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Chair

Mr. Ken McDonald

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• (1545)

[English]

The Chair (Mr. Ken McDonald (Avalon, Lib.)): Good afternoon, everyone.

Mr. Donnelly.

Mr. Fin Donnelly (Port Moody—Coquitlam, NDP): Mr. Chair, before we get going, I want to ask a question of the chair.

Bill S-203 passed, on division, on Friday. What is your understanding of when it will come to committee?

The Chair: At this point, I haven't been told when it will come to committee. I don't know if it will be this week, next week, the week after. I'm hoping to hear soon as to what the intentions are. I believe there are a couple of different processes for the way it can go. I'm sure that if it gets referred to committee, we will have to deal with it because, as we know, that takes priority.

Mr. Fin Donnelly: Absolutely. It's just that it's Tuesday, and we have a full agenda, a full schedule. If you wouldn't mind looking into it.... Hopefully, it will be this week that it comes to committee.

The Chair: We have asked the question already.

Mr. Fin Donnelly: Thank you, Mr. Chair.

The Chair: Mr. Doherty.

Mr. Todd Doherty (Cariboo—Prince George, CPC): Mr. Chair, what I have to say is along the same lines as my colleague Mr. Donnelly's question. We're going to start seeing this one. I imagine there's another one that's probably going to come before us shortly thereafter as well, or in the coming weeks. We need to know as soon as possible so that we can arrange witnesses for those.

The Chair: As soon as we hear something, we'll inform the committee members as to when it is coming.

Thank you for raising that.

Pursuant to Standing Order 108(2), we are studying the regulation of the west coast fisheries.

Today, we have a number of witnesses by video conference and here in person.

By video conference, we have David MacKay, fisherman, and Des Nobels, fisherman. Representing the United Fishermen and Allied Workers' Union-Unifor, we have Joy Thorkelson.

Here in person, we have Mr. Dan Edwards, fisherman, and Mr. Peter de Greef, fisherman.

Welcome, everyone, to the committee. You each have seven minutes to give a statement.

We'll start with those appearing by video conference first. We like to get those done in case there's an issue with the screen or bringing it forward for everyone to hear and see.

We'll start with Mr. David MacKay.

You have seven minutes or less.

Okay, we have no....

We'll move to Des.

Des, if you could start, please.

Mr. Modestus Nobels (Fisher, As an Individual): My name is Modestus Nobels. I'm a retired commercial fisherman. I retired in 2007 from fishing actively.

I live in the small community of Dodge Cove just outside of Prince Rupert, which was a fishing community. We built the northern fleet out of that community. Over 1,000 vessels were launched from that community for the fishery.

I fished for almost three decades and have worked with and for commercial fishermen in a number of advisory processes, and in some of the planning structures that have taken place on the Pacific coast.

I'm also an elected official with the North Coast Regional District. I sit on the Groundfish Development Authority, and I chair the Coastal Community Network.

I would like to thank the committee for providing us this opportunity to provide you with some testimony and some of our feelings around regulatory issues and licensing on the west coast. I'm extremely grateful to the committee for finally coming to take a look at this. We've been asking for a number of years that this be reviewed. It's had significant impacts on our communities and those that are fishing in the industry at present.

The present regulatory structure that we're working under here, the ITQ, individual transferable quota structure, has in my mind been extremely detrimental to both those that are actively fishing in the region and to those communities that have been involved over the years in the fishery itself. We've seen an immense downturn in our communities' infrastructures and a lot of the people that were once fishing are no longer fishing from our communities. Yet, we have an immense resource on our doorsteps that we are not able to partake in.

Quotas in and of themselves are not a problem. They are another tool with which to manage the fishery. It's the transferability of those quotas that creates much of the issue that we're dealing with here. In that transferability piece, we've created a commodity out of the licensing itself. In many cases, it's been driven out of the hands of working fishermen into the hands of investors and corporate interests. In the end, it doesn't benefit our communities to a great degree. In many cases, those entities are coalescing and collecting their enterprises in single centres.

