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Chair

Mr. Gerald Keddy

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•(1105)

[English]

The Chair (Mr. Gerald Keddy (South Shore—St. Margaret's, CPC)): Pursuant to Standing Order 108(2), the committee is engaged in a study of herring spawn on kelp.

I'd like to welcome Paul Sprout, the regional director general for the Pacific region, Department of Fisheries and Oceans. Paul, welcome to committee.

We have enough members for a quorum to hear our witness. If you'd like to proceed, we'll have more time for questions.

Mr. Paul Sprout (Regional Director General, Pacific Region, Department of Fisheries and Oceans): Thank you, Mr. Chair.

I'd like to start off with a short presentation on the subject of the spawn-on-kelp fishery. In a moment I'll explain what this actually is, but I'd like to cover three things.

First of all, I want to start with a brief history of fisheries management. I want to talk a little about the market for the spawn-on-kelp fishery. I then want to talk about an important Supreme Court decision called Gladstone. From there, I'll talk about the evolution of the fishery since Gladstone. Finally, I'll talk a little about the next steps.

I'll begin with a description of the history of the fishery, but before I do that, I'd like to describe what the fishery is.

For those who haven't had the opportunity to see it, the spawn-on-kelp fishery is a fishery where, for marine plants, in this case, giant kelp, the fronds are removed from the kelp. They're tied to a string, and the strings are tied to beams or posts or booms that are usually rectangular in shape. You have a series of strings across this set of booms from which kelp fronds hang into the water.

Herring are then introduced into an enclosed pond—in other words, there's a net around the boom—or the boom itself, with the strings, is pushed into a spawning location where herring are spawning. The herrings spawn on the fronds.

When the spawning depth is of a sufficient amount, and usually it's several layers of herring eggs, the fronds are removed from the strings. The kelp fronds are cut to length, they're put into a tote, and salt is added. That is the spawn-on-kelp fishery.

I want to describe the development of this fishery over the last number of years.

The commercial spawn-on-kelp fishery began in British Columbia in the early 1970s, and it really took off in 1975. The level of interest

was initially modest, but it grew over time. We started with roughly 13 licences, and today we have 46 licences in the spawn-on-kelp fishery in B.C.

In 1996 there was a Supreme Court decision, which I'm going to come to in a moment, that provided the Heiltsuk—and I'll describe the location of this community in a moment—with increased commercial access to the spawn-on-kelp fishery.

As I've noted, today there are 46 licences. This is mostly a first nations fishery. Of the 46 licences, 26 go to first nations communities, and these are individual first nations communities, Heiltsuk, Haida, and so forth. There are 20 licences that go to individuals, a portion of which are actually first nations as well.

The harvest is fixed. The total allowable harvest is 434,000 kilograms, and the Heiltsuk proportion is roughly 119,000 or approximately 28% of the total allowable harvest.

I want to talk about the market. There is only one market for the spawn-on-kelp product, and that is in Japan. That market has changed over the history of the spawn-on-kelp fishery.

When the fishery developed in the 1970s and through the 1980s, the market was a high-end luxury market. The product was highly valued. It was sold principally at Christmas time, and it was usually through gift giving. The Japanese would purchase the product in boutique stores and the product would be exchanged or provided as a gift. It was a very expensive product.

Since the early 1990s, the market changed for several reasons. First of all, within the demographics of Japan, the population has aged and the younger generation is not as interested in gift giving and, in particular, the acquiring of this very expensive product. The market shifted from a high-end market to effectively a grocery-store market or a low-end market. As the market shifted, the price of the product declined.

Two other things happened at the same time. The Canadian dollar appreciated relative to the Japanese yen. It became more expensive for the Japanese to purchase the Canadian product. As the demographics changed, and as the interest of the young Japanese versus the older ones changed, it became less accessible.

•(1110)

The next important issue was global competition. The Alaskans have a roe herring and spawn-on-kelp fishery, and when the Canadian market was high-end, the Canadian quality, which is a very high quality, out-competed that of the Alaskan market. But as the market shifted to a low-end consumer product, the Alaskan product competed successfully with the Canadian product.

As a consequence of the changing nature of Japanese consumption, the appreciation of the Canadian dollar, and global competition, price for the product declined beginning in the mid-1990s. The historical high peak for the product was actually in 1995.

Page 5 talks about the Gladstone decision. This is a Supreme Court decision that came down in 1996, and it applied to the Heiltsuk First Nation. The Heiltsuk First Nation is a first nations community located north of Vancouver Island and south of Prince Rupert. It's actually situated in Bella Bella. So this is an isolated first nations community. In 1996 the Supreme Court held that this community had an aboriginal right to harvest spawn on kelp for commercial purposes. The committee, citing lack of evidence, did not go on to say whether there had been an infringement of this right, but they did say that we needed to take into consideration the priority of this right in determining an allocation.

