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Chair

Mr. Rodney Weston

Standing Committee on Fisheries and Oceans

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● (1535)

[*English*]

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

Gentlemen, I want to thank you for appearing before our committee today to make presentations and to certainly answer some questions that our committee members would have. We do appreciate your time and certainly look forward to the discussion ahead. I'm not sure if any of you have appeared before this committee before, but the microphones are automatic and there is simultaneous translation available. I'm sure it's all been explained to you. If there are any difficulties, we're pretty easy going here for the most part. We'll try to answer any questions you might have if there's anything at all.

Having said that, I'm not sure who was going to start off. Mr. Butler, perhaps you can start off and make your presentation. Please proceed whenever you're ready.

Mr. Derek Butler (Executive Director, Association of Seafood Producers): Thank you very much, and thank you for the kind invitation to appear here today in relation to your study on changing ocean conditions and other factors off the coast of Newfoundland and Labrador, and how that has led to stock fluctuations particularly in northern shrimp, and we're seeing changes in other species as well.

Let me begin with some brief introductory remarks about the association that I represent and then make some remarks regarding today's topic. If you want the short version up front, I'll give it to you now. There are four points.

The first one would be that there is change taking place off our coasts, and there will be consequences to that change. My second point is that change has happened before, but our ability to predict the future remains limited. My third point is that we need a resilient industry structure so that we can adapt to the change that takes place. My fourth point, and perhaps recommendation is that we need renewed scientific efforts to ascertain, to the best of our limited abilities, what exactly is happening.

Let me return to ASP just for a second. The association is a non-profit corporation, an industry trade association, founded in 2004 to represent the interests of its members generally in the province. In terms of fish price collective bargaining, we negotiate fish prices with the FFAW-Unifor. We do media and government relations, the provision of joint services to members, like the MSC file, for example, which l'll come back to.

Like any industry trade association, we represent a diverse group of companies, mostly family-owned, all located in rural Newfoundland and Labrador. There are no fish plants in St. John's. Companies range in size from very small to some of our province's largest fish processors, some with operations in other provinces, and offices and sales around the world. Our membership includes a publicly owned corporation. The balance is mostly family-owned enterprises, and we have two cooperatives, or harvester-owned associations, in our membership.

We produce the majority of seafood in the province, some 70% or 80% of snow crab, some 90% plus of northern shrimp inshore, which are the two most valuable species for us, and a host or wide range of the other 40 or so commercial species available to us in the ocean.

As you know, the vast majority of our seafood is for export. I am always amused by those who say we should sell more at home, because if we were to double seafood consumption in our province and not eat any imported seafood, including canned tuna or salmon, which makes up about one-third of all seafood consumption in North America, we would barely crack 5% of what we produce. We're a large seafood producer. We have to export 95% plus, anyway.

We would be left to sell 95% outside of the province to some of the world's largest markets: the European Union, 500 million plus; the United States, 300 million plus; and China, over a billion people. That's just to illustrate. We wouldn't eat all of our seafood if the only protein we ate was seafood.

One thing that is sometimes not appreciated—and granted, it is not a business for the faint of heart, as I like to say, so we're not looking for credit or laurels—is that my members employ thousands in the province, again mostly in rural Newfoundland and Labrador. We make millions in payroll, and we buy fish landed at hundreds of wharves, from thousands of harvesters. We're not just an unfortunate middleman between the harvester and the market. We are a vital link, and an important piece of business. Every year we buy almost half a billion dollars in seafood, and when it goes through our plants, the production value on that and the contribution to GDP is $1 billion in the province.

So let me return to the four points I made at the beginning. There is change taking place off our coast, and there will be consequences to it. Change has happened before, yet our ability to predict the future remains limited. We could never have forecast the growth and abundance of shellfish to the extent that we've had. We need an industry structure that can adapt and is flexible—my third point. The fourth point, we need renewed scientific efforts to ascertain, to the best of our limited abilities, what precisely is happening.

I think the first point is accepted, if not understood. There is change taking place in the ecosystem in our waters, a regime shift of some sort and of some magnitude. You will no doubt hear from people more qualified than me who will speak to that and who can address it better, but I think it is clear there is change taking place, and it is substantial. That's why you're engaged in this study.

My second point is that we have seen this before. We have been through change. By that, of course, I mean the groundfish collapse and the changes around the moratorium that occurred some 20 years ago last year. It actually started well before that, back into the eighties. That necessitated, or resulted in a significant outlay of public moneys. Five billion dollars was spent in Quebec and the Atlantic provinces to help people rationalize, revitalize, renew, retrain the industry—and retire.

● (1540)

But I think the one thing we didn't do was to introduce a measure of resiliency to the industry, and we stand now on the cusp of another significant change, my first point. It is fair to say we in the industry are relying on a few species in the basket, making inadequate incomes in terms of what might be required to be resilient in the face of the change that is coming.

There is a large question mark on whether the industry as structured can withstand significant change without, once again, the support and the related public costs. I think that's unfortunate because I think there are models out there around the world where industry can be made to rely more on private sector dollars, private sector investments, and be made more resilient in the face of change when change occurs, either in resource abundance or currency or markets, whereby we can contribute more to the common good of how a common property resource is managed to benefit the most people in the proper exploitation of the basket of fish that Mother Nature hands us and in the livelihoods of the industry's participants.

Dollar for dollar, just to illustrate in terms of the economic value of the fishery, just consider Iceland or Norway, two competitors. Higher incomes, fewer participants per dollar, stronger rural communities, better wealth creation, I think more sustainable fisheries management. I don't have the precise number, but Norway is around 12,000 harvesters for a value of around $10 billion. In Newfoundland we have around 9,000 harvesters and a production value of $1 billion. You do the math; it's two different businesses. We need fewer participants in the industry making better incomes, contributing to better livelihoods, and stronger rural communities if anything is to survive in this business.

Of course all that is not to say there is no private money in the business, either in harvesting or processing. Much if not all the retooling done for shellfish abundance was done with private capital, but it is also undergirded by strong reliance on EI wage support, both in harvesting and in processing.

It's an aging workforce. With plants open mere months, vessels fishing mere days, 30 to 40 days on average according to the Canada-Newfoundland and Labrador discussion paper on fishing industry renewal published in October 2006, that is hard to make sustainable. It is hard to attract young people and hard to build up the capital to modernize, to adapt, change gears, or meet increasing market specifications such as traceability. It's very hard to withstand the winds of ecosystem change we're seeing now, resource declines, or even currency or market volatility.

We face dilemmas. I've heard them and you have heard them represented by some who say not to cut the quotas, being too hasty, too dramatic, would place people in economic peril. From our groundfish experience, going back now some 20 years plus, we have that option to not take care of the fish, and the fish won't take care of us.

I am prepared, along with anyone, to say that in the absence of full knowledge, we must be cognizant of our limitations, our gaps in knowledge, and the consequences of the decisions that we make. But we must also be precautionary in light of the unknowns and the uncertainties before we keep doing what we have always done, because I represent the consequences to the people who will wear that.

My third point then, as I've said, is that the structure is inadequate to our purposes if by that we mean economically sustainable and that risk-compromising sustainable resource management. That was detailed very well by the “Sunken Billions” piece by the Food and Agriculture Organization and the World Bank a few years ago.

