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Chair

Mr. Rodney Weston

Standing Committee on Fisheries and Oceans

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•(1635)

[English]

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

I apologize for the delay, gentlemen. It's obviously one of those things when you're dealing with a parliamentary committee. House votes take precedence.

Mr. MacAulay.

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

I would like to make an amendment to the main motion: following "more than", instead of "four meetings", I would like to move it to seven meetings at the most, because of the fact that we did not have enough time to hear the witnesses.

The Chair: Mr. MacAulay, you can't amend the motion. The motion has already been adopted. The committee is acting on the motion now, so you can't amend that motion. You have to make a new motion.

Hon. Lawrence MacAulay: Well, I'd like to bring in a new motion.

The Chair: Do so, please.

Hon. Lawrence MacAulay: It is: that the committee immediately undertake a study—

Is he ready for this or not?

The Chair: I'm sorry, Mr. MacAulay. We were just conferring. Go ahead. I apologize.

Hon. Lawrence MacAulay: It is: that the committee immediately undertake a study of the changing ocean conditions or other factors off the coast of Newfoundland and Labrador that have led to the stock fluctuations in northern shrimp and other species, and that the study include a review of the Department of Fisheries and Oceans science related to the shrimp fishery and conservation management measures, and that the study consist of no more than seven meetings.

The Chair: Thank you, Mr. MacAulay.

Do you have a copy of motion?

Hon. Lawrence MacAulay: I have it right here.

The Chair: Thank you.

It has been moved by Mr. MacAulay that the committee immediately undertake a study on the changing ocean conditions or other factors off the coast of Newfoundland and Labrador that

have led to stock fluctuations in northern shrimp and other species, and that the study include a review of the Department of Fisheries and Oceans science related to the shrimp fishery and conservation management measures, and that the study consist of no more than seven meetings and include the following witnesses.... We've already gone through the list of witnesses.

On the motion, Mr. Kamp?

Mr. Randy Kamp (Pitt Meadows—Maple Ridge—Mission, CPC): Yes, Mr. Chair. I'm a little surprised by the motion given that we have witnesses we've been waiting to talk to, but I would like to move that we follow our usual practice and go in camera.

The Chair: Thank you, Mr. Kamp.

It has been moved by Mr. Kamp that the committee proceed in camera. Those in favour?

(Motion agreed to)

The Chair: We'll suspend until we move in camera.

[Proceedings continue in camera]

•(1635)

(Pause)

•(1640)

[Public proceedings resume]

The Chair: I call the meeting back to order.

Gentlemen, I apologize once again. Our time is running short. I guess I'm going to have to ask you to limit your comments to no more than five minutes. I will have to cut you off at five minutes. I don't like to do that. I know that members will want to ask some questions as well. If you could keep your comments to no more than five minutes, I certainly would appreciate it.

Translation is available to you through the earpieces.

If you don't mind, Mr. Barnes, would you mind leading off on the presentations?

Mr. Phil Barnes (General Manager, Fogo Island Co-Operative Society Ltd.): Well, I can ask for more time, but you're going to cut me short. I can't get through this. The guts of this are in the back end of it. I've been up all night at this, for two or three nights, until two o'clock to three o'clock in the morning, trying to present this, and we come here and get shafted. That's how I feel.

I can't present for five minutes. I'm not going to do justice to it, and I'm not going to present it.

•(1645)

The Chair: Thank you.

Mr. McCurdy, would you like to...?

Mr. Earle McCurdy (President, Fish, Food and Allied Workers): Thank you. I'll be brief because I don't have much choice.

Unlike fisheries with centuries of history, as many as our fisheries have, northern shrimp is a very recent fishery. Mr. Genge from the northern peninsula, who's behind us here, who came from Newfoundland with me because he's an owner-operator in this fishery and has a lot at stake here, started fishing in 1970, which is before any of the offshore boats. You want to know who was the first in? He was, along with his colleagues in the gulf, in smaller than 65-foot boats.

I'm going to try to correct as best I can, in a very limited timeframe, some of the.... I've read some of the transcripts, and I can understand why people on the committee would likely be confused about some of the facts, because of the way some of the evidence was presented.

There's an interesting document—it's hard to find, but I found it eventually—that was done by the economics branch of DFO in 1980. It talks about.... I was looking for the basis on which the offshore boats claim this great long history, when really they only started in 1978. What this report that was done for the economics branch of DFO made clear was that when those boats started, there was a requirement that at least 50% of their landings be processed in shore-based plants, and that rule subsequently changed.

There were existing shrimp fleets in the gulf, but they weren't licensed in the northern shrimp fishery. Why was that the case? It was the case because at that time the shrimp were too far north for boats that didn't have freezing technology aboard to pursue them. It was way down in the north.

I have some tables here that I'd hoped to go through with the committee, but I'm told by the clerk that because they're not translated, I'm not allowed to circulate them, which is unfortunate, because it would have helped to illustrate things. But anyway, there's nothing I can do about that, I guess. Rules are rules, except—

The Chair: Mr. McCurdy, do you want to leave them here so we can have them translated and the clerk can distribute them after they're translated?