Our small communities, which have always relied on these fisheries as part of their economic base, have seen significant downturns in their ability to maintain their infrastructures and populations. We've seen fishermen leaving our communities over the last few decades and not seen them return. We have young people that would like to enter the fishery, but under the present structure that exists, they are unable to do that. The cost is so prohibitive that many of them would be looking at indentureship for the rest of their lives to actually enter many of the fisheries that we presently have. That is an extreme concern for me and many people who live in the communities that I work with.

There are ways of addressing this.

[Technical difficulty—Editor]

• (1550)

The Chair: He's gone completely. We are experiencing technical difficulties. Please stand by.

Mr. David MacKay (Fisher, As an Individual): Is that his seven minutes?

The Chair: Mr. MacKay, do you want to try and see if we can hear you?

• (1555)

Mr. David MacKay: Can you hear me now?

The Chair: Yes. Do you want to start and go through your statement? Then I'll get back to Mr. Nobels when we get reconnected.

Go ahead when you're ready.

Mr. David MacKay: That sounds good, okay.

I'm David MacKay, and I'm a fifth-generation commercial fish harvester from the coastal community of Pender Harbour, where I was born and raised. I participate in the roe herring gillnet fishery and the northern salmon troll and gillnet fishery.

I have been back in the industry for about six years now, and it's been difficult. I think one of the big notes I want to hit here does touch on ITQs and I can talk about that, too, but one of the notes I want to hit here is about married licences.

Here's just a little history that you guys may know. When we went to area licensing, licences for salmon were separated into three troll licences, three areas of gillnet, and then two seine areas. Vessel owners and operators who wanted to fish all the areas had to buy those licences. Instead of owning one before, they had to buy those area licences. Our department has made it impossible to separate them, so we call them married licences. I'd like to see the married

licences disappear. I think every fisherman I've talked to has said the exact same thing, and that's my key note here that I want to speak on.

When we separate licences, we allow an individual licence to be purchased by a young harvester. What's happening right now is that my father and lots of other guys are getting ready to retire from the industry, and they have two, three or more licences and they can't sell that as a package to anyone. So it ends up going through PICFI or they just hold on to it, and they're in their old age. Being able to unmarry them would help them divest in the industry; it would help somebody young get into the industry. It's a simple solution, and it's being done through PICFI. Once the licences go through PICFI, they are being broken up, so what is the problem? Why are we not doing that? That's my biggest concern.

I just heard another instance about the troll retirement program. I think I have a couple of minutes here, but I'll quickly speak on this. The Pacific Salmon Treaty is a voluntary salmon troll licence retirement program—it's a real mouthful. If I had a troll licence I'd just married to my boat and I wanted to divest in the industry and I wanted to get rid of that—just that one licence—I couldn't. However, through this program I can voluntarily retire it through basically a round process. I think we've retired more than 100 licences on our coast in the three different troll areas—106, I believe, or around there. There were 400 applications since October 31, 2016. Those 106 licences have disappeared off our coast completely; they retired. That's 106 boats, or 106 jobs times the crew. This is the problem. It seems like a really simple solution, so I just wanted to touch on that. I'm sure we'll have some questions on it later.

That's my intro. Thank you again to the committee for having us. I'll pass on the microphone.

The Chair: Thank you for that.

Des, we'll try again to see if you're audible, and we can cue up the rest of what you have for your testimony.

Mr. Modestus Nobels: Thank you, Mr. Chair.

Can you hear me?

The Chair: Yes.

Mr. Modestus Nobels: Great. I'll pick up where I left off. I was starting to discuss the individual transferable quota structure and how that's impacted communities and new entrant fishermen in attempting to get into the fishery.