In closing my fourth point is that we need renewed scientific efforts to understand what is going on. By that I would offer public-private partnerships. We need to be doing more together somehow. There must be models around the world for this. I don't have the answer, but we have the capacities that we can build on, whether at Dalhousie, UPEI, or Memorial University, just to cite a few. With public-private partnerships with institutions like those—with the Marine Institute's CFER, industry, harvesters, processors all working together—one has to think there must be some model we can find whereby we're all contributing to the body of knowledge that gets us the best understanding of the changes we see taking place, the fish available to us, and the ecosystem it all depends on.

Let me close on a note I hit earlier.

● (1545)

We also handle files of joint interest to members like the MSC, and I'm pleased to see Jay here from the Marine Stewardship Council.

MSC, you may not realize, was formed on the back of the groundfish collapse in Atlantic Canada, when WWF and Unilever got together and asked whether there was something we could do. Is there a mechanism we can build whereby we can assess and certify fisheries as sustainable, and get changes to fisheries' conduct and/or management to help make them more sustainable, where required, so we can give that assurance to the consumer?

I call it the democracy of the marketplace, and it's not perfect, but I am very proud of the work my members did. They went out on a limb, worked to certify the first MSC-certified fishery in Canada, the first MSC-certified fishery on the eastern seaboard of this continent, and the largest MSC-certified shrimp fishery in the world. We are very appreciative of the support that DFO gave us to get that, and continues to give us in our MSC work. It would literally not have been done without them. This is all good, because as I said earlier: we take care of the fish, as a fisherman told me, and the fish will take care of us.

My goal in appearing today is simply to encourage you as a committee, and the Department of Fisheries and Oceans, which will no doubt be following your proceedings closely, to explore all necessary and practical avenues to understand what is happening, in the interest of the last wild protein we eat, in the interests of the livelihoods of so many people who depend on it, and in the interests of sustainable fisheries management.

As you conduct your work, I'll leave you with a line worth bearing in mind that C.S. Lewis had. If one is going the wrong way on a train, the best solution is not to get up and walk towards the back of the train. That will not get you where you need to go.

Thank you for your time.

The Chair: Thank you very much, Mr. Butler.

Mr. Chapman.

Mr. Bruce Chapman (Executive Director, Canadian Association of Prawn Producers): Thank you very much, Chair, and members of the committee. I appreciate the opportunity as well to join you today. It's been some years since I've been at the committee. I was here a few times many years ago. I've been in the industry myself since 1977, and initially in the Nova Scotia processing sector. Then I moved on to the processing sector in Newfoundland, actually. I'm now representing the large-vessel harvesting sector in Atlantic Canada.

Before I just make a few straightforward remarks on shrimp—my discussion is going to be focused entirely on shrimp—I want to thank my colleague Derek, who led the way, really, on some key messages. I won't deal with the messages directly in my opening remarks, but they flow from the whole concept of resiliency and that a stronger industry will provide stronger jobs, longer-term jobs, sustainable jobs, and sustainable businesses in Atlantic Canada, which we do need so desperately.

I'm here actually to speak in support of the licence holders in the traditional northern shrimp fishery, two-thirds of which are held by Labrador and Newfoundland and the Inuit, combined, with the remaining one-third held by Quebec interests, New Brunswick interests, and Nova Scotia interests.

Over the past four decades, these licence holders have invested about $400 million in their fishery, and the shell-on shrimp fishery by the large-vessel sector is worth about $250 million in annual sales. I also speak in support of the 800 professional men and women, primarily from Newfoundland and Labrador, who earn good wages working year round in this large-vessel shrimp sector.

I should give you some context that 800 person-years is about the same number of person-years in the inshore fishery in Newfoundland. They have longer jobs, but as Derek mentioned, for a very short period of time. So if you translate that into person-years, it's roughly the same number as employed in the large-vessel sector, which works year round.

While the licences are held in a number of different provinces, all but three of these vessels, I should state as well, operate from ports in Newfoundland and Labrador. Even among those three vessels that operate in Nova Scotian ports, a large number of their crews are from Labrador. In fact, one of those vessels is half-owned by the Labrador Fishermen's Union Shrimp Company, and two-thirds of their crew are from Labrador.

I'm going to take a few minutes just to make a few points, six of them, actually, for your consideration. I won't tell you what they are in advance, but I'll run through them as succinctly as I can, leaving most time, hopefully, for questions and answers.

Number one, you've been asking questions and have received information about interactions of the complex oceanographic and ecosystem conditions, and the interrelationships between those conditions and the productivity of shellfish and groundfish, in particular. We suggest that such interactions will not be adequately understood in our lifetime. While it's important that science makes progress towards understanding them, they need not be the primary focus of society.

I think here today I want to bring to your attention that with respect to northern shrimp, there are only two biologists who, along with some technical and supervisory help, are directly involved in supporting the $400-million northern shrimp fishery. If you combine the inshore and the offshore sectors together, there is $400 million in sales. We have two biologists trying to understand what's going on.

First and foremost, then, point one, we strongly recommend that DFO assemble sufficient scientific resources. They don't have to be brand-new people. They don't have to be new money, but surely we can find the money or redirect the money from other places toward helping support better management decisions, primarily in terms of developing a robust shrimp assessment model that can position this shrimp bloom over a 15-year period.

● (1550)

Again, the contraction we've seen in the last several years, and we'll continue to see, we don't have to understand all of it, but we could at least place it in an ecosystem context. Then you can produce some reliable projections of how much shrimp is going to be available in the future ecosystem for us to manage and for all the participants to partake.

This is absolutely needed. It's not something that we have right now. There is no assessment model for northern shrimp. We're driving this bus based on a survey index and we just follow it up and follow it down. There's no way to know what the prediction will be for the next year or the year after or the year after.

Point two is a related point. I'm not sure if you're going to hear it or not. It's from other sources. In any event, it's in the interest of some people to paint a picture of the northern shrimp resource as a single population, and therefore it should be managed as a single population. I want to take the opportunity at least to inform you that this is a proposition we don't accept. I believe DFO was here at least a couple of days ago. They would have told you where the main shrimp fishing areas are. Maybe they showed you with a map.

I'd like you to picture the Polynesian islands in the South Pacific. All these islands contain distinct aggregations of populations spread across thousands of kilometres of the ocean. There will be genetic similarity between the populations on some of these islands, but in biological terms these individual populations can go up or down quite independently from one another.

That's a very similar situation to what's happening in the northern shrimp stock complex. A number of different aggregations are out there. I'm told the genetic similarity exists between these populations, but the scientists inform us that these kinds of genetic similarities can occur from as few as 250 individual shrimp larvae drifting down with the current and settling in various places in areas to the south. This, in itself, doesn't affect the adult aggregations in these areas, but it's enough to give them the genetic similarity.

It's on this basis, though, that DFO has set up the various management units around these aggregations. In terms of human predation in the form of the fisheries, we can overfish or overexploit any single one of these aggregations, so we should make sure that we follow the TAC, the total allowable catch, and the quota allocations for each of these separately.

Point three, as you contemplate the changing ecosystems, we think it's important that you have a system of management adjustments that the fishing industry must make in response to the changing abundance. Derek talked more generally about the economic model, the need to have resilience in play. One of the key parts of an economic model in fisheries, given that it's a public resource, is that you have to have a stable allocation policy, without which you have organized chaos and ad hocery. It's impossible to build an economic model around that.