As I've noted, the court decision did not specifically describe or define an allocation, a quantum, or a quota for the Heiltsuks. It did not direct that the Heiltsuk Nation had a separate or exclusive spawn-on-kelp fishery. Instead, as I've noted, it indicated that the Heiltsuks' right to harvest spawn on kelp could be accommodated by some level of priority.

Following the decision in 1996, the department entered into negotiations, into discussions with the Heiltsuks to determine how to apply the Supreme Court decision. We looked at how to manage the fishery and the role of the Heiltsuk community in that responsibility or in that area, and we also looked at the issue of the allocation.

From 1997 to 2001, we increased the amount of spawn on kelp provided to the Heiltsuks. This was phased in over a period of several years. Since 2001, there has been no increase in the Heiltsuk quantum, with the exception of an economic allocation in 2006. But from 2001 to 2005, the allocation for the Heiltsuks has been constant.

Although the department believes that it has acted in a reasonable way with the Heiltsuks and that the quantum provided to them over the course of the period that I described was appropriate, the Heiltsuks don't accept that view. They believe that the priority determined by the court has not been recognized. They think their harvest is inadequate. Further, they believe that the roe herring fishery that takes place in this area at the same time and catches many more herring is out of proportion to the amount that they're allocated for spawn on kelp.

Just to pause on this for a moment, members, in the central coastal area, we have a spawn-on-kelp fishery and we have a roe herring fishery. The roe herring fishery is where we typically use seine vessels and gillnetters to capture whole herring, which are then transported to plants where the roe is removed, and that herring is sold again to Japan. That fishery is a very large fishery in

comparison with the spawn-on-kelp fishery. It's about ten times larger.

•(1115)

Mr. Mike Allen (Tobique—Mactaquac, CPC): The roe is removed.

Mr. Paul Sprout: The roe is removed and sold to Japan—the same market and only market. So the spawn-on-kelp fishery relative to the roe herring fishery is small, and therefore the Heiltsuk believe the quantity provided by the department through the negotiations is inadequate.

In a couple of years, we've had protests and challenging situations that have destabilized both the spawn-on-kelp fishery and the roe herring fishery on the central coast. In two instances, the RCMP was involved to try to stabilize that situation, along with our fishery officers.

In order to bring some stability to that situation, particularly to try to stabilize both the spawn-on-kelp fishery and the roe herring fishery, the Department of Fisheries and Oceans, the commercial roe herring fishery, and the Heiltsuk entered into a memorandum of understanding in 2006. That memorandum of understanding essentially laid out some roles and responsibilities, clarified who would do what to whom under what circumstances, and resulted in very strong cooperation in 2006.

In 2006 we implemented the fishery for spawn-on-kelp for the Heiltsuks, and we carried out a roe herring fishery for both natives and non-natives, and we did so without incident, with exceptional cooperation among all the parties. We believe we had a very successful 2006 fishery.

In terms of the next steps, we are continuing to work with the Heiltsuk First Nation, with the herring industry advisory board—the board comprised of the roe herring industry, both first nation and non-native—spawn-on-kelp license holders, bait pond impoundments, and all interests that use herring to arrive at a consensus on the management of the 2007 fishery, beginning sometime in the spring. All spawn-on-kelp license holders have been contacted to participate in this exercise. We are also looking at the opportunity for mediation between the parties—again to try to seek long-term solutions to the impasses I referred to earlier. We will continue also to work with the roe herring fishery, because the roe herring fishery, like the spawn-on-kelp fishery, has faced similar market forces: a single market, changes in the Canadian dollar relative to the Japanese yen, and so forth. They too are struggling to adjust to the new economic realities that we have in the roe herring fishery. We are also working with an integrated management group, including not only the herring users, the commercial industry, but also recreational interests and NGO interests to talk about the integrated use of herring as we move forward to the future.

I have included the final point, members, in the appendix as a table. The table notes the landings from 2001 to 2005 in the spawn-on-kelp fishery. The middle column is the landings in kilograms and the right-hand column is the price per kilogram. As you will note here, the landings from 2001 to 2004 were relatively stable, at about 400,000 kilograms, and the price declined significantly. In 2005 the landings were less, and the price still declined. It's our view that the shifts in the Japanese market and the global factors I spoke of are the principal reasons for this decline in price.

Thank you.

The Chair: Thank you, Mr. Sprout.

We'll go to our first questioner, Mr. Matthews. I think Mr. Simms will take....

Mr. Bill Matthews (Random—Burin—St. George's, Lib.): I won't take much time, Mr. Chairman.

I want to thank our witness for coming.

Mr. Sprout, I guess it's pretty evident that the department and the government had no choice but to allocate to the Heiltsuk Nation. Is that the interpretation you had, to engage and allocate some of those resources to them?

