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**Chair**

**Mr. Rodney Weston**

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## Standing Committee on Fisheries and Oceans

Tuesday, March 31, 2009

• (1305)

[English]

**The Chair (Mr. Rodney Weston (Saint John, CPC)):** We're ready to begin again.

I'd like to thank you gentlemen from the Southern Kings and Queens Fishermen's Association for coming today to meet with us.

My understanding, Mr. Jenkins, is that you're going to do the speaking. We have two Mr. Jenkins, actually, so whichever Mr. Jenkins is going to make the presentation, you'll have 10 minutes to make your opening presentation. The members have set times as well, which we will try to adhere to in the interests of hearing everyone here today. Generally, I only cut the members off.

Please proceed, Mr. Jenkins.

**Mr. Bobby Jenkins (Southern Kings and Queens Fishermen's Association):** Thank you, Mr. Chair. I don't think it will take me any longer than 10 minutes, anyway.

On behalf of the Southern Kings and Queens Fishermen's Association, we would like to thank you for the opportunity to meet with your committee and share a number of our concerns. We would like to extend a warm welcome to you and hope your visit to P.E.I. is both pleasant and productive.

Before we begin to outline a few of our issues, I would like to take this opportunity to correct some of the incorrect notions of fishermen and their industry.

When the normal person hears that one is a lobster fisherman, they immediately think of a fisherman who has lots of money, a big house, a four-wheel drive, and is living the high life. Nothing could be further from the truth. We had a few seasons in which we were fortunate to earn a decent living. In the past 15 years in our area, the bottom has dropped out of the fishery, and there are few alternatives to make a living.

Let me give you a few examples of how our costs have increased and how our income has shrunk to dangerously low levels, a few examples of costs, say, 10 years ago and today.

Item one is bait. Ten years ago it was 15¢ a pound; today it's 75¢ to 90¢ a pound. We use approximately 1,500 pounds a week. Multiply it by nine. Labour was \$400 a week 10 years ago and it's \$800 to \$1,200 a week now, average 10 to 12 weeks. Fuel 10 years ago was 20¢ to 25¢ a litre; now it's 70¢ to \$1.40 per litre. We use 200 to 400 litres per day.

Insurance rates 10 years ago were \$400 a year; today they are \$3,500. For docking fees most of us paid nothing 10 years ago; today it's \$700 to \$1,000. Maintenance 10 years ago was \$2,000; today, it's \$5,000 to \$7,000. A new propeller 10 years ago would cost \$500; today it's \$1,500 to \$2,000. You could build a trap 10 years ago for \$20; it's \$60 now.

Our lobster prices have been shrinking. In 2005-06, we received \$5.50 a pound for canners and about \$6 a pound for markets. In 2008, we received \$4.25 a pound for canners and \$4.50 for markets, with no rebates. In 2009, we have heard of prices of less than \$3 a pound for canners and maybe \$3.50 for markets. If Nova Scotia has a good season in April, this will shrink to even lower levels.

What is the reason we are covering these items? Quite simply, fishermen are not living the high life a lot of people think they are. We have exhausted most of our credit limits and are on the verge of collapse. If we do not receive some assistance this season, we'll see quite a few of our colleagues go bankrupt. That's the position we find ourselves in.

I'd now like to take you to unemployment insurance. We want you and the members of this committee to know that we appreciate the government's vision in allowing our members to draw down unemployment insurance benefits. Without this assistance, we would not have been able to survive as long as we have. We are grateful for this program, for without it we would not be able to continue on in our fishery.

There is one problem we will be facing that has not come up before. With the reduced prices for lobsters, the possibility of having fewer buyers and the problem of not being able to sell our entire catch each day, a large number of our fishermen may be facing the problem of not qualifying for EI benefits this year. Combine this with the lower lobster prices and the increasing harvesting costs, and we will be faced with the possibility of not qualifying for these benefits. If this happens, we will have an even more critical situation on our hands.

We have a suggestion on this topic for you to consider. Seeing that a very real outcome is that a number of our fishermen will not qualify and also given the reduced income from lobster, we would like you to consider recommending to your colleagues in Parliament the concept that they pass policies or regulations that will allow fishermen to qualify for EI benefits based on their earnings or income earned in 2008. This would be applied to the years 2009, 2010 and 2011.

This would allow the fishermen to have a financial safety net in place, and they could concentrate on working with the government on improving the long-term stability of the fishery. We are willing to discuss this further if you wish.

• (1310)

Regarding rationalization of the fishery, first, what is rationalization? To us, it is putting programs in place that would reduce the number of fishermen in the industry while allowing those who are willing to exit to do so with some funding.

We are fully aware of the negative feelings generated when fishermen suggest licence buybacks or some type of financial assistance. When we look at the automotive industry, we hear the term “billions” being mentioned. In agriculture, the list of subsidies and assistance has been more than generous. Are we complaining about these expenditures? No. We are proposing some consideration for fishermen and their plight. We are not asking for assistance for nothing. We have prepared a document, “Planning for the Future”, which is attached to this document.

In short, the fishermen in our lobster fishing area have offered to reduce the number of traps from 300 to 250 in the spirit of being partners with the federal government. This would mean 65 fewer lobster licences in our district. We would reduce our trap numbers if the government would buy out an equal number of traps. To do this, we think the cost would be 65 licences times \$200,000 each. This single action would reduce the trap fishing effort by one-third of the total fleet in our area.

We understand that the Prime Minister has a \$3 billion fund to assist in such stabilization programs. We're asking for \$13 million of that \$3 billion. It's a very small investment to save our industry, and not only that, but our organization has offered to operate the program to reduce the costs to the government. We would like to explore this proposal.

Regarding wharves and infrastructure, we will not dwell on this topic other than to say we really need some upgrading to our wharf and infrastructure facilities. In some of our ports, we don't have adequate fresh water. Electrical circuits are deteriorating. The wharf structures are decayed and falling in. We need dredging as well. We do not have any washroom facilities.

We met with your committee last fall and put forward a number of proposals. We would recommend that Fisheries and Oceans work with each port authority and plan a list of needs and rationales for their use. As money is made available, it would target the most urgent needs in the area. We would be willing to further discuss this issue.

We have two final items that we would like to put forward for your consideration. The first is to have our lobster products certified as being sourced from a highly managed fishery in an environmentally sensitive manner. Many consumers are demanding this type of certification before they will purchase a lobster product. We need the assistance of both levels of government to make sure our industry is a world leader in having their products certified.

Our final item deals with the needs and resources of our conservation and protection efforts by DFO and the industry. We

feel that more resources have to be funnelled to the field activities of the fisheries officer division.

In addition, we would like to suggest that the Department of Fisheries and Oceans instigate a program of having reserve fisheries officers who could be trained and employed as required. Is this a new idea? No. The RCMP has such programs, and the Canadian Coast Guard has a whole regiment of people trained and ready to be employed in a time of need. Why couldn't Fisheries and Oceans follow a similar plan?

In summary, we want to again thank you for the opportunity to share our concerns with your committee and to lay before you some of our critical concerns. We would be willing to discuss these topics, or other questions you may wish to pose.

Thank you, on behalf of the fishermen from the Southern Kings and Queens Fishermen's Association.

• (1315)

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

We're going to begin with Mr. Andrews.

**Mr. Scott Andrews (Avalon, Lib.):** Thank you very much, Mr. Chair. It's a pleasure to be here with the committee this morning.

I understand totally where you're coming from on the issues relating to the lobster fishery and the fishery in general. Our fishery back home in Newfoundland will start tomorrow, and the crab and shrimp fisheries are going to be in very similar circumstances this year. It's going to be a challenging year for all fishermen, whether it's lobster, crab, or shrimp.

There are a couple of questions that I'd like to pose—one that you didn't bring up but we'll get into, and the other one you did touch on.

Earlier today we talked about pounds for lobsters. Some of the processor companies have these pounds, and it was suggested that there should be a community-type pound for fishermen. I'd like you to elaborate a little on that. How useful would that particular initiative be for fishermen?

The second thing you brought up is EI. We haven't had a chance to have a good discussion on the EI fund. That's going to be on the back end of this year's fishery, which will be just as important. You alluded to spreading it out to 2011. Maybe we could get into a bit more detail on that. I'd like to hear your thoughts.

In the recent budget it was announced that there would be an extra five weeks of EI. That doesn't apply on P.E.I.; it's not going to help anybody here. We need to look at the EI system and how it can help us. I hope this will give you a window of opportunity for us to hear more detail on that.

**Mr. Bobby Jenkins:** Don is going to speak on EI, and I'll do it on the pounds.

**Mr. Donald Johnston (President, Southern Kings and Queens Fishermen's Association):** On EI we came up with that scenario we mentioned earlier. It has to come out fairly soon, because of the "ma and pa" operations where people are.... It could be that we are fishing to go in the hole to get our EI status. If this were put in place, we'd be able to go out maybe three days a week instead of every day in an effort to accumulate the high catch we need to qualify for EI. If we did this and qualified from last year's earnings, it would take an awful pile of stress off the people. If it did happen to come in and the fish were a poor price, you would still have your employment insurance benefits coming in, regardless. It wouldn't force you to fish and go in the hole. That was our idea with that.

**Mr. Scott Andrews:** Fair enough.

Maybe you could explain for all committee members how EI works for fishermen, because I don't know if all of them are familiar with how you just explained it.

**Mr. Donald Johnston:** It works on a money amount for us. I am not really sure what that amount is, but it is so much after your boat. I think 25% comes off your boat, and I think you need roughly \$12,000 after expenses and everything to qualify for EI.

Anyway, that's the way it is. And then there are two claims that you can go through during one season. But the thing is that if you have a husband and wife operation, that \$12,500 turns into \$24,000 clear, and it makes it pretty tough, because we're not catching that many fish. If you want to do the math, and you're talking of a price that's maybe as low as \$3 and a pretty good catch in our area of 10,000 a year, that's \$30,000. When you take your expenses out of that, you're not going to qualify.

I hope you understand it now.

**Mr. Bobby Jenkins:** To touch a little further on what Donnie was saying, last year that was the price we received for lobsters. We had a lot of fishermen last year who just barely made it. If this doom and gloom continues in the fishery that we're hearing of now, a lot of people won't make it this year. That's why we put that scenario in our report.

**Mr. Donald Johnston:** The goal is that if it goes into place and you don't need it, then you don't need it; and if you need it, you get it. It is not really doing anything extra if you don't need it.

**The Chair:** Lawrence.

• (1320)

**Hon. Lawrence MacAulay (Cardigan, Lib.):** Thank you very much, Mr. Chair., and welcome, boys.

You're on the ground. You know what's going on around the sea. You have a good understanding. There are always things going on that you have to be careful of, and it is not the fault of any particular government. I just want to say that. But all governments have to be careful of what takes place in the deals that are made.

I just want to bring this up to the committee, and I am sure you understand. It's the Doha Round of the WTO. In my opinion, we have to be very, very careful here, and I would like any of you to expand on it.

In the Doha Round, if anything were definitely not acceptable, it was a red light issue. If it was discussable, it was a yellow. If it was passable, it was green.

In the Doha Round, EI, the capital gains tax exemption, the small craft harbours repair program, and even the gas tax card that you have were all red light issues. That means that if that deal were signed and the rules were followed, you would lose those programs.

Would you like to comment on that?

**Mr. Jim Jenkins (Southern Kings and Queens Fishermen's Association):** Thank you.

Lawrence, you bring up an excellent point, as usual. You hit the nail right on the head. The fishermen in the Southern Kings and Queens Fishermen's Association are very concerned with this issue. You've raised this a number of times, and we commend you on that.

The government, whether Liberal, Conservative, or whatever, should work as a team to protect the communities and the fishermen—whether they're from Newfoundland, P.E.I., Nova Scotia, New Brunswick, Quebec, or British Columbia—to make sure these programs are not counted as subsidies, and they should make every effort to protect the community network.