The ITQ structure's transferability has created a commodity out of the licensing, and as such has created a proprietary right. That has brought in people who are not engaged in the fishery but are looking to invest and are buying up licences as investment properties, driving the prices up to the point where those who are engaged in the fisheries are finding it very hard to actually access that licensing. In many cases, once that licensing is purchased, it's held.

We've noted over the last couple of years in the groundfish development authority that we are seeing quotas transferred over to foreign interests. We are no longer seeing Canadians purchase these licences. We are seeing them being bought by interests offshore. This is really beginning to concern many of us who are engaged in the industry, because once those quotas are divested, there is little likelihood in actually getting them back. It's a tough slog. As well, it drives the prices up to the point where young fishermen who are looking to access and enter the fishery are unable to. The cost is so prohibitive. That is something that should never be the case. The licensing should not outweigh the value of the fish that you catch with that licence.

As such, I believe that the transferability should be removed from that portion of the licensing regime so that we have a licence that remains with the fisherman and remains in the communities in some fashion. As I was saying, there are a number of ways to address this, I believe. One of them would be through an owner-operator principle and fleet separation. Both of these together would enable fishermen to maintain their position within the industry and limit the access of those who are not actually engaged in the fishery. I'd very much like to see the fishery back in the hands of those active harvesters who are out there and with community involvement through a co-management [*Technical difficulty—Editor*].

There are several reports I would like to bring to the attention of the committee that I think would be of great value to you to review and understand. The first of these is a report put out by Ecotrust Canada called "Understanding Values in Canada's North Pacific". This takes a very good look at the tangible and intangible values that exist in the fishery for communities and a region.

The present structure really takes it out of the hands of communities and takes the people out of the communities as well. You have a great loss there. The fabric of many of our communities is built around the fishery structure. It's the co-operative manner that exists within the fisheries that brings our communities together and builds resilient and sustainable communities. We're losing that. We're seeing our communities' fabric dissolve, break apart. We no longer see the connectivity that existed between our communities previously. That is a grave concern for me and others. The owner-operator principle would again maintain that licensing within active fishing hands. Through fleet separation we would ensure that corporate interests are not holding licences and utilizing those in various ways to maintain access or opportunity, both of which tend to be detrimental for both communities and active, working fishermen.

Another report I'd like to suggest to you is one that was just released called "Just Transactions, Just Transitions". It takes a very close look at how the impacts of ITQs have played out over the last few years within the Pacific region and the impacts on our communities from that regime.

As well, I'd like to draw your attention to some work that was done by Dr. Evelyn Pinkerton some years back called "Fisheries that Work". It's a very interesting document that provides a number of opportunities outside of the ITQ structure which addressed some of the issues that the department was addressing through the ITQs, but really in the end did not in my mind.

As well, there are a number of instances already actively functioning around us. We have in Canada itself the east coast fishery, which has become a very community-based fishery, with an owner-operator principle and a very strict fleet separation regime that ensures that active fishermen are the beneficiaries of the harvested product, as well as the communities that benefit from those fishermen who live in those communities. I think that would be an extremely important piece to look at and understand.

• (1600)

We also have a fishery north of us here in Alaska that we've looked to for a number of years for opportunities that we could develop here. They also have a very strict owner-operator principle and fleet separation with a real mind to community-based fisheries management structures that involve communities and fishermen locally. This very strong stewardship component is driven by that, as well as by the fishers who live in those regions. They have a real feeling for the fish and for the place and they understand it. You don't see that in absentee landlords in the ITQ structures, for the most part. We have a lot of people who are not engaged in a fishery holding these quotas as their revenue generator, and that is costing many of our fishermen upwards of 70% of the actual harvested value.

If you take a look at what's happening in Alaska and on the east coast of Canada in revenue returned to fish harvesters, it outstrips what we're seeing in British Columbia where we're seeing a reduction.

The Chair: We've gone way over time so I have to cut you off. Hopefully anything you haven't said in your testimony will come out in the questioning as we go forward.

Next we'll go to Ms. Thorkelson with the United Fishermen and Allied Workers' Union, for seven minutes or less.