This system, a shrimp quota allocation policy, has been in existence in this fishery since 1997, largely using the same approach that existed with the northern cod resource. In that situation, when new entrants came into the fishery through the seventies and eighties, as the TAC declined, these new entrants had to leave the fishery before the allocation of the traditional participants, in this case the small boat fishermen, was to be reduced.

● (1555)

In 1997, Minister Mifflin, who was the minister of the day, announced the quota allocation policy for northern shrimp, whereby the new entrants, in reverse in this case, were largely the displaced cod fishermen after the collapse of the cod fishery. These new entrants were to be granted most of the total allowable catch increases arising from the increased resource, but on the condition that these new entrants would have to give back those increases in the same proportions once the shrimp in each one of these areas began to decline and return to more normal levels.

This quota allocation policy was announced without any objection from anyone in the fishing industry at the time. It has been endorsed and implemented by successive governments since then, both Liberal and Conservative governments.

Point number four, along with the northern shrimp quota declines will come financial and job loss. There's just no way around it. We support wholeheartedly the need for proactive and aggressive quota reductions, even though it will hurt our businesses. There's just no other alternative.

Within shrimp fishing area 6, which is the largest single one of these management units, the new entrants in this fishery received 93% of the quota increases from 1997 to the peak of the total allowable catch in 2008. So there was a total increase of 74,000 or 75,000 tonnes in that one area.

● (1600)

Hon. Lawrence MacAulay (Cardigan, Lib.): Was that area 6?

Mr. Bruce Chapman: It was area 6. So in 1996, the year before the new entrants came in, there was about a 10,000-tonne total allowable catch fished by the traditional fishermen. That started to increase in 1997. It rose by 74,000 tonnes up to 2008, and 93% of that increase went to the new entrants.

It's pretty clear from the quota allocation policy that these same recipients of the increases are to shoulder the burden, or most of the burden of the decreases to protect the interests of the traditional fishermen who were in the area prior to the new entrants and who received virtually none of that increase at the time.

It's very fortunate that this year we have very strong prices for shellfish in Newfoundland and Labrador that will basically offset the effect of that reduced shrimp quota for the harvesters, at least, but it's going to be a tremendous adjustment. We don't know what the pricing structure will be, ongoing.

To this point, the quota declines have been most significant in the southern areas, including this area 6. However, scientific research vessel surveys indicate that the shrimp resource just to the north, in area 5, and indeed, there's some indication in area 4, north of that again, is also in decline. In these areas, it's the traditional larger shrimp vessels that are going to take the brunt of that hit.

Point five, ignoring the fact that the new entrants received 93% of the quotas, I think I must observe that the Newfoundland union's solution to this is to forget about the millions of dollars, hundreds of millions of dollars of investments that were made on the basis of the existing allocation policy, and also to take away the shrimp quotas that support the high paying, year-round jobs that are filled mostly by Newfoundlanders and Labradorians working on the larger vessels.

When considering this vision of the future, we would ask the standing committee and the all-party committee in Newfoundland two questions. Which of those year-round enterprises and fishermen in Newfoundland and Labrador should lose their investments and lose their jobs in favour of seasonal, low-paying jobs in the same province? Secondly, how will the reconstruction of the recovering northern cod fishery be paid for by investors and financed by bankers if they're not able to rely on a stable fisheries allocation policy in that fishery?

The last point, number six, is that we support the proposition that our elected leaders and elected representatives should promote stability rather than uncertainty in Canada's fisheries policy, and should therefore respect the quota allocation policy that Minister Mifflin designed in 1997, exactly and precisely to address the situation that we're facing today.

Further, it makes more sense for the elected representatives to adopt a program to assist people to adjust to the new reality, to voluntarily exit from the industry, if necessary, and in some cases, to help the transition toward a stronger, more viable recovery in the cod fishery in Newfoundland.

That's it. Thank you very much, Mr. Chair.

The Chair: Thank you very much, Mr. Chapman.

Mr. Lugar.

Mr. Jay Lugar (Fisheries Outreach Manager, Americas, Marine Stewardship Council): Thank you, Mr. Chair.

My name is Jay Lugar.

Committee members, thank you for the opportunity to come to speak with you today on behalf of the Marine Stewardship Council. I'm going to speak a little bit about the pertinent topic of varying environmental conditions in the northern shrimp fishery off Newfoundland and Labrador. I will first provide you with a brief overview of the Marine Stewardship Council program prior to discussing how this program counts for today's topic.

The Marine Stewardship Council operates a global fisheries certification and eco-label program based on a scientifically robust standard for assessing whether wild-capture fisheries are ecologically sustainable and well managed. Fish products from fisheries that meet the standard are eligible to use the MSC's blue eco-label, or otherwise make the claim that they are MSC-certified.

MSC itself is in an independent not-for-profit organization based in England, with a staff of about 140 people working in 19 countries around the world. Currently, over 22,000 products carry the MSC eco-label, and those products are sold in 100 countries worldwide. The MSC principles and criteria for sustainable fishing were created through a three-year, multi-stakeholder process led, as my colleague here from Newfoundland and Labrador said, by Unilever and the World Wildlife Fund.

In 1999, MSC became an independent organization, and we are currently overseen by a board of trustees and advised by a technical advisory board and a stakeholder council. In all, MSC governance bodies include representation from 20 countries over 6 continents. So you're aware, a Canadian co-chairs our stakeholder council and as such sits on our board of trustees. That lady is Christine Penney of Clearwater Seafoods.

The commitment of Canadian fisheries to the MSC program has been tremendous, starting in 2008 with the fishery of interest in today's proceedings, the Canadian northern shrimp fishery. Currently, there are 33 fisheries in Canada certified to the MSC standard. These include all major stocks on both coasts. There are eight other fisheries in assessment, including a large volume of lobster and freshwater fish, interestingly enough from Manitoba, and a large volume from Ontario.

Though I sit here and purport, or it sounds like this record is to MSC's credit, the MSC story in Canada is truly dependent upon and a testament to the hard work and dedication to fisheries management and excellence by the Canadian seafood industry and government; the thousands of Canadians involved, including the fisheries organizations represented here today; and companies like Loblaws, in the seafood supply chain, and many others. As this room knows well, fisheries management in Canada is a shared responsibility. Efforts toward MSC are no exception to this. MSC is proud to partner with Canada's best-managed fisheries, bar none.

The MSC standard for sustainable and well-managed fisheries is based on the "UN FAO Code of Conduct for Responsible Fisheries", and meets UN FAO guidelines for eco-label programs. Fisheries volunteer to enter by hiring an independent accredited certifier to complete an open, transparent assessment process, stipulated by the MSC certification requirements. The fishery's performance against three principles is assessed. These focus on the health of the target stock; the fishery's impact on the ecosystem, which specifically ensures there are no harmful impacts on bycatch species, on SARA species, and on bottom habitat functioning; and the effectiveness of the management system to deliver on principles 1 and 2.

In total, 31 performance indicators are evaluated, and a fishery must meet minimum acceptable practice scores on each indicator. For each of the three principles, the fishery must score an average of those indicators that equals global best practice. For indicators between these levels, the independent certifier will assign a condition that the fishery must close over the five-year period of the MSC certificate.