What's happening is that the community-type networks are breaking down. They're getting weaker and weaker, forcing fishermen against their will to seek other types of employment: move to the west, move away, get out of fishing, or find other employment to subsidize fishing. They have no other choice. So your point is very important: for all levels of government to work collectively to ensure those safety net programs are maintained.

I think you should keep in mind one point, and that is that we thought the lobster fishery last year was in bad shape because we had lost 25% in the price. Our fuel prices and our other costs have risen astronomically. This year we're going to lose probably another 25%, bringing it down to about 50% of the normal price, and maybe even lower, depending how they do in Nova Scotia. So our fishermen here may be facing a double crisis: first, the crisis whereby they may not be able to make a reasonable living at all; and second, they may not qualify for EI, which gives them a second slap. This will lead to a much higher incidence of bankruptcy and make the communities weaker than they are now.

So we would ask your committee to work with the government. I know this is difficult when you're in Parliament, but if you could somehow set aside your political beliefs and differences with all the other parties and work as a team to achieve those goals, I know the fishermen in eastern Canada would certainly appreciate your efforts.

•(1325)

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

Most likely all the committee is aware, but just in case not, so many times things can happen a long piece away that can have a devastating effect on industry. Today governments within the countries don't have all the say. All these trade deals are signed, and governments can't make the rules they wish to make. So it's very important before you sign a trade deal that you understand exactly where it's going to bring you. That's why I wanted to bring that up.

I wonder if you wish to expand on the buyback program or retirement program and particularly where you fish, Donnie and Bob.

**Mr. Bobby Jenkins:** If I may, Lawrence, I'll answer that question as fast as I can.

Getting back to the buyback, we're wide open here. We'll be at the table if you come. Put something on paper and give it to us, we'll look at it and we'll take it to the fishermen to see what we've got. We're not going to turn anything away. We don't have the money to do it, obviously, or we wouldn't be looking for it.

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

The other Mr. Jenkins.

**Mr. Jim Jenkins:** I have just one brief comment. I think Lawrence has brought up a very appropriate topic.

If you look at the various programs that the fishermen are considering for buybacks and lobster buybacks, I'd like you to take particular notice, if you would, that as far as I can recall, with none of the programs are we asking, "Give it to me free. I don't want to pay anything. I don't want to be part of it; just load my basket up with money." Nobody is saying that.

The Southern Kings and Queens and the other organizations working under the PEIFA are saying we will put something forward. In the Southern Kings and Queens, what they have offered to do is to give up 50 traps. That is close to 20% of their fishing capability. That would equal 65 licences, and they're asking for matching funds from the federal government.

So in actual fact, the fishermen, in essence, are paying for half the program and they're asking the federal government to pay for the other half. I think that's an important change from buybacks that we had in the past, when governments footed the whole bill.

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

Monsieur Blais.

[*Translation*]

**Mr. Reynald Blais (Gaspésie—Îles-de-la-Madeleine, BQ):** Thank you very much, Mr. Chair.

I will try to be as efficient as Lawrence. In fact, I will time myself mentally and make sure that I ask my questions before my time is up. I wish to congratulate Lawrence for his work in the area, as well as in committee. He was in the room earlier, when I said this, but is now sitting next to me.

This committee is made up of representatives from the four political parties. I have been a member of this committee for the last

five years, and served as MP for the last nine years, if you also consider the time I was serving as an assistant. I can tell you that the level of teamwork here is great, something that cannot be found elsewhere, unfortunately. We may have political disagreements, but this isn't a problem. However, when we address crucial subjects such as the future of fisheries, we are all unanimous, regardless of whether we are discussing small craft harbours, the lobster industry, or the industry at large. Our group works very well together, in a spirit of collegiality. In fact, we are even capable of partying together.

The first question I wish to ask you concerns employment insurance. I represent the riding of Gaspésie—Îles-de-la-Madeleine, and what drove me to enter federal politics was the unemployment insurance issue. I continue to talk about unemployment insurance because by using the term "employment insurance", there's a whole aspect of the reality which is forgotten, the aspect of seasonal unemployment. Seasonal unemployment affects many of our communities. When people are unable to receive employment insurance, they must leave their hometowns, which they love very much. I know that members of the committee agree with me, but I do wish to add that money used for unemployment insurance goes back to the community. It is invested. People who receive unemployment insurance benefits spend money in convenience stores, supermarkets, and elsewhere. This is why, to my mind, this money is being very well invested. While waiting for full employment, be it in the wind energy sector, or other sectors, I believe that it is imperative to maintain unemployment insurance.

I, for one, must work on the famous seal issue, but as Lawrence pointed out, we also have to address other international issues such as subsidies that are considered prohibited subsidies by countries such as New Zealand, in particular, or even the United States. These countries always end up losing sight of common sense. To say that these funds, used to refurbish harbours or administer an employment support program are prohibited subsidies does not make any sense. The government must support communities such as ours, namely through the provision of such programs.

I'd like to better understand your suggestion. I know that there have been questions on unemployment insurance. As I understand it, the argument is the following: given the fact that 2008 income is considered as income for 2009, 2010 and 2011, it would be possible to allow people to become eligible, seeing as they would not be in 2009, 2010, 2011 because they would be earning less. Is this correct?

•(1330)

[English]

**Mr. Donald Johnston:** Even the plant workers, as you mentioned, could also fall under that criterion. It's not our avenue to speak for them, but where they would have low hours in the plants and everything, they could fall under. But for 2008, as Bobby mentioned, a lot of fishermen had a hard time. It's not like it was years ago, when we had the groundfishery and when the lobsters were down a bit you'd go groundfishing. Basically here on the south side we've got our lobster fishery, we've got a herring fishery, and herring fisheries are pretty nearly non-feasible to go at. So we are totally relying on the lobster.

The way things are looking in some places, they're doing good catches. But in our area we're at 10,000 and some are less. It is just hard to meet the criteria, and I think that under this recession, if we could get a three-year delay and go with the 2008 landings, and even if the plant workers could fall under the same thing and go under their hours for the next three years too, it would take a lot of anxiety out of the communities, I'll tell you that, because it is a big concern.

[Translation]

**Mr. Raynald Blais:** Mr. Jim Jenkins.

[English]

**Mr. Jim Jenkins:** There's one other aspect to the EI program. It would not only provide a financial base for our fishers to be able to continue on in the fishery itself, but you mentioned a very important factor, and that is how you keep communities together, how you build the fabric of the community. The EI program is part of that. It's not the total amount, but it is part of that. I'm very pleased to hear that you take it to heart and make it an issue whereby the fishermen in your communities would benefit from your efforts.

There is one other thing about EI. If the government had made a decision to allow the 2008 standards to remain in place and automatically roll them over for 2009, 2010, and 2011, this allows the fishermen another opportunity. It allows the fishermen to concentrate on surviving the crisis in the fishery itself. They would be able to work with processors to look at quality. They would be able to look at various other types of programs.

One thing I believe this gentleman from Newfoundland said, talking about pounds...I believe you had mentioned that earlier. Well, that is, by the way, a very significant point. We can keep lobsters here, for example, in the spring season in the month of May without a lot of problems. When it goes into June, the storing of lobsters becomes a huge problem; therefore we suffer many losses. My background is in marine biology, and I was a fisheries manager with the Department of Fisheries and Oceans for 33 years. Those types of problems you're talking about—the storage, handling, and quality of lobster—are paramount if you're going to put out any type of product.

I have one final thing. My friend here from the Magdalen Islands mentioned that they work on the seal hunt and the promotion of the seal hunt, etc. We have a similar situation in lobsters, in that lobsters are continually coming under the watchful eye of many of these wildlife groups, and they want them to come from a well-managed, sustainable type of fishery and they want them treated well, etc. It's

another issue we will be facing in the next few years. So what we would like to do is work with both levels of government to face that issue and overcome that as being a problem. We want to turn that into an advantage in the fishery.

•(1335)

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

Mr. Stoffer.

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

Again, gentlemen, thank you very much.

Bobby, every time I've heard you speak it has always been direct and to the point. Thank you very much for that.

The FRCC report made a recommendation regarding the buyout. I want to read it to you and I'd like to get your reaction on it:

The FRCC supports options that involve self-rationalization within the industry. The FRCC concludes that a government-funded buyout of licenses is not an effective means to deal with the over-capacity in the lobster fishery. If it is decided that a buyout is preferred then it should be done in conjunction with other mechanisms that will ensure that the fishing effort is not allowed to increase following a buyout.

Bobby, you had indicated \$200,000. I assume that was for the licence. Am I correct?

**Mr. Bobby Jenkins:** That's correct, Peter. That would be for the licence.

**Mr. Peter Stoffer:** That's good, because there's also the boat and Buddy in the back. The partner you have on the boat is a hand who helps you, in many cases, and I'd like to know what happens to him or her in this regard. But also, what is your viewpoint on the FRCC, or your opinion on what a buyout is? And did you have a chance to read the FRCC report when it came out?

**Mr. Bobby Jenkins:** No, I haven't read about their version of the buyout. Their version and our version may differ somewhat, but I think at the end of the day, Peter, before we get down to actually buying the licences, a lot of people are going to have to come together to figure out what we're going to do. We're still in the preliminary stages. As I indicated to Lawrence earlier, we don't have the money yet to do anything.

In area 25, in the western end of P.E.I., they have bought 10 or 12 licences. I think they've ironed out a lot of the wrinkles. Some of the stuff they've done I think we can copy; some of the stuff they've done won't work here. So it's at preliminary stages.

**Mr. Peter Stoffer:** Now, in terms of buying out the licences, is this to make sure the licence is no longer ever used again? Or does it involve the licence being more or less held for future generations in that particular community?

**Mr. Bobby Jenkins:** Our fishermen, when we had the meetings in the fall of 2007, indicated very strongly that when we bought these licences out, they were to be dead: taken out of the system completely, left with no bona fide.... They're done.

**Mr. Peter Stoffer:** Thank you. I think that would be the way to go, if indeed it happens.

**Mr. Bobby Jenkins:** It's the only way we're interested in doing it.

**Mr. Peter Stoffer:** Right. As you know, in Nova Scotia a while back there was a concern about trust agreements, and the previous minister indicated, I think, a six- to seven-year-plan for dealing with them. Can you tell us how many trust agreements you know of on the Island, if indeed there are any, and what your opinion is on maintaining, if at all possible, the owner-operator principle and the fleet separation principle?

**Mr. Bobby Jenkins:** I'm only aware of two or three trust agreements. I've never personally been involved in one myself. I have a lot of family in the fishery, but none of them has been involved in trust agreements.

I'm not 100% sure, Peter, how I should answer that question. Some of the guys who got involved in it needed to get involved in it to go fishing—

**Mr. Peter Stoffer:** I'm not accusing anyone of doing something wrong. If it's a matter of survival and maintaining your livelihood—

**Mr. Bobby Jenkins:** Well, I think in some of the cases that's how it went down; it was a matter of survival and was the only avenue they had to get into the fishery at that particular time.

• (1340)

**Mr. Peter Stoffer:** My concern has always been the concentration of the resource into fewer and fewer hands.

**Mr. Bobby Jenkins:** Yes. As a bona fide fisherman, a core fisher, I don't really like that. I don't want to see corporations control various numbers of licences and dictate how it's going to be done. I'm not for that, and I don't think the fishermen of P.E.I. are for that.

**Mr. Peter Stoffer:** Jim?

**Mr. Jim Jenkins:** Yes, Peter. Thank you for your questions.

I'd like to go back to the buyout, the FRCC report.

I read the 1995 and 2007 reports several times. I don't share the same opinion as the FRCC in the 2007 report, whereby they think it should be a self-rationalization program, because they didn't see the positive aspects of it.