Mr. Earle McCurdy: I appreciate that, sir. It's really helpful to actually walk through things and explain them as opposed to....

In any event, one of the tables goes into the landings by area of the offshore fleet. There are areas ranging from area 0 in the far north, which is way down the Davis Strait. So 0, 1, 2, 3, 4, 5, 6, and 7 are the management areas of northern shrimp.

The Newfoundland and Labrador inshore fleet, which Mr. Watkins, Mr. Russell, and Mr. Genge, who came with me, participate in, has access in only two of those areas. Some of them have access to only one, and some have access to two. They all have access to area 6. Some have access to area 7.

Area 6 is the main shrimp area for these people and for Mr. Barnes' plant and other plants in Newfoundland. There are 10 of those, in small communities, each supporting about 160 direct jobs and all kinds of spinoff jobs. There are about 250 fishing enterprises with very heavy debt loads that are trying to survive in that business.

For most years out of the first 10 in offshore-sector fishing in area 6, their landings were zero. When you see those tables I've presented, once the headings get translated—the numbers are the same in French and English—those will show that.... In fact, there was no history for that fleet, in the area where these gentlemen fish, until about 1987. This fleet, the inshore fleet, started in 1997. In fact, as I indicated, Mr. Genge fished in the gulf before there were any offshore boats licensed to fish shrimp in Atlantic Canada.

Last week I sat in on a presentation by DFO scientists. The implications of what they said for the future of rural Newfoundland and Labrador were very serious. As I said, there's a tsunami coming, and we have to decide if we're going to get plywood for the windows or just take a chance on not getting hit by flying glass. I think what is important out of this process is that what they talked about gets acted on in terms of putting out scenarios of where they see the resource going and then doing economic analyses to understand what that means for the people—I guess for Canadians generally, but in particular, for the people of coastal Newfoundland and Labrador. It's very serious, and I would certainly hope the committee would endorse that being done in a transparent manner.

The same factors that led to the crash of groundfish stocks 20-odd years ago—the warming water conditions that the scientists spoke to—also allowed the shrimp to blossom.

The original press release that Minister Mifflin, at the time, put out made no mention of LIFO. That acronym did not appear in that document. That came up several years later.

He did have thresholds in place. If the stock fell below a certain threshold, then there was protection for the offshore. The graphs in here will show it. From 2000 to 2010, the inshore share averaged 40%. Now it's less than 30%. The LIFO, when it was first implemented, made no reference to allocations. It first showed up in the plan six years after Mifflin's press release. It was another four years before LIFO was applied to allocations.

I want to deal with the claim that the offshore received virtually none of the increase. That was mentioned by several witnesses who appeared before you. They did not give the full picture.

In fact if you look at the entire northern shrimp fishery in all the areas, in 2007, when then Minister Hearn changed the temporary permits that Mr. Watkins and others held over to regular licences, the offshore share of northern shrimp was 63,500 and the inshore share was 64,800—roughly the same. This year the offshore share will be the same as it was then—63,000. The inshore share will be 33,000. So to suggest that the offshore got none of the increase is simply not true and is taking absolute liberties with the facts.

•(1650)

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

Mr. Watkins.

Mr. Brad Watkins (As an Individual): I don't have a lot of time either, I guess, but I did pass around my business card with my number and email address, and I'd appreciate hearing from anybody who has any questions, because I have a lot to say. We've been years trying to get up here to speak on the mess in the fishery, the mess we're in.

I'm going to show you my own personal enterprise. I'm going to give you my own personal numbers of what's happened over the past eight years with our fishery.

Let's take the crab quota first, because for crab, for shrimp, for everything, our fishery is in a mess. The rationalization that DFO brought upon us has caused this problem.

Back around 12 years ago, I had one licence. I had 173,000 pounds of crab. That got cut down to 93,000 pounds in 2007. Because this was being cut, we had to buy into rationalization, which DFO came out with, with no help. They took away our tools—buddy-up and leasing—and we had to rationalize and go to the banks and purchase.

Today, I have two licences and I'm down to 90,000 pounds of crab. That's on two licences, whereas eight years ago I had 215,000 pounds of crab, so I'm down about one-third of the crab in the last eight years. Things were supposed to get better. We were going to rationalize. The industry was going to get better.

On the shrimp quota, I had 1.1 million pounds of shrimp in 2007. I'm now down to 400,000 pounds of shrimp. I took on a debt load of \$1,980,000 to rationalize, which DFO told me was the fix for the fishery. We had to rationalize, so I took on the debt load. I'm paying \$115,000 a year in principal payments, and I'm paying \$99,000 a year in interest payments. That's \$214,000 a year in loan payments alone.

Gentlemen, I had a business plan eight years ago that worked well, worked wonderfully, with the quotas that I had. Today, eight years later, I have a 20-year term on that loan. I'm down to one-third. My business plan is gone. It doesn't work anymore.

There are 1,200 other fishers in Newfoundland in combined enterprises, and they have the same debt loads. We're talking debt loads of \$1 million, \$2 million, and \$3 million, and today you're cutting me again, probably by 25% on the shrimp and 10% on the crab? We can't pay the bills. There are no fish anymore to pay the bills.