That, in a nutshell, is who we are and how the process works.

Certainly, environmental considerations are covered throughout MSC certification requirements, as is natural for a standard focused on fisheries management. Nevertheless the changing environmental conditions are not the subject of any one performance indicator. It is our expectation that the management system will fully consider and account for environmental variations in the normal practice of stock assessments, including its considerations of uncertainty, and set controls on catches accordingly.

● (1605)

The MSC program's expectations on science and management are at play in the Canadian northern shrimp fishery. This fishery was first certified by a company called Intertek Fisheries Certification in 2008, as Derek Butler explained, because it was for the client, Association of Seafood Producers. The fishery was certified again by Intertek in 2011, when the offshore fishery achieved its own certificate for those areas and other areas. In 2012 we were happy when all client group members joined under one MSC certificate for this fishery.

The northern shrimp fishery has performed well in annual surveillance audits, which are also conducted by an independent certifier. These audits consider any significant change to the fishery and the management system that might derive a material difference in original scores, and also serve to review the fishery's progress on conditions. The northern shrimp fishery has no conditions in principle 1 related to target stock health. This is the primary area where environmental variations are considered.

I would like to explain that the fishery's current standing could face challenges from the productivity regime shift now under way. The specific MSC performance indicators where the independent certifier will consider new information are as follows.

Our very first indicator relates to stock status. A fishery is required to be above the point where the reproductive capacity of the stock becomes impaired and to be fluctuating around a target reference point. Northern shrimp was initially assessed with a high degree of certainty that these two traits were being met.

In the next surveillance audit, the new information about the declining status of the shrimp fishing areas 4 to 6, which is the unit of certification for the MSC certificate, will be considered. The certifier will review whether biomass remains in a state of fluctuation around the target reference point. The fishery faces a range of potential outcomes, which can include status quo scores, a rescoring that derives no material difference to the certification status, or a rescoring with the possibility that a new condition could be raised. A condition on this stock status indicator necessitates that a rebuilding plan for the stock be developed. That rebuilding plan must be successful within a reasonable timeframe. Of course, a target reference point that accounts for the current ecosystem productivity measures would be an important consideration in any new rebuilding plan, if one is required.

A second indicator relates to reference points employed by the management system and requires that these target and limit points must be appropriate for the stock. A certifier will consider whether these reference points are consistent with variable ecosystem productivity.

The MSC certification requirements in clause CB2.3.10 state:

> As ecosystem productivity may change from time to time as marine environments change naturally, for instance under conditions of regime shift, the [certifier's] team shall verify that reference points are consistent with ecosystem productivity.

It's a little prescient in some respects, but obviously a key point.

You can see reference points do not need to be static in the MSC system. The certifier would consider a management system's practice of and justification for shifting target reference points for situations such as that which is believed to be occurring on the Grand Banks and the Labrador shelf.

Third, there are two indicators in principle 1 related to the fishery's harvest strategy and harvest control rules adopted within that strategy. A harvest strategy must be responsive to the state of the stock in order to work towards objectives reflected in reference points. Specific control rules, such as setting a TAC, must be consistent with the strategy and ensure exploitation is reduced if the stock is moving toward a limit reference point.

The IFMP, adopted collaboratively by DFO and the shrimp fishery, includes an approach to setting exploitation rates based on stock assessment variations. This IFMP enabled the independent certifier to determine passing scores in 2011 for these indicators and to retain these scores in the first two surveillance audits. At the next annual surveillance audit, the consistency between the plan and the management system's practice is information a certifier would consider when evaluating changes in the fishery over this previous year.

● (1610)

If, during a certifier's review and possible rescoring of one or more indicators, there are new conditions imposed, or even in the extreme situation where adjusted scores place a fishery in a position to no longer meet the MSC standard, a certified fishery is provided with time to develop plans and actions to address these new challenges.

So that I am being perfectly clear here, my statements today are not to suggest that any one outcome is more likely than another in the current situation in fishing areas 4, 5, and 6. All certification decisions in the MSC program are made by accredited, independent certifiers, through a full consideration of information available during assessments and surveillance audits. Certifiers employ highly trained experts with scientific credentials and knowledge of the MSC system , including individuals such as Dr. Jake Rice, Dr. Howard Powles, Dr. J-J Maguire, and Dr. Jean-Claude Brêthes, just to name a few.

The MSC certification requirements are a rigorous review of all important aspects of a fishery's management. The rigour and independence built into the MSC system, the scientific standing of certifier team members, as well as the inclusive, transparent policy and governance structure that we follow, have all contributed to the MSC program's level of credibility. We strive to reflect global best practices for fisheries management in our system to encourage performance consistent with this level.

The situation now being encountered in the northern shrimp fishery will test fishery management practices in Canada. I am confident that this fishery is up to the task, as befits a fishing industry that has been so successful in the MSC program.

Members of the committee, I am grateful for the opportunity you have provided me to discuss environmental variations and the MSC program, and I am happy to take any questions. Thank you.

● (1615)

The Chair: Thank you very much, Mr. Lugar.

We're going to start off a 10-minute round with Mr. Chisholm.

Mr. Robert Chisholm (Dartmouth—Cole Harbour, NDP): Thank you very much, Mr. Chair.

Thank you, gentlemen, for taking the time to be here and for your presentations.

I understand that you've had a lot to say and I, alone, have a lot more questions than we have time for, let alone having to share it with the other people here. We're at the beginning of our examination and we're going to be pulling all this information together and hopefully coming together with a constructive conclusion.

I want to start with this. I certainly support any decisions that help us sustain our fishery, whatever it is, northern shrimp or otherwise. The question is how we do that and how we make sure that we help to maintain those communities that are sustained by the fishery, the economic activity and so on, for, in this case, the province of Newfoundland and Labrador.

We, as were many communities and fishermen and others, were quite concerned about the impact of the cuts to the inshore. In SFAs 4 to 7 the reduction has been in the area of 26%. It's a big deal. It's a lot of fish, it's a lot of money, and we're increasingly hearing stories of the capitalization of some of these small enterprises, both the fishermen and the plants and the communities that are supported by their activities. A key part of this discussion seems to be not if we need to cut the quota.... Although we're looking at that and we want to look at the science and come to some conclusion that we think makes sense. The resource appears to be under some stress and therefore to head in that direction makes some sense. It's a question of how you do that and how participants in the industry share in that reduction.

We've had this—Mr. Chapman mentioned it and it's been mentioned—last in, first out policy, which, the way you've described it, Mr. Chapman, sounded a lot more clear than the way I've heard it explained to me. One of our presenters the other day from Torngat didn't think that it was as clear as that. Nonetheless, it really does tear the guts out of the inshore sector in many ways. I think what we need to do is get to the bottom of what this last in, first out policy is, number one, and whether it's as clear as you suggest it is, and secondly, whether we're going to recommend to the government that they support it and allow the inshore sector to continue to absorb the greater burden of these cuts.

We're looking at 3,000-odd employees, not only fishermen and their crew but the plants. I was in the southern coast of Labrador last year and I know that I met with a number of fish plant workers, and if the boats aren't able to bring in the fish, the shrimp in this case, they won't be able to work. They're going to continue to move away and then that community will all of a sudden dry up and blow away. Is that the answer? I don't think so.