Ms. Joy Thorkelson (President, United Fishermen and Allied Workers' Union – Unifor): Thank you.

I'm the president of the United Fishermen and Allied Workers' Union, which is also known as UFAW-Unifor. Our union represents some, although not all, fishermen in all the wild fisheries in British Columbia.

Our membership is made up of active fishermen only. Those of you who are from Newfoundland and Labrador will know of the FFAW, the fishing union in that province. We are both Unifor and therefore the FFAW is our sister union. We both represent fishermen and plant workers at opposite ends of the country. That is where the similarities end.

Our fishermen's earnings are trending down while the FFAW fishermen's incomes are increasing. Part of that difference is the added costs our fishermen bear. Some 80% of the landed value in ITQ fisheries is taken out of B.C. fishermen's pockets; that income remains in the pockets of our brother and sister fish harvesters on the east coast. A community difference is also evident: B.C. rural coastal communities' processing capacity is diminishing, while in Atlantic Canada, significant processing capacity resides in rural areas.

I have worked for the union for 40 years and I've seen many changes in my career. I'm old. In fact, the majority of people in the B.C. fishing industry are old. The industry was very good to participants and we were able to make a great living, so that's why we all stayed. Now it's too late to leave with economic dignity.

We have a crisis. Old people want out but cannot afford to quit and young people want in but cannot afford to buy in. When I was young, most skippers owned their own licences and vessels. In 1985, 20,000 fishermen took out personal fishing licences. By 2015, we had lost 15,000 fishermen and only 5,700 were left in British Columbia. The 2015 figure is the latest one published by DFO.

In 1969, corporate ownership of the fleet was at 13.2%. Fifteen years later, processor and investor ownership of the seine licences, for example, had increased to 40%, and 20 years later, it was 55%. In 1993, 39% of herring roe licences were owned by processors and investors. By 2012, processor and investor ownership increased to 51%.

In 1993, one processor owned 27% of the processor-held herring roe seine licences. Now, due to corporate consolidation, this processor, 20 years later, holds 95% of the processor-owned landings. The influence of processors on individual active fishermen can't only be assessed by these ownership numbers. It also has to be viewed through the lens of processor control.

The major salmon processor owns 37 licences that are attached to 20 non-fishing vessels—vessels that don't really exist, in many cases. They are called “stick boats” because they could be floating sticks. The company can and does lease these licences off their vessels to salmon vessels that need a licence to fish in an additional area.

In a salmon ITQ fishery, this company can transfer the quota attached to these non-fishing licences to another vessel that is fishing, thereby stacking quota onto this boat. It can catch its own fish and the quota from the stick boat. This binds fishermen to the company. If they want future increased quota opportunities, thereby increasing their income, they will have to continue to fish for this processor. This not only happens on salmon, but it is worse on roe herring, with DFO rules requiring stacking of a minimum number of gillnet licences in order to fish. I can remember a couple of years when active fishermen, forced by DFO to lease licences, lost money because the lease price exceeded the value of the roe herring.

The union did a survey in 2016 of the salmon fleet. Out of 234 respondents, 84% did not think they would benefit from ITQs; 89% thought their costs would go up under an ITQ system and 86% didn't want ITQs in their fishing areas.

•(1605)

In 2018, two years later, we conducted another study. We expanded it to include all fishermen and all fisheries, and we asked similar questions: “Do you think west coast licensing policy should benefit active fishermen?” Of course 94% polled yes; 91% supported owner-operator policy created to meet the needs of B.C. fishermen; 88% supported a fleet separation policy in British Columbia, and 66% thought the consequence of no change to licensing policy would be that rural coastal communities would continue to decline.

I have heard the RDG list the Pacific region's priorities: conservation, compliance, sustainability and economic viability, equitable distribution of benefits, and data collection. I heard Ken Hardie later on list the DFO's target, but he must have been mistaken, because he included sustainable livelihoods, regional economic benefits and sustainable communities. Those may be Atlantic coast targets, but they're not Pacific region targets, I can assure you.