I'd like to have them reflect back to between 1975 and 1978. The Province of Prince Edward Island, under the comprehensive development plan, and the federal government bought out 186 licences on P.E.I. I don't think you would find a fisherman in this room or in Prince Edward Island who would say that was a bad move. It was a very positive move. It had a very positive effect. It allowed a few people to go out. They got some money for their outfit and they were able to find other employment and carry on.

The problem I see with the FRCC is that they should be putting themselves in the place of the fishermen and trying to imagine the problems our fishermen today face, the real financial crisis they're in. I think you'll find that a buyout program—and in this particular case, one that is cost-shared, if you will, between the fishermen and the government—has many positive features.

**Mr. Peter Stoffer:** Thank you very much.

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

Mr. Allen is next.

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

Welcome to our guests. I appreciate your testimony. It's great to be here today in Mr. MacAulay's riding. You certainly draw a crowd, Lawrence. It's great to see everybody. Small rural communities, that's what this is all about.

I have just a couple of things. I am glad Mr. MacAulay brought up the WTO, because based on discussions I've had, this Doha Round has been going on since 2001, so there's a reason we're in 2009 and we still haven't got agreement. It's for a lot of those reasons we talked about: the importance of our small craft harbours program, as well as the importance of the EI system too, clear across the country. I think what we're going to see is that...certainly I don't believe any different from our minister, who would not be supporting any type of agreement where those things would be in jeopardy. So I think we can put our minds at ease a little bit on some of that.

I have a question on the conservation and protection, Bobby, that you were bringing up. The FRCC report of 2007, in section 7.2, talks a lot about some of the self-policing and some of the issues around management of the stock. When we were on the Magdalen Islands, we had a discussion about this. Some of the testimony we heard is that there is a role for government to play in this, but they also said the fishers are cooperating, that there are efforts to combat poaching—they have 1-800 numbers, and they're actually going into the schools to teach their young kids about the importance of the industry and the mechanisms.

One of the lines in the report said it was suggested to the FRCC that some harvesters set as many as 50% more traps than the allowed limit. So in addition to your suggestions about reserve fisheries officers and that type of thing, in line with the comprehensive approach, what kinds of other things would you suggest the industry could play a part in, if government and industry came together to help police this? What types of things would you suggest you could do?

**Mr. Bobby Jenkins:** We had a group of our fishermen from Southern Kings and Queens last year. It came out of our annual meeting; they formed a little committee. I think they had 10 or 12 representatives from various harbours. They met during lobster fishing every two weeks, I think, to discuss what was going on. Their role was that if they knew something illegal was going on, they were going to try to report that to the best of their abilities.

They were working completely on their own time; it was just a volunteer position for every one of them. If governments had been involved in something like that, it could have helped these young fishermen who were starting out, trying to help their industry on conservation and protection. There was no help there from government at all. They just did this on their own. With these guys taking an approach like that, if there was something from DFO to kick in and help by various means, I think something like that would go a long way.

•(1345)

**Mr. Mike Allen:** Do you believe that our eventually reaching to get certification of our product...and I think you're right, that's probably in the long run going to be important. Do you think that dealing with some of these issues is going to be important for us to achieve that certification?

**Mr. Bobby Jenkins:** Yes, I do.

**Mr. Mike Allen:** Okay. You talked a little bit about the buybacks, and I'd like to get an idea. Can you tell me a little bit about the age profile in your area of the fishers who are currently in the industry and what your ideas are in terms of how we get the young fishers in? We've heard some testimony that if we can get this rationalized a little bit, the return would go up. What other ideas do you have to make sure we get the young fishers back?

**Mr. Donald Johnston:** On the buyout aspect of it, we always stated that we buy out the aging fishermen first. There's a large percentage. I don't know if it's 50% or not, but it's over 50% now and there's a very large percentage ready to get out of the fisheries, though.

They would have first crack at the buyout, and then you wouldn't have to replace them into the workforce, which is one of our main concerns, and we never really did anything for the young people. I know there's been stuff done through the association, but our association personally just thought the young fellows would go as they would. It's an open market, but there has to be training and stuff. The first time I sailed a boat was when I bought mine 28 years ago.

But I think the main concern right now is, getting back to the FRCC report, how taking fleets out of the water could not be good for our fishery. I just can't understand how somebody could sit there and make that statement. It is the best thing that could ever be done, and it has been proven in the past. We as fishermen all know that.

On the buyout, we want to buy out the elderly fishermen first, so they wouldn't be taking somebody else's job when they left the fishery, and I think we have the numbers to do that. We are looking at 60-plus that we'd be buying out.

**Mr. Bobby Jenkins:** Yes.

**Mr. Mike Allen:** Bobby, I'm going to go back to a report you talked about called "Planning for the Future". You mentioned a few things in that report. Can you elaborate a little on some of the things in that report that would be helpful to the committee for consideration?

**Mr. Bobby Jenkins:** We covered the whole buyback scheme of things in it and we covered conservation and protection in that "Planning for the Future" report. I'd have to refer to some of the notes in it. We're going to back to 2007 now—it's been around for a couple of years, Mike. Pretty well everything we discussed with our fishermen at two big meetings came out of that report. The whole thing was really based on a buyback.

**Mr. Donald Johnston:** Just to mention a few things on the conservation part of the buyback, if we take out the 65 fleets to start with, there's an environment impact. Each boat burns 20 to 30 gallons a day; anything they may be dispersing into the water is gone. Concerning the 50 traps, there are 402 fishermen in our area here, so right there you're going to save at least an hour a day. You're

looking at three or four gallons less fuel for each vessel every day for 50 days, and looking at less bait, which makes it easier on the other gaspereau fishery.

So there is a fairly big environmental impact too: the fuel, and saving one-quarter to one-third of your bait per day. It makes quite a difference in the gaspereau fishery, which is dwindling. We use a lot of it here, and it would save that fishery somewhat.

So there are lots of savings to look at. As for the income of a fisherman, since we all have 300 traps now, if you put out 50 fewer, you have 50 spares right off the bat, which saves you money right off the bat.

So there are some good outcomes from lowering by 50 and getting rid of the other 65.

•(1350)

**Mr. Bobby Jenkins:** Another thing, Mike, is that our fishermen were adamant that before they gave up 50 traps we had to see something coming from the province and the federal government. They were adamant about that.

**Mr. Donald Johnston:** The thing that really baffled us and the fishermen was that our report was shelved. We totally did it on our own; we were not asked to do it by anybody, but totally did it with industry. When it ended up with DFO, our proposal was shelved. I couldn't believe it.

**Mr. Mike Allen:** Okay, that's helpful.

The last question I want to ask is about access to credit. We talked about exhausting the credit limits. Mr. Calkins mentioned before the idea of getting some of the financial institutions in at some point in time to talk a little bit about this.

How are the banks reacting? I don't have much fishing in my riding, but I have a lot of forestry and agriculture. I know how the banks are reacting to them. If they'll even give them credit, it's at around three and four points above prime, and they've increased the risk profile. It's a real challenge. What are the types of things you're seeing in the reaction of the banks?

The second part of it is, what types of things, from a financing perspective, would be helpful for us to be thinking about on the credit side?

**Mr. Bobby Jenkins:** I'm glad you brought that up. One of the things we found ourselves dealing with a few years back, when we were getting \$5.25 and \$6.25 for lobsters.... We were still having problems, and one of the things we did as an association—the PEIFA was adamant in going after this, and it took a lot of hard work from a lot of individuals—was go after that 4% loan from the province for our fishers who were in trouble in areas 25 and 26A. We finally got that. It has helped a lot. I've had a lot of fishermen tell me the only thing that saved them was that 4%—consolidating their debt and getting it under a 4% loan.

Various people who work at banks and credit unions told some of the fishers to go to the P.E.I. lending authority and to try to get in there, because that was a better place for them than the banks or the credit unions. That's what a lot of them ended up doing.

That being said, that program is over now. Something from the federal government along those lines would work. The criteria don't have to be the same; they could be different. The plan could cover the whole island; it could cover the whole Atlantic coast, for that matter. Every time we pick up the newspaper or turn on the TV, we see a stimulus package for this outfit or that outfit or something else. The fishery is the same: it's a business, and there are people suffering in that business. They need it.

So I'm really glad you brought this up, Mr. Allen.

**Mr. Jim Jenkins:** If I might add to that, I would be hopeful that the federal and provincial governments—again, irrespective of party lines and those sorts of things—would work together to look at this. If you lent money out at prime, what you'd be doing is investing in the future, particularly for people taking over new gear, or younger people coming into the fishery. You'd be investing new blood into that fishery.

I would recommend you seriously consider approaching the provinces and maybe share the cost of interest on that borrowing, and look at loans to new entrepreneurs in the line of 10 to 15 years. To go for such a large investment in the fishery and to ask for a loan, say, of five years is just not feasible in the lobster industry. You're taking of a \$200,000, \$300,000, or \$400,000 investment. Therefore, if you could get that loan at prime—or less than prime would be even better—what you will do is allow young people to establish themselves in the industry. They will then generate tax revenue as they mature in the industry, and that money will come back to Canada in the form of resources.

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

**Mr. Donald Johnston:** I approached two banks on this issue, as I was wondering how they were lending money to the fishermen lately. Both banks informed me they'd give me 75% of whatever the boat was worth. So if you were buying a fleet and your boat is worth \$10,000, you'd have to come up with \$192,500 yourself. So the banks aren't there; they aren't there at all.

Furthermore, the processors used to help on unregistered loans and stuff for fisherman, and with this crisis that has totally stopped. There's absolutely nothing—no purchase orders, no money, no nothing—from the packers anymore. It has totally stopped.

So it's quite a blow to the fishery. I've fished for 28 years. I can remember my packer going to a new captain and saying, this man is to get whatever he wants, whenever he wants, and how much he wants. Now, on a day last fall I was looking for \$200, and he said, "There's no money here."

**Some hon. members:** Oh, oh!

• (1355)

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

On behalf of the committee, I'd like to thank all of you for coming today and meeting with us.

If we could, let's take a short break while we set up for the next group.

Thank you.

• (1355)

(Pause)

• (1405)

**The Chair:** We will begin.

I'd like to thank Mr. Bungay for joining us this afternoon.

Order, please, ladies and gentlemen. Mr. MacAulay, you may want to take your meeting outside so that we can begin ours.

**Hon. Lawrence MacAulay:** You don't want me to get any votes.

**The Chair:** You've got enough votes, Lawrence.

Mr. Bungay, once again I'd like to thank you for joining us this afternoon. I appreciate your coming on short notice. Basically we'll give you 10 minutes to make a presentation, and then the members will have an opportunity to ask you questions. Those questions will be timed questions, and the responses will be timed. If you hear beeping throughout the meeting—you've probably heard it already—that's the time indication.

Mr. Bungay, I'll let you proceed. Thank you.

**Mr. Linus Bungay (Operation Manager, Ocean Choice PEI Inc.):** First of all, Mr. Chairman, let me apologize on behalf of Mr. Sullivan, who was supposed to make this presentation today. Unfortunately, the weather was not cooperative.

Good evening, members of the committee. My name is Linus Bungay, and I am the operations manager for Ocean Choice International on Prince Edward Island. May I say for the record that Ocean Choice management is very pleased the committee is taking an interest in learning about and helping to solve some of the systemic problems and issues affecting the lobster industry of Atlantic Canada and Prince Edward Island, in particular.

Many of these issues have plagued us for some time. They have become much more difficult because of the global economic crisis, because the seafood industry now operates on a global basis. My company has its head offices in St. John's, Newfoundland. Ocean Choice International came to Prince Edward Island five years ago when we bought the assets of Polar Foods from the government of the province. Since then we have invested over \$11 million in technology and other improvements to our facility in Souris at the eastern end of the province.