We face environmental changes. The groundfish are coming back. They're rebounding. DFO has been denying this, but we know the difference. I have a brand new vessel myself, with the highest of technology. I had it built last year. There are 100 boats in 3K alone with the same technology. We're seeing the cod. We're seeing the redfish.

Years ago, they never had the sounders and technology that we have; they only had gut feelings. They didn't know what was on the bottom. We know what's on the damn bottom. It's no good for DFO to come out and tell us there are no groundfish. We have 200 miles of water and grounds that haven't been fished for 25 years that are thriving in groundfish: cod, turbot, and redfish. We're not allowed to catch it. They won't give us quota.

We also have the problem of the fisheries policy that cites that the Minister of Fisheries and Oceans has full and absolute discretionary power. This power has been greatly abused.

In the shrimp industry alone, we've had decisions where provinces like P.E.I. got quota off our waters. We got no quota at that time. P.E.I. got it all. They're not adjacent to our waters. Quebec, foreigners, and every NAFO division got shrimp to catch in our waters, but we're stuck in 3K and not allowed out. This policy lets the minister of the day use it as a political tool to get re-elected, and that is very unfair. It's very disruptive to our fishery, and it's not helping us one bit. I saw an ad in *Seafoodnews.com*, which is a worldwide magazine. They speak of this and they talk about how this is the ruination of the Canadian fishery and the Newfoundland fishery. It's time for that policy to change.

I have some solutions.

First of all, on the debt load that has been forced on fishers to take on in the industry, DFO has to realize that they can't ask the fishers in Newfoundland and Labrador to take on hundreds of thousands of dollars in debt load to rationalize the industry, and then pull the quotas away from us again, leaving the investing harvesters with a huge debt with no fish to catch to repay the loans. This has been done in the past and has got us in serious trouble.

One thing we could do is that if a quota of crab or shrimp has to be cut by 20% because of a falling biomass, then cut 20% of the harvesters. Don't cut the individual harvesters. Take 20% of the harvesters' licences out of the fleet.

• (1655)

Number two, let the harvesters purchase licences elsewhere in Canada. I was in Denmark. They fish around their country, I'm stuck in 3K. I'm not allowed to go buy a licence in 3L. I'm not allowed to go to P.E.I. to buy a licence, but P.E.I. can have quota in 3K. It's all one-sided. Why can't Rendell Genge behind me in 4R go buy a crab licence in 3L to help his enterprise thrive so that when it's bad in one area, he can thrive in the other to keep his enterprise on an even keel? This needs to be done. This needs to be looked at. It works in other countries. Why can't we use that model?

Again, take the policy of full discretionary power out of the system. This is very disruptive. This is causing us all of our headaches.

When we talk about our groundfish coming back, if a quota is caught on crab or shrimp or any other species, DFO can and should replace it with another species of the same value. As business owners buying into rationalization, we cannot be expected to take on these million-dollar debt loads as species fall, at the hands of DFO pushing us into it; then we have to foot the bill with nothing to replace it. They can't just cut me from 215,000 pounds of crab down to 90,000 and expect me to pay my bills without anything to come behind. We must have other species to catch. This species is there, just 200 miles aground; it has been 25 years and it hasn't been taken. It's time for us to start to reap the benefits from that species again, as we've done traditionally. I come from a family of at least four generations of fishing on these grounds, from Greenland halibut, cod, capelin, herring, mackerel, crab, shrimp, everything. I am a traditional harvester in Newfoundland.

In closing, I would like to say that the Government of Canada has put us in a very bad position. They have put the investing harvesters of the fishery in Newfoundland and Labrador at risk in owing hundreds of thousands of dollars to banks. The onus here is on DFO and the Government of Canada to step in and help us out, because our companies are going to start to go back to the banks with the keys in our hands. We have no choice. We cannot continue to take these cuts and debt loads.

Thank you.

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

We're going to start off with an eight-minute round.

Mr. Chisholm, I believe you're going to start off and share with Mr. Cleary.

Mr. Robert Chisholm (Dartmouth—Cole Harbour, NDP): Thanks very much, gentlemen.

I want you to know that we worked very hard to try to get the voices of the inshore here to present on this issue. We heard from the offshore, from the all-party committee, and from DFO. Your voices were absent. I think it's extraordinarily unfortunate, given the complexity of this issue and given the impact this issue has on your communities as well as your businesses, that this has been cut so short.

We're certainly going to work hard to try to get you back, because we think you have a story to tell. But I want you to know that I am pretty much convinced that the government has decided that the LIFO policy is something that has existed...they support the decision by the Ernst & Young review in 2012, and they figure that's all done. I just want to tell you that we're going to work hard to try to get you back and keep making sure that many of the points you've made are going to be part of this discussion.

I'm going to turn it over to my colleague Ryan to direct some of our questions towards you. Maybe you'll have a chance to respond to some of what I said.

Go ahead.

• (1700)

Mr. Ryan Cleary (St. John's South—Mount Pearl, NDP): Thank you, Mr. Chisholm.