● (1620)

I'll ask you this question. Given the history of the fishery and given the fact that these fishermen, as fishermen throughout Newfoundland and Labrador in many cases, have fished this resource for generations—and the principle of adjacency was one of those principles in 1997 and then in 2003—would you not think that there should be some fairness introduced into the allocation reductions? Would you not think so in order to ensure that there is some control over a reduction in the resource, if that's what it is, so that these enterprises, small and large, can adjust in a timely manner rather than be hit by simply a 30% reduction to one fleet for one year? Can you deal with that principle, please?

Mr. Bruce Chapman: I'd like to give you five points in response. I'll do it as quickly as I can.

First of all, this was an extraordinarily high increase, a bloom. The northern shrimp fishery existed at lower levels for decades before this bloom happened. We had this very high increase, and now it's coming back to normal. It's not a situation like the northern cod, where we had an environmental problem. We overfished it collectively and we drove it down with some environmental changes to help. It's not that situation at all. It's not the fault of the Government of Canada, or any scientist, or any fisheries manager. It's not the fishing industry's fault. This was a bloom that occurred, and the bloom is now gone, so we can place it in that context.

Secondly, I should say that the issue of job loss is inevitable. It's absolutely inevitable. I think you put your finger on it. It's about how this is going to be done, not whether or if it's going to be done. I note that on the issue of adjacency you've mentioned, I've tried to make the point in the opening statement that we are adjacent to this resource. Virtually all of the vessels are running out of Newfoundland. Most of the crew, by far, are from Newfoundland and Labrador, so that's—

Mr. Robert Chisholm: Are the owners from Newfoundland or Labrador, or are they...?

Mr. Bruce Chapman: Most of the owners are Newfoundlanders and Labradorians—not all of them—but even for the vessels that are owned by the outside, in rural Quebec, in northern Quebec, for example, they're not specifically adjacent to that resource, but their vessel and their quotas are being run out of Newfoundland and Labrador and fished by Newfoundlanders and Labradorians, which brings the point—

Mr. Robert Chisholm: Let me ask this, if I may—I'm sorry to interrupt, but I don't have much time—on the adjacency issue that you picked up on. For those offshore companies, the shrimp that's fished is processed offshore and it's sold. What communities are sustained by that fleet?

Mr. Bruce Chapman: Well, by the 800 people who are employed and who are scattered primarily throughout Labrador, northern Labrador. If you look at some of the plants in Labrador as well, including an inshore shrimp plant in Labrador, but also the groundfish plants, you see that they are directly sustained by the cash generated by this offshore fishery. If this offshore fishery went, those inshore operations would be placed at a big risk, and you can ask the owners—

Mr. Robert Chisholm: I thought your product was processed on board.

Mr. Bruce Chapman: It is, but the cash, the moneys generated from this fishery—the economic model is a profitable model—it goes back to the Labrador shrimp fishermen's union and pays for their infrastructure, for example.

Mr. Robert Chisholm: That's one.

Mr. Bruce Chapman: Also, there's the Torngat co-op. It goes back to their union and pays for their infrastructure. The town of Harbour Grace survives based on this offshore fishery, and the town of Bay Roberts survives.

Mr. Robert Chisholm: My point, Mr. Chapman, is.... I'm not trying to set up an either-or.

Mr. Bruce Chapman: Sure.

Mr. Robert Chisholm: I'm not trying to say “offshore bad and inshore good” or vice versa.

Mr. Bruce Chapman: Right.

Mr. Robert Chisholm: I'm talking about a question of equity and fairness—

● (1625)

Mr. Bruce Chapman: Well, let me deal with that—

Mr. Robert Chisholm: —so that these communities don't end up....

Mr. Bruce Chapman: I'll try to deal with that very quickly as well.

I think one of the points that Derek made was that this is very much an aging workforce. The average age in many of these plants is well into the fifties and sixties. They can't attract young people into the fishery because it's not a model that the young people want to work in. Young people don't want work for 60 days or 30 days a year. At some of these fish plants, they now have to attract foreign workers to keep the doors open. You may not have known that, but that's how some of these plants are keeping the doors open.

Mr. Robert Chisholm: That's a complicated issue in terms of supply of product, the number of weeks of work, and so on and so forth, and the wages that are paid.

Mr. Bruce Chapman: On the equity part, the point here is that we've seen the new entrants get virtually all of the increase and there is virtually no increase from the traditional fleet. I guess the point is whether you start removing these year-round jobs from the traditional fleet who had no increase over this period in order to save the seasonal jobs for the people who have enjoyed those 15 or 20 years of good increases. I don't think that's an equitable solution.

Mr. Robert Chisholm: In terms of allocations, I don't understand. Your allocation has gone up to—

The Chair: Mr. Chisholm, your time is up, sir.

Mr. Robert Chisholm: Jesus, that went fast.

The Chair: You have to ask your questions faster.

Mr. Sopuck, go ahead.

Mr. Robert Sopuck (Dauphin—Swan River—Marquette, CPC): Thank you.

Mr. Butler, you said that you'd like to see renewed scientific efforts. Can you give us some specifics on what you meant by that?

Mr. Derek Butler: Bruce could probably speak to that better than I can. I've always said there is a short list of some very bright people in the fishery and Bruce, I've always said, is one of them. Bruce would have a better understanding of the shrimp assessment model, for example. We can do much better in our science on understanding exactly what this bloom was, its duration, and its prospects for the future. As he said, we have two leading scientists working on this resource. We could do better.

As well, I think work can be done in public-private partnership. An example that I alluded to is CFER, the Centre for Fisheries Ecosystems Research in Newfoundland and Labrador at Memorial's Marine Institute. We work with them now to help meet some of our conditions. We contract them to do science for us.

For example, they're working with us to do a population model on snow crab. Right now, our snow crab fishery is based on models and indexes. We don't have a true biomass estimate. We don't really know what we have for snow crab in biomass that we can draw from in terms of quotas. What we do is build an index, and as that index changes, we change fishery quotas in response to that. We're very proud to have recently certified that fishery under MSC.

One of the conditions that we have to do better in is understanding exactly what the population of snow crab is. We could work with people like CFER, for example, to do that work. DFO is giving us assistance but their resources are limited. That's why we've had to go external. We've used the centre in Gaspé as well, to do science for us, to work with us, so we can meet the conditions.

Mr. Robert Sopuck: Mr. Butler, as somebody who in a previous life did a bit of fisheries work, one thing I will guarantee is that you will never get an estimate of the biomass. It's not going to happen. But that's another story.

Mr. Derek Butler: We have some interesting stuff going on. But there are challenges, you're right.

Mr. Robert Sopuck: I'll believe that when I see it. That's okay. It's a goal worth striving for, but I think the difficulties are essentially insurmountable.

Mr. Chapman, you were fairly...not critical, but you questioned the science that has been done in the past, in terms of effort. I know you didn't question the competency of the people or the department doing the work. Yet, the department and the science did detect the bloom in the shrimp and it did detect the decline in the shrimp. You were somewhat critical of the index method of sampling. The index method of sampling fish and wildlife populations is one of the most efficient ways of determining trends, and this is what we're talking about here, trends. Whether determining the numbers of moose or deer or so on all across fish and wildlife biology, index sampling has been done, and index netting and sampling, in particular, in fish management has been done.