We have not asked for, nor have we received, any government funding for our initial purchase or in the improvements we have made. We are now the largest processor of lobster on Prince Edward Island and the second largest private employer in the province. Our annual payroll to staff and production workers averages about \$8 million to \$9 million a year. Our operation is unionized. The United Food and Commercial Workers represent our workers. Our production workers are covered by a contract, receiving health benefits and vacation pay.

We buy lobster from more than 300 fishermen sailing from P.E.I. harbours. As well, we buy lobster from fishermen in Newfoundland and Labrador, Nova Scotia, New Brunswick, and Maine, all told, about 10 to 13 million pounds depending on the year.

We put more lobster products on the international market each year than any other processor in Atlantic Canada. We market our own product, with sales offices in Asia, Europe, and North America. Our processing season extends from May to February. We market our products to more than 20 countries around the world, with our most important market in the United States. When you add in our local expenditures for supplies and the rentals and living expenses paid by over 200 imported workers from other provinces and foreign countries, you get some idea of the economic contribution we make to the town of Souris, to eastern P.E.I., and to the provincial economy.

Lobster processors are truly the middle men in the production and marketing chain that begins with fishermen landing their catch on the wharf and ends with sales of lobster products around the globe. The current market for lobster products can best be described as unstable and extremely price sensitive. The lobster processor is caught between those global market realities and increasing production costs, a dwindling labour supply, and the need for fair returns to fishers. Overriding those pressures is the need to preserve and maintain a sustainable resource. We are sailing into stormy seas. To quote one independent seafood industry analyst, "The seafood industry is about to see much more fallout from the credit crunch." To use a word that is coming into use in discussing the global economic upheaval, this will be a reset year for the lobster industry in Atlantic Canada.

Traditionally the lobster fisherman has hauled his 300 traps six days of the week during his season. He catches as many legal size lobsters as he can and sells them on the wharf of his home harbour for as much as he can get for his catch to one or another of the buyers representing various companies. There are issues about consistent high quality on the shore that must be sorted out. We believe there should be more quality consistency and that a better grading system should be installed. The fisherman's work is done after the product is landed. The work of the processor then begins.

Bear in mind that about 75% of the lobsters landed on P.E.I. are canner size, weighing up to one pound. There is no other buyer for these animals other than the processors. They are too small for the live market in the restaurant trade. The industry has always operated on an assumption that every fisherman will have an immediate market for all his catch. That notion is based on the presumption that processors will buy every fish they can and process what they cannot immediately sell for inventory. That inventory, in turn, is financed by lines of credit used to pay for the raw product. It is what is known in other industries as bridge financing.

You are all familiar with what has happened to credit with banks and other sources. Credit is harder to get and in many cases is simply not available if it is to be used to finance inventory.

● (1410)

John Sackton writes in his daily online *Seafood News* that "...there has been a tremendous de-leveraging of bank and insurance company exposure to credit risk". He is talking here about the recent reluctance of banks and insurers to accept receivables as collateral against risk. It puts enormous pressure on processors to make quick sales, as companies try to bring in enough cash dollars to cover expenses. It also puts downward pressure on the amount of

lobster being bought by processors, as well as the prices being paid by them for their raw product.

Our industry needs to be viable, so it can bring more technical innovation to the industry. At Ocean Choice, we have invested in high-pressure processing technology. It subjects lobster to pressure, which separates claw and knuckle meat from the hard shell without breaking up the meat. There are companies with the expertise required to develop machinery that can go one step further with pressure technology, to break and shake meat from the claw in a single operation. Development of this innovation would cost hundreds of thousands of dollars for the prototype. That is a huge investment for a single processing company to make and bear the full cost. Those who followed would get the benefit of such an expenditure.

Human resources is another key issue: the dwindling population in rural areas, creating a scarcity of older workers, and the reluctance of many better-educated young people to replace older workers retiring from the industry. We bring in more than 200 workers each year from Newfoundland and Labrador and from the other Atlantic provinces and foreign workers from Russia, China, and this year from Thailand as well. And we will still have difficulty getting all the workers we need.

The industry needs investment in research and development to come up with new products to meet changing consumer demands and to assist in using all parts of the lobster. We appreciate the investment governments are making in marketing Atlantic Canadian lobster. It is a start, but it is not the answer to our systemic problems.

Lobster has always been portrayed as a luxury, a discretionary food, and has been priced accordingly. That discretionary market has suffered severe impacts, especially in the United States, where lobster has been taken off many restaurant menus and where restaurant chains are closing outlets or advertising complete meals under \$10.

In reality, there are several niche markets, not just one. We need to be able to serve them all with our value-added products, from McDonald's to up-scale restaurants to take-home gourmet meals from the supermarket. There is a huge market for a lobster dinner priced under \$10—if anybody can figure out how to prepare one and still make a profit.

We need a sustainable resource to make a sustainable industry that will provide a living for fishermen and their families and the production workers in our facility and preserve a shoreline society with thriving communities. We believe it can be done and that we can have a profitable, prosperous industry.

To achieve that, we need to rethink the industry. We must improve quality. We must be consistent with our quality standards. We need more innovation, more research, and more research and development. We must look into the viability of longer seasons with fewer fishermen making a better living fishing more traps. We should strive for an industry requiring fewer workers who make better pay. A sustainable industry must also be a profitable industry. We have too many under-financed companies now.

These are some of the matters that Ocean Choice, as one processor, has taken under consideration. I'm prepared to answer any questions that you might have.

• (1415)

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

Mr. Byrne.

**Hon. Gerry Byrne (Humber—St. Barbe—Baie Verte, Lib.):** Thanks, Mr. Chair. I'll be splitting my time with Mr. Andrews.

Mr. Bungay, with such a large company, you obviously have a major stake and you have a fair bit of market power within Prince Edward Island itself. One of the questions I have is this. I am aware that you've changed the relationship the company has with individual fishermen and that you now buy strictly through brokers. Is that correct?

Your presentation talked a little bit about lowering costs. How can the introduction of a middleman actually lower costs, and why wouldn't you deal directly with the fishermen themselves and eliminate that cost?

**Mr. Linus Bungay:** If you look at our business model, what you will see over the last probably three to five years is a reduction in how much product we buy at each buying station. Over time, our amount of buy has dwindled probably by more than half of the buy. Therefore, our cost has risen to double what we would normally have to pay.

From our perspective, it is cheaper to allow a middleman to do his business and do what he does well and for us to not interfere with that process, based on the fact that we're not getting very much volume in some cases anymore. We're basically buying fish from fishermen for two or three days, or half-catches. Our volume has dwindled, so cost per unit is what we're basically looking at.

**Hon. Gerry Byrne:** Do you think that provides a net benefit to the fishermen themselves, because there has been a significant amount of concentration in the P.E.I. processing sector?

One would think that an increased concentration of processors would lead to concerns by some that the marketplace is being altered—and altered significantly—in favour of large buyers. What would be your reaction to that?

**Mr. Linus Bungay:** I don't think it's being biased in any way, shape, or form, in the way of larger companies. I think one of the things you see in this business is that there are many, many smaller operations, and those operations can operate basically on a cash deal. But they have to turn over their inventory, which affects my business as a larger company.

Can I extract all of the value out of the lobster at some point in time? No. That's based on the fact that sometimes other smaller processors, who don't have cash and don't have financing in place, have to move their inventory because they need the cash to buy for next week and the week after that.

**Hon. Gerry Byrne:** I'm just going to push my questioning a little bit.

You talked about research and development and the need for new products. There's some bad news. Ocean Choice International has

been involved with an organization called the Canadian Centre for Fisheries Innovation, and that organization just lost its funding. It's the major research and development partnering or brokering group, other than the Marine Institute.

What impact, if any, would the closure of the Canadian Centre for Fisheries Innovation have on your ability to extract greater value out of the lobster market?

**Mr. Linus Bungay:** It's going to have a major effect. Not only do they participate in the research and development of new products, but they've also been the driver behind the Atlantic lobster round table. They've chaired it. They've brought all the information together for it, and they've been a tremendous part of making the lobster operation in Atlantic Canada more transparent and open. Any time we've asked them to run projects—if we have any catch available to do projects with—I've found that their work has been tremendous. And they have helped us to develop some new products.

• (1420)

**Hon. Gerry Byrne:** So your company has actually made cash contributions to the work of the CCFI.

I want to share my time because my colleague has an important question about the inventories, but let me ask you this. Are you saying to us on the committee that the very organization that actually helped create and generate support for the Atlantic round table, which is currently under way and is so critical to the future of the lobster industry, is the very organization that's losing its funding from the government?

**Mr. Linus Bungay:** Even at this crucial time we're losing that organization. It's a tremendous organization. The timing couldn't be more wrong. I guess someone would have to show me when it could be more wrong.

**Hon. Gerry Byrne:** I'll switch to my colleague.

**Mr. Scott Andrews:** Thank you for coming in.

We've heard a lot of talk this morning, and throughout our journey, about the inventory on hand right now. I have three questions.

Could you give us some idea, in your particular circumstance, how much inventory you have on hand in pounds, not dollars, and what it would be normal for you to have on hand at this time of year, so we can put it in perspective? Obviously you're going to carry inventory. What inventory would you have on hand normally this time of year, and what do you have now?

More importantly, what impact is this going to have on the start of this lobster season—having that much inventory on hand? What's the plan for dealing with that?

**Mr. Linus Bungay:** I'd say that the inventory situation, from our perspective, is that we're slightly above where we would be in any other year. The biggest concern with that is about where we are going to sell our products in 2009. If any one of us processors—and we're all in it together—has inventory, it is going to greatly impact what the price is going to be in the marketplace come May 1.

We're going to be moving into the market in Europe, which traditionally buys a large portion of canner lobsters, the smaller-sized lobsters weighing less than one pound. It's a lobster product that allows the greatest volumes to go through processing plants. In most cases, it's really during a two-week period that the greatest majority of lobsters are harvested. It is really the only way for processors to be able to handle that product and get it safely through their facilities.

That pricing is going to be tremendously affected. I would suggest to you, based simply on inventories left over from 2008, that it will cause the prices to be 20% to 25% lower coming into the 2009 season.

**Mr. Scott Andrews:** You just said, though, that your inventory now is about the same as it was last year.

**Mr. Linus Bungay:** I said it's slightly higher, but you have to think about the fact that I'm not the only processor. Collectively, whoever has the inventory, whether it's me or someone else, has to go through the same markets.

**Mr. Scott Andrews:** When you say "slightly higher", do you mean it is 20% higher, 10% higher than normal?

**Mr. Linus Bungay:** We're a private company, and I don't really want to divulge that type of information. I don't think it's healthy for the market to divulge that type of information. We've had one incident already this year in which we divulged that information, and the next week at Ocean Choice we could not handle the telephone calls from people saying, "So you're having a fire sale in the lobster business?" It's not really good for us to be talking about what kind of pressure this has on the markets, because once that information gets out in public, it will drive down the price.

**Mr. Scott Andrews:** Since the fall, have you managed to move the inventory? Has this been an issue? How much effort have you put into moving the inventory this winter?

**Mr. Linus Bungay:** There's been tremendous effort to move all inventories. Fall inventory and spring inventory are two different types of inventory. Fall inventory is usually a market-size lobster that's processed mainly for the U.S. tails and meat market, whereas your spring season would be more of the whole cooked or whole raw and popsicle packs. They would be different markets. I would suggest there are very few processors who would be carrying inventory from the fall season.

• (1425)

**Hon. Gerry Byrne:** We're in a crisis, and obviously a research and development effort is not necessarily going to solve the 2009 season. But in terms of your product line, where is this going? Could you give us a forecast of what you think is going to happen in the spring of 2009 in the Atlantic industry? You are the biggest player, relatively speaking, except for Clearwater, and Clearwater just announced a \$102 million write-down. What can we expect from this?