In the Pacific region DFO separates licence-holders from fishermen. They want fishermen to self-adjust to changing times and to pay for the management of their fishery. There are no social objectives to have sustainable livelihoods for fishermen or regional economic benefits or sustainable communities. These are not in the Pacific region's lexicon.

The real truth is that DFO Pacific is consulting with fewer and fewer active fishermen. They consult with quota owners and licence-holders, who increasingly do not fish. Last spring I and our staff did a six-week coast-wide tour. We visited 21 communities. We walked onto over 800 boats asking fishermen what they wanted changed, if anything, in their fishery. Only a few were satisfied with how things are now. Everyone else wanted changes that would benefit working fishermen.

Not all agreed on the solution, but most agreed on the problem. Money is being siphoned out of working fishermen's catch and into the pockets of those who don't fish. Processors are gaining control of almost every fisherman through their control of quota movement.

Fishermen on the Pacific coast believe it is time for a change. We recommend that the minister hold an external licensing review in the Pacific region with the goal of creating viable commercial fleets and coastal communities, including first nations communities, that include as the foundation the basic principle that the fishery is a public resource and belongs to all Canadians. Licences provide privileged access to the common property resource. There should be fleet separation and owner-operator principles. The benefits of the fishery should go to fish harvesters and their communities, not to those whose involvement is in owning or controlling licences and/or quota. Licensing policies should encourage intergenerational succession, and adjacency principles should govern processing so that the value flowing from our fisheries, including processing, remains in local communities.

We support the social and economic goals in Bill C-26 for active fishermen, fish harvesters and their communities.

That is my presentation.

• (1610)

The Chair: Thank you, Ms. Thorkelson.

We'll go now to Mr. Dan Edwards, for seven minutes or less, please.

Mr. Dan Edwards (Fisher, As an Individual): Thank you for allowing me to be a witness at the parliamentary fisheries committee on this critically important topic. I'm appearing before you as an independent small boat owner-operator from British Columbia.

You are going to hear from a number of young harvesters in the next couple of days; I am not one of them. I am 68 years old. I have been working on the decks of small-boat fishing vessels in B.C. since I was about seven years old, although my father, if he were still alive, would probably question how much work I actually did back in those days.

I have fished groundfish every year for the last 20 years with my son. In 2018 I spent two trips fishing halibut with my brother and 10 more trips on our family longline vessel that my son has skippered for the last 20 years, and for the last 10 years fishing under the integrated groundfish regime that we helped to develop in British Columbia, focusing primarily on halibut and sablefish.

We have cameras on our vessel that monitor all our catch. We have independent validation when we land our fish that is audited against our log books and our camera coverage. If we pass all those audits, we are clear to go fishing on the next trip. These systems were designed in collaboration with the management agency and industry in order to provide confidence to the people of Canada, whose resource it is, that we are harvesting. It is important that we be able to prove that we are harvesting in a sustainable and responsible manner, particularly because, with our fishing method, longline fishing with hooks, up to 10,000 a day, we will uncover species that have been identified as being of concern, have very low total allowable catch and are what we in the industry call pinch-point species. We have to manage our fishing plans around those species in order to continue our fishing operation.

In each of the last four years, we have landed on our vessel between 240,000 and 350,000 pounds of a mix of species. When we used to fish dogfish, it was not uncommon for us to land up to 1.6

million pounds of product in a year fishing on our 91-year-old wooden vessel. Not once in all those years have the fleets fishing more than 20 different species of fish gone beyond the total allowable catch for any of those species. In fact, we have the opposite problem. In many instances, we are leaving fish in the water, because we have to be so selective in the way we harvest.

You would think that, after this explanation, I would be here to tell you that everything is just fine in the Pacific region and that we have the best managed fishery in the world, but that's not what my message will be to you.