Why, Mr. Chapman, do you think the index method of assessing trends in shrimp stocks is so inadequate?

Mr. Bruce Chapman: I've obviously allowed you to misunderstand what I was trying to say. The index is reflecting what happened last year and we can measure it going up and we can measure it going down, and we've done that. DFO has done that. They've done that fairly well. I don't take any issue with the index that's there.

What I take issue with is that it doesn't tell us how we should drive it from this point forward. In that respect, we should have a model. There are not enough resources put in place in the department to develop a model. With population modelling, what we talked about in crab a little bit, even with a production model if not an absolute model, you can at least have a sense of what the response to your fishing effort would be at a certain level. We don't have that in the shrimp fishery.

● (1630)

Mr. Robert Sopuck: But if our index sampling shows us that the population biomass is going down and if we apply the precautionary principle, which I think we're doing, we should end up with a sustainable fishery, albeit at a lower level. Is that fair?

Mr. Bruce Chapman: This population bloom took place because of nature. The contraction took place not because of fishing.

Mr. Robert Sopuck: Understood.

Mr. Bruce Chapman: In future, however, how hard we fish it will make a difference. In that respect, you need the relationship between the effect of how hard you fish it and the future trajectory. That's what we need the modelling to be about.

Mr. Robert Sopuck: Does the data or the information show us that this population of shrimp will stabilize? Fish and wildlife species have a habit of erupting, declining, and then levelling off. What is your view of what we're looking at over the next little while? Will there be a levelling off or a continued decline?

Mr. Bruce Chapman: Well, it's speculation—

Mr. Robert Sopuck: I understand that.

Mr. Bruce Chapman: —but the speculation is that it will return more toward what we experienced in the pre-bloom period. As to how stable it was, we don't know, because our current research vessel survey index only started in the mid-1990s. We don't have it for the 1980s and the 1970s, when there was a fishery, albeit at low levels. So we don't know what the equilibrium is.

Mr. Robert Sopuck: How large was the “pre-bloom” shrimp fishery in terms of a percentage of what it is now, or what it was at the peak?

Mr. Bruce Chapman: The largest single fishing area, which brought this committee into looking at this topic, had reached 85,000 tonnes in area 6. It's currently at 48,000 tonnes, I believe. It started in the pre-bloom period at about 10,000 tonnes.

Mr. Robert Sopuck: Okay. We're talking about a fishery that's eight times what it was in pre-bloom, so we're talking about some potentially serious disruptions.

Mr. Bruce Chapman: Yes, but even at 10,000 tonnes, this still would be Canada's largest shrimp area. It has gone from large to extremely large, and it's shrinking back to still larger than most other areas.

Mr. Robert Sopuck: It is possible, then, that the current level of fishing had little to do with the decline we're seeing in the shrimp.

Mr. Bruce Chapman: The scientists couldn't detect any impact of fishing on the increase. They just couldn't find it in the noise, the levels were so low. They're not so sure about the way down, but they're still not able to detect what that impact could be.

We're still setting the total allowable catches according the MSC-accredited harvest control rules, which we agree with. Even though we're not sure it will make much difference, we have no choice. We have to believe it will make a difference.

Mr. Robert Sopuck: Mr. Lugar, I'll make the comment that as a Canadian elected official who represents a rural resource area, I have an instinctive aversion to certification of Canadian natural resource management practices, simply because the buck should stop with elected officials, not with organizations resident in foreign countries. Too often Canada has been victimized by these kinds of efforts. Yours is probably not one of them. The professionalism of your group is evident. Nevertheless, I'm extremely sensitive to these kinds of efforts, and question industries buying into them on a regular basis.

Having said that, Mr. Lugar, from your experience has there ever been a case of a shrimp population recovering from such a decline as this when draconian fishery catch reduction limits have been put in place?

● (1635)

Mr. Jay Lugar: That's an interesting question. I honestly don't have the knowledge to answer that. Shrimp populations vary by jurisdiction, not only here in Canada in the northern shrimp fishery but also in the Barents Sea and elsewhere, so I honestly can't answer that question. I don't have enough knowledge.

If I may address your first point briefly—

Mr. Robert Sopuck: I don't have much time, unfortunately, and I have one more quick question for you.

What if there cannot be a rebuilding plan? What if this decline in the shrimp is because of natural causes, not because of overfishing? In your documentation, the only tool you look at is a reduction in fishing effort as a way to rebuild stocks. What if that's simply not possible?

Mr. Jay Lugar: What our program would assess is how well the management regime is responding to the situation it faces. You could have a very well-managed fishery at 10% of the current biomass levels of northern shrimp. It just depends on how the management system applies the principles that they have agreed to.

I made the point in my presentation that the reference points that were established in the mid-2000s and that are currently in use are a reflection of the productivity regime that was in place at the time. When that regime changes through the science approach, through DFO and industry collectively, I'm sure they can find new reference points and manage accordingly. Our system would evaluate that.

Mr. Robert Sopuck: Thanks.

The Chair: Thank you very much, Mr. Sopuck.

Mr. MacAulay.

Hon. Lawrence MacAulay: Thank you very much, Mr. Chair.

Welcome, gentlemen.

Mr. Butler, it's good to see you again. The odd time, we're on the same page.

Voices: Oh, oh!

Mr. Derek Butler: Or in the same picture....

Hon. Lawrence MacAulay: You were indicating the difference between the bottom line for Iceland and Norway compared with the bottom line in the Newfoundland fishery. Am I correct in assuming you feel that the offshore boats are much more efficient? If so, what happens to the processing plants inside? If that is the case, there will be no processing.

It's my understanding, having had DFO here a few days ago, that the decline is not over. Also, the water is getting warmer, which means that reproduction will not be as fast either, if I understand correctly. I'd like you to address that.

Mr. Derek Butler: Thanks for the question.

Hon. Lawrence MacAulay: Also, if you would indicate, Mr. Butler, perhaps.... I've done a little bit of travelling and I think you mentioned the word “China”. I think it's a massive population and why are we not...? For example, why is this Australian lobster, which is of so much less quality than ours, so much more expensive in China than our lobster, if you can find it there?

Mr. Derek Butler: Perhaps I'll deal with these in reverse order. I'm not familiar with the lobster fishery. We have a $25-million fishery in Newfoundland and Labrador. I don't negotiate the prices for lobster. It's handled by another smaller association. I'm not too familiar with it, so I can't speak to the difference between our values and the values for Australian lobster.

Hon. Lawrence MacAulay: I can use other examples, because it looks to me like there's quite a difference between them, and China is such a large market. I suspect that it's the same thing in a lot of other fisheries too.

Mr. Derek Butler: That they're paying more for product from other jurisdictions than they pay for product from our jurisdiction...?

Hon. Lawrence MacAulay: Yes. Is that correct or incorrect?

Mr. Derek Butler: The honest answer is that I don't know.

Hon. Lawrence MacAulay: Okay.

Mr. Derek Butler: I don't think Asia in general pays any less for our product than they would pay for Alaskan snow crab, for example.

Hon. Lawrence MacAulay: Okay.