**Mr. Linus Bungay:** It's a very volatile situation. It's very difficult to say exactly how this is going to play out. I look back at the lobster pricing that occurred in Nova Scotia in December. Most of our customers would look at that pricing at \$3.25 and say that lobster with a shore price of \$3.25 is good value, a good buy, and the majority of the people can afford to purchase that lobster. Rather

than purchasing some lower-grade meat products, they would see the health benefits in that.

If we're looking to move high-end value-added products at a price that's going to be feasible for fishermen to live with, the price is going to be much higher, but then we limit who we can market it to. If we can only market it to white tablecloth customers, for example, I would suggest to you that this market is probably, in the U.S. right now, down about 25% to 30%. In January and February, most of them would have seen close to a 50% reduction. I would suggest that in the springtime there's going to be a 25% to 30% reduction in white tablecloth.

So we have to ask ourselves whether we are marketing the product in a manner that's going to move it through volume and in specific markets, or marketing it as a value-added product. I would suggest that come the springtime, based on what happened out of the Southwest Nova season, we're going to be trying to move volume—and based on inventories from 2008.

**The Chair:** Monsieur Lévesque.

[*Translation*]

**Mr. Yvon Lévesque (Abitibi—Baie-James—Nunavik—Eeyou, BQ):** If I understand correctly, Ocean Choice is a very big player in this market. Is it the largest or second largest?

[*English*]

**Mr. Linus Bungay:** Yes, I think that's fair.

[*Translation*]

**Mr. Yvon Lévesque:** This morning, witnesses talked to us about decisions made by the Government of Prince Edward Island.

To what extent do you have any influence over the government's decisions? Apparently, there are costs associated with protecting the fishermen of Prince Edward Island. Could this influence prevent the government from taking measures here?

[*English*]

**Mr. Linus Bungay:** I certainly would have no more control over the provincial governments than I have over this committee. I cannot influence a provincial government decision.

I would commend the government for forming a P.E.I. lobster round table dealing with P.E.I. issues. I would commend the fishermen and the other processors for coming to the table and working diligently to try to find some of the answers that this committee is also trying to find, with a slant towards P.E.I. stakeholders.

All stakeholders are at that table. I think ministers Campbell and LeClair have worked as hard as they can. I believe that fishers and harvesters on that committee have worked very hard, as well as processors. We try to find common areas to work in for the benefit of the industry, not for the benefit of Ocean Choice or any one company, and we don't influence anything.

•(1430)

[Translation]

**Mr. Yvon Lévesque:** You talked about employing people to serve as middlemen or intermediaries between fishermen and companies. Considering the low prices that you can obtain for selling and marketing your products, wouldn't it be beneficial for the fishermen to have agents who are not middlemen, but employees of the company who can deal directly with him, without incurring any additional costs for the company? This would eliminate the intermediary fees that are probably costing fishermen a lot of money.

[English]

**Mr. Linus Bungay:** You're making the assumption that I can buy the same volume year after year, and that assumption has not been true for Ocean Choice. Our buy has dropped by more than 50% over the last three to five years, which means that my cost on the wharf has risen by 100%. On most of those wharves, we're dealing with the same commission buyer, so for us it's working together to take some cost out of the industry.

[Translation]

**Mr. Yvon Lévesque:** Indeed, it is the fisherman who loses the most. You have the same information, regardless of whether you are dealing with a an agent on commission, or a paid employee who deals directly with the company. It has the same impact on your income and the delivered price for lobster.

By eliminating the commission fees that you pay to middlemen, could you offer a better, slightly higher price, that would allow you to keep your fishermen and prevent their gradual decline on Prince Edward Island?

[English]

**Mr. Linus Bungay:** Again, sir, I would suggest that you're making the assumption that my costs with the commission buyer and the direct buyer are the same, or less. That is information we made a decision on, so I would suggest that the assumption is not correct.

[Translation]

**Mr. Yvon Lévesque:** All right. Thank you.

[English]

**The Chair:** Thank you.

Mr. Stoffer.

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

Sir, thank you very much for coming today.

Sir, who is the major shareholder among the owners of Ocean Choice?

**Mr. Linus Bungay:** There are Martin and Blaine Sullivan, there's Ches Penney, and then there's an Icelandic partner, Visir.

**Mr. Peter Stoffer:** We have heard about the difficulty of accessing lines of credit. I don't know if it's easier or harder for a company of your size to access lines of credit. Which financial institution do you normally deal with, or are you allowed to divulge that information?

**Mr. Linus Bungay:** I'm guessing it would have been a better question for the president of the company to answer, but we deal

with an Icelandic bank, and I don't think it's any easier for anyone, big or small these days, to get access to cash.

**Mr. Peter Stoffer:** Did the Icelandic problems—and you know that they took over those banking systems—interrupt your flow of credit?

**Mr. Linus Bungay:** Yes.

**Mr. Peter Stoffer:** I know that Clearwater had a concern like that as well.

**Mr. Linus Bungay:** It interrupted our flow for a period of time at the beginning. We've weathered that storm and we have our lines of credit in place for 2009. However, the question is whether they are as favourable as we'd like.

**Mr. Peter Stoffer:** That's understandable.

We heard evidence this morning that if a processor or someone wants to get assistance from the provincial government, the provincial government is restricted. If, for example, they gave Company A \$100,000 to renovate or rebuild or do something in their plant, they would in turn have to give either three or four times that amount to your company as well, even though you didn't ask for it. Apparently there is some sort of contractual agreement with the province on this, such that if they give one dollar here, they have to give three or four dollars to Ocean Choice.

Is that a correct statement?

•(1435)

**Mr. Linus Bungay:** I think the OCI agreement is in place and is an agreement between the provincial government and Ocean Choice. The answer is that if there were any assistance given to the industry, it would be done on a pro rata basis; I think that's a fair statement.

**Mr. Peter Stoffer:** Even if your company doesn't ask for it, you would receive those sorts of moneys anyway. Is that correct?

**Mr. Linus Bungay:** You'd have to look at the actual agreement itself.

**Mr. Peter Stoffer:** And how long is that agreement in place for, sir?

**Mr. Linus Bungay:** It was made five years ago when the purchase of the Polar assets took place.

**Mr. Peter Stoffer:** And does it have a shelf life? Is there an end date on that agreement, do you know?

**Mr. Linus Bungay:** I'm not quite sure of that.

**Mr. Peter Stoffer:** As you know, sir, earlier in February the federal Minister of Fisheries, along with the federal Minister of Agriculture got together with the three provincial ministers of the Maritimes region and came up with close to half a million dollars for a marketing strategy. We know that those funds had to be expended by the end of this month, before April 1. Was your organization in any way invited to participate in some of that marketing strategy? You're such a large operator that I would think they would come to you for at least some sort of advice or direction on what to do. Were you able to be part of this, or was your advice asked for?

**Mr. Linus Bungay:** We would have had input on that issue based on the fact that we're members of the Seafood Processors Association of Prince Edward Island. We would also have had input into it based on the fact that we're sitting around the table at the Atlantic industry round table.

**Mr. Peter Stoffer:** Sure.

One of the obvious concerns that a company like yours would have to have is access to supply in order to keep the plant going and the workers going and to keep your promises to your customers going as well. Does your company involve itself in any kind of trust agreements at all with lobster fishermen? Does your company own any licences or have trust agreements?

**Mr. Linus Bungay:** No.

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

My last question for you is, how was the Boston Seafood Show?

**Mr. Linus Bungay:** At the Boston Seafood Show, I would suggest as my opinion that traffic was down about 20%. I would suggest that there were very limited commitments made at the Boston Seafood Show. I think there were a lot of tire kickers at the Boston Seafood Show. I believe it is a kind of situation in which people are looking at what's coming up this season and are assuming that prices will be lower, so they're playing a wait-and-see game.

**Mr. Peter Stoffer:** Are the lobsters that you get from Maine usually tails and meat?

**Mr. Linus Bungay:** Yes.

**Mr. Peter Stoffer:** And it that because of the quality of the lobster itself?

**Mr. Linus Bungay:** That's correct, yes.

**Mr. Peter Stoffer:** Thank you, sir, and thank you for coming.

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

Mr. Kamp.

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

Thank you, Mr. Bungay, for being with us today and helping us to understand a little more about this issue.

Let me start, and if we have some extra time, my colleagues may have some questions as well.

Let me begin with one or two points of clarification. I'm the Parliamentary Secretary to the Minister of Fisheries and Oceans, and she would probably want me to clarify that the decision regarding funding for the Canadian Centre for Fisheries Innovation was not made by the Department of Fisheries and Oceans; it was made by ACOA. I'm not sure of their reasons for thinking the program no longer meets their criteria, but it wasn't our decision.

I also want to say on her behalf that she takes this lobster issue very seriously. She is concerned about what's happening not just here in P.E.I., but throughout Atlantic Canada. It's one of her most important files.

You said in your comments that your volume has dwindled—I think that is the word you used—and you mentioned 50%; then you commented that you don't know what you're going to buy from year

to year. I'm not sure I understand why it has dwindled. Is it just because it's unavailable to buy, or what?

**Mr. Linus Bungay:** The dwindling is based on the direct buy. We also buy from commission buyers, but the dwindling has been in our direct buy.

**Mr. Randy Kamp:** Overall, are you still getting as much lobster as you want?

**Mr. Linus Bungay:** Yes, we've been somewhere between the 10 million and 13 million pounds in the last three to four years.

**Mr. Randy Kamp:** I'm from British Columbia, and I confess I'm not as familiar with the lobster industry as I might be. How is the price set? How does it finally get set for the guy who pulls up with his boat with lobsters? Who makes that decision? What process is used?

• (1440)

**Mr. Linus Bungay:** Each individual processor would have to make the call as to what he thinks the lobster is going to be able to sell for in the marketplace.

**Mr. Randy Kamp:** So somebody like you makes that decision individually. You're in competition, though, with other buyers or processors who could also buy that individual's lobsters, I assume.

**Mr. Linus Bungay:** Yes.

**Mr. Randy Kamp:** Is there a healthy competition in Prince Edward Island, for example, in terms of the lobsters available, to keep the price relatively high or competitive?

**Mr. Linus Bungay:** In my opinion, yes, that would be true. If you look at one of the regulations that was implemented last year.... P.E.I. always had a 30-day window; you couldn't buy on the wharf unless you had put an application in 30 days prior. I think the provincial government changed that last year to three days, and we didn't get anybody new on the wharf to buy last year.

**Mr. Randy Kamp:** Who is your biggest competitor?

**Mr. Linus Bungay:** In different areas we have different competitors. We buy in many different areas, so there are many different competitors. We probably have competition from everybody.

**Mr. Randy Kamp:** So there's nobody like you who buys in all the same areas?

**Mr. Linus Bungay:** Well, Clearwater would not go as much into a P.E.I. buy for canner lobsters.

**Mr. Randy Kamp:** My final question is this. We're here to understand the issue, the challenges—the crisis, as some have said—but also to be able to make some recommendations to the minister on what might help the situation. Do you have any advice for us on the actions the government should take in the current situation?

**Mr. Linus Bungay:** From the point of view of what advice I could give, I think you have to look at it in two different contexts. There is the short term, May 1, which is right around the corner. Something needs to be done before that date for fishers to be able to make a living, I believe.

We want to highlight the fact that something needs to be done in the short term. I'm sure Mr. Bonnell mentioned that earlier this morning.

We also think that we cannot lose sight of the long-term systemic issues. We need to make the lobster business a viable industry, an industry that during the next down cycle is able to handle that bump and let us be viable enough to stay in it for the long term.

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

I'll hand it over to any of my colleagues, if they have questions.

**The Chair:** Mr. Kerr.

**Mr. Greg Kerr (West Nova, CPC):** I'd like a little clarification. You said the percentage of lobster that goes into canning is what?

**Mr. Linus Bungay:** There's a canner lobster, which means that it weighs less than one pound.

**Mr. Greg Kerr:** Yes, but what percentage of the lobster that comes to the island, to shore, did you say was canner?

**Mr. Linus Bungay:** Different areas would have different ratios, but I would suggest it's pretty close to 60-40, for sure—maybe higher than that, maybe 70-30.