Mr. Barnes, I feel your frustration, sir.

Mr. Watkins—I say to the Conservative members opposite, have a good look at Mr. Watkins because he's a rare breed. He's a 42-year-old fourth-generation fisherman, and he's a rare breed, because we're losing them all the time. The average age of fishermen in my province, as Mr. McCurdy can tell you, is 60, 65. It's going up and up because of bad management policies like the one we're discussing today.

My question is for you, Mr. McCurdy. I want to touch on something that Mr. Watkins raised, and I want to ask you this question. We have 17 offshore licences, Mr. McCurdy, and I believe that eight of those are at least partly owned by Newfoundland and Labrador interests.

I only have a few minutes, so if you could, be as pointed with your answers as you can.

What is the amount of foreign interest in those licences?

Mr. Earle McCurdy: My understanding of those is limited to what the public documentation of this is, because most of these companies aren't publicly traded. There are three that I know of that are entirely Newfoundland owned. There are two, the Labrador Fishermen's Union Shrimp Company and the Torngat Co-op. Ocean Choice International has two, with at least 30% Icelandic ownership in the company.

There's one called Harbour Grace Shrimp Company Limited. As far as we're able to ascertain, the control of that is now entirely in the hands of a subsidiary of a Danish company. There's one called Newfoundland Resources, which again is significantly—if not the majority—held by a subsidiary of a Danish company. There's one in Labrador called Pikalujuk Fisheries, which is a fifty-fifty venture between an Inuit group and what was originally National Sea Products. They sold their share to a company with foreign roots. So there's a significant foreign ownership in the so-called Newfoundland licences. There's no foreign ownership in Mr. Genge's, Mr. Watkins', or Mr. Russell's enterprises.

Mr. Ryan Cleary: Thank you for that.

I also want to touch on a report that was done by the Leslie Harris Centre of Regional Policy and Development, at Memorial University of Newfoundland, in September 2013. It's footnoted in a lot of the briefing notes that have been presented to the MPs on this committee, Mr. Chair.

This report centres on three particular licences. One is for Fogo Island—we didn't hear your presentation, Mr. Barnes—another is for the northern peninsula, I believe between Big Brook and Goose Cove, and the other is in southern Labrador, for the shrimp company you just mentioned. This report talks about how, in the allocations for these three particular areas of Newfoundland and Labrador, they use the shrimp allocations to help sustain local inshore or nearshore owner-operator fisheries within the regions. Basically, the royalties are used to diversify coastal regions and long-term economic and social sustainability.

Can you comment on that, Mr. McCurdy, on the need for community ownership of the resources off our shore given the principle of adjacency?

Mr. Earle McCurdy: Well, given that some of these quotas are in areas that are to the far north and beyond the reach of the vessels, other than with freezing technology—because you're too far to keep the shrimp fresh and get it back to a plant in the further north—the most beneficial use of the offshore licences was where it was tied back to inshore areas, such as in the coast of Labrador, where the Labrador Fishermen's Union Shrimp Company has played a role, such as in Fogo Island.

But again, it should be tied to adjacency. We can't use that to support the economy of the entire country. Nobody else is expected to do so with their resources. So yes, they can be used. Really, the question is that there's a real threat to the future survival of the economy of coastal communities in our province. That's why we're here and why we feel so strongly about the way that the brunt of their cuts got taken on the inshore sector in a way that was not at all a reflection of the way the increases went on, despite some of the evidence the committee heard.

• (1705)

Mr. Ryan Cleary: Mr. Watkins, you talked about how you're down to one-third of the quota that you had when you initially got into this business as a boat owner. That's correct, right?

Mr. Brad Watkins: That is correct.

Mr. Ryan Cleary: How much longer can you continue to operate? Again, I see you as a rare breed. How many 42-year-olds are in the industry?

First, to Mr. McCurdy, what's the average age of the people in the industry, the fishermen, the boat owners?

Mr. Earle McCurdy: They'd be mostly baby boomers—55-plus.

Mr. Ryan Cleary: Okay.

How much longer can you last with the amount of fish that you have left? You said that there were no more fish to pay the bills. That's your quote. How much longer can you last?

Mr. Brad Watkins: Right now, with the quota cuts that we just got again this spring in 3K, I'm going to start operating in the red in this year, and I have 1,200—that's one thousand, two hundred—other enterprises in Newfoundland in the same situation. They're going to be in the red this year because of these policies.

Mr. Ryan Cleary: Thank you very much.

Mr. McCurdy, you also mentioned the original press release that went out in 1997, when Mr. Mifflin announced that he would have quota for the inshore fleet. There was no mention then of LIFO. We've heard other witnesses explain how LIFO evolved.

Again, it wasn't mentioned in 1997, but to use a word that Mr. Barnes used earlier—he didn't present, but he did use one word that stuck with me—that is how you got "shafted". LIFO wasn't mentioned. Has the inshore fishery of Newfoundland and Labrador been shafted?

Mr. Earle McCurdy: Yes, I believe so.

