



House of Commons
CANADA

Standing Committee on Fisheries and Oceans

FOPO • NUMBER 010 • 2nd SESSION • 40th PARLIAMENT

EVIDENCE

Tuesday, March 24, 2009

—
Chair

Mr. Rodney Weston

Also available on the Parliament of Canada Web Site at the following address:

<http://www.parl.gc.ca>

Standing Committee on Fisheries and Oceans

Tuesday, March 24, 2009

• (1110)

[English]

The Chair (Mr. Rodney Weston (Saint John, CPC)): Order, please.

Ladies and gentlemen, thank you very much. We're ready to begin.

Before we start, if it's the committee's wish, Mr. Stoffer would like two minutes just to raise a couple of points on something he wants to bring before the committee.

Mr. Stoffer.

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

There are two things. First of all, the *Embassy* newspaper came out on Monday, and I suggest every committee member get a copy of it. It's not often that you see all members of the House of Commons, the critics, and the minister talk about one issue with such solidarity. It's in regard to the seal harvest. There are four great articles in there, and it would be really good for all of us to have a read of that. The unanimous support we have for the harvest is really something we can be proud of.

Secondly, I was in Washington on Thursday and Friday. I was at a store in Georgetown. On the storefront was a huge poster of a whitecoat. On the back of it, it says that Canadians are skinning alive these seals for their pelts. The chairman has a picture of the postcard, which Mr. Bevan has seen before. They come from Canada. Of course it's simply wrong what they're saying, so I went in there and I questioned the lady about her motives on that. She told me that I seemed to know a lot about seals. I told her who I was and she got all red-faced and embarrassed and admitted that this poster comes from Canada.

This poster is so deliberately misleading that it wouldn't hurt... I've just talked to Mr. Bevan about it, and he has a couple of words he'd like to say about it as well. But if the committee agrees later on, maybe the chair of the committee, on behalf of the committee, could write that company a letter and tell them that this is very, very misleading about what happens on the ice out there.

Thank you so much.

The Chair: Thank you, Mr. Stoffer.

All right. We will begin.

This morning with us we have a delegation from—

Mr. Peter Stoffer: Excuse me, Mr. Chair, but I think Mr. Bevan wanted to say a word on that.

The Chair: Okay. I'll introduce him and he can bring that in in his opening comments.

Mr. Peter Stoffer: Okay. Sorry.

The Chair: That's all right.

With us today is Mr. Bevan, the assistant deputy minister from the Department of Fisheries and Oceans.

I'll turn the floor over to you, Mr. Bevan. I appreciate you and your delegation coming here this morning. I'll let you introduce your delegation from the department.

If you want to make some comments around the comments the member just made, it would be appropriate at that time. We want to talk about the lobster fishery as well this morning.

Mr. Bevan.

Mr. David Bevan (Assistant Deputy Minister, Fisheries and Aquaculture Management, Department of Fisheries and Oceans): Thank you.

The delegation here today is as follows: Sylvain Paradis and David Gillis, from our science division; the ADM of science, Wendy Watson-Wright, who will be making the introductory remarks; and Robert Elliott, from our policy group, which looks after the economic statistics for the lobster fishery, among others.

On the seal hunt issue raised by Mr. Stoffer, we are writing a letter to the president of the company to correct some of the mistakes in their ads. As noted, they have a picture of a whitecoat. That's no longer permitted. As well, they talk about the skinning alive of animals. Again, there's a great deal of evidence, even from some of our critics, that this doesn't take place. We'll be correcting those mistakes in an open letter to the company.

Thank you.

I'll turn it over now to Wendy Watson-Wright for introductory comments.

Dr. Wendy Watson-Wright (Assistant Deputy Minister, Science Sector, Department of Fisheries and Oceans): Thank you, David.

Thank you, Mr. Chairman, for the opportunity to discuss this most important fishery with you and the standing committee.

I say “most important fishery” in the context that, as this group already realizes, I’m sure, the lobster fishery in Atlantic Canada has been the largest fishery for a single species in the country in terms of value. The landed value in 2007 was \$562 million. In addition to this value, we must also recognize the spinoff businesses that the fishery supports and the added value of processed and exported products.

• (1115)

[Translation]

Unfortunately, the current economic downturn has recently hit all Canadians fisheries hard, especially those in the higher end of the market such as lobster. Nevertheless, lobster fishing remains a mainstay of Atlantic Canadian communities today, with over 10,000 licensed fishermen as well as others in the processing sector and exporting industries.

A total of 25,000 Atlantic Canadians make a living in this industry. With this context, it is essential that the lobster fishery be managed in a fashion that ensures that, in benefiting from the resource today, we do so in a sustainable manner. Simply put, we must ensure that future generations of Canadians have at least the same opportunity to take benefit of this legacy resource as we do today.

[English]

It was for this reason that Ministers of Fisheries and Oceans have twice now asked the Fisheries Resource Conservation Council to look at the Atlantic Canada lobster fishery and to advise them on approaches that government and industry can use to ensure this important goal is securely met.

The department is certainly pleased that the committee has taken this important fishery as a focal issue and that you’ll soon be travelling across Atlantic Canada to discuss and consult with interested parties. We know, of course, that you’ve recently met with chairman Jean Guy d’Entremont of the FRCC and his executive team and that you’re now quite familiar with their most recent recommendations from their report, *A Sustainability Framework for Atlantic Lobster 2007*.

The department has retained three principal messages out of this report and has called for regional staff to work with the industry on how best to advance these in their respective fisheries. These three objectives are improved controls on fishing effort; better information about the resource and the fishery; and improved governance. The department considers that the FRCC report is a very useful reference for departmental managers, scientists, and the industry, as it discusses revised management approaches that will take the lobster fishery in the broad directions that the council has outlined.

There are a number of new initiatives that are under way in numerous fisheries that are the direct result of the FRCC’s recommendations. These initiatives are in addition to the regular program of science and management activities that we conduct related to lobster year in and year out.

The lobster fishery is a long-established one, and one where the management system has evolved in close association with the communities that the fishery has supported for generations. The effort control approach to management that is used in the inshore fisheries is to some extent unique, and for that reason so is the

science program that supports this management system. The effort control approach to management that we use in all but one of the Canadian fisheries, lobster fisheries, is basically similar to that used by our American neighbours for the same species as well as that used by the closely related European lobster fisheries in the North Sea and adjacent waters. It’s a style of management that lobster fishers widely support and may be, in many ways, an approach to which this species is well suited.

Other approaches to management based on output controls, such as quotas, would of course demand knowledge about abundance of populations that would be challenging to acquire and maintain in a comprehensive fashion. That said, we recognize that the world continues to evolve and adapt to emerging pressures, and the Canadian lobster fishery must do so as well. Consumers are more demanding today that fisheries be not just sustainable, but they be demonstrably sustainable.

Eco-certification and labelling for sustainability is a real and rapidly emerging requirement to access and maintain key markets, especially for higher-value products. As well, states that impose strict conservation measures on their fisheries increasingly require that measures of at least the same effect be taken by the other states that export to them.

Collectively, these pressures require that the government, the industry, and the many other interested parties work together to keep the Canadian lobster industry well managed for the times in which we live and sustainable over the long term.

In the department we have many expert and dedicated staff who work with each other and with the industry on these matters on a regular basis. The department has made lobster a priority species for new funding recently received to stabilize the collaborative science program in the wake of the Larocque decision, which this committee has heard about in the past. We are introducing new initiatives under the fisheries renewal action plan to guide decision-making in all Canadian fisheries, including lobster, toward a more ecosystem-based approach.