**Mr. Greg Kerr:** In your estimation, is that different in P.E.I. from other jurisdictions?

**Mr. Linus Bungay:** Yes, it's especially different in Nova Scotia, where the carapace size is bigger.

**Mr. Greg Kerr:** So dependence on the processing relationship is greater in P.E.I.

**Mr. Linus Bungay:** Yes, we land more canner-sized lobsters than any other province. Probably New Brunswick has some canners.

**Mr. Greg Kerr:** You say you buy from 300 island fishermen and buy from other jurisdictions as well. What's the number from other jurisdictions, compared with the 300?

**Mr. Linus Bungay:** Probably something in the vicinity of 75% of our product comes from P.E.I. during the spring season. We would likely sell a lot of the products we get from Newfoundland, for example, into different product types, because the lobster there has a bigger-sized claw and is not as well suited for the live trade; it's better for production. We would take some of it, but very little of any other lobsters would be processed.

**Mr. Greg Kerr:** The reason I'm asking this is that if I'm understanding how inventory...and I won't ask any details about it; I know this is a sensitive topic. The inventory issue is not impacted by purchasing from other jurisdictions but is an issue unto itself. Is that correct?

• (1445)

**Mr. Linus Bungay:** Yes, that's pretty much true.

**Mr. Greg Kerr:** The rest has pretty well been covered, Mr. Chair.

**The Chair:** There are three minutes left.

Mr. Calkins, or Mr. Allen, or whoever wishes.

**Mr. Blaine Calkins (Wetaskiwin, CPC):** Thank you for coming here today.

The question I have for you is, how much money do you have to make per lobster, roughly, in order to maintain profitability for your company?

**Mr. Linus Bungay:** That would be very difficult to say. There are different types of lobster, and it's a very complicated calculation to do.

**Mr. Blaine Calkins:** Can you give us any indication of what it would be?

**Mr. Linus Bungay:** I wouldn't want to make any statement as to what that number would be. It's dependent on the size of the lobster, and where sold, and so on.

**The Chair:** Mr. Allen.

**Mr. Mike Allen:** From the Island perspective, is there enough processing capability on the Island, or is it a function that there's not enough storage capacity to even things out during the year? And are the challenges you have with the dwindling labour supply a function of additional requirements, such as food safety and other types of standards that have to be met, or are there new requirements for workers? Or is it just a challenge to get a worker, period?

**Mr. Linus Bungay:** It's certainly a challenge to get workers. In 2008 we had 100 foreign workers who came from Russia and China. It's been very difficult this year just to get any LMOs, which are needed to get foreign workers. That process this year, I would suggest to you, has been delayed by anywhere from four to six weeks. I think it's going to be a tremendous challenge for us to get foreign workers to start processing on May 1. That's something that's been different from other years.

The other thing that's happening on the labour force issue is that traditionally we've always had 150 to 175 Newfoundlanders come over. With the demographics in Newfoundland, a lot of them are able to retire now or are getting out of the seafood industry, so those numbers have fallen to probably 75 to 100 in the last year, about half of what we would normally get from Newfoundland. In P.E.I., it's always been a challenge to get people in rural areas. We've undertaken such things as busing them from Charlottetown. We've done quite a few things.

**The Chair:** Thank you.

My colleague Mr. Stoffer has a final question. I'll just ask it, because he tends to be quite lengthy in his questions. He was just wondering about value-added and what you do with the shells you have left over from your processing.

**Mr. Linus Bungay:** I'm glad you asked about value-added. It's truly a topic we could talk about for a long time.

I mentioned high-pressure processing in my report. That's probably the newest technology that exists in the lobster business.

Going back to Mr. Byrne's question about CCFI, one of the things we've been very successful at doing, with the support of CCFI and the vet college and the culinary institute here, is building markets for value-added high-pressure products. We compete with the live trade. We believe that our product, under high-pressure processing, whether of a whole lobster or the extracted meat, can compete very well with the live trade. That's the kind of support we would get from CCFI, to prove the science behind the technology and basically make scientific statements that our product is able to compete. So there is a value-added aspect.

Then there are the meats. I just attended a week of visits to England and France, where our product was put under the test by French chefs, who are very high-value customers. They said that the high-pressure lobster meat is probably the best lobster they've ever worked with. So there are a lot of value-added options.

We also mentioned the value-added option of taking the other lobster parts and making more of them. We've had many discussions at our factory; we think there are processes that can bring the value up. We believe we will do that over the next year to two years.

We've had many discussions concerning shell products with different companies in P.E.I. with regard to doing something with the shell. At present, what we do with it is give it, basically, to the farmers to put on their fields.

• (1450)

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

Thank you on behalf of the committee for being here today to provide the committee with some comments and advice. We appreciate the time you've taken, especially on such short notice.

We'll take a short break again, as we change presenters. Thank you.

• (1450)

\_\_\_\_\_ (Pause) \_\_\_\_\_

• (1500)

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

We have with us today, from Prince County Fishermen's Association, Mr. Danny Arsenault. The president, Shelton Barlow, has not been able to join him today, so Mr. Jenkins is going to join Mr. Arsenault.

Mr. Arsenault, you have probably heard already that we give 10 minutes for presentations, and then members of each of the parties have time allotted to them to ask questions. You will hear a little beep or noise throughout, and it usually indicates that the time has expired. If you hear that, don't be too alarmed. As I said earlier, I generally cut the members off, but not so much the witnesses.

In any event, Mr. Arsenault and Mr. Jenkins, if you would, please proceed at this time.

**Mr. Danny Arsenault (Vice-President, Prince County Fishermen's Association):** Good afternoon, everyone.

Before I start, I would like to give you a little history of area 25. In the late seventies—I heard someone talk about it earlier—there was a buyout of licences. Quite a few were bought up in our area. In the eighties we started seeing a good rise in the fishing. In the mid-eighties, area 25 was enjoying high catch rates. By 1989, for daily catches in the first week of the season we were put on a quota of 1,100 pounds per day at our co-op. They just couldn't handle the amount that was coming in.

In 1990, DFO put a size increase on the industry for area 25—the only area, and it was the first time it had ever been done. We weren't even consulted. It was just a week before the season that we were called to a meeting and told that our size was being increased.

This kept on for five or six years. We kept having an increase every year—again, as I said, the only area that had. During this time, each year our catches were dropping.

In our southern part of area 25, down in the strait—we all know the problems we have there—the catches were dropping off drastically. Then we ended up with a twofold problem, because as the catches were dropping in the south, we were being hit with size increases, and every year we were losing, dropping on our catches.

People were selling out in the south, and someone was buying the gears and bringing them north. In one year, we had as many as 13 gears move to the north. This went on for quite a few years.

In the late eighties we had 17 fishers. Just to give you an idea about where I'm talking about, we're mostly right up at the very north end of the district along the area 24 line. We have 250 to 252 fishermen in area 25. Today there are about 210 in the top third of the zone. This is where all the gears are. It has created a lot of problems.

With the three harbours at the north end we have seen increases, as I said, from 17 in one area to 53 there now. The next harbour up, which would be Skinners Pond, has an increase; I think 10 or 12 have moved into that area.

Pressure on the stock is very severe, and DFO stood by and allowed all this concentration into one area to happen. We kept asking for something to be done, but they turned a blind eye to it. Now we constantly hear from them that they want us to reduce our effort. Each year they put new measures on us. This year we were given a new 10-year plan, which according to our fishermen would probably put us right out of business.

We are fishing a different, smaller... We have a window lobster. Everybody else is at 115 to 129 grams. We are at 114 grams, and everything above that we throw away, of the female lobsters—we put them all back. Still that isn't enough. They are asking us to cut traps and to reduce our seasons. We are having a hard time to make a living as it is.

This is why we stated that we were not in favour of doing anything with this 10-point plan. We had New Brunswick fishermen agree with us to go with the same thing. We're not interested in doing any of these things until we have a buyout and reduce the number of fishermen.

Everything is talked about on the basis of effort. You can't have any better effort of reduction than to take 100% of a fisherman out of the fishery. He's gone out of the fishery. All these measures they are taking are band-aids.

We believe that in area 25 we have two big problems. In the south, the catches continue to really drop off. We believe there are environmental problems. Studies have been going on in the last two years. We still don't have an answer as to what the problem is, but the stocks are disappearing—and not only lobster: every stock in the strait is disappearing.

What this has done, as I said earlier, is bring all the gears to the north. Now we have a problem in the north, where we have too many fishers taking too few fish. It must be a really good stock, because it would be gone by now if it weren't, because of the way it has been fished with the increases.

We would like to see some licences bought out here to help those who remain to be successful once again and be paying taxes and contributing more to the economy.

• (1505)

Area 25 had a buyout going a couple of years ago, made possible by crab quota. We bought out nine licences and we shelved two for a year. This program received praise all across the country, and we believe we could successfully run it again if we were given funds. The only area, I guess, that had a successful buyout was ours. Pretty well every penny that was put into it was used to buy licences, with a small bit for administration. We believe it's our only way to ever fix our industry: to buy out some. A third of the licences have to go.

Before we started this buyout, we were concerned about the gears moving to different areas. We went after DFO and were successful in getting, finally, a port freeze put in place, because we felt that if we buy eight or ten gears out of an area and somebody brings in eight or ten more, we haven't accomplished much. It's something we have brought up with DFO before.

And I think it's something that has to be looked at in areas. You can't have effort going all into one part of a zone; that's bound to cause problems. If we ever have it balanced out again, it has to be looked at to make sure the problem never comes back.

That's about all I have to say on this right now.

As far as protection is concerned, we'd certainly like to have more protection. We've seen in the last year or two a little bit more funding, and we could certainly use more, because everything helps. Our fishermen today are just hanging on, and if DFO makes any more cuts to us, we're all going to be out of business. We can't survive it. We see removing some licences as our only hope, and they have to go immediately.

Thank you.

**The Chair:** Mr. Jenkins.

**Mr. Jim Jenkins:** Thank you, Mr. Chairman.

Just to complement what Danny has said, what you have heard are the words of a hard-working, honest fisherman who makes his living from the front of the boat—not from an office, not from investments; he does it by hard work and through an honest day's labour. He and his colleagues are all in the same sort of situation in their area.

I would like to commend their organization, along with our colleagues here, Francis Morrissey and Craig Avery, in that these people a number of years ago had a warden program, which was a protection program under which the fishermen worked in cooperation with the federal government. It worked well. Now, because of various issues in the 1990s, when we had large recessions and all the tightening of the belts, if you will, and the chipping away of budgets, and we had to pay down the debt, and all those sorts of things, which are necessary, these people lost their program and haven't had an

opportunity to regain it. In fact, Danny's colleagues in the Western Gulf Fishermen's Association even make financial contributions to the department to maintain some extra warden protection in their area.

So I'd like to commend them. I was with the department at the time. I worked in fisheries management for a good many years, worked on the native programs, development, licensing, and various other types of things. It was these types of ideas, generated by fishermen—good, honest, solid ideas—and brought up not out of a concept of trying to take money from the government, but of working cooperatively with them to resolve a problem.... I commend them on their efforts over the years.

As to their lobster buyback program, I think they've done an excellent job. I've looked at their program in quite some depth, and I'd like to see your committee support not only their efforts but the efforts of all the various locals on P.E.I. to reduce the number of fishermen. I think everybody wins when we do that, and having the fishermen be part of the solution is going to make resolving the problem that much easier.

I commend Danny on his dedication and his work in the fishery as well.

• (1510)

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

Mr. MacAulay.

**Hon. Lawrence MacAulay:** Thank you very much, Danny and Jim. I'm pleased to have you here.

Danny, you mentioned retirement. Something I have promoted somewhat and intend to continue to promote is a retirement package.