On the issue of the explanation, because there was a rule, a threshold brought in, in 1997, that subsequently got changed in 2003 without any transparency to that change, and then got changed again in 2007 without any transparency to that change.... In what areas of governance do we say that a rule made in 1997 is never subject to change?

I just explained about the original rule, the initial rule in 1978 that applied to the offshore sector: they had to have at least 50% of the catch processed in plants to create employment. That was one of the reasons why they got the allocation—to create jobs—and that got changed. So rules can change, and LIFO can change.

In fact, there was a case very similar to the wording of Mifflin's press release in 1978 about thresholds. In the crab fishery on the northeast coast of Newfoundland, in an area called 3K, there was a threshold there. The original licence-holders in that group had a line in the management plan for several years, which said that if the quota fell below a certain level, the level at which these other entrants came in, these later entrants, all the newer entrants would be removed and only the original fishing fleet would remain in that fishery. That's what the plan said, but several years later, about 10 years later, the quota fell below that threshold and the later entrants remained in the fishery.

Something similar happened in the gulf. The initial fleet appealed that to the Supreme Court in Newfoundland and lost the appeal. The grounds on which they lost the appeal were that the previous minister, 10 years previously, could not tie the hands of the current minister and that in fact the current minister had every right to change the policy—and did so—and the current minister or next year's minister has every right to change LIFO and to reflect fairness in the sharing of the impact of the decline.

The Chair: Thank you very much.

Mr. Kamp, go ahead.

Mr. Randy Kamp: Thank you, Mr. Chair.

Thank you, gentlemen, for being here.

Mr. Barnes, we didn't get a chance to hear from you, although we do have your presentation. We will be reading it.

Could I ask you a question, though, because I don't quite understand how you fit into the inshore-offshore picture. Can you tell us how you fit into that? Did the co-op fish the quota itself or was somebody else fishing for you? Could you give us a bit of a summary of that?

• (1710)

Mr. Phil Barnes: We're an inshore sector. Our fleet of boats fish for the cooperative. We have a membership of about 350 members. Most of those are fishermen. They supply the plant with inshore fish, the same as Mr. Watkins does. We also did have an offshore quota at one time, which we lost through the cuts in allocation, so we participated on both sides.

Mr. Randy Kamp: Would you now consider yourself part of the inshore fleet? Do you have one licence between you? How does that work?

Mr. Phil Barnes: No, it's all independently owned. Just like Mr. Watkins, they are all independent owners. They have a membership with the co-op. That's the only difference.

Mr. Randy Kamp: Let me move over to Mr. Watkins and Mr. McCurdy, if I may.

To be honest with you, I'm still confused about what your position is with respect to the LIFO policy. In 1997, when these 350-plus new temporary permits were issued to former groundfish fishermen, was it your understanding that this could only be temporary and that at some time in the future you would no longer be fishing for northern shrimp?

Mr. Watkins, were you part of that 357 in 1997? Is that when you got your licence?

Mr. Brad Watkins: Yes, it was my father before me. I fished with him and skippered his boat, but he got the initial licence at that time.

Mr. Randy Kamp: Then was it his understanding and yours—I'm sure you were part of the operation in some way—that this was only temporary and it could end?

Mr. Brad Watkins: No. It was a big cry.... It was basically the government of the day saying that it was the way we had to go because of the moratorium, the downfall of the Greenland halibut, the codfish, the moratorium.... We had to diversify, and this was the start of diversification.

I want to make myself clear. I don't know if these numbers are sinking in, but we had to spend hundreds of thousands of dollars to gear up to do this shrimp fishery. We did it on a temporary licence, but we were told this was the start of a new fishery, a big fishery taking the place of the groundfish. So we did that and we moved ahead, and eventually we were given permanent licences.

Today I'm being told that this permanent licence.... I just reinvested this spring. I have the only twin trawler in Newfoundland, with brand new technology that came from overseas, and here I am today: I haven't got a pound of shrimp landed yet, and I'm cut. I'm chopped. I have a \$2-million vessel tied onto the wharf. I have 25% of my income in that vessel. I have nine crew members. That's nine families.

Again, I am one of 1,200 people who have invested and rationalized, which DFO forced us to do. And they did force us. We had no choice. If we wanted to survive and keep paying our bills, we had to rationalize. They took every other tool away from us.

So again, yes, we did get into the shrimp as a temporary licence, but in being told this was taking the place of the groundfish, and we did get a permanent licence, which I hold today.

Mr. Randy Kamp: I still want to focus on 1997, because everything I've seen, everything that Ernst & Young were able to present in their document as well, makes it pretty clear these were temporary permits. Nobody knew for sure if this balloon in the resource, as one of our other witnesses put it, would continue, or whether the ocean conditions would change and maybe the shrimp would go back to the north. It seems to me it was pretty clear that there was at least a reasonable possibility that these temporary permits could be temporary.

Mr. Brad Watkins: No. They were turned into permanent licences, sir, and that's what I hold today, a permanent licence. It's not a permit anymore. They were turned.... It was deemed that the shrimp stocks were strong enough, and we did get licences. We have permanent licences now, not temporary.