• (1120)

Mr. Paul Sprout: Yes, that is our view.

The court decided there was a right to harvest spawn-on-kelp commercially and said it was a priority. It was clear, from our perspective at least, that if we had gone back without increasing the allocation and there had been a new court situation, we would be in a very difficult position had we not provided for some additional access.

Mr. Bill Matthews: Just for clarification, what do you mean by your second point on slide 7, "A one-time economic opportunity"?

Mr. Paul Sprout: The Heiltsuks proposed a marketing approach to market product in a different way in 2006, and they felt they had an opportunity and a market they could explore in 2006. As part of the discussion we entered into, and in the memorandum of understanding we arrived at, we agreed to a one-time allocation to see if that market could be proven and if it would in fact be helpful to achieve future stable arrangements.

Mr. Bill Matthews: Was that an increased allocation?

Mr. Paul Sprout: That was an increase above their regular allocation.

Mr. Bill Matthews: Yes, because they were allocated between 2001 and 2005, it seems, so for this one time you increased that.

Mr. Paul Sprout: That was in 2006. That's correct.

Mr. Bill Matthews: Do you foresee the increase continuing?

Mr. Paul Sprout: No. It was a one-time allocation. That was it.

Mr. Bill Matthews: Thank you.

Hon. Lawrence MacAulay (Cardigan, Lib.): Is that the reason why the Heiltsuk Nation is upset about the amount of quota they had? Is that going to be a continuing problem? You're talking about mediation, but how is this going to be resolved? I expect they're going to continue to indicate clearly.... What rights do they get under

the Gladstone decision? They feel they didn't get the proper amount of quota, and that's going to continue.

Mr. Paul Sprout: It's true. They do believe that, or at least they're saying that at this point in time.

That's not the only issue up for discussion. The other issue is how we manage the roe herring fishery generally in their area. They are concerned that the roe herring fishery, which is substantially larger, adversely affects their ability to catch spawn on kelp. The approach we've taken with the Heiltsuks and with the roe herring fishery is to try to find some sort of collaborative arrangement whereby the roe herring fishery—which means the commercial fishing interests—the Heiltsuks, and the department are collaborating on the management of the fishery so that we can remove, to the extent possible, the fear that the management of the roe herring fishery is adversely affecting the spawn-on-kelp fishery. Last year we agreed to observer arrangements and other types of approaches that effectively dealt with this concern.

Hon. Lawrence MacAulay: Was that cooperatively with the Heiltsuk Nation?

Mr. Paul Sprout: That was cooperatively with the Heiltsuk Nation. It was an MOU signed by the first nations, the department, and by the industry itself. We had extensive cooperation in season.

I remain optimistic, but you're right: there's still a difference. We still have to work it out. We haven't yet arrived at a long-term arrangement. Using 2006, when we had good cooperation, good collaboration, and the relationships were much better, is a good starting point to build from. We remain optimistic, but mindful of the fact that it's still a challenge.

The Chair: Mr. Simms.

Mr. Scott Simms (Bonavista—Gander—Grand Falls—Windsor, Lib.): It's a shade over 119,000 kilograms for the Heiltsuk Nation, yet there is 434,000 in total allotment for spawn on kelp. Is that correct?

Mr. Paul Sprout: Yes.

Mr. Scott Simms: What organization do the other fishers involved in the balance of the 434,000 have? To what extent are they organized in the same way as are the Heiltsuk—or are they?

Mr. Paul Sprout: Each licence holder has a choice as to whether they want to belong to the spawn-on-kelp organization, which is a commercial organization of licence holders. Most spawn-on-kelp licence holders do belong to that organization. That's the organization the department interacts with. When we want to get advice, for example, from the spawn-on-kelp industry, we interact with the spawn-on-kelp organization.

Mr. Scott Simms: What is the extent of their involvement in this memorandum of understanding?

Mr. Paul Sprout: They were invited to participate in the memorandum of understanding in 2006. All the members were. Each individual licence holder was written to. The same approach was taken in 2007.

Mr. Scott Simms: Would you consider them to be satisfied?

Mr. Paul Sprout: No. At least some members of the spawn-on-kelp organization are not.

Mr. Scott Simms: Do they feel they're left out?

Mr. Paul Sprout: They felt they were left out. They disputed the memorandum of understanding. They feel that the allocation for the Heiltsuks disrupted the market, changed the price, and so forth. It is true that some do feel that.

•(1125)

Mr. Scott Simms: As you are aware, on December 13 we tabled a new Fisheries Act. The proposed act that was tabled talks about a level of co-management with certain organizations. Under that paradigm, how does this whole memorandum of understanding fit? In other words, if DFO is to enter into an agreement with a particular organization, who exactly is the organization in this memorandum of understanding? Would the Heiltsuks represent one organization, followed by the spawn-on-kelp organization? I think you know what I'm saying.