I would say the FRCC report complements these efforts very nicely by providing independent corroboration that these broad directions are important and appropriate and by outlining some of the tools that would be available for use in achieving them.

Again, Mr. Chairman, thank you for the opportunity to address the committee. My colleagues and I would be very pleased to entertain your questions and comments.

Merci beaucoup.

• (1120)

The Chair: Thank you very much.

Mr. Byrne.

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

Thank you to our witnesses from the department.

Your introduction spelled out some of the scientific parameters that are so essential to proper resource stewardship. We are aware that in numerous lobster fishing areas there has been a decline, and a somewhat dramatic decline. Some areas have been stabilized. That's not to minimize this particular issue, because it is very serious, but it's also something that's been around for a while.

The perfect storm that seems to be hitting the lobster industry is resource uncertainty in certain areas as well as economic uncertainty. Your presentation did not touch at all on the economic variables and the uncertainty facing fishermen in the industry. You did note that 25,000 Atlantic Canadians and Quebecers derive their living from this particular industry.

What can you tell us about what the department is engaged in to help stabilize the economics? What specific marketing initiatives is the Department of Fisheries and Oceans pursuing or intending to pursue to bolster the economics of this particular fishery and to raise the landed values to our fishermen, who have now had lobster prices cut in half? Why is it that industry rationalization is now getting greater emphasis within the department, yet no publicly sourced funding is available for industry rationalization through lobster licence retirements or buyout packages? Why, in the most uncertain economic times the lobster fishery has faced in recent history, are fishermen themselves having to buy each other out, with no genuine or sincere access to capital to do so? Is that creating a circumstance of prescribed failure?

Could you just relate what measures you have in place in terms of bolstering the economics of this fishery?

Mr. David Bevan: Thank you.

We did put in place with the Department of Agriculture and Agri-Food a program under the CAFI program of \$500,000 for the month of March, with a view to trying to promote lobster sales, trying to deal with existing inventories, and trying to move ahead with setting the stage for the 2009 fishery. We will be looking to work with other departments again in the coming fiscal year with a view to trying to continue the work on marketing and promotion of lobsters in markets.

We have, as you noted, been working with the various LFAs, lobster fishing areas, over the course of the last year, and we are continuing to do that with respect to looking at changes that might help with both the sustainability of the fishery in terms of some LFAs increasing carapace sizes, etc., as well as with the fishermen's groups to try to see if we can find a way to streamline and allow them to reduce their costs at this time. So licence stacking has been permitted. Combining has been permitted. Other measures have been looked at. That was done both to reduce the costs and to help respond to preserving the independence of the inshore fleet in Atlantic Canada where some fishermen had acquired another licence. We are looking at ways to change the policies to accommodate some of those factors.

With respect to this industry, though, it's clear that over the last number of years the business model that has been followed has been based on a high level of abundance. We've had record fishing landings for the last 20 years, and I think that was noted in the FRCC report, but it's not clear whether that's based on abundance or based on increases in effort. What used to happen is that lobster fishermen

would put their traps out and haul them once a day. Now they're double-hauling. They're moving a lot more. They have larger boats. They can fish in worse weather. So the effort has gone up substantially. That has resulted in an increase in the landings in some areas, and there have been decreases in other areas, as you noted.

The problem is that the investment in the industry has been based on high levels of abundance and high prices. Both those had to be there if these enterprises were going to be able to break even. Now they're facing substantial changes, and we're going to have to look at how to change and how we manage this fishery.

We aren't, at this point, looking at a huge investment in a retirement program, as that's something that has been done in other fisheries in the past. We've stuck with the things like capacity creep. It comes back into the fishery. We are looking at trying to work with the fishermen to change some of the incentives to try to get better use of their investments, and to have their costs go down.

This year we are also trying to promote measures that they may wish to follow in order to ensure they're not going to glut markets, and specifically glut processing plants. As a lot of the food service has gone down—there's been a 50% drop in food service—that's been replaced by increased retail, but to get it into retail you have to have the products. If we overload the plants, we may end up with a situation in which they aren't going to be able to provide those products to the market.

We are not, at this point, going to seek large amounts of money for traditional buyback, but we are working within the whole community adjustment fund process and with LFAs to see if there's a possibility of some self-adjustment in the coming years.

I would point out that a lobster buyback or any licence buyback is not something that's going to resolve the fishing issue for this year. This year, we're going to have the crunch come upon us in April and May, and, quite frankly, any retirement program is not something we could bring to bear in that timeline.

● (1125)

Hon. Gerry Byrne: So the committee is hearing perfectly clearly that the Department of Fisheries and Oceans is not contemplating bringing forward any licence retirement program requesting support from Treasury Board or central agencies. That's just not on the table with the department and the minister at this point in time?

Mr. David Bevan: If you're looking at what was traditionally done back in the nineties, that is the case. We're not looking at going in and asking for hundreds of millions of dollars to resolve the problem. We have scoped that out, and it is a very large investment. It's something that won't come online for the crisis that could be experienced by this industry in the next two months. We have to look for other solutions.

Hon. Gerry Byrne: Could you describe the smaller-scale licence retirement program? You've highlighted that the large-scale investment, as has been done in the past, is not being considered. That indicates to me that the department is still open, then, to small scale or relative scale in certain lobster fishing areas themselves. Could you describe to the committee what your thoughts are on that? Is the community adjustment fund, the billion-dollar fund, being contemplated as part of that? Does the Treasury Board submission that guides that fund allow that kind of use of the funds for licence retirements?

Mr. David Bevan: We are looking at trying to help lobster fishing areas seek ways to do the adjustments and have enterprises come together. We are looking at that, whether it's through policy change or whether it's through other mechanisms.

You're asking about the community adjustment fund. There are still discussions under way, as I understand it, about the conditions that apply, so I can't answer that clearly at this point. It's just too early for me to say that those conditions would allow some kind of a local program to reduce the number of licences in any particular area.

Hon. Gerry Byrne: What's the total value of the lobster fishery in Atlantic Canada and Quebec in terms of landed values and export values?

Mr. David Bevan: It's about \$1 billion. It is Canada's largest single species fishery. It is the most important fishery in Atlantic Canada and Canada in general.

Hon. Gerry Byrne: In terms of marketing efforts, that's centred around a \$500,000 marketing initiative.

• (1130)

Mr. David Bevan: That was for the month of March, essentially. We couldn't go into the next fiscal year. We had to do a program that was concentrated in the one short period of time. We're now looking at what might be done in the future.

Hon. Gerry Byrne: What do you anticipate in the future? Will it be more of the same? Could you describe what that expenditure for that month of March focused in on? Where do you see it going into the new fiscal year, and to what value for that billion-dollar industry?

Mr. David Bevan: The month of March was focused on generic promotion of lobsters in the marketplace. They were looking at various promotions in seafood shows and so on. What we're looking at in the future would have to be worked out with the other departments involved and with the provinces. As you know, the \$500,000 was a shared cost, so we have to work it out with the provinces and the industry and with the other departments involved. We are going to continue with that work, but I can't describe exactly what activities would be supported at this time or whether the funding will be secured.

Hon. Gerry Byrne: Thank you, David.

The Chair: Thank you, Mr. Byrne.

Monsieur Blais.