• (1715)

Mr. Randy Kamp: Well, I'm talking about 1997 still—

Mr. Brad Watkins: But this is today. This is not 1997. This is 2014 and I have a permanent licence that I'm having taken away from me.

Mr. Randy Kamp: Yes, the primary question for us, I think, is, did, in 2014, the minister follow the policy? I think that's the question for us and that's what we're trying to get to.

Mr. McCurdy, a number of times you have given me the impression that this policy changed, the definition changed, the wording changed, and so on; I think in a letter you wrote to the paper you used the word “surreptitiously”. But isn't it true there's a Northern Shrimp Advisory committee? For 1997, 2003, and 2007, for all of the perhaps wording changes of this policy, whether you agree with the changes or not, isn't it true that there is this committee that considers these things and DFO is not sort of surreptitiously putting wording in a policy with nobody being part of that process? Isn't that true?

Mr. Earle McCurdy: What is true is that there's a committee in place called the Northern Shrimp Advisory Committee. What is not true are statements that some people have made, from DFO, that the changes in the wording and in the policy definitions in that act were supported by our organization. I'll give you an example.

Here is what was in the 2003 Northern Shrimp Advisory Committee meeting. That was back in the days when they published this stuff in book form. As one of the long-term objectives for this fishery, it said: “To provide fair access to and equitable sharing of the northern shrimp resource with particular emphasis on the needs of the people and communities most adjacent to the resource, without any permanent increase in harvesting capacity.”

It said “particular emphasis to the people and communities most adjacent to the resource”. In the next iteration of this management plan four years later, that special consideration was removed, with no agreement from people on that committee. That's what I meant by “surreptitious”. I have no idea how that decision was made to remove that. They certainly can't say that the committee made a decision to do it because that was never approved by the committee.

I've traced back the various drafts they sent from the department on that integrated fisheries management plan in 2007. I went back over my files as far as draft 5, and that change wasn't in there. At some point between draft 5 and the next thing we saw, they said “here's the final document”, and it had wording in there that I would never ever agree to removing. So there was stuff that went on behind closed doors. It was not done in a transparent manner, sir.

Mr. Randy Kamp: Can you, Mr. McCurdy, provide for the committee, letters—I assume from you and your organization to either DFO or to the advisory committee—documenting your concerns about this change that was not agreed upon by the committee?

Mr. Earle McCurdy: I've written on what I've perceived as the unfairness of the sharing arrangements on the stock for, oh, the last... I have letters going back at least for the last three or four years. There was a period of about 11 years when the inshore got roughly 40%, give or take a percentage or two. There were a couple of outlier years when it was up around 45%, but that was brief. But for the run of it, for 10 or 11 years, the lowest we had was 39.5%. This year we got 29%-point-something. So that isn't preserving our share.

For the offshore, by the way, the threshold they were given was 37,600 tonnes when the inshore is admitted.... This year, subject to a couple of areas that are not finalized, they'll have 64,000 tonnes, plus the opportunity to fish another 18,000 tonnes of special allocations that they'll have the opportunity to fish under royalty charters. So that's an awful.... To say that 90% of the increase has gone to the inshore is true of one area only. If you look at the total stock, it's not even close to being the case.

The Chair: Thank you, Mr. McCurdy.

Mr. McCurdy, if you're going to provide any documents, could you provide them to the clerk? We'll make sure they're distributed to the committee.

Mr. Earle McCurdy: They would be in English only, but yes, I can.

The Chair: We'll make sure they're translated, as I said before, if you don't mind doing that. Thank you.

Mr. Simms.

**Mr. Scott Simms (Bonavista—Gander—Grand Falls—Wind-
sor, Lib.):** Thank you, Chair.

I want to get back to something that was said earlier when Mr. Kamp brought up the idea that the policy was developed in 1997 and carried forward and the minister today is carrying forward that policy.... I think Mr. McCurdy brought up a pertinent point when he said that in the case of the crab harvesters and the difference between the supplementary fleet and the full-time harvesters at the time, the courts ruled that the hands of the minister should not be tied and therefore made that decision.

It's not like that decision was recent. It was quite some time ago. Therefore, in this particular situation, it wasn't even mentioned from 1997, which they go back to. I think this was a fundamental decision that you could share the pain all around, which is what we have been arguing for, and certainly the courts even said that we should look at this.

I want to go to Mr. Barnes first.

In your submission, you speak of adjacency and your membership. At one point, as you said, you did get a catch from the offshore. Even if you did have that catch, do you feel that this business of LIFO is as important now and that it is not fair for the individual members?

• (1720)

Mr. Phil Barnes: Well, I think adjacency is a very important matter before this panel, because if we go back and look, in my documentation, at the Beothuks.... I'm going to take you back a little bit in history, because I think this is a very important point. The Beothuks landed here or were here before the white man showed up on our shore.

The land claims agreements say that we have to give access to stocks, and they're not species-specific, which is very important, because when they talk about the inshore they say we have to be species-specific. We have to have taken part in the shrimp fishery in order to be considered a part of the group to fish, whereas the land claims agreement are not species-specific.