For the last few years I have been focusing on human rights in relation to the fishing industry and the rights of the individual to make a fair livelihood, a principle that Canada has signed onto as a nation. I have been working with the salmon troll fleet, which has had its livelihood given away by ministerial edict to another sector, the recreational sector, leaving the commercial trollers bankrupted on the beach, with no recognition that it was licensing policy by our own government that destroyed their livelihoods. The government was given advice by respected policy analysts that, if you reallocate from those who have spent their entire livelihoods and all their capital on boats, gear and licences to another user, then they must morally and ethically provide a fair transfer mechanism.

You heard the RDG from the Pacific region the other day say that they do not give compensation. You are the politicians. You must give direction to the department that they have it wrong, that they are obligated by the human rights principles that we as a nation have signed onto, and they must right that wrong.

I also work with the Dungeness crab fleet, and this fleet is also very well managed from a conservation perspective. It was one of the first fleets in the world to use camera technology to oversee its catch, but it is not without its problems. There are constant attempts to reallocate space away from this fishery to other users and uses, whether they be the recreational sector, other industries such as wind farms, to further reconciliation with first nations or to satisfy the pressure from environmental organizations for more marine protected areas. There is no recognition of how damaging the loss of fishing grounds is to economic viability.

There is an urgent need to embed social and economic principles into the management structure so that fishermen are not arbitrarily losing their livelihoods when other interests want to take them away. Whether they are fisheries that are healthy and productive or fisheries that are struggling, the common denominator across virtually all fisheries in B.C. is that the active fishermen are not prospering. On the track we are on, if we don't make a change, we won't have another generation of skilled fishermen to pass the torch to. Who would enter a fishery where they work so hard, and often in very difficult conditions, but make a pauper's wages with no hope for better? It's not because the fishery is not lucrative; it's because so much of the wealth is captured by somebody onshore holding a piece of paper. This management failure is a result of ignoring the socio-economic side of the policy equation over decades.

This is not only a Canadian problem; it is a worldwide problem. I was in Turin, Italy, a few years ago for a slow food conference, and I heard the same story from Brazil to South Africa to the Mediterranean. I was invited by the Northwest Atlantic Marine Alliance to tour several fishing towns in Maine, Massachusetts and Rhode Island a few years ago, and I heard exactly the same story over and over again.

There is wealth here beside our communities and it's to be harvested, but it's leaving our communities. It is leaving our active fishermen in the communities adjacent to the resource under a failed ideology, one that says governments do not have to interfere or intervene in the market, that the market, left alone, will equitably distribute the wealth. We have seen how well that is working: 26 people in this world now have more wealth than 3.8 billion people.

• (1615)

I will go back to our fishing enterprise and why, despite working extremely hard on the water, bringing in any one year over \$2 million in ex-vessel landed value and helping to design some of the best managed fisheries in the world, my son and I are not making enough money to re-capitalise our enterprise or pull out a living wage for either ourselves or our deckhands, and why we have over the last four years slid into debt to the point that, in one more year under this system, we will be forced to sell out of the industry. I did an analysis of the landed value of the fish that we land. We are paying 80% of the landed value to those who have either been granted the quota or have purchased those licences and quota over the last 25 years and are now renting it back to me—in other words, the exact opposite of owner-operator.

After all that work on the water, and at meetings over the last 20 years to design fisheries that truly do work from a conservation and sustainable harvesting perspective, we are being driven into bankruptcy because, despite repeated warnings, our government has not paid attention to the equitable distribution of the benefits, one of its core responsibilities.

It was very maddening for me to hear my own Pacific region managers, and for that matter, the manager from the east coast as well, not once in their presentation to this committee last week identify this problem, even though they were told that this entire review was focused around the owner-operator policy and the reason this review was actually called. It was only the week before their presentation that the Canadian Independent Fish Harvesters'

Federation met with the RDG and the minister and I stated that in the halibut fishery, with a landed value of \$66 million in 2017, most of that value was captured as rent by those who hold the paper, not participating in the fishery and simply holding an investment.