[Translation]

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

What I am trying to find out in my first question is whether you agree, given the present situation and what might happen in the lobster fishery, that we should be thinking in terms of what we might call variable geography solutions. In a particular region, one approach might be to allow the carapace size to be increased and the number of traps to be decreased. In another area, licence buy-back could be much more appropriate, specifically given situations such as the one we find in Gaspésie where the lobster fishing zones are really different from those in the Îles-de-la-Madeleine. For example, in the Baies des Chaleurs region, lobster fishermen are only bringing in a few thousand pounds per year or per season, something like 5,000, 6,000 or 8,000 pounds.

In situations and areas like that, a licence buy-back approach could be more attractive and more helpful. So we are talking about different solutions in different places. Do you agree with that principle?

Mr. David Bevan: We do agree. It is impossible to have one solution for all the problems in the lobster fishery all over the Atlantic. We have to work with the fishermen in each zone and find solutions that are best for each situation. All zones are different. The problem is the same, the price. But perhaps there are other solutions for different zones.

Possibly, licence buy-back is a solution in a number of zones. Fishermen in Gaspésie have found a way to reduce the number of fishing licences in their zone. It may be possible to find other ways of doing so in other regions.

Mr. Raynald Blais: Yes, in Gaspésie, fishermen have found a way to get through the difficulties they are experiencing and to deal with ones that may arise later. The Government of Quebec has specifically encouraged and supported the licence buy-back approach. Why does the Government of Canada not support it?

Mr. David Bevan: Perhaps we have to find a way to work together. It is possible that the Government of Quebec and the Government of Canada can find a way to work together. However, as I said previously, it is not possible for us to say that there will be a large-scale program to buy back fishing licences.

Mr. Raynald Blais: But, at the moment, we are not talking about a massive program or a large-scale program. We are talking about an approach that, in one specific region, in specific zones, could be useful, interesting and viable, and that could result in sustainable development in the industry. The Government of Quebec understands this. Why do they not understand it here in Ottawa?

• (1135)

Mr. David Bevan: Up to now, we have not had many discussions with the Government of Quebec, but we could follow up with them about it. That may be a possibility, but I cannot say for sure at the moment.

Mr. Raynald Blais: In the next weeks and months, are you ready to commit to holding discussions both with the industry in Quebec and the Government of Quebec?

Mr. David Bevan: We have had discussions and they will continue. I can say that we are working with all lobster fishermen to find a way to improve the returns and the sustainability in the fishery. But I cannot say now, today, whether it is possible for the federal government to use existing programs or ones that are being put in place.

Mr. Raynald Blais: But you know that the licence buy-back approach, the solution suggested by fishermen in Gaspésie whereby licences are bought back, has been suggested as an solution or an approach for several years already.

Mr. David Bevan: Yes, they used their resources to put that program in place and it looks to me like one way to solve their problems. In the Atlantic region, the problem is the same. Fishermen have invested too much money and too many resources in the fishery. They have to find a way to reduce their costs and to increase the price of each pound of lobster.

Mr. Raynald Blais: How much time do I have left?

[English]

The Chair: One minute and ten seconds.

[Translation]

Mr. Raynald Blais: Fine.

Are you ready to commit to meet representatives of the Regroupement des pêcheurs professionnels du sud de la Gaspésie to discuss possible solutions early in the coming season?

Mr. David Bevan: Yes, we are ready to have meetings and discussions in order to try to find a way to correct the situation and to avoid major problems this season. That is what we are doing in the Atlantic region. We are looking for solutions in each region...

Mr. Raynald Blais: You clearly understand, of course, that I am talking about a specific meeting with a particular group. Are you saying that you agree with that?

Mr. David Bevan: Yes.

Mr. Raynald Blais: Thank you.

[English]

The Chair: Thank you, Monsieur Blais.

Mr. Stoffer.

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

I thank you folks for coming before us today.

Madame Watson-Wright, you had indicated—I'm paraphrasing now—that certain science funds will be dedicated to research on the enhancement of lobsters. Is this new money from the department for lobster research, or is it money taken from other aspects of science and diverted to this specific species?

Dr. Wendy Watson-Wright: Thank you for the question.

The projects I was referring to were in fact new money that came into the department as a result of the Larocque decision. So we have specifically invested in lobster as part of that additional funding that came into the department.

Mr. Peter Stoffer: As you know, the Atlantic Veterinary College does a lot of great work on lobster research. I've been talking with Shawn Murphy about a project-to-project basis, and I remember

speaking to them a few years ago. A member there asked us for more stable funding so that they could do their research in advance and know exactly what kind of money they should be able to receive from DFO on this. Will some of that new funding go to the Atlantic Veterinary College to help them continue their research on lobster science?

Dr. Wendy Watson-Wright: Right now, the funding that I was referring to has to go to industry partners, as opposed to academic partners. Now, we do work very closely with the Atlantic Veterinary College and with the lobster research centre. At this point, we usually count our contributions in kind from both sides. I know that the lobster research centre has recently received funding through ACOA and the Atlantic Innovation Fund. We work closely with them to try to ensure that the projects that are undertaken are actually helpful to the industry and to the department.

Mr. Peter Stoffer: Thank you.

David, last year we heard a lot of news reports about the U.S. inspecting the trucks that were going in. There were some violations in regard to undersized lobsters. I haven't heard of any this year, but there may be some again. There usually are. What is the department doing to enhance and increase its monitoring, not just at the dockyards, but in the lobster pounds and at the border, before these undersized lobsters are sent out?

• (1140)

Mr. David Bevan: We focused our conservation protection program and our fisheries officers on this problem last year. That's going to continue as a priority for their monitoring efforts. As you know, it has been a problem in the past, so I guess the concern you have is that as people come under a lot of economic stress there's a lot more potential for problems with compliance. We're going to have to keep a strong focus on it.

Mr. Peter Stoffer: The other concern, of course, is the issue of other uses of the ocean. There's a lot of talk about Georges Bank and the lifting of the moratorium. For oil and gas, there's increased pressure in that regard, as well as seismic testing. There are a lot of other demands on the environment, and not just for fishermen and their lobsters.

When it comes to making these decisions, I know that a lot of lobster fishermen are saying that their input really isn't being taken into account and that oil and gas or other sectors of the economy will take precedence over their concerns in what has already been reported as a billion-dollar industry. How much of their input actually gets through to the department in order to protect and enhance the environment for the lobsters to thrive in? It seems that there's an awful lot of pressure on the environment in this particular regard.

Mr. David Bevan: There's no question that there's a lot of pressure and there are a lot of demands. I would say they have a very strong voice. I can't really talk too much about the whole integrated management process in southwest Nova Scotia and that whole issue of oil and gas. That's the area of responsibility of my colleague, Mimi Breton, but I think it's fair for us to say that, notwithstanding the fact that there's not.... There's a lot of strong organization around the lobster fishing industry in terms of a holistic "one voice" for all of the LFAs. They get their message through.

Mr. Peter Stoffer: Here's my last question. Last year, as you know, and the year before, there were a lot of concerns regarding the herring fleet coming out of New Brunswick and towards P.E.I. I remember from a few years ago the battle that was happening there regarding where the fathom line should be. I wonder if you could tell us what the plans are for this year and the following years in that regard.

Mr. David Bevan: The herring scene is actually our gulf herring scene; they can go from western Newfoundland through to the southern gulf. Right now, those plans have not yet been provided to the minister. We are looking at some challenges around some of the abundance concerning the spring spawners, but we haven't taken those to the minister. I don't anticipate a lot of changes relevant to some of those decisions that were taken in the past.

Mr. Peter Stoffer: What's the fathom line now?

Mr. David Bevan: It's 25 fathoms off the north coast of P.E.I.

Mr. Peter Stoffer: Thank you.