Mr. Paul Sprout: I think the memorandum of understanding would accommodate the new Fisheries Act well. The Fisheries Act, as you know, is designed to recognize that co-management arrangements with the department ideally would be entered into by organizations. That would include members.

In this particular case, we would be working with the Heiltsuks, a particular group, which includes a group of licence holders who are part of that community. We would enter into an arrangement with the herring industry group itself, which is a group of multiple organizations—not just one but all of the roe herring users—and the Department of Fisheries and Oceans. I think both the memorandum of understanding that we entered into in 2006 and what might be envisioned in the Fisheries Act would be compatible.

Mr. Scott Simms: Let's say a conflict arises between the Heiltsuk Nation and the other spawn-on-kelp organizations for the remaining 320,000 kilograms. If there's a conflict, how would there be a resolution?

Mr. Paul Sprout: Hypothetically, if there were a conflict we would know that on entering into the MOU. We would attempt to reconcile it as best as we possibly could.

In this particular instance, the central coast area is isolated. We have some spawn-on-kelp licence holders there that are mostly first nations, and we have a roe herring fishery. We can actually focus the discussion on that particular area, dealing with those interests within that area.

The second aspect of my response would be this. On entering into the MOU, the mechanism we would propose is that all spawn-on-kelp licence holders, through their organization, can sit down with us, the Heiltsuk, and the other roe herring industry members to talk about the MOU. If they have concerns on behalf of all of their membership, the concerns can be raised and, to the extent we can do so, sorted out before the MOU is entered into.

Mr. Scott Simms: In the new Fisheries Act it also talks about the fact that you basically have to be a member of this organization if you are to get an allotment or some kind of quota. Would I be fair in assessing that?

Mr. Paul Sprout: I can't speak to the specifics of that. The intent is to enter into co-management arrangements, ideally with organizations that clarify responsibilities and sort out roles.

Mr. Scott Simms: I only bring this up because I am somewhat concerned about people who fall through the cracks of these

organizations. They feel kind of left out. I don't think there's much of a future for them, if they want to get involved in this fishery and get their own allotment, and they are not involved in a memorandum of understanding or they feel frozen out by the spawn-on-kelp fishers outside the Heiltsuk MOU.

Mr. Paul Sprout: I know in B.C. there are several avenues for people to pursue and bring their interests. For example, they can be part of an organization and interact directly with the department. They can interact directly with us on a bilateral basis. They don't have to be part of an organization to bring their views to our attention. Secondly, they can also participate as individuals in the organizations that meet as a roe herring group and they can make presentations.

We think, through a combination of those two mechanisms, either they're part of an organization or they're not. But there are mechanisms for them to be able to bring their concerns to others, including us.

Mr. Scott Simms: I have no concern about the mechanisms to bring concerns to the table. I think my concern deals with mechanisms by which they would obtain an allotment or their own quota.

Mr. Paul Sprout: Maybe I should explain.

The spawn-on-kelp fishery has a fixed number of licence holders, and that doesn't change, notwithstanding another court decision. Each licence holder has the same allocation, and the pool of licence holders is fixed. If you're a licence holder now, you are a licence holder.

•(1130)

Mr. Scott Simms: But the pool can be reduced by a transfer.

Mr. Paul Sprout: We have not reduced the pool by transfer. In other words, the spawn-on-kelp fishery has grown to 46 licence holders. At this point in time, no consideration is being given to reducing the number of licences.

The fishery is considered to be a reasonably small fishery in terms of the number of licences, of which there are 46. We have no intention, nor has the industry itself expressed an interest, at least at this point in time, of reducing the number of licence holders.

The Chair: Thank you for that, Mr. Sprout.

I know we will have great discussion and debate over the proposed new Fisheries Act. But this particular hearing today is on spawn-on-kelp under the act that's in existence, not something that could occur in the future. There are some questions around it that we should try to focus on.

Monsieur Blais.

[*Translation*]

Mr. Raynald Blais (Gaspésie—Îles-de-la-Madeleine, BQ): It is too bad you just stole my first question.

Mr. Chair, I will not refrain from asking questions on the past, the present, and the future.

I would like to understand what happened back in 2006 and 2005. Obviously, there were problems in the years 2003-05, because you had to call in the RCMP. What is it that made a difference in 2006?

[English]

Mr. Paul Sprout: What happened was we tried to change the way we were interacting with the first nations. We brought in a third party to work with the first nations and us and the roe herring fishery. Before, we were trying to deal directly with the first nations—department to the first nations—and that created some challenges. By bringing in a third party we were able to all discuss the situation at a common table. That was an important departure from 2005.