So there's a double-edged sword here. I don't understand how you can say that as long as the Beothuks or the aboriginal people put their foot in the water in the Atlantic, it's okay; that they get access and rights to it. I don't disagree that they should have access, but why treat the white man now differently? We're being discriminated against.

Mr. Scott Simms: I want to get to plant workers in just a few moments, but before I do that, let me turn to Mr. Watkins.

You mentioned your father earlier. You're saying to this committee that your father was given every impression that this temporary licence was not a temporary licence and that you were asked—not only your father, but you were asked as well—to invest in this fishery.

Mr. Brad Watkins: That's correct.

Mr. Scott Simms: Okay, but do you remember that time, back when your father got the licence?

Mr. Brad Watkins: Yes, I do, because I was side by side.... If it weren't for me, he wouldn't have invested. I was his son coming up and I was skipping his boat, and we needed fish to catch to—

Mr. Scott Simms: And through his interactions with DFO...?

Mr. Brad Watkins: Those were the interactions with.... Actually, DFO had a policy in place that if you didn't have shrimp gear bought by a certain date—and you had to have it bought and show receipts—you couldn't get this licence. They put a deadline there, so we had to jump and buy the gear and buy the vessel in order to fish shrimp. That rule was in place. We didn't just get it dropped on our plate. DFO actually told us that we had to spend money in order to get this permit.

Mr. Scott Simms: Which led you to believe, amongst other factors, that this was a permanent measure that was in place?

Mr. Brad Watkins: Exactly, and it came just after the moratorium. This was the fishery that was supposed to take the place of the moratorium, and if this fishery worked out, it would be turned into permanent licences.

Mr. Scott Simms: In 2007 much the same thing was indicated to you. Minister Hearn, the minister of the day, said to you that you needed to invest in this fishery, as your father was instructed back then.

Mr. Brad Watkins: Exactly.

Mr. Scott Simms: That is how you find yourself once again.... How much is it? You have a \$2-million boat.

Mr. Brad Watkins: Yes.

Mr. Scott Simms: Your payments plus interest per year are what?

Mr. Brad Watkins: Well, it's \$2 million in licences and debt to stay in the fishery and to rationalize. The payment per year is \$214,000.

Mr. Scott Simms: This is for Mr. Barnes and Mr. McCurdy.

Mr. McCurdy, I'm going to ask you to touch upon the adjacency principle, because you have spoken about it over the years many times.

If both of you could talk about the effect that this will have on plant workers themselves, I'll start, Mr. Barnes, with you and then go to Mr. McCurdy.

Mr. Phil Barnes: There is a dramatic effect on our plant workers. In my presentation, you will see the man-hours laid out. With the cuts from the quotas that were in place in 2009 to where we are today, I think we're talking about 140 workers in the 3K area alone, and I'm talking about all species. We lost the cod quotas back years ago, we have now lost shrimp, we have lost the turbot quotas—they were cut in half—and we're cut down on crab by half in area 3K.

Looking at the man-hours there, I think it's a cut from 2009 of 2,900 ten-hour days for 140 people. So the math is there if you want to do it; it's specific. It's big and it's drastic and we're going to lose plants. We're going to lose communities.

• (1725)

Mr. Scott Simms: Mr. McCurdy, concerning adjacency and the effect on plant workers, the two gentlemen you brought all the way from Newfoundland and Labrador won't have a chance to sit at the table, so perhaps you could speak on their behalf to say something that they would like to say and to talk about them.

Mr. Earle McCurdy: We have 10 shrimp plants in the province, most of them in communities of certainly less than 5,000 in population, and most of them, in fact, in communities of less than probably 2,000 in population, I would suggest. The only show in town, really, is the plant and the jobs on the fishing vessels. Anything else in that community absolutely depends on those new dollars.

The amount of quota we have lost since last year is the equivalent of the loss of about two and a half shrimp plants, in terms of person-hours. That's just since last year. The problem with the current trend in the way the department is applying LIFO is that more and more of those plants will go down. Each year we'll just lose more. As for the impact on rural Newfoundland, that's why I'm so strong on having the economic discussion before decisions are made, and before people just say that we're stuck, that we're married to a particular pop decision or something somebody said 20 years ago.

Let's examine the current circumstances, analyze what the impacts are, say what some possible alternatives are to deal with what is a difficult situation at best, and ask what course of action best does that in light of the current circumstances, updated to today, not just taking into account what somebody might have said 20 years ago.

The other thing I would suggest is that the committee should concern itself not so much with what somebody said at a given point in time about changes, but with how the changes in the IFMP occurred, how the policy changes occurred, and whether that is fair and reasonable in today's world. Is the burden of the economic impacts of these changes being shared in a fair and equitable manner?

I think those are the key considerations you should look at going forward.

Mr. Scott Simms: Do you want to introduce again the two gentlemen you brought with you?

Mr. Earle McCurdy: Mr. Russell is from the coast of Labrador, which is right on the fishing grounds; they're absolutely adjacent to

his doorstep. There were licences issued for people very remote from there who are getting access while he's seeing his business go down the drain. He too invested in combining. They've both listened to Mr. Hearn.