Thank you, Mr. Chairman.

The Chair: Thank you, gentlemen.

Mr. Calkins.

Mr. Blaine Calkins (Wetaskiwin, CPC): Thank you, Mr. Chair.

I'm looking for clarification, because I think I've heard some conflicting testimony here, or perhaps not conflicting testimony, but some different numbers.

Ms. Watson-Wright, in your presentation, when you quoted the value of the industry, I believe you said it was \$500 million and some.

Dr. Wendy Watson-Wright: Landed value only.

Mr. Blaine Calkins: Okay, landed value. Can you differentiate?

Mr. Bevan, you said something about a billion dollars. Can you explain to me what the difference between those two numbers is, please?

Mr. David Bevan: Yes. The billion dollars would include the export value of the fishery. It's not just the landed value, but also the processed value added, etc. That's why it's larger than the landed value.

Mr. Blaine Calkins: Good.

Ms. Watson-Wright, you brought up eco-certification, you brought up larger consumer demands, consumer influence, consumer knowledge about ethical fishing practices. There has been a lot more attention paid in the media and so on about fish abundance in the sea, and there are reports out saying that in 30 or 40 years there won't be anything left in the ocean, and so on.

The last time the FRCC was here, I noticed there is one place of refugia in all of the lobster fishing areas, and I believe it's in lobster fishing area 34. Also, if you take a look at the graph they show on page 14 here and at the number of landings, fishing area 34 is probably the largest area of landings, and yet we don't have any refugia or anything else in any of the other lobster fishing areas. We have bigger boats, we have more fishermen who can get out. The fishery has evolved from being just a few kilometres off the shore and a small boat to basically a lobster trap can be placed in every area, not only in the gulf but all around the coast of Newfoundland and so on. So it's getting harder and harder, I think, for lobster, and we see that through the FRCC's report, where the carapace length is going down in areas where we have more effort being applied.

I just want to get a handle on this from a sustainability perspective. What are the department's plans in protecting the females, first of all, the ones that are critical? Are we looking at increasing carapace length for females? What are we doing on the enforcement front on that side, whether it comes to poaching, whether it comes to illegal lobster being brought in—because if that's the case, that's going to be an issue or a factor as well.

And what are the departments plans with refugia? We have these lobster fishing areas. If you take a look at that graph on page 14, LFAs 8 through 5 in the bar on the right-hand side—I know you have to be looking at the graph for this to make sense—basically account for what looks to me like not even 10% of what lobster fishing area 34 does all by itself. So when we're talking about the rationalization of the industry, are we going to rationalize it by changing the fishing areas? Are we going to rationalize it by where people fish? Are we going to rationalize it by boat sizes? What are the things the department has insofar as making sure we have enough fishermen making a decent living and enough stock there to make sure it's sustainable in the future?

• (1145)

Mr. David Bevan: Clearly you're raising a number of issues that were on our minds when we asked the FRCC to take another look at lobster ten years after their first report.

We are concerned about the fact that over that ten-year period the vessels have changed substantially. The fishing patterns have gone from a person setting the gear and leaving it there and hauling it once a day to moving gear from place to place and covering much more ground, etc. So we share your concerns.

We have asked, in the gulf, for example, every LFA to come forward with a conservation plan for the next ten years. Some have come forward and they've gone to a carapace size that will allow at least half the females to reproduce once before they're subject to pressure in the fishery. We are looking at those kinds of steps. We have introduced carapace size increases after the first report, and escapement mechanisms and so on, but we have a lot more to do.

We have to work with the industry on those issues, and that's not related to the economic performance alone. An increase in carapace size does mean your individual lobsters are more valuable, but it's not just the design for economics. That's primarily focused on sustainability.

In addition to that, each LFA is going to have to face the facts as well that tracking and traceability requirements are coming in. If you want to sell into the European Union, as of January 2010 you're going to have to be able to trace the product back to at least the fishery and at least the zone, if not right to the boat.

The other thing we have to do that for is health and safety issues, and to reduce the risk to the entire industry in the event that there is a problem in one lot of lobsters. So we need to be able to track and trace the lobsters back to the area of harvest to prove that they're legally taken. That's going to take a lot of effort on the part of fishermen, but also it's going to provide more tools for our fishery officers in the future. So tracking and traceability will be important.

They're also going to be under a lot of pressure to get Marine Stewardship Council certification, and that will mean they're going to have to adjust the fisheries to achieve the necessary proof that they have a sustainable fishery.

And whether we go to more refugias, I don't know what the solutions will be. We'll look at that in the context of each LFA, but clearly the pressure has built. Those catches have gone up to record levels, or historically high levels. If you look at a 100-year timeline, they're double the average over that 100 years, and I think it's not only based on some abundance increases, it's now based on huge investments in extra pressure. We're going to have to try to manage it, and at some point we're going to have to try to find a way to get the incentives focused on net income, reducing costs, and increasing value rather than just building bigger, faster, more effective lobster-killing machines.

• (1150)

Mr. Blaine Calkins: I did mention it. It was brought up when FRCC was here. I did ask about poaching and I didn't get any direct response on that. I'm just wondering whether there are any plans in the future for dealing with tougher penalties on poaching. Do we have a handle on how much poaching actually happens?

I know in the FRCC they've talked about a tribunal rather than laying charges and going through the court system. Are there any plans from the department on that front?

Mr. David Bevan: Clearly, the latter was part of the proposal in the Fisheries Act that was being proposed. I think, generally, that the fishermen and most communities would agree that this kind of approach—administrative law and tribunals—provides much quicker and more suitable penalties.

Having said that, there has been a trend in some areas for higher penalties, and that's had an impact on people. We also have maintained some traditional patrolling for dealing with poaching, etc., but we're also looking at more forensic audits in cases where there is collusion between irresponsible buyers and so on, where there could be undersized lobsters marketed or where there could be illegal lobsters marketed. So we are looking at those kinds of investigations to try to stop the larger-scale poaching as well.

Lobster is our biggest fishery, so I guess it's no surprise it's also one of the biggest focuses for our fishery officers.

Mr. Blaine Calkins: Getting back to traceability, in Alberta, of course, this is a huge issue when it comes to our beef exports. We see that when we're trying to export beef, each province is basically left to its own devices underneath the federal guidelines for traceability and age verification. Basically, we can trace an animal right back to a farm. Now, of course, this is what the export markets are demanding that Canada do, in light of some of the issues that we've had, notably BSE.

Can you tell me how much of an impact that has? Do we have an assessment on market access, what we're capable of for market access, what market access we would be losing if we're not going to be able to implement traceability in the lobster fishery?

Mr. David Bevan: The lobster fishery is susceptible to this issue, in particular, with respect to the European market. There will be possibly requirements, from a food safety point of view, in other markets as well, but we need to move ahead with options the industry can look at for being able to demonstrate where those lobsters are coming from. It could be anything from numbered or coded bands—every lobster has those—to other solutions. But we're not looking at dictating solutions. We're looking at providing standards to assure our trading partners, but then leaving some options open to the various groups of fishermen and companies.

Mr. Blaine Calkins: So there is no loss of market access right now. It's just that if we don't have a program in place that could become a factor in the future. Is that correct?

Mr. David Bevan: The future being January 2010, so it's imminent.

And that market would represent what percentage of our lobsters, do you know?

Mr. Robert Elliott (Director General, Economic Analysis and Statistics, Department of Fisheries and Oceans): On the European market, I can get you that.

In 2007, out of total lobster exports of \$391 million, \$43.6 million went to the EU.

Mr. Blaine Calkins: It's substantial.