Mr. Derek Butler: Dollar for dollar, spec for spec, we are at the same value in the marketplace for the same snow crab.

Hon. Lawrence MacAulay: Okay. Ignore that question then.

I'd love you to respond to what you think will happen to the inshore fishery in looking at what's going to take place if the DFO scientists are right and we think the decline is not over.

Mr. Derek Butler: As for the decline, if you look at inshore shrimp, we've gone down from 177 million pounds in 2008 and 2009. We didn't land it all in 2009, as there was a price dispute and the shrimp values had gone down too low. We're down to just under 90 million pounds this year. We have in that interval lost three or four shrimp plants. On the current trajectory for inshore shrimp, the industry will be gone in a few more years.

On the question of efficiency of offshore versus inshore, it depends on how you define efficiency. I represent the inshore sector. My members are divided on the question of the northern shrimp allocations. I have members who are on the side of maintaining the current DFO policies and members who would be on the other side. That's why I didn't address the particulars of LIFO, but if—

Hon. Lawrence MacAulay: Not to interrupt you but if you could also elaborate.... You talk about allocation, and we talk about last in and first out, but adjacent to the product is also part of the policy. Would you feel that the inshore is closer to the product than the offshore? I'd like you to address that.

● (1640)

Mr. Derek Butler: Yes, I would leave my individual members to address the issues of allocations, LIFO, and all those DFO policies, because again, I have members including, for example, as Bruce mentioned, the Labrador shrimp fishermen's union company, which is in Labrador and would be on one side of this question compared with other members of the association.

I will address one point that I think goes back to something Mr. Chisholm referred to and that I think helps to address your question. We do have to clear through the fog here a little bit. If you look at the value of shrimp landed in Newfoundland and Labrador in the inshore business—and my plants would be the recipients of the brunt of the cuts, and my members will wear this—and if you look at the value of snow crab this year, if you take the overall basket of fish that we will land in 2014 in Newfoundland and Labrador and the values returned to us from the marketplace based on the raw material prices and the market prices we get, the overall return to the Newfoundland and Labrador seafood industry this year should arguably be more. That is because the price per pound on snow crab is up so much and the price per pound for shrimp is up.

But there will be impacts. Not all harvesters have access to crab, for example, so for the harvesters who would fish principally in area 4R, which is exclusively the inshore fishery off the west coast of Newfoundland and Labrador, that fishery is down 12%, so they would fish again in area 6, principally. Area 4R west coast harvesters would have access to area 4R and area 6. So if they're just in shrimp, there will be impacts, but there will also be price increases because of increasing market returns. We have to hope for the increasing protein prices, which are unpalatable to consumers but at the end of the day will help make the industry more rentable in the long term, even as we have a declining basket of fish.

Hon. Lawrence MacAulay: The demand for protein and for fish is immense over the next 30 years, if I understand correctly.

Mr. Derek Butler: It's immense, and as I've said before, it's the last buffalo chase. It's the last wild protein we can eat, and we should all eat much more of it undoubtedly. That's going to drive the prices. We're seeing that with China. China is driving prices, because you have a growing middle class, and they can now afford to eat more seafood. So that's going to help.

Mr. Bruce Chapman: Mr. MacAulay, I might just add one other thing.

In 2010, before the shrimp cuts started happening, there was a task force in Newfoundland and Labrador on the inshore sector, which concluded that there was overcapacity in fish plants by 50%. They needed a 50% reduction to be viable. This was before the shrimp cuts started. So you had a bloated inshore infrastructure that was way out of proportion to be productive in relation to the available supply, even before these cuts started.

Hon. Lawrence MacAulay: This will handle that pretty well, Mr. Chapman, I would think.

Mr. Bruce Chapman: Well, I think it's unfortunate that we're going to see job loss in Newfoundland and Labrador. Wherever it's going to be, it's inevitable that it will come.

Hon. Lawrence MacAulay: I would just like to ask about this Marine Stewardship Council. That's based out of London, England. Is that correct?

Mr. Jay Lugar: We're a global organization, Mr. MacAulay. Our global headquarters is in London. We have offices in 16 countries around the globe.

Hon. Lawrence MacAulay: I just wonder if you would agree or disagree with me. Would you agree that there's going to come a time when if you don't have the certification, you do not sell the product? I think you had Loblaws or some of the large corporate sector—I had it marked here and now I can't find it—and some of the large retailers involved in this too.

Mr. Jay Lugar: We have a fair number of partnerships that are selling MSC-certified products.

Hon. Lawrence MacAulay: Now, of course the fishery I understand the best, if I understand any of it, is the lobster fishery. On the south side of Prince Edward Island, in the lobster fishery, there were very low catches for four or five years. My concern is—and you can correct me if I'm wrong—if the Marine Stewardship Council saw what was going on there for the last three or four years, with people coming in with 30 and 40 pounds as compared to 800 pounds on the other side of the Island, there would be some change made in the certification of that product.

Would it be fair to say, whatever government—Liberal, Conservative, or whatever—is in power, that your organization is taking the power away from the countries and putting it in the hands of the conglomerates? Is that a wrong assessment?

Now, I understand that we have scientists—and I hope we do—who are very capable people there. My concern is—just looking at what is going on in Prince Edward Island, for a small example—what happens if they decide they can sell the fish anyhow? You won't be able to sell the fish in five years' time, if every lady is looking for that Marine Stewardship Council stamp.

But I also believe that we're not even in the fight, and I'd love to blame the government but I can't. It's something that is happening worldwide, but it's going out of the hands of governments in countries and going into the hands of people like you. No offence to you, but that's where it's going.

● (1645)

Mr. Jay Lugar: I take no offence, Mr. MacAulay, and thank you for the question.

In actual fact, with all due respect, it's 100% wrong in the sense of taking power out of the hands of government and industry. In actual fact, you're giving it to them. Basically, all certification does is ask whether you have a plan in place and whether you are living within that plan to sustain your fishery. That's it.

With regard to the lobster areas south of the Island in the Northumberland Strait, that's actually in assessment against the MSC standard. It's been brought to the MSC and is being assessed by an independent certifier, by a collection of the PEIFA, the Mi'kmaq community, and PEISPA, the seafood processors association. That effort, in itself, has also brought the rest of the Nova Scotia and New Brunswick lobster industry under assessment. I can't speak to that assessment at the current time, but it's basically going to see how well government is doing to make sure those bleak days in area 25 don't happen, so that we can sustain the resource for the people who can therefore market their products to those consumers who wish to see the MSC eco-label, and that's certainly not everybody.

Hon. Lawrence MacAulay: I don't mean to be inconsiderate to you, sir, by any means.

Mr. Jay Lugar: That's understood. That's no problem. I accept that.

The Chair: Thank you, Mr. MacAulay.

Mr. Butler.

Mr. Derek Butler: I think it's a fair question. Mr. Sopuck raised something along the same lines.

On behalf of industry, I would say, yes, we have to have our cautions. The Westphalian model of sovereign states still has standing, and that obviously matters.

Hon. Lawrence MacAulay: [*Inaudible—Editor*]

Mr. Derek Butler: It's a voluntary program that we invited MSC to participate in, and DFO volunteered to work with us as industry. It's not unlike when we say no animals were hurt in the production of this product, or when we consider buying carpets or clothes from certain countries in Asia and want to make sure no child labour was involved.