I'll just read briefly from what Mr. Hearn said on April 12, 2007: "I am also moving to restructure the inshore shrimp fleet by converting temporary inshore licences to regular ones." He said that this will help rationalize Newfoundland and Labrador's inshore shrimp fleet, and a rationalized fleet means a longer harvesting season for those remaining in the fishery. That's the full extent of Mr. Hearn's remarks at his press conference in 2007.

On the strength of that... Also in the same press release is the announcement of a combining policy, whereby you could basically double up your enterprise. One licence-holder could buy up another. On the strength of that, both Mr. Genge and Mr. Russell, like Mr. Watkins, said, "Now I have a regular licence, and I'm actually around for the long haul in shrimp", and they went out and invested what was for them a very substantial sum of money in combining, as a means of trying to build their enterprise for the long haul.

They are now, in terms of how this policy is unfolding, having the rug cut out from under them. They have 20-year loans and have only had since 2007 to start the process of paying down those loans. On the path this is currently on, there's no way in this world that they and the other hundreds of enterprises in that situation can pay down those massive loans. They have their houses, their cars, and everything they own put up as security to get the loan.

The Chair: Thank you, Mr. McCurdy.

Mr. Scott Simms: A point of order, Mr. Chair?

The Chair: Mr. Simms.

Mr. Scott Simms: I was wondering if we can make a motion to extend the hearing. I find this quite interesting. I think we should extend it.

The Chair: Well, we still have more questioners here, Mr. Simms.

Mr. Scott Simms: Oh, I thought 5:30 was the deadline. My apologies. But can I make the motion anyway to extend the time?

The Chair: Please, let's continue with the questioning.

Mr. Scott Simms: Why can't I do that?

The Chair: The bells are going to ring at 5:30 and I want to get in as many questions as I possibly can.

Mr. Kamp.

Mr. Randy Kamp: Thank you, Mr. Chair. I'll try to be brief. I know that we're up against the clock.

Just to be clear, Mr. McCurdy, I think it's fair enough to say, "We don't like the policy and we think the government should think about changing it." But it seems to me it would be a kind of revisionist history to say, "We didn't think that this could ever lead to a day when quotas would actually be reduced." Because in 1997 I do see a letter in which you acknowledged that "in the event of a decline in future TAC, the share for the inshore sector would be reduced accordingly, possibly to zero".

You say that you've raised this concern in recent years, but if you have the documentation where you've challenged LIFO and the interpretation of it in 1997, 2003, and 2007, those are the documents that I think we would benefit from seeing—

• (1730)

Mr. Ryan Cleary: On a point of order, Mr. Chair, Mr. McCurdy has already said that the question he is raising is whether that is fair and reasonable in today's world, and "in today's world" is the point that I think this committee should walk away with. You can argue about the paperwork of a different world—

The Chair: Mr. Cleary, do you have a point of order? That's a point of debate, actually.

Mr. Ryan Cleary: I see.

The Chair: Thank you, Mr. Cleary.

Mr. Kamp, please continue.

Mr. Randy Kamp: I have one final comment to Mr. Watkins.

You've said pretty strongly that DFO kind of forced rationalization on you, it cost you all this money, and now you don't have a way to earn the money to pay the bills you have. I understand that this could well be a difficult time for you. But wasn't it the case—and I have a number of documents that demonstrate this pretty clearly—that the change from a temporary permit to a regular licence in 2007, the move of Minister Hearn at the time, really was about rationalization? It was impossible for rationalization to take place if there were these temporary permits in the system.

But the point of rationalization, according to things that Minister Hearn wrote in that year, was so that if a time came—like this—

when quotas were reduced, people would be able to survive rather than having a large number all of whom are unable to survive in any way. That was the point of the change in 2007, the way I see it. I don't quite see it the way you do: that somehow this was forced on you. I mean, you were able to catch more fish when you rationalized, right, when you got another licence—

Mr. Brad Watkins: It was only for a year or two. Also, rationalization was supposed to give us more time on the water, not off the water. I'm now down to one third of what I had. That rationalization is not working. It didn't work. To be cut down to one third of what you had back then, when this was the answer to the fishery.... I could debate this a lot. God, I wish I had time because you need to hear a lot of this.

But we were told that this was the way to go. We were told that combining had to be done. We ended up with groundfish licences taken out of the system and crab and shrimp licences left in the system. All we got rid of were boats on the water. The same licences are still out there. There was money wasted for no reason. Everything was done the wrong way.

Today we're in this mess because we were told that we had to do this. I couldn't survive on.... We already had started getting cuts from 12 years ago and down on to 8 years ago, down to a point that I had to buy. I had to rationalize. You took away the buddy-up system. The minister took away the leasing systems. I couldn't get fish any other way, other than to go to a private bank and sign my ass on the line and everything I owned. My grandsons and everybody else who is coming behind me...we're all in debt. We had to. We had no choice.

Today we're here, and it's all because of rationalization and the way the policies came down, and we weren't allowed to do anything else to survive, but only to go to the banks and put ourselves in debt. That was DFO's answer to our problems.

The Chair: Thank you, Mr. Watkins.

As per the standing rules, the bells are ringing, so this committee now stands adjourned.

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