The second thing we did was acknowledge there was an issue about the quantity of roe herring. The Heltsiuks felt the quantity they were harvesting was too low, but we also agreed there was another area that we could discuss, which was how we managed the roe herring fishery, and that there was a role there for the Heltsiuks to be more involved in it. We wanted to make sure the roe herring industry itself was comfortable with that involvement, so we changed the dynamic. We brought in a third party. We widened the discussion to include other issues on the table where we could actually make progress. We eventually entered into an MOU that allowed us to have a more flexible approach that gave a real role for the Heltsiuks in 2006 in terms of the management of the fishery, in terms of observers and being involved, and in a manner with which the roe herring industry itself was comfortable.

Those were the changes that allowed us to be successful in 2006.

[Translation]

Mr. Raynald Blais: It is amazing that the mere fact that a third party was brought in to help the parties get together was enough to break the deadlock. I would like to understand better.

I figure in the years when the situation was not good, you tried to find all kinds of solutions, and that the final solution must had to be found that way. But were there other factors that helped break the impasse in 2006?

[English]

Mr. Paul Sprout: The answer is yes. Part of that is due to the fact that we started negotiating with the Heltsiuks in 1997, and over a period of a number of years the two of us were able to inform each other better of each other's views. Our relationship got better over time, just through the contact we had. We still have had differences and we still do have differences, but because we spent a lot of energy trying to sort those differences out, I think that also fostered a change.

Also, there is a sort of economic reality, as I noted in my presentation to the committee earlier today, with the change in the market and the reduction in the value. That really brought home to people the need to try to find a way of working together, and the roe herring industry itself also saw that it was important to see stability. They believed it was important to find some sort of relationship with the Heltsiuks that we could all live with.

There were a series of factors. There was the third party, which I mentioned, and looking at different arrangements in management, which I discussed, and there was just the relationship we had built year after year and the fact that everybody was trying to find a way of stabilizing this because the market was not very good. It was poor, and people wanted to stabilize the industry so that they would get the best value they could under the circumstances.

• (1135)

[Translation]

Mr. Raynald Blais: The document deals very much with the MOU, but I do not have it here. Is it possible to get this MOU?

[English]

Mr. Paul Sprout: The MOU, yes, I believe that could be distributed. I will definitely look into that to see whether it could be provided.

[Translation]

Mr. Raynald Blais: It is easy to understand there are a few bits and pieces I cannot grasp. You are talking about breaking the impasse with a MOU that is often mentioned and which we did not necessarily read. If there is something we should do to deal with this issue and we do not have the MOU... I really think we do not have all we need to fully understand the issue.

Thank you very much.

[English]

Mr. Paul Sprout: Merci. I'll look into our ability to distribute that document to the committee. I'm not sure if there are privacy issues, but if not, then that will be provided. That will describe a bit more of the detail around what we agreed to in 2006.

The Chair: Thank you, Monsieur Blais.

Before we go to our next questioner Ms. Bell, I would just remind members that using your BlackBerry at the table interferes. This is a small room, with interpretation, and it interferes with the interpreters. There is quite a little buzz in their ears. It's not so bad for us, but it is quite annoying to interpretation when it happens. You can read your messages, that's one thing, but if you're actually sending one, I don't know how far away from the booth you need to be.

Ms. Bell.

Ms. Catherine Bell (Vancouver Island North, NDP): Thank you.

Thank you, Mr. Sprout, for your presentation.

I have a few questions. I read through the presentation that was given in June by the Spawn on Kelp Operators Association. I found it very interesting, but I have a few questions.

You mentioned that the Spawn on Kelp Operators Association feel the Heiltsuk quota affected the price, but you explained about the market. Was there any effect? Did the quota affect the price, in your opinion?

Mr. Paul Sprout: Certainly some of the spawn-on-kelp licence holders believe the increase in the Heiltsuk allocation affected the market price.

From our perspective, in looking at that question, we noted a few things. We noted the following. The price peaked in the mid-1990s, before the Heiltsuk decision in 1996 and before the quota started to be phased in, in 1997, 1998, and 1999. In fact, the price was already at a historical high and was declining before the decision was actually put into place.

We also noted that the allocation for the Heiltsuk was held constant from 2001 to 2005, while the total landings in British Columbia were basically constant or declining. The price still declined through those years.

The other thing we noted was that for the roe herring fishery, which has the same Japanese market, their price also declined during the same time period.

In analyzing this situation, it's our view that the dominant factors are the Japanese demographics, the change in consumption patterns, global competition, and the value of the Canadian dollar.

I recognize that some spawn-on-kelp licence holders don't accept that, but the empirical evidence we have suggests that the dominant factors are the ones I have mentioned.

Ms. Catherine Bell: Thank you.

I'm going to read the presentation they made to this committee back in June:

The Spawn on Kelp Operators Association respectfully requests that the Standing Committee on Fisheries and Oceans consider funding a spawn-on-kelp licence rationalization plan proposal based on Marshall.