Also, before we get into that, I'd like you to talk a bit about their request to reduce and to take other measures. From what I understand, you're barely surviving in the fishery. Governments are great to ask you to do things, sometimes without fully understanding the impact on somebody that, as Jim said, stands at the front of the boat and really does the work and has to pay the bills. I'd like you to elaborate a bit on just exactly what they are asking you to do and how it's impossible to do it, and with that, how important the retirement program would be through the federal government.

You told me there were seven or nine retired and two shelved. Do you agree that they should be shelved? I understand a licence that's shelved is something you can take off the shelf. What I've been promoting is to make sure there is nothing on the shelf anywhere and to make sure that when they're gone, they are gone. Because if you don't do that—I think you have indicated in your statement too—if it's giving people help to buy the boats then they just shift and put the pressure on the area...if there is good fishing, everybody goes to that area. Unless you take licences out of the system, you cannot reduce the effort.

Would that be a fair evaluation?

**Mr. Danny Arsenault:** To answer your question about the shelving, the reason we did the shelving was that we had a couple of fishermen come to us who were looking to go elsewhere to work for a year. We didn't have enough money to buy them out, but they offered us so much if we'd take them out for a year. It was a bit of money that we had left. It was taking effort out of the fishery and we agreed to do it, but I'd sooner see them out altogether, yes. That was the only reason we shelved them. We didn't have the money to buy.

**Hon. Lawrence MacAulay:** Would it be your opinion that if we don't have a buyout program and if there is any help to transfer licences, that's not any help at all because it doesn't reduce the effort? Would you agree? You have to have something to reduce the effort in the fishery.

**Mr. Danny Arsenault:** Exactly, yes.

**Hon. Lawrence MacAulay:** I just want to get this on the record, so that when they review, it will be there.

**Mr. Danny Arsenault:** I agree with you.

**Hon. Lawrence MacAulay:** The port freeze, is that still in place in your area?

• (1515)

**Mr. Danny Arsenault:** Yes.

**Hon. Lawrence MacAulay:** That is a bit interesting.

Also, Jim, you mentioned the warden protection program. Or was it you, Danny? I would be interested in hearing more, because if we don't adhere to the rules, at least, then we would be in great difficulty.

Before I'm cut off, I'd like to welcome John Weston from British Columbia here. He should hear a bit of this, so when he sits in with his colleagues he'll be able to explain what the situation is for the fishermen in Atlantic Canada. Welcome to eastern Canada, John.

**Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC):** Thank you. It's a pleasure to be here, and forgive me for being late. It was beyond my control.

**Hon. Lawrence MacAulay:** Go ahead then, Danny.

**Mr. Danny Arsenault:** On the effort reduction, for example, this year when DFO came out with a 10-year plan, you had to come up with 10 points until 2018, I believe it is. To get some of these points...for example, one of them was to give up a number of traps, and for area 25 what they suggested to get one point was to give up 135 traps. That was to get one point. First of all, we're fishing with 250 traps. We're 50 fewer traps than everybody else, so if you take 135 of those traps out of the water, you're going to be fishing with 115 traps. You're wasting your time. You won't pay your fuel bill. You'll be going behind.

So that's not an option. Fishermen feel they just can't fish with fewer traps than 250.

**Hon. Lawrence MacAulay:** Danny, I take it you're not really big on the 10-point program.

**Mr. Danny Arsenault:** You've got that right.

On the days off the season, they suggested two weeks—to shorten it by two weeks to get a couple of points. Well, we're fishing nine weeks now and we're barely surviving. How are we going to do it in

seven weeks? We also have people employed. They have to get their weeks of work. If they are going to cut the season back, where are your workers going to be when you need a man?

I don't think a whole lot of thought is put into some of these things that are done. It is all done without consulting fishermen. We just don't believe it can work.

**Mr. Jim Jenkins:** There were a couple of other elements in the plan, Lawrence, that were really troublesome. One was that there were two raises in carapace size of a millimetre each that the fishermen got absolutely no credit for.

Second, in Northumberland Strait they were talking about cutting out the window lobster fishing and taking them all together. If you went down to central Northumberland Strait below Charlottetown and the central strait up toward Borden, it would virtually eliminate that fishery. For those people, instead of 6,000 or 8,000 pounds a year, they'd be fishing for 3,000 or 4,000 pounds a year.

**Hon. Lawrence MacAulay:** Jim, that's why this is so important and that's why this committee hearing is so important. It's so they understand that if you put requirements in place to restore the fishery, if it destroys all the fishermen, then it's not a big help.

**Mr. Jim Jenkins:** That's right.

You've grown potatoes for many years. This year, Lawrence, I have a new rule for you. This is going to help you. You are allowed to grow five acres of potatoes and you have to survive on that. Can you do it?

**Hon. Lawrence MacAulay:** I've dealt with some of those, and there's trouble there too, I can tell you.

**Mr. Jim Jenkins:** What I'm saying is that the solutions have to be reasonable, viable, balanced, and made up between the fishermen and the department as partners and not be rammed down the fishermen's throats.

**Hon. Lawrence MacAulay:** That's what we're trying to do here. It's being partners and not criticizing one side or the other. It's just to make sure, because all governments can do things wrong, and the odd time they do things right. It's just so important that you hear from the industry.

I better let you go, but if you get a chance, get to the warden part.

**Mr. Jim Jenkins:** I'll do the warden part in a moment.

**Mr. Scott Andrews:** I have just one question, and we haven't heard much on it today talking about conservation and size, but it's on V-notching. It's something I've explored a little at home. Some areas use it quite successfully, but the next bay doesn't want to hear tell of it. Apparently the Americans use it and they go by that.

What are your thoughts, Danny, on the whole process of V-notching, and is it something we should be looking into a little more in depth in Atlantic Canada?

•(1520)

**Mr. Danny Arsenault:** I don't really know a whole lot about it, but from what I hear, most fishermen in the area don't seem to agree with it. They don't think it's a good step. I can't really say yes or no, but I've heard that in some places where they do it they end up with some disease in the lobsters on account of it. There are pros and cons to it, I suppose, but I guess it's something that hasn't been really big in P.E.I.

**Mr. Jim Jenkins:** That has been largely replaced by the window lobster. The larger lobsters and the females are put back and so it has the same effect. I think it's safe to say fishermen in this area generally are not supportive of the V-notching process.

Could I go back for a moment to Mr. MacAulay's question on the program with wardens?

**The Chair:** Yes.

**Mr. Jim Jenkins:** It's a very important program. It started in the 1980s. It was the idea of a bunch of fishermen who came to the department and said, "Why can't we cooperate? You can't get more wardens. You can't get more officers. Your resources are continually being cut. Why can't we work at this in a cooperative effort?" Money was found, through my program actually; I was the chief of development at the time.

We went with a bare-bones program. It was not overly bloated. It was simply a vessel that was rigged up for patrolling. Training was given to various people who were hired. They worked with fisheries officers—and I'm giving you the shortened version—to enforce the various regulations. The officers themselves actually did the enforcing. The other people were the eyes. They reported and what not, but they didn't carry firearms, and they didn't rush in with bayonets and batons and everything. They were assistants to the fisheries officers, and they made the job easier. They could spell them off while they were watching for long periods of time and this sort of thing.

What it did, I think—and it's a great credit to the fishermen in the Tignish area, Seacow Pond area, who continue today to support that program through financial contributions—was bring the fishermen and the department closer together. And with their combined efforts, they were able to reduce poaching by a very large degree. I can't say that poaching has disappeared from the shore, but I can say with all confidence that it has been greatly reduced. I think the fishermen in that area deserve full credit for working with the officers.

Mr. MacAulay was wondering whether that type of program would work today. I say that it would work, and I think the department would be able to make the resources go a lot farther if they did work in partnership with the fishermen.

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

Monsieur Blais.

[Translation]

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

Good afternoon Jim and Mr. Arsenault. With a name like that, I would assume that you understand French.

Just as an aside, where do the Arsenaults come from? There are many Arsenaults in Gaspésie and the Magdalen Islands.

[English]

**Mr. Danny Arsenault:** We come from Tignish, P.E.I.

[Translation]

**Mr. Raynald Blais:** How long have you been a lobster fisherman?

[English]

**Mr. Danny Arsenault:** Since 1974.

[Translation]

**Mr. Raynald Blais:** Do you fish any other species?

[English]

**Mr. Danny Arsenault:** We used to fish groundfish a lot, but that's nearly non-existent now, so it's mostly lobster.

[Translation]

**Mr. Raynald Blais:** Could you further explain the situation in your fishing zone? How many fishermen are in your zone? What kind of fishing data has been collected in recent years? Has there been an increase, decrease, or is it stable?

[English]

**Mr. Danny Arsenault:** There are 252 fishermen in area 25. The catches, I would say, are probably down to half from what they used to be in the north zone, and they are probably reduced by two-thirds or more in the south from what the catches were in the late eighties.

•(1525)

[Translation]

**Mr. Raynald Blais:** Very often, we look for solutions and try to make recommendations that can be enforced coast-to-coast, across the country. Yet, I believe, as do my colleagues, that we cannot proceed in this way. One solution may work in a certain area, but not necessarily in another. There can be variations, particularly as regards the licence buy-backs. Solutions may vary geographically, according to the fishing sector that we are dealing with. Do you agree with this way of working?

[English]

**Mr. Danny Arsenault:** Yes.

[Translation]

**Mr. Raynald Blais:** You talked about your own difficulties and the fact that even the slightest bit of support could help you. How are you able to deal with the current situation?

[English]

**Mr. Danny Arsenault:** Good question. I don't know. We just keep working at it, hoping, I guess, for some help to straighten things out. As I say, we've been working through them for a number of years and not much has changed.

I said 252 fishermen in P.E.I. There are also 604 in New Brunswick sharing the same zone with us. Basically, it's the same problem on both sides. When the problems really got bad in the strait, it happened on both sides, and all of the licences moved to the north, and now there's a struggle in both areas.

[Translation]

**Mr. Raynald Blais:** There can be many short, medium and long-term measures. But in your case, what types of measures should be put into effect immediately?

[English]

**Mr. Danny Arsenaault:** What I said earlier is an immediate buyout of licences to reduce the effort. As I said, we've probably doubled or tripled the effort in the area in the last little while, and I don't think any small measures can fix it. The only way we see it is the reduction of at least a third of the fleet to make it viable for those who stay.

[Translation]

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

I'm done, Mr. Chair.

[English]

**The Chair:** Mr. Stoffer.

**Mr. Peter Stoffer:** With all this excitement of talking about buyouts, I was thinking of introducing a private member's bill and maybe buying out a few of my Conservative and Liberal colleagues. I just jest when I say that. When I hear Mr. MacAulay talk about retirement, I wonder if he is talking about himself or something else.

Thank you once again, gentlemen. There is a fundamental problem. I think in the Magdalens here...we're going to hear it in Nova Scotia, we're going to hear it in New Brunswick. DFO has talked about it, industry has talked about it, our committee has talked about it, and the Senate committee has talked about it. Everyone is in agreement that you have to reduce the effort. How it happens obviously is a discussion, but the reality is that you can reduce the effort and protect the resource, but if no one is buying it, it's still a problem for those who are behind. You have 250 fishermen, and if you go down to 175 fishermen, for argument's sake, if no one is buying the lobster you have the same fundamental problem of the market conditions.

I guess my question for you is this. As a fisherman who has been working for 35 years now and fishing lobsters, what advice would you give us to give to the government on any unique ways of marketing lobsters other than what has already been proposed by various government officials and by the companies? What would you like to see done in terms of marketing that lobster so that we could tell the world and Canadians that this is a healthy, wonderful Canadian product that should be enjoyed by everybody—without a seafood allergy, of course? What would you do?