In the last eight months, with the recognition of how important owner-operator has been to the health of the east coast fishing industry and the fabric of their communities in Atlantic Canada, many of the fleets in B.C. have recognized that this inequitable distribution of the benefits cannot be allowed to continue any longer. Active fishermen from the halibut, trawl, tuna, crab, salmon, sablefish, prawns, geoduck and sea urchin fisheries have all approached the department stating that this is a serious problem and it must be rectified. We have proposed to sit down with our fleets and those who control the quota and negotiate a fair sharing arrangement that would be embedded into the management structure through our advisory processes and through our IFMP framework and supported by the discretion of the minister.

We heard the RDG state clearly to you that it's within the mandate of the minister and the Fisheries Act to equitably distribute the benefits. Indeed, it is one of the fundamental responsibilities of government in respect to the use of the resources it manages, yet whose second-in-command, when asked directly by this committee if they are tracking leasing costs, said, no, they are not.

There are a number of mechanisms that could be used to return the benefits from the fishery back to those who are harvesting the resource and the people of Canada, everything from tax incentive changes to collective bargaining frameworks and specific owner-operator policies, as well as the fair sharing mechanism that we are proposing. It is very obvious after listening to the department's presentation to you that they intend to ignore this problem. We therefore need you to give them political direction, to fulfill your role as elected representatives to ensure that government does what is needed to correct this outrageous market failure and support the development of a sustainable and productive fisheries sector in B.C.

Thank you for allowing me an opportunity to speak directly to you at this critical moment for our fishing industry.

• (1620)

The Chair: Thank you, Mr. Edwards.

We'll now go to Mr. de Greef for seven minutes or less, please.

Mr. Peter de Greef (Fisher, As an Individual): Good afternoon, honourable members of the standing committee. Thank you for this opportunity to speak about west coast fisheries. Anyone who knows my family will be shocked if I can fit this into seven minutes.

My name is Peter de Greef. I am an active commercial fisherman. I am a partner with my uncle in an independent fishing vessel, the *Optimist No. 1*, which annually harvests halibut, sablefish and albacore tuna and is also licensed for salmon and rockfish. Our operation has three generations of family involved. Over the past 35 years, I have trolled for salmon and tuna, longlined for halibut and sablefish, gillnetted for roe herring and packed sea urchins and sea cucumber.

For the past 12 years since becoming a vessel owner and licence owner, I have volunteered my time on various boards, committees and associations. Currently, I am the vice-president of the B.C. Tuna Fishermen's Association and a director of the Pacific Halibut Management Association. I sit on the Tuna Advisory Board and on the offshore Pacific region area of interest advisory committee. Most recently, I was appointed as a Canadian commissioner to the International Pacific Halibut Commission.

I speak of these only to show my experience. I am not here representing any entity other than myself as an active independent fisherman.

What my family's independent fishing enterprise requires to be successful is stable access to fish, access to fishing grounds, access to capital, access to competitive markets and access to a fair share of profits. My crew and I also need a safe working environment.

To me, stable access to fish means a stable and sustainable stock and the ability to harvest that stock in a predictable manner. With this in mind, ITQs perform well, especially in combination with our world-renowned and sophisticated integrated groundfish management system, which allows for very little waste of bycatch. Fishers are excellent at targeting species they are after, but not so great at avoiding bycatch. This system holds them accountable and changes behaviour. Transferability is essential for this to work properly.

Access to fishing grounds is simple: the ability to harvest fish where the fish are or could be. Marine protected areas, if not properly implemented, threaten this access.

Access to capital is an issue as well. Licences and quota are extremely expensive. Presently, most fishers make arrangements with processors, large quota holders, family or lending institutions. Processor loans generally come at the cost of independence. Lending institutions will loan on vessels, but very few lend on licences and quota. Those that do need a minimum 50% down payment. A family connection to quota and capital has been invaluable to me, but not everyone has that opportunity.