I know it is a big case. Could you give us a very brief explanation of what the Marshall decision would mean to the spawn-on-kelp operators? Would it solve their problem, or would it create other problems?

• (1140)

Mr. Paul Sprout: I think what the individuals are requesting is this. When the decision of the Supreme Court came down in the case of the Heiltsuk, and then the department increased the allocation of the Heiltsuk over the period I've described, those individuals asked the department to compensate them for increased first nations access. I think that's what they are looking for.

They drew a parallel to the Marshall decision because in the case of Marshall, where crab licences and other licences were acquired, it reduced the allocation to other licence holders. The department purchased those licences and transferred them to first nations. I think it's the parallel they were attempting to draw.

In the case of B.C., we actually did not reduce the allocation of any of the commercial spawn-on-kelp licence holders. The reason we didn't is that the total allowable catch for roe herring was not actually being achieved in B.C. We could have actually caught more product or more fish. We did not have to reduce the spawn-on-kelp allocations to the spawn-on-kelp licence holders. From our perspective, we did not see this as the parallel that they've described.

All the spawn-on-kelp licence holders are allowed to harvest roughly 16,000 pounds per licence, and they continue to be permitted to harvest 16,000 pounds per licence. There was actually no reduction in the amount of harvest with the increase in first nations access, based on the Supreme Court decision.

It's different in other situations where first nations access is increased. You're transferring in order to allow that increase and not to affect other licence holders who are transferring licences and purchasing those licences, because you're going to reduce what's going to be left over for others.

It wasn't done in B.C. because of the fact that we still had TAC available, and compensation was therefore not provided.

Ms. Catherine Bell: Do I have more time?

The Chair: Actually, you don't.

Mr. Kamp.

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

Thank you, Mr. Sprout, for coming. It's an interesting issue and is complex in some ways. Thank you for helping us to understand it a little bit better.

As Ms. Bell has pointed out, there are two primary issues that are before us, and I think you've responded to them. One is the issue of transfer without compensation, and that's what was raised by the witnesses; at least two made a fairly passionate case for that when they appeared before us. You would agree, I think, that it is the department's position that when we transfer allocation we do compensate for it. Your position is that isn't what happened in this case because the existing spawn-on-kelp fishers continue to get their 16,000 kilos. Does that summarize your position?

Mr. Paul Sprout: That's correct—16,000 pounds. Where other allocations have to be reduced to increase first nations' allocations, then compensation is provided for; where that is not the case, then it is not. In this instance, no reductions in spawn-on-kelp quotas were applied.

Mr. Randy Kamp: The other issue, of course, is the notion that with these new licences there's a whole new increase in supply, and that supply ends up in the market and the price goes down based on that. You've responded to that partially with your table in appendix 1. You've made your case there.

What happened prior to 2001, when all this started to happen post-1996? What was the supply coming from Canada being sent to Japan? If we were to see a table like this that was pre-1996, would it show us anything of interest other than this? Was there a big spike in supply post-Gladstone?

• (1145)

Mr. Paul Sprout: It would show an increase for a couple of years based on the allocation provided to the Heiltsuk. That would be roughly somewhere in the order of 25% of the total production in B. C. At the same time, you'd have to factor in the global production, which would include, typically, the Alaska production, which would mask that small increase in B.C., and then take into consideration the other market forces I've mentioned.

Mr. Randy Kamp: Is there a black market for spawn on kelp?

Mr. Paul Sprout: There certainly has been in the past. There have been black markets. For the members, what this is referring to is we have spawn on kelp being harvested illegally and then attempts to put that product into the legal market. We've definitely had instances of attempts to do that and product entering into the black market in the past.

We feel more comfortable today that we have a better control of that, and that we're not seeing the degree of that entry we have in previous years. I think the short answer is that in the past, yes, there have been instances when that black market has shown up.

Mr. Randy Kamp: How do you monitor that?

Mr. Paul Sprout: In a couple of different ways. Typically, during the spawn-on-kelp season, while the kelp is in the ponds, the herring are spawning, and so forth, we will do surveys in various locations where the potential to remove the product is possible. In other words, the herring are there, the kelp are present. So we will survey those areas periodically.

The second thing we do.... This product usually has to go through some sort of plant; it has to be processed in some sort of way along the lines I've described. So we will look at various plant operations to see whether they're actually storing spawn on kelp, and if they are, if that can be traced back to a valid licence holder, and it's legitimate versus product that's not legitimate.

These are the two principal ways we use to try to stay on top of whether there's black market product showing up.

Mr. Randy Kamp: Is there any chance that the black market product is affecting the price, by supply?

Mr. Paul Sprout: I can't say for sure. In the past, where we had evidence of black market product, that was when the price was very high. It was quite attractive to people to go out and take the risk of being caught, because when you're potentially making \$30 or \$40 a kilogram, the payoff can be quite high. When it's closer to \$6 a pound, the incentive to do that is much reduced. So the market itself probably affects the behaviour of people who would like to do that.