Mr. David Bevan: And we already have seen problems with the \$40-million Japanese market as a result of PSP in tomalley, and we are going to have to start doing a proper tracking and traceability program so we can identify where those individual lobsters come from. Because the bands are on every lobster, that's one potential way to do it, but I'm not going to prejudge how the industry wants to respond.

Mr. Blaine Calkins: Okay, thank you very much.

The Chair: Thank you, gentlemen.

Mr. Murphy, I believe you're going to split your time with Mr. Oliphant.

Hon. Shawn Murphy (Charlottetown, Lib.): Thank you.

I just have a couple of issues, Mr. Bevan. One issue that you've lived with, I guess, your entire life is the whole issue of enforcement and complaints that there's not enough enforcement. But the constant frustrations of the whole industry, as far as I'm concerned, are the penalties and sanctions that are imposed after a person is caught and prosecuted. These prosecutions aren't cheap. They take a long time, and you see somebody get the \$1,500 fine or the \$1,200 fine.

It seems to me if people want to participate in a regulated industry, and they get benefits from the regulated industry, there has to be some mechanism that they play by the rules. Is it not time, when we go forward in this regulated industry, for the Department of Fisheries and Oceans to up their game and just make a one-year suspension for anyone caught violating the regulations set down by the Minister of Fisheries and Oceans?

We've had a couple of situations in my province lately where a person goes out with short lobsters or fishes illegally outside of the season and uses illegal gear, and the fines are between \$1,000 and \$1,500, with maybe one or two days of suspension. They're back in the water right away.

Is this something that is being considered by the Department of Fisheries and Oceans or is it something that should be considered by the Department of Fisheries and Oceans?

• (1155)

Mr. David Bevan: As you may recall, we did consider licence sanctions in the past. We put in place a program for licence sanctions. Unfortunately, we lost several court cases, and under the existing act that is no longer possible. We cannot do licence sanctions. They're extraordinarily effective. They really do make a difference in terms of the whole compliance in a fishery, but we don't have the legal authority under the current Fisheries Act to do so. As noted earlier, we were seeking tribunals with that power to have real teeth and a quick response relevant to what we're going through now, but that's not legally possible under the existing act.

It's something we have considered. It does work. We know it works, but we have to seek new legal authorities to put it in place.

Hon. Shawn Murphy: That would be part of a new Fisheries Act.

Mr. David Bevan: That's correct.

Hon. Shawn Murphy: I have one last point.

I want to get a comment from Ms. Watson-Wright on the whole issue of lobster incubator projects that are going on. I understand there's one in Shippagan, and there are a couple in the United States. Do you see that as an emerging science? Are they working? Do you see them becoming more frequent in Atlantic Canada? I know they've been around for quite a few years, but I think they're more successful now.

Dr. Wendy Watson-Wright: Yes, they have been around for quite a few years.

I think the advantage to this approach is that it does bring people together, including the industry and researchers, in trying to find common solutions.

We haven't actually been able to demonstrate that there's a very large effect far away from where these lobsters are released. That's not to say it doesn't happen, but we haven't been able to demonstrate it.

In terms of habitat enhancement that goes along with releasing juveniles into the ocean, we're not sure how effective that would be. It shows promise, and there are certain areas where artificial reefs are being put in place, but again, we lack the evidence to be able to demonstrate that this is a good approach. In our minds, it makes sense, but there's quite a lot of mortality once you do release these small animals to the ocean. Whether it will increase, I don't know.

Hon. Shawn Murphy: Thank you.

The Chair: Mr. Oliphant.

Mr. Robert Oliphant (Don Valley West, Lib.): Thank you for being here.

I'll begin by expressing my naiveté about these issues. You don't get a more urban riding than where I come from, in mid-town Toronto, but I have the Don River going through my riding.

I come here as a consumer of lobster. I've read the briefing notes, and I'm trying to figure this situation out, as someone who thinks there's a tremendous opportunity for the Government of Canada to study some of the issues around consumer responses to price elasticity of lobster and look at some of the marketing opportunities we could be involved in, collectively, as a people. Half a million dollars on marketing for a billion-dollar industry doesn't seem like very much.

I'm wondering, first of all, what is that spent on? That would be my first question.

Mr. David Bevan: It basically had to be rolled out the door very quickly; it was spent on generic promotion.

Your question about price elasticity and the response of various components of the lobster market to price changes, etc., is a valid one. We don't have the degree of research we'd like on that. We know from discussions with buyers in the United States that we can sell every lobster we want at \$5 retail, but that equates to something pretty low in terms of landed value. We do know the break-even prices for various LFAs. In low-volume LFAs, the break-even price needed by a fisherman is something like \$3.80. If they don't get that, they don't cover their costs.

In other higher-volume LFAs, we have a lot more production per licence. It could be lower, but we don't know at this point how the market would respond to a different price, except to say that if you drop it low enough they will sell. But that doesn't help us in terms of what is needed to allow this industry to function effectively.

•(1200)

The Chair: Thank you.

Mr. Robert Oliphant: Are there any demographic studies on what the perception of lobster is among younger people?

The Chair: Sorry, you're out of time, Mr. Oliphant

Mr. Robert Oliphant: I thought we had five minutes.

The Chair: Yes, a total of five minutes, between you and Mr. Murphy.

Monsieur Blais.

[Translation]

Mr. Raynald Blais: My question goes to Mr. Bevan or to anyone else. With next season fast approaching, what measures is the department planning to take to confront the situation caused by the economic recession in the United States? It will surely have an impact on the sale and marketing of lobster products in the American market.

Mr. David Bevan: Last year, we made some policy changes. We talked with lobster fishermen about reducing the number of boats and fishing licences in each zone. But, clearly, those changes are not enough. In the 2009 season, there will be too many fishermen, costs will be too high and the price will be too low. We could perhaps find a way to bring down the level, to have less intensive fishing and to let the fish processing plants provide product for retailers, for stores. It is possible to sell lobster meat in stores, but not in restaurants and other places where food costs have dropped by 50%. Unfortunately, it is not easy to find quick solutions, even though they are needed. The only way to do anything is to talk to fishermen and to find a way to let the processing plants produce fish for stores.

Mr. Raynald Blais: We can take steps to encourage consumption of the product in Quebec and in Canada. If the American market is less receptive this year, let us focus on our domestic market. That requires marketing, an advertising campaign, and so on. Is that in your plans?

Mr. David Bevan: Yes, we have spoken with the provinces and the industry and we are looking for new markets and for better ways to sell lobster. We want to find a way to expand the lobster market in Canada and elsewhere around the world. We are trying to find new technologies that will let us send live lobster to new markets.

Mr. Raynald Blais: For 2009 specifically, what marketing efforts will the department be undertaking in the coming weeks?

•(1205)

Mr. David Bevan: For 2009, there was the program in March, but we have to work with other programs and other departments to set up a new program for coming years.

Mr. Raynald Blais: How big is the marketing budget for lobster products domestically?

Mr. David Bevan: The budget is just for the United States market. It was not possible to use this money for the Canadian market; it was one of the conditions. The entire budget is set aside for the American and European markets.

Mr. Raynald Blais: I want to be sure that I understood.

Mr. David Bevan: Correct, we are not allowed to use these funds for the Canadian market.

Mr. Raynald Blais: Does that mean that the department has set aside nothing for Canada?

Mr. David Bevan: That was another situation, based on the conditions of the program. We have to talk to the other stakeholders in order to set up a new program for this year.

Previously, no, there was nothing spent in Canada.

