quebec region in two bidding processes. The only region where we were always the winner was the gulf region.

**Mr. John Cummins:** Well, that's good. Thank you very much. I appreciate that.

**Mr. Marc Gagnon:** Thank you.

**The Chair:** Mr. Cummins, we do have time for a few more questions.

Mr. Manning and Mr. Blais.

Mr. Blais, very quickly.

[Translation]

**Mr. Raynald Blais:** If the Department's solution is implemented, will that mean that fishermen would have to pay 100% of the cost?

**Mr. Marc Gagnon:** As far as I can see, that's how the government is trying to get the industry to accept this transfer of cost, that is to say by telling them that it will be their own program. If that is really the case, I fail to understand FOC's vision. Obviously, one aspect of the reform cannot go without the other.

**Mr. Raynald Blais:** So, this is as dangerous for conservation as it is for economic reasons. In fact, one might easily imagine that fishermen, who will have to pay 100% of the cost, would see that cost increase over time.

**Mr. Marc Gagnon:** I believe that, if the government transfers the cost of coordinating the program to industry, it will be practically impossible for the cost to fishermen to be lower than it is now. It would be impossible.

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

[English]

**The Chair:** Mr. Manning, you have one last question.

**Mr. Fabian Manning:** Regarding Mr. Stoffer's question earlier, I have copies of letters here that were sent to the Honourable Geoff Regan, November 15, 2005, from Seawatch Inc. in Newfoundland, basically along the same lines as those Mr. Gagnon has put forward.

I would like to ask two quick questions, Mr. Gagnon, if I could. You allowed earlier that there were two companies in the world that were allowed to choose their own observers. There are about 100 programs in the world. Can you tell us where those two countries or companies are located?

• (1025)

**Mr. Marc Gagnon:** We're talking about two programs?

**Mr. Fabian Manning:** There are two programs, yes.

**Mr. Marc Gagnon:** The first one is the second largest program in the world. It is the north Pacific groundfish observer program, run by the federal American government. The second program, which is interdependent with the first one, is the Alaska shellfish onboard observer program. Under both these programs, the services to the fishing industry are provided by the same four or five competing companies, so it's about the same. The two programs are tied by the fact that five competing companies provide service to both of them, in the same region. We're talking about maybe 600 observers, 40,000

sea dates per year, so about twice the size of the old program in Canada. It's a very big program.

**Mr. Fabian Manning:** Is the report you were asking for on the six possible options from the independent expert? I'd like to see those six possible options.

**Mr. Marc Gagnon:** That will be provided with the Gardner Pinfold report. It's part of that.

**Mr. Fabian Manning:** You can also provide that for us?

**Mr. Marc Gagnon:** I will provide that report.

**Mr. Fabian Manning:** That's fine. Thanks.

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

**Mr. Marc Gagnon:** Thank you very much.

**The Chair:** It has been a very informative meeting.

The meeting is adjourned.

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