Recently, in the last few years, the black market has not been brought forward as a strong issue by the spawn-on-kelp industry. Previously, when the price was very high, that was more of an issue.

So my answer is that I don't think it's influencing price today. I don't think it's as extensive as it may have been historically. I think that's probably a reflection of a couple of things, but certainly the value is one of them.

Mr. Randy Kamp: I have just a couple of final questions.

If I'm a spawn-on-kelp fisherman, I hold a licence to do that, I assume. What does that licence cost me?

Mr. Paul Sprout: I forget. You have a fee. There's a fixed fee for all the licence holders.

The Chair: You can get that.

Mr. Paul Sprout: I can provide that to the committee. I think I know what it is, but I don't want to say, because I'm not sure I'm right. But it's a fixed fee, and you would pay that.

Mr. Randy Kamp: Right. I recall it to be \$10,000, and that may or may not be correct.

You said there are 46 licences, and 26 are held by first nations communities. Are all of those 26 first nations licences held by the Heltsiuk?

• (1150)

Mr. Paul Sprout: No. They hold nine of those licences, and the others are held by other communities or individuals.

Mr. Randy Kamp: Now, do all 46 pay this licence fee of \$10,000, or do the first nations not?

Mr. Paul Sprout: The Heltsiuk don't, because of the rights issue. As for the other first nations communities, I'd have to verify that.

Mr. Randy Kamp: Okay. My understanding was that just the Heltsiuk didn't, and that also causes a bit of a.... You know, if we're working towards integrating single commercial fisheries as much as possible, and one set of licence holders pay \$10,000 for the right to fish and another group doesn't pay anything, would you agree that could be a source of contention?

Mr. Paul Sprout: Well, it is a source of contention. The challenge, of course, is that in one instance we're dealing with a right—admittedly, it's not an exclusive right, it's one that we're trying to understand—and in the other it's not.

I do take the point on integration. That is an objective of this department, to try to have similar rules or identical rules as best as we possibly can, but also to try to respect the decisions of the court as we do that.

Mr. Randy Kamp: In terms of the 20 licences that are not held by first nations communities, that are held, I guess, by individuals, are any of those individuals also Heltsiuk band members?

Mr. Paul Sprout: There were two licences held by Heltsiuk prior to the decision, so those would have been individual licences.

Mr. Randy Kamp: And they continue to be held?

Mr. Paul Sprout: They continue to be held.

Mr. Randy Kamp: Are they treated the same? Do they pay the licence fee?

Mr. Paul Sprout: They would be treated in the same way they were prior to the decision.

Mr. Randy Kamp: Okay. Thank you.

The Chair: I have a couple of quick questions, and then we'll ask if anyone else has a final question.

I'm not clear on the TAC for spawn on kelp prior to Gladstone in 1996. In 1995, what was the TAC for spawn on kelp? Was there an increase in the TAC—and that was the question the parliamentary secretary asked—after Gladstone?

Mr. Paul Sprout: The quota per licence prior to the decision was 16,000 pounds per licence. After the decision, the department negotiated an increased allocation for the Heltsiuk, which I described at the beginning of my presentation. The amount that we provided was still within the total allowable harvest of roe herring that had been determined by science.

So there were provisions or flexibility to increase the first nation access, because there was unharvested allocation, an unharvested amount of roe herring, but there was no change—

The Chair: There was an unharvested amount of roe herring, but there was an increase in the TAC for spawn on kelp after—

Mr. Paul Sprout: Yes, that's correct. There was an increase in the catch of spawn on kelp after the decision was made.

The Chair: I said so because in the reference to Marshall you made the comment that there were no reductions in the spawn-on-kelp fishery. That's not how Marshall is applied; Marshall is applied on the basis that there's no more effort in the fishery, which is similar, but a different thing altogether. In the case of the Marshall decision, specifically in the lobster industry, there was no additional TAC. They did not increase the overall amount to accommodate a new entity in the fishery, but bought existing licences. I think that's been the argument from some of the spawn-on-kelp operators, as I understand it.

Mr. Paul Sprout: There's a difference between the lobster fishery and the spawn-on-kelp fishery.

The Chair: Of course there is.

Mr. Paul Sprout: The lobster fishery is an effort-based fishery. So licences are issued and there are trap limitations. The spawn-on-kelp fishery is a quota-based fishery, with a quota per licence. So there was no reduction in the quotas after the decision. Each licence holder before the Supreme Court decision had 16,000 pounds per licence; each licence holder after the decision still had 16,000 pounds per licence.

The Chair: I'm just looking at the argument made by the spawn-on-kelp fishermen, who said that the increased TAC, the increased players, the more spawn on kelp being produced and fact there was more product on the market—and I agree with your position on what happened with the economy, the increase in the value of the Canadian dollar, which are all issues as well—also drove down the price.