We can have sovereign states, and that's appropriate, but at some point, particularly when you're an export market, the people who we sell to want to have some assurances. If it is sufficient to say, from the sovereign state's or the resource manager's perspective, that the fishery is sustainable. That's good. If we can, on a voluntary basis, invite in others to work with us to ensure that, I think that can be good. There are risks; I appreciate the risks you're raising.

Hon. Lawrence MacAulay: But if you don't follow the rules, you're out.

The Chair: Thank you, Mr. MacAulay.

Mr. Derek Butler: You can still sell your fish, but you're out of that program.

The Chair: Thank you, Mr. MacAulay. Your time is up.

Mr. Kamp.

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

Thank you for coming, gentlemen. It's a very interesting topic, and I think you've enlightened us already.

Mr. Chapman, you talked about a kind of ballooning in 1997. That was the year I guess Minister Mifflin announced a 57% increase in the total allowable catch for northern shrimp. At that time he issued it by a press release, and put in the four principles. Just help me understand your view on those principles, because I think one could make the point that they're contradictory.

The first was that conservation was paramount, which of course makes some sense. The second was that the viability of the existing enterprises would not be jeopardized by this new larger allocation, and that in all cases they would retain their 1996 allocation and wouldn't go below that. The third was that there would be no permanent increase in harvesting capacity and that participation by new entrants would be temporary; they used those words. The fourth, though, is the interesting one, as I think has been referred to here: that adjacency would be respected.

I mean, how would all of those happen at the same time? Could it be argued that the way to resolve that is the way in fact I think it was resolved, and the way I think the stakeholders understood it would be—namely, to use the principle of adjacency when the allocations were going up, so that the majority of the increased allocation would go to, in this case, the inshore fleet because of that adjacency principle, and in fact to follow the same trajectory on the way down? Is it reasonable to see that this was the way it was originally intended to be understood and implemented?

● (1650)

Mr. Bruce Chapman: Very much so; in fact the press release refers to adjacency in the context of allocating the increase. Within that the priority would be to aboriginals and less-than-65-foot licence holders who were adjacent to the resource. So even those offshore vessels that were adjacent to the resource weren't part of the priority. They were covered off by the other provision that they were to be protected in terms of their existing status, but they were not going to enjoy much, if any, of the increase.

So adjacency was not contradictory toward the existing viability at the time; it was couched in terms of the access to the increase. Increases were not going to go to British Columbia Canadians or Quebec Canadians. They were going to go to those who were adjacent to the resource who were aboriginals and less-than-65-foot licence holders.

Mr. Randy Kamp: To my understanding—correct me if I'm wrong—the term that became known as “last in, first out” wasn't used in 1997. It wasn't part of the press release. Is it your understanding that this was understood? In fact did the FFAW understand it that way, or was there any misunderstanding, to your knowledge?

Mr. Bruce Chapman: In 2012, a report from Ernst and Young, an independent review that was commissioned a year before by Minister Ashfield, gave a very good history of this. A page and a half in the report deals with this question.

It was well known, without the term “LIFO” being used, that the Mifflin announcement was going to be that priority would be given to the new entrants on the way up, but they would have to shoulder the responsibility on the way down. In fact, we have correspondence from ministers throughout this period that confirm that. The Ernst and Young report talked about it first being discussed at the Northern Shrimp Advisory Committee in 2000, and it first appeared in the 2003 management plan.

I also have a copy here of a letter from the FFAW, the Fish, Food and Allied Workers union, to the Government of Canada in October 10, 1997, which acknowledged, precisely, the LIFO, not as a term but in essence of what it means. So, it was well known and nobody objected. It was a bonanza at the time for the new entrants, and deservedly so, because they had suffered from the collapse of the cod resource, but it was intended as a temporary situation.

Mr. Randy Kamp: What are we to make of Minister Hearn's initiative—I worked with him at the time as well—to change in 2007 the temporary licences of the inshore fleet to regular licences?

Mr. Bruce Chapman: If I had a moment I could find the quote, but Minister Hearn specifically announced that it was the purpose of.... First of all, it was the fishermen's union that requested the term “temporary” be regularized into the regular licence. Minister Hearn announced that the purpose of that was to facilitate rationalization, to allow combining of licences, to deal with the overcapacity that had already emerged in the inshore shrimp sector. Minister Hearn further went on to announce that this was in no way going to change the allocation policy announced by the previous minister and in the plan.

In fact, this step to make the LIFO term appear, very crisply, subject only to land claims agreements appeared in 2007. That was under Minister Hearn's tutelage, and he did that because of the confusion being created over the changing of the temporary designation into a regular licence.

Mr. Randy Kamp: I think that's helpful.

I would assume your organization made a submission in the Ernst and Young review.

● (1655)

Mr. Bruce Chapman: Yes, we did.

Mr. Randy Kamp: I've seen that as well, and I think it would be helpful for the committee to become more familiar with it.

I have a question on the side. We've heard throughout of the offshore fleet, the traditional fishers, the inshore fleet. We've also heard of what are called “special allocation holders.”

Who are they and how do they fit into this last in, first out policy?

Mr. Bruce Chapman: I will try, but just before I answer the question directly I should state that in 1997 when this decision was made and this arrangement was discussed throughout the industry, I was representing the inshore processors in Newfoundland and Labrador. I was advocating for the new entrants.

It was made absolutely abundantly clear to me and to others by the government at the time that was advocating for the new entrants that this was temporary. It might take two years, five years, 10 years, but nobody should have had any illusions about what was going to happen when the time came. I own up to that.

There were a number of the special allocations. During the increases, various ministers made the decision not to give quotas to either the inshore sector or the offshore sector, but to give them to communities to raise money. Communities included, for example, the Fogo co-op. They received an allocation that the offshore sector would fish on their behalf, and they paid them money for the rights to fish their allocations.

That also happened for the Mi'kmaq community on the south coast of Newfoundland. It happened for some of the St. Anthony development area. Another organization there receives special allocations and so on. There are various others. They would also have to life with LIFO, so as they got their chunk on the way up and they received the benefits in the form of cash from selling their quotas to the harvesters that fish, they would have to lose it on the way down.

There was a lot of interest in this because it had great economic value and was an injection of funds to these community groups. The good part about those allocations is that there was no permanent increase in harvesting capacity because they had to either contract with the inshore sector or the offshore sector of the fishery.

Mr. Randy Kamp: May I have one final comment?

I'm sorry for having to ignore it, I did happen to see, Mr. Chapman —and I would love to ask you questions as well—a presentation deck that I think you made to the all-party committee of Newfoundland and Labrador, which I found very helpful in summarizing some of the information. If possible, I think the committee would benefit. I leave that to the chair to request, but I think it would help if we were able to get a copy of that as well.

Mr. Bruce Chapman: We can forward that.

The Chair: Thank you very much. Thank you, Mr. Kamp.

Mr. Chapman, if you don't mind forwarding that to the clerk we certainly would appreciate it.

Gentlemen, on behalf of the committee I want to thank you very much for your time here today. Thank you for making presentations and taking the questions from committee members. It certainly has been appreciated.

This committee will stand adjourned, and the subcommittee will reconvene shortly.