[English]

The Chair: Mr. Stoffer.

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

I just want to let Mr. Oliphant know that Tom Wappel was a corporate lawyer from Scarborough, Ontario, who was the chair of our committee for a couple of years. He did a great job, so there is hope for you yet, sir. That's just to let you know.

Mr. Bevan, you know that in 1996 DFO had a plan—what fishermen out there called the Mifflin plan—with area stacking of the licences. A lot of fishermen referred to it as “eat or become eaten” in terms of the reduction of the fleet. It caused a lot of turmoil on the west coast, as you are probably aware.

Some lobster fishermen have indicated that this buddy-up system or the doubling-up of licences may lead to that sort of atmosphere once again, because we have the trust agreement concerns that Mr. Hearn dealt with the last time. I'd like you to tell us two things. First, reiterate what DFO is doing about the trust agreements, the long-term plan on that. And second, with the buddy-up system and having two skippers on one boat and having 250 plus 125 traps on the boat, tell us what you perceive that will lead to, as compared to what they fear it may lead to.

Mr. David Bevan: We are still committed to preserving the independence of the inshore fleet in Atlantic Canada. People in trust agreements have a period of time in which to get out of those, and the person holding the licence in trust has to find a way within the timeframe to reissue the licence to independent core fishermen. That is still in place.

What we did, though, was to tell a number of fishermen that we knew some of them had bought other people's licences, and that within these LFAs we needed to work with their colleagues and peers to find a way to allow some of this licence combining, whether through stacking or the combining of two licences into one. We needed to find a way for that to go ahead. When we had those discussions, we found that on combining two enterprises, they didn't want to have 200% of the traps. They wanted to have the benefit accrue to the rest of the LFA fishers as well, so you could combine the percentage. You usually end up with 150% of what one enterprise would have, when you combine two into one.

That means there is a benefit for the others, because there is a reduction in effort. That means that there should be a better CPUE, catch per unit effort, for the remaining traps, and that helps the rest of the LFA, but it also helps the two that combined to reduce their costs and find a way to augment their earnings.

It's been in place for a number of years and in a number of LFAs, and it has not created the same kinds of concerns that some expressed regarding other schemes to reduce effort. But it has definitely been an attempt on our part to find a balance between benefiting the two that combined into one, and benefiting the rest of the fishers in the LFA.

Mr. Peter Stoffer: For the trusts you're giving, what year do they have to have that finalized? I think it was seven years.

• (1210)

Mr. David Bevan: It was seven years as of 2007, so it would be 2014.

Mr. Peter Stoffer: Thank you.

Regarding aquaculture concerns, as you know, there was an aquaculture site slated for southern Nova Scotia. One of the concerns was that you have these people who are experts in this talking about how all the poisons and stuff that would come from the site would damage lobster sites, which we know is not true. But the reality is the aquaculture sites can take up a lot of area and would be for mussels or halibut or whatever it is they would be doing. What is happening, on the aquaculture side of it, to protect the integrity of the areas where the lobster fishermen traditionally fish?

Mr. David Bevan: We do have a process for working with the provinces on the site selection. That site selection is based on ecological studies that examine the footprint. So it is not just the physical presence of a farm. You have to look at the physical changes that the farm could cause in the local ecosystem. We want them to be reversible, so that once you go fallow, it should be relatively quickly reversed and go back to the state of the ecosystem that existed before it was there. We want to make sure that we aren't going to unduly impact other users of the marine ecosystem.

There is a process that dictates where sites can go, and we do take into consideration the concerns of people fishing lobster or other species.

Mr. Peter Stoffer: Thank you.

The Chair: Thank you.

Mr. Van Kesteren.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you.

Thanks to the witnesses for appearing before us again today.

I have a quick question for you, Mr. Elliott. You mentioned \$391 million. Were you saying \$391 million worth of lobsters?

Mr. Robert Elliott: I actually want to clarify that. My table here was referring just to frozen products. The total, out of the billion dollars in exports, is \$107 million.

Mr. Dave Van Kesteren: So \$107 million refers to those exported.

Mr. Robert Elliott: Yes, that's right.

Mr. Dave Van Kesteren: How many lobsters are harvested a year?

Mr. Robert Elliott: In terms of landings?

Mr. Dave Van Kesteren: Yes.

Mr. Robert Elliott: I don't have that number with me.

Mr. David Bevan: It's about 45,000 tonnes in total.

Canada is a significant supplier of clawed lobster in the world markets. LFA 34 alone produces about 20% of the world's clawed lobster supply, and Canada about 40%.

Mr. Dave Van Kesteren: Now, these little fellows, they're bottom-feeders, aren't they? Don't they eat the stuff that dies and drops to the bottom?

If we're depleting our lobsters, what impact does that have? Is it a circular problem? Is it all interrelated—i.e., we have less fish in the ocean so less are dying, which means less food for those guys to eat?

Mr. David Bevan: I guess those are really good questions. We are looking at whole ecosystem-based management as well as precautionary management. We're introducing that now. We have put on our website a framework for sustainable fisheries. That provides us with all these considerations.

When you're looking at a traditional fishery, this one has been in place for more than a hundred years. It has been managed generally the same way since its inception. Whatever changes took place must have taken place some time ago. But we do have to consider this. We have forage species policies where we don't want to remove too much biomass from an ecosystem so that the contribution of that species ceases to be there. We want to keep the ecosystems functioning. We do, however, have some changes.

Perhaps I should let the experts talk.

Mr. Dave Van Kesteren: Yes, I was going to switch over to the experts.

I have another question for the experts. Do seals eat lobsters?

Dr. Wendy Watson-Wright: They eat quite a few things, so yes, they would.

On your question about the food and whether it's circular, yes, it is. It is all interrelated, as Mr. Bevan was saying. But in terms of whether the lobsters are starving to death, we have no evidence of that. It seems there's still a good supply of food. As you mentioned, they are scavengers, so what's down there, that's what they like to eat.

In fact, Mr. Bevan mentioned earlier the issue of paralytic shellfish poison and lobster tomalley. Certainly in the Bay of Fundy that comes from their scavenging on scallops and scallop roe and scallop insides.

• (1215)

Mr. Dave Van Kesteren: Mr. Gillis, I think I want to direct this question to you. We had the ministry people, and I think Mr. Bevan also, when we talked about NAFO and the need for cooperation among nations. This seems to be a really serious problem, one that's global. Have we moved toward talks, at least, with maybe NAFO or—

Mr. David Gillis (Director, Fish Population Science, Department of Fisheries and Oceans): Concerning lobster?

Mr. Dave Van Kesteren: I mean the whole fish population. It seems as though we run into these problems time and time again. We just can't seem to regulate it, because somebody's cheating somewhere else.

Is there a move afoot to look at a global solution, one where nations are getting together on this?

Dr. Wendy Watson-Wright: Yes. If you're speaking of NAFO, it's not in regard to lobster, I presume.

Mr. Dave Van Kesteren: No. No, I know that.

Dr. Wendy Watson-Wright: More generally on the NAFO issue, on the science side, we are collaborating heavily with other nations that fish in the NAFO area. In particular, it's with Spain at this point. Mr. Paradis has been leading an initiative whereby we have an MOU that was signed by our minister a few years ago. Under that, the science and technology collaboration was pushed. Part of that science collaboration is on the fisheries side, and specifically in the NAFO area. There's a lot happening in terms of them coming in.

More generally, we do have fora where we do collaborate with other nations. In terms of the Atlantic, it would be ICES, the International Council for the Exploration of the Sea. We have a like-minded PICES in the Pacific. We have an oceanographic forum.