Mr. Paul Sprout: Again, if that is the logic, what's difficult to follow is why the price continued to decline from 2001 to 2005, when the total landings were actually declining or stable, yet the price still declined. The difficulty is that the market conditions, the Japanese market and so forth, seemed to suggest that other things are controlling or explaining the reasons for the price decline.

• (1155)

The Chair: I appreciate that, and I am going to go to our next questioner here, but I just want to make the point that we're still looking at information in isolation. There's also an Alaskan spawn-on-kelp fishery, and we don't know how many tonnes they put out. There are other issues around. I don't know if quality was an issue. There are a number of other factors that could affect it, but certainly the amount of spawn on kelp on the market is a factor. If you want to drive the value of something down, produce more than the consumers are willing to buy and you will drive it down.

The question that's been asked is was the Department of Fisheries and Oceans complicit in that happening. That doesn't help the Heiltsuk and it doesn't help the spawn-on-kelp fishers, who are individuals; it doesn't help any of those people in that resource, if that occurred. I think that's the answer we're trying to find.

Anyway, I'll go to the final questioner, Ms. Bell.

Oh, Mr. Simms, sorry, I certainly didn't mean to bypass you.

Mr. Scott Simms: Again today. It's because I'm carrying this BlackBerry, isn't it?

Mr. Sprout, I just have a quick question on emerging markets. We've been talking about Japan being the sole customer here. Are there any other markets outside of Japan?

Mr. Paul Sprout: No; the product is sold in Japan.

Mr. Scott Simms: Period?

Mr. Paul Sprout: Yes.

Mr. Scott Simms: No other Asian nations? No emerging markets there?

Mr. Paul Sprout: No. My understanding is that the product is exclusive to Japan.

Mr. Scott Simms: That's all I'll ask; I just wanted to ask about emerging markets.

The Chair: Ms. Bell.

Ms. Catherine Bell: Thank you.

I have two questions. One is regarding the global competition, and you mentioned Alaska. Are there any other places producing spawn on kelp that would have an impact on the price?

Mr. Paul Sprout: There are other places that are producing roe herring—that is, again, going into the Japanese market—but I don't believe there are others that are producing spawn on kelp.

I'd have to determine whether Russia might be. They have the capability to do it, but I'm not sure that they are.

Ms. Catherine Bell: That would cut into our market and drop the price.

• (1200)

Mr. Paul Sprout: Yes, it would.

Ms. Catherine Bell: You talked about doing the mediation and working with the first nations and the other organizations and individual spawn-on-kelp fishermen, and you said that with the industry you've built these relations, working towards less confrontation in the fishery. But from this presentation it sounds like SOKOA is not satisfied. They want something more.

I'm wondering whether we are going to have to go through this every year, or if it is settling down. Is the spawn-on-kelp organization just frustrated because they're losing money because of market prices, and sort of using the other decisions as a reason for their loss and maybe not understanding that it is the market? That's asking you for an opinion, I guess, more than anything.

Mr. Paul Sprout: I know they're frustrated. I know the individuals who have spoken to you are struggling.

This is a fishery that was doing extremely well ten years ago. They had a very attractive fishery. It was very lucrative. It was a fishery that many people wanted to get into. Now it is a fishery in which many are choosing not to fish. Their earnings don't actually meet their costs, so they're actually choosing not to fish. That's why the total production is less than the allocation. It's very frustrating to them.

I take the point that some are raising, that they believe the increased production related to the Heiltsuk may be depressing prices. The evidence we have suggests that's probably not the case and that there are other things going on—the global market and the other things that I've explained—but it doesn't take away from their frustration, and I know that.

We believe that ultimately we have to find a long-term solution and that ultimately they need to be part of that solution. I'm not quite sure what that long-term solution is, but it has to be found by the Heiltsuks, the roe herring industry, including the spawn-on-kelp association, and us.

In 2006 we were able to get something most of us could live with, and we felt that the fishery for the roe herring went ahead very smoothly. We would hope to have at least that arrangement again in 2007. There are other significant interests at stake out here—the roe herring fishery—which are much larger. And it's important that that fishery be allowed to carry on, and with civility.

So I know they're frustrated. We're going to work with them. We have not given up. We remain confident we can find a solution. We think we're on the right path.

This is difficult. We understand that, but we think we've got the right approach here to find a solution.

The Chair: I'd like to thank our witness for appearing today. We appreciate that this is a fairly complicated issue, but certainly it's an issue that has affected the lives and livelihood of a number of fishers on the west coast, and it is important that we find some type of positive solution to it.

Thank you, Mr. Sprout.

We will go on to the next part of our meeting. Let's suspend for a few moments. We'll come back in camera.

[Proceedings continue in camera]

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