• (1530)

**Mr. Danny Arsenaault:** I don't know. I guess that's why I'm a fisherman. Maybe I'll let Jim tackle that one.

**Mr. Peter Stoffer:** Fair enough. Very good answer, by the way.

**Mr. Jim Jenkins:** Those fishermen are smart.

**Mr. Peter Stoffer:** Yes, they are.

**Mr. Jim Jenkins:** Well, you raise an excellent question: what do you do if you have a wharf full of lobsters and nowhere to get rid of them? It is a fundamental question, and one that very well may be faced by the fishermen this spring.

I would suggest there are two things that you in government could really have a positive influence on. One is the effort that's going on by CCFI and by the provincial governments and what not—in other words, to market an Atlantic Canada lobster, promote it, try to find new markets, new products, these sorts of things. These take time and they take effort and money and investment, but that is one part you should be looking at.

I think another thing the government should be looking at, whether it's working with their provincial colleagues or whatever vehicle they wish to use, is securing some interim funding for the processors in order for them to be able to purchase lobsters. We heard earlier that they have a supply. I don't know the quantity of inventory in hand. They were bought at higher prices, \$4 or \$5 a pound. Therefore they're very expensive inventory for our processors to handle.

We heard of the collapse of the Icelandic and other banking systems. Banks have become extremely sensitive to the processing sector in lending money. We can see that processors today are tightening up their lines of credit with their clients, with their fishermen and what not. It's not as easy for them to lend money for new motors or new gear and various other activities as it was a few years ago.

So I think that between the provincial and federal governments there should be an effort to have some type of financial assistance, whether it's an interest buydown, which would be positive, or a loan of a certain percentage of their money for inventory, let's say, a 70% return of their inventory. They have to have some incentive to maintain the product and sell it, but at the same time, if they could just buy one week and not buy the second week, we're into the same sort of situation.

We look at our forefathers in the government. Many years ago we had the Fisheries Prices Support Board. Now, I know Lawrence has mentioned the World Trade Organization and about the various trade agreements that we have and the problems that ensue, but at the same time, the vision was there that during low times the Fisheries Prices Support Board could support the industry. If we could have something like that, so that our processors are not forced to dump product on the market at low prices and depress the market even further, I think it would be helpful to them.

I'm not trying to put myself forward as a marketing expert, because I'm going to tell you I certainly am not. If you want to talk to marketing experts, you go into that field and talk to the processors. Those people are the people who handle that side of things. But having looked at it this winter—I had an opportunity to do a bit of work on this—what I found was quite startling. If we do not have some mechanism to start the buying process off and to recover money relatively quickly, the fishermen are going to soon find that there's no place to sell a lobster—and you, Peter, have brought up a very poignant point—and it's going to immediately kill the industry if we can't get them off the wharves.

So my recommendation would be those two things: one is to help on inventory management and costs, and as well, to look at some banking and maybe interest buydown, those types of things, to assist the industry in keeping it churning and turning over.

•(1535)

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

Mr. Calkins.

**Mr. Blaine Calkins:** Well, thank you, Mr. Chair. It certainly is nice to get an opportunity to ask a few questions again.

Mr. Arsenault, I know you've already said it, but I want to be sure, because I think it was Mr. Morrissey earlier who said that a while ago, when DFO made some changes, the fishermen were fighting against it tooth and nail, and now after they've seen the results of them, they'll be fighting like tooth and nail to keep them. Are you sure that in this 10-point plan you don't like all the aspects of it? How sure are you?

**Mr. Danny Arsenault:** I wouldn't say all of it, probably, but I guess if we were in a better position to absorb it, we would be looking at it differently.

**Mr. Blaine Calkins:** Okay.

Now, you said in your testimony that you think about one-third of licences. What do you see that doing? I'm assuming where you're coming from is that that's fewer traps and less competition you have out on the water, which means you're going to bring in a greater percentage of the catch. The idea is that the percentage of catch over the two weeks will be the same, but it's just divided up again among fewer fishermen. The margins stay the same, but you're going to be making your money more on volume. Is that correct?

**Mr. Danny Arsenault:** Mostly, but we don't believe that if you took five fishermen out of the system the remaining group.... You're not going to catch every lobster they were catching. You're going to catch a percentage of them, but you won't catch them all, so there's going to be more staying in the water. It's better for the people who are staying, but you still wouldn't get 100% of everybody's catch. Some of that catch would stay to reproduce.

**Mr. Blaine Calkins:** All right.

I'll get back to this in a second—I'll pass the time on to my friends here—but I'm just curious. From a research perspective, whether it's on packaging, on innovation in processing, or on research and investment into market access, is enough being done? In your opinion, have we looked at all of the ways? As the primary person who goes out there, you're out there on the front line. You're the price-taker. How satisfied are you with the amount of research and investment that goes into these other things?

I know they're not part of your daily business, because you're involved in the business of catching the lobster. If we found a better way for packaging, to add value that way, better ways for storing for the long term and for freshness, or whatever the case might be.... What do you think could or should be done? Is enough being done on that? Are we at the edge of technology and science at this point in time when it comes to dealing with these particular aspects of the industry, or could more be done?

**Mr. Danny Arsenault:** First of all, I'm a member of a co-op. I think those questions are probably more suited for our management, because we trust them to be working on those kinds of things for us, to get the best. Whether there's more out there I don't really know, but I'm sure there is. It seems to me there are always new products

and new ways of doing it coming up. The more work that's done on it, probably the better for the industry, yes.

**Mr. Blaine Calkins:** Okay. My last question for you, before I pass it on, is this. You've been fishing area 25 for the last, what, 34 or 35 years? Is that correct?

**Mr. Danny Arsenault:** Yes.

**Mr. Blaine Calkins:** You've seen your catches go down on a per unit effort basis since the 1980s. Anecdotally, can you tell this committee what you've seen of other changes in the environment? Have you seen an increase in seals? Do we see an increase in other types of things? What are the environmental factors? I don't expect you to give me a scientific answer, but anecdotally, what have you seen out on the water that would give this committee some information that reminds them why there's a decrease there? We've heard about the environmental factors, the bridge, and so on. What other things could there be? Could seals be a factor?

**Mr. Danny Arsenault:** Seals are probably one of the biggest factors, yes. We have seen that in the groundfishery. That's almost totally wiped out, and we believe it's the seals. We stopped fishing in 1992 for groundfish, and it's pretty much been a moratorium since. Today, the spawning biomass is about 90% less than it was in 1992, and the only answer they can give us is the seals. So it has definitely taken that down.

As far as the seals go, I don't know how much of a problem they are for our lobsters. We do know they're taking the bait bags out of our traps. Whether they're eating the small lobsters or the soft lobsters...I'm sure they are. They are a serious problem.

On other things, we've seen with herring stocks that everything is depleted. Those were probably helping to feed lobsters. When herring are spawning, there's feed. It's all part of the system, I guess.

•(1540)

**Mr. Blaine Calkins:** Good. Thanks.

**The Chair:** Thank you.

Mr. Kerr.

**Mr. Greg Kerr:** I'm interested particularly in one thing you were talking about, just so we are clear. Yesterday we heard there was interest in the length—the sizing—increasing in the Magdalens, but no interest in notching. Did I understand that you consider that problematic? Is the size continuing to go up a problem for you, or is there support for the sizing?

**Mr. Danny Arsenault:** To answer that truthfully, everywhere else where there was an increase has probably seen catches rising. We didn't, because as I spoke about earlier, when this all started is when all the gear started being bought and brought into the area. I guess the fishermen in our area still aren't sure whether the size increase is doing them any good or not. Because of those problems, we didn't really see the value of it. We're down lower than we ever were.

**Mr. Greg Kerr:** So you've never actually been able to see results to know whether it's a factor.

**Mr. Danny Arsenault:** No. Each year, for the first few years, we kept declining in our catches, but the size increases were going up.

**Mr. Greg Kerr:** Thank you. That's all I had.

**The Chair:** Mr. Kamp.

**Mr. Randy Kamp:** I want to follow up with Mr. Jenkins.

I'm not sure I understood your suggestion about price stabilization. I assume the lobsters are going to come out of the water unless the fishermen stay home. You're not suggesting that they just quit fishing if there's a downturn in the demand for lobster, let's say, which we were seeing last year and this year, at least with the high-end lobster. Are you suggesting, then, that if fishermen continue to fish them, sell them for whatever they can get, and the Government of Canada subsidizes the price of the lobster, they can continue to survive?

I'm not sure I understood the solution you were proposing.

**Mr. Jim Jenkins:** . No, I'm not suggesting that the Government of Canada subsidize the shore price or anything like that. I think some people would say it would be nice to get the extra money, but in actual fact we would be artificially propping up the industry, which I don't think in the long run would have a positive benefit.

What I am saying is that the processors are finding it more and more difficult to access ready cash from either banking or lending institutions. I was suggesting that interest relief and some access relief to funding be given in order for the plants to be able to continue buying on a regular basis. If they don't have a cashflow coming into the plant, then they can only operate so long before all the workings come to a stop.

I was thinking about two things. One was some inventory support so they could get rid of their inventory in an orderly manner, and secondly, a banking type of operation that might last for two to three years so they would be able to continue purchasing along the shore.

**Mr. Randy Kamp:** I see those points, and I think they're interesting suggestions, but it doesn't address the selling side.

**Mr. Jim Jenkins:** No.

**Mr. Randy Kamp:** They still have to sell this to somebody.

**Mr. Jim Jenkins:** They certainly do have to sell it. I think the processors would be working with various organizations, whether it's the Food Technology Centre or with CCFI or other groups, to either produce new products or maybe have a more aggressive marketing approach and go into new markets as well.

I think the problem is what our colleague from the Magdalen Islands alluded to earlier: no one solution fits everything. I believe there will be a number of things tried, and hopefully some will be successful, to allow us to come out of this downturn.

• (1545)

**Mr. Randy Kamp:** You say we have way too many licence holders. How did we get more than we can handle? Was it because the stock was so good we just kept adding fishers?

**Mr. Danny Arsenault:** Back when it started, you could get into fishing and there was no cost. For 25¢ you got a licence and you went fishing. That's where the gears came from today. There were just too many.

A lot of people get out over the years, but—

**Mr. Jim Jenkins:** There's a bit more than that too. I'm interested in the history of the fishery, and one of the things in the fishery was that the man who owned the boat and the son or second man in the boat both had the same licence. There was no such thing, at that time, as a helper's licence before, say, the late sixties or early seventies.

If Danny and I were fishing together—and I'm, by the way, better looking than he is—he would have a licence, I would have a licence. It's the same licence. So when we divided it up, when they came in with limited licences, we just jumped into two extra boats. And what happened, as anecdotal information, is that when we brought in the trap limits and we had all these extra licences, we actually had more traps in the water after we brought in trap limits than before we brought them in.

I guess we learn by doing, and I think that what we've been doing since the late sixties is paring them down and reducing the amount of effort.

**The Chair:** Thank you very much, gentlemen. Thank you for taking the time today to meet with our committee and for providing us with some advice and some insight into the industry here in your area.

There is one thing I want to mention before we adjourn today's proceedings. If there is anyone who would like to add additional information, you have the ability to do so in writing and submitting it to the clerk of this committee. You can add any further points that you might feel have been left out here today, anything at all. Transcripts of today's hearings will be made available via the Internet within a two-week period. You can review those transcripts and provide additional advice, if you feel like it, after that point.

Before I adjourn, I want to say thank you very much to the entire area for your hospitality today.

My colleague Mr. MacAulay would like to close with a few words.

**Hon. Lawrence MacAulay:** I'd just like to thank everybody for coming. I'm wearing a sealskin hat and I have no trouble promoting it.

I thank my colleagues for coming. It was an informative situation. It's a big issue to host the Standing Committee on Fisheries and Oceans, and I'd like to give a hand to Charlie Fraser, who provided all the facilities that were needed.

Thank you very much, Charlie.

**Some hon. members:** Hear, hear!

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

The meeting is adjourned.





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