So yes, generally we are collaborating with those nations we can collaborate with.

Mr. Dave Van Kesteren: Thank you.

The Chair: Thank you very much.

Mr. Byrne.

Hon. Gerry Byrne: Thank you very much, Mr. Chair.

Our witnesses have explained to us that there is an immediacy here related to the lobster industry. If I understood correctly, notwithstanding the fact that there's no money available for our licence retirement program, the time to be able to set one up and institute it just wouldn't solve any of the problems of 2009. I guess that kind of leads us to a very specific question.

Other than the anticipated spending of marketing resources after April 1, what exactly is it that the government has in mind to assist this billion-dollar industry to be able to sustain itself and survive the economic, fiscal, and market crises, the three combined perfect storms that the lobster industry is facing?

There is a credit crisis. Fishermen do not have access to proper credit instruments to be able to actually gear up for this fishery. They do not have access to capital investments, and they certainly are suffering from market downturns, mostly as a result of the global economic slowdown, which has reduced consumer demand or expectation for this particular product. What exactly can we see roll out, come April 1 and shortly thereafter, to solve this short-term crisis?

Mr. David Bevan: Well, clearly, some of the broader issues that were related to the budget in terms of access to capital, etc., are going to be available for people in this industry in terms of the buyers and the processors, etc. They can make representations to and

proposals on how to get access to that. We will have the community adjustment funds and we'll see what the conditions are on those and how those could be used in this area.

Last year in the fall, when things started to unravel the way they did in terms of the economy, we did start discussions with the lobster fishing areas on how they might cut their costs and how they might slow down the fishery so they wouldn't glut the market, and how they could take advantage of the fact that the retail market seemed to be taking up a bit of the slack left by the food service market, which was very important in this particular fishery. We didn't get a good uptake on that. Notwithstanding, we're still going to try to pursue that because of the fact that, as you pointed out, in the next eight weeks or so—or perhaps even less—this problem is upon us.

One thing we don't want to do is to have too much supply come in too quickly, overload the capacity, and then have people put in the position where they can't get access to buy it and they can't move their product quickly enough to feed the need anticipated by the fishermen. So if it could be slowed down by voluntary measures, by fishermen in the area in conjunction with the processing plants, that would at least help to avoid a situation where people run out of the capital that they have. The working capital may be less than last year, and they need to be able to make better use of it and they may need to try to move product.

But I am not going to sugar-coat this, we are facing a very serious potential problem in terms of the people who buy the lobster in the United States having access to capital, the people who buy it in other markets having access to capital, and the ability of the Canadian industry to purchase, process, and then go and move it to market as they traditionally have. Those are not necessarily going to be activities that can unfold without having big impacts and we are open to discussions with the industry on how we might change some of the management as these fisheries open up in another month or so.

• (1220)

Hon. Gerry Byrne: If I were to tell you that the BDC, the Business Development Bank of Canada, and the Export Development Corporation have never really been big players in the Atlantic and Quebec lobster industry and that was the number one prescription within the budget to solve the credit crunch and to free up markets and to allow better access to capital, would you feel better or worse about your prognosis of the Atlantic lobster fishing season in 2009, knowing that the very budget prescription that the government is proposing to lessen the woes of the industry are two instruments that really had next to no impact in the best of times for this particular industry?

I guess in terms of the industry uptake, slowing down the industry not only prevents market glut, but it also slows down cashflow. If you slow down the sale of your product, that means you also reduce your access to cash, which is probably one of the reasons why they may not have adopted that particular prescription so quickly.

Mr. David Bevan: I think your comments are fair. At the best of times, there are a lot of other bankers who are willing to provide the loans and the working capital needed by the industry. Some of those were pretty well known in terms of Glitnir, Landsbank, and others. Obviously, they are no longer in a position to do that.

Alternative sources of capital have to be found. If they can find them from Canadian banks, that's great. If they can't, then these other options are something they may have to take advantage of.

Slowing the fishery down is only.... Going with a rapid fishery is good if you can sell your product and get the cash. If that's not a business model that's going to work in 2009, then you'll have to look at what kind of market you are selling into. Do they have to buy it and then move it out to their final customer before they can pay you? All of these things are a real significant challenge for 2009, because what used to work is not going to work this year. It is of grave concern that we could see an impact that takes the price below what's necessary to allow a fisherman to go to sea.

The Chair: Thank you.

Monsieur Blais.

[*Translation*]

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

I would like to look at one of the three parts of the solution that you mentioned at the start. You talked about better control over the fishing effort, better research and better governance. If I may, I would like to talk about research, about how to get better information about this subject.

Personally, I know that the situation can be completely different from region to region and from sector to sector. I imagine that makes studying animal behaviour much more complex. I was wondering what the research parameters were, what the research budget is, and for how long has it been that way.

In the lobster fishery, how are we dealing with the resource in the face of climate change? As we know, there is much less ice at certain times of the year. A number of things are occurring at the same time.

• (1225)

Dr. Wendy Watson-Wright: Thank you, Mr. Blais.

Let me start with the budget. At the moment, the department's lobster budget is about \$3 million. That means 16 or 17 people in the four Atlantic regions. Another half a million dollars come from our partners for joint ventures.

As for the scientific projects and research that we conduct, they usually depend on requests from Mr. Bevan in Fisheries Management. Sometimes, opportunities arise for cooperation with partners. The partners come mainly from universities or the industry. There are differences, but there are also similarities.

I will ask Mr. Paradis to describe our research on lobsters in more detail.

Mr. Sylvain Paradis (Director General, Ecosystem Science, Department of Fisheries and Oceans): The interesting thing about the lobster program is that it has been developed in close cooperation with the industry. There is very significant cooperation. As there are no quotas, there is less tension over the establishment of biomass and so on. Fishing equipment and egg productivity are subjects that are often dealt with. We have also looked seriously at the toxicity of products in the environment. That program evolved through partnerships and shared priorities. It is very different.

As for integrating the four regions, most of our research projects have been largely integrated in recent years. All our researchers belong to major international organizations through which information is shared. All new discoveries are shared among the regions in detail. The same models are established, if that is what the industry wants. As the Fisheries Resource Conservation Council mentioned, in some regions, the industry is in a better position to...

Mr. Raynald Blais: Can we say that we know more about lobster than we did five years ago?

Mr. Sylvain Paradis: Yes.

Mr. Raynald Blais: Can we also say that this improvement in knowledge should, in principle, allow us to overcome the problems we are presently experiencing in the economy and the future of the industry?

Mr. Sylvain Paradis: Possibly, but as the Fisheries Resource Conservation Council brought up, and as you yourself mentioned, climate change and the effect on the ice are factors now. There are also prey-predator issues. So we are now in a time when science is being rewritten. Previously, programs were vertical. People conducted their activities isolated from one another. The program is more integrated today and it looks at questions from all angles. This is all very new, be it models for measuring effects, or climate change, or temperature change, or the effects of urban development. Things have evolved greatly in recent years and the process of bringing all the knowledge together is only just beginning. The great challenge is to move from a very restrictive approach to the fishery to a more ecosystem-based approach. To some extent, that should help us to measure the most likely impacts that we are going to have to confront.

Mr. Raynald Blais: Is the grey seal a predator of the lobster?

Mr. David Gillis: Yes, I guess.

[*English*]

The Chair: Mr. Stoffer.

Mr. Peter Stoffer: Mr. Chairman, I think the next time we have a discussion on lobsters, we should actually have a plate of lobster before us—

An hon. member: Hear, hear!

Mr. Peter Stoffer: —and some potato salad, a lemon, and a glass of white wine.

Next week we can talk about shrimp, and the week after that, crab. I think it would make things go a little smoother here.

Hon. Gerry Byrne: No, it should be a lobster from each province, because you'll find the Newfoundland lobster so much more tasty.

Mr. Peter Stoffer: My son, the Nova Scotia lobsters are the best. You have to understand that.

So my first question is, which is the best lobster?

Some hon. members: Oh, oh!

•(1230)

Mr. David Bevan: I wouldn't touch that with a—

Mr. Peter Stoffer: Bay of Fundy? Did you say Bay of Fundy?

Dr. Wendy Watson-Wright: No, I didn't.

Mr. Peter Stoffer: There are two things.

Madam Watson-Wright, you indicated that you're working with industry partners when it comes to the additional funding. Can you please describe or elaborate a bit more on what you meant by that? Which partners in industry are you working with compared with, as you said, the academic ones? That's the first question.

The second question is for you, Mr. Bevan. Is the department now or in the future contemplating an IQ system or a quota system for lobsters?

The last question is one we tend not to ask very much. After the Marshall decision and the integration of the 34 bands of the Atlantic and Quebec regions within the aboriginal fishery, are you discussing with them or asking them their concerns about the lobster fishery as it comes to the aboriginal component of the Marshall decision?

Thank you.

Dr. Wendy Watson-Wright: I'll begin.

In terms of who we're working with, we are working with most of the larger organizations, such as PEIFA, FFAW, and the Maritime Fishermen's Union, on a number of specific projects, largely catch samplings and settlement work, and things like that.

If I could say one thing, though—and this is just something I'd like to put on the radar screen for the committee—

The Chair: Excuse me for one moment. The bells are ringing, so I need to interrupt and seek unanimous consent to either continue or suspend.

Mr. Peter Stoffer: The bells have stopped, Mr. Chairman.

The Chair: All right.

I'm sorry. Continue.

Dr. Wendy Watson-Wright: There is one item I would like to put on the radar screen for this committee, and it comes back to the issue of climate change, in this particular instance, the potential effects of climate change on lobster.

This has to do with ocean acidification as a result of the increased carbon in the atmosphere. More than a quarter of the carbon in the atmosphere is taken up by the ocean, which produces, through a chemical reaction, carbonic acid. And what it does to animals such as lobsters and other shellfish, besides destroying coral reefs, as you've heard, is that they cannot access the calcium carbonate they require to make their shells.

I don't have solutions for you, but I do think it's an issue that is exceedingly important and becoming more and more critical. Since we are talking about an animal on which we and many Atlantic communities depend, and one that could be most impacted by this, I think it's an issue that would be good for the committee to learn about in the future.

Now I'll turn it over to my colleague.

Mr. David Bevan: The quota system was something that was suggested in the FRCC as a way to stop the investment in the competitive nature of the lobster fishery. Hundreds of millions of dollars have been invested by fishermen to increase capacity. As long as that's the model, it means that there's more pressure put on the stock. What they suggested was a quota system, but the trouble there is that we don't have the science to support it. There's no understanding of the relation between abundance of lobster and lobster recruitment.

There might have to be some other model contemplated. Individual transferable traps is one that was being considered. Another was TURFs, territorial-based management that would help create new incentives. These incentives would seek ways to cut costs, increase value, and expand net income. Right now, in some locations you need \$3.80 a pound just to break even. That's too high in today's market, and even in better times it was a fairly low margin. We need to find a way to make this happen.

We agree with the Marshall decision. We have a legal obligation to consult with first nations, and we are doing so.

The Chair: Mr. Kamp.

Mr. Randy Kamp (Pitt Meadows—Maple Ridge—Mission, CPC): Thank you, Mr. Chair, and thank you to the witnesses for helping us to understand this issue a little better.

I just want to make sure I actually understand the problem. We need to get to solutions as well, but we first need to understand the problem, so let me try to put it in the simplest terms that I can.

Say I'm a lobster fisherman; I catch and sell lobsters. There are certain input costs that I have in order to do these things. If I'm one of those lobster fishermen who's in difficulty, which is the purpose of this study, or if I'm having trouble making money, then I assume there's one of a few things at play. Maybe I'm not catching enough lobsters, either because there are fewer lobsters to catch, which is a stock issue, or because there are more people fishing. The problem could also be market pressures: prices are too low for me to make a living.

I'm wondering whether we can generalize from these 40 or so LFAs. It seems that the lobster fishery is not homogeneous by any means. For example, the FRCC report says that the gross revenues from 2004 ranged from \$245,000 in LFA 34 to \$45,000 in LFA 20 and LFA 25. That's quite a big difference. Yet if you look at the chart that they provide in their report of landings of lobster by LFA, LFA 25, which had gross revenues of only \$45,000 on average, was actually one of the higher areas in the number of lobsters landed. I'm not sure what's going on, but I assume there are too many fishermen in that area.

Can you comment on this to help us understand the problem?

•(1235)

Mr. David Bevan: It's pretty clear that the formula can be rather simple. The price per pound times the catch gives you your gross income versus your costs. If you have an LFA such as LFA 25, where you have fairly high landings but you're sharing it among a lot of people, your individual catch will be low enough that your costs relevant to that will be high. So you end up needing \$3.80 or thereabouts to cover your costs because you don't have a lot of catch to distribute it over. You have roughly the same number of people in LFA 34, but the catch is much greater. They have a larger volume, so the cost of catching it per pound is less.

But in all areas we've seen a race to the fish. The incentives have been the tragedy of the commons. Everybody is under pressure to fish harder and get bigger boats, bigger engines, more electronics, and bigger gear. That's a dangerous trend, because it puts more and more pressure on the stock. It also means you catch the fish a lot quicker in the season and there is only so much available in the legal-size range. If you have all that pressure you can catch it more quickly. That compresses seasons and means other structural problems for the fishery.

This works fine when you have a high price and you continue to have high volumes. We run into problems in some LFAs where there

has been a downward shift in volume, like LFA 25. Everybody has seen a downward shift in price. This year access to capital by the American buyers is a real problem. Access to capital by the Canadian processors and potentially Canadian buyers is a problem, although it's perhaps less than the final market. All of that is putting downward pressure on the price, so the break-even or net income will be reduced or lost completely if the price and the catch don't add up to the cost of fishing.

Mr. Randy Kamp: Thank you.

The Chair: Thank you very much.

Thank you to the department officials for coming this morning and allowing us to have a clear understanding of the department's perspective on the lobster fishery. We certainly appreciate your time and input here this morning.

Committee members, I'd like to take a very brief break for the committee to go in camera to have a brief discussion before we complete our meeting.

Thank you.

[Proceedings continue in camera]

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

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

**Also available on the Parliament of Canada Web Site at the following address:
Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante :
<http://www.parl.gc.ca>**

The Speaker of the House hereby grants permission to reproduce this document, in whole or in part, for use in schools and for other purposes such as private study, research, criticism, review or newspaper summary. Any commercial or other use or reproduction of this publication requires the express prior written authorization of the Speaker of the House of Commons.

Le Président de la Chambre des communes accorde, par la présente, l'autorisation de reproduire la totalité ou une partie de ce document à des fins éducatives et à des fins d'étude privée, de recherche, de critique, de compte rendu ou en vue d'en préparer un résumé de journal. Toute reproduction de ce document à des fins commerciales ou autres nécessite l'obtention au préalable d'une autorisation écrite du Président.