Access to competitive markets that buy and pay well is also critical. As far as I can see, buyers have done an excellent job in developing new markets in some fisheries and are challenged in others. However, I must note that with so many fishers tied to companies it can be a challenge for independent fishers to get a competitive price.

In order to keep an experienced and dedicated crew and to ensure a vessel is safely maintained, it is important to have a fair share of the profits. Our present family operation has a fair share arrangement. This evolved from my uncle wanting me to continue running his boat and fish his quotas and from my needing some security if I were to continue to fish. In the past, I had crewed in a

herring roe lease operation. It never went very well, so I was skeptical about getting into the leasing aspect of fisheries.

The arrangement with my uncle went well, and we decided to form a partnership, buy out my father's boat and gain access to his quotas. It has worked well over the years for crew, vessel and quota holders, as everyone is pulling in the same direction. There are challenges, but mostly due to outside pressures.

The little bit of quota I bought was bought a number of years ago before the values had spiked in groundfish. For me to buy groundfish quota now and maintain the fair share structure would be next to impossible. First, the prices are so high for quota that the returns would not be enough to cover the interest rates.

● (1625)

The truth is there are still a lot of fair share arrangements out there, but for how long?

Another aspect to consider is safety. I was appalled to read that commercial fishing is the deadliest industry, as per a recent analysis in *The Globe and Mail*. The idea that being a fisher is 14 times more dangerous than being a police officer was shocking. I would attribute a considerable amount of this to socio-economic factors. When there is no money to attract long-term quality crew or to invest in vessel maintenance and new boats, any issues that arise are compounded. Inexperienced crew and vessel breakdown incidents lead to increased deaths, in my opinion.

The ITQ system has done an excellent job delivering on its conservation objectives, but unfortunately, no socio-economic objectives were ever stated, so it has failed to deliver. That does not mean it cannot deliver. Similar to groundfish integration, if objectives are stated, B.C. fishers will deliver. A made-in-B.C. solution developed by the industry stakeholders through our advisory processes with specific socio-economic objectives is the best way forward.

Each fishery has its own challenges so it is best to keep consulting on a fishery-by-fishery basis. One grassroots initiative is the shared benefit and risk proposal. It has gained support from a large number of skippers, crew, vessel owners and licensing quota owners. It could be weighed against other proposals to determine which works best for each fishery.

In summary, the west coast is unique, and although the fishing industry currently lacks in supporting specific socio-economic goals, good things are happening. To foster change properly, a process with the stated conservation and socio-economic objectives should be developed for engagement at the DFO advisory board level for a number of fisheries on the west coast.

The Chair: Thank you. That was perfect. You were barely over the seven minutes, so you were the best of everyone.

We'll now go to questions. I will remind members that I'll have to be strict on the time. If I say your time is up, your time is up.

For the first seven minutes, we'll go to the government side.

Mr. Hardie.

Mr. Ken Hardie (Fleetwood—Port Kells, Lib.): Thank you very much, Mr. Chair.

Thank you, everybody, for being here either in person or by video conference.

Mr. de Greef, you say you have this fair sharing agreement due to the family compact, if you will. What is the share quota owner versus processor versus fisher?

Mr. Peter de Greef: We started at 50% for quota, 50% for vessel and crew. Market conditions influenced that a few years ago because the lease prices were so high, so we are now 60% to quota and 40% to crew. The vessel took a smaller share so the crew would remain whole.

Mr. Ken Hardie: We've heard the process of getting your hands on quota involves paying for the quota up front. In other words, before you go out to fish, you have to locate and pay for quota.

Mr. MacKay, is that your experience?

Mr. David MacKay: Yes, it's a bit of halibut quota and usually as soon as the handshake's done, the cheque's in the hands of the person who owns the licence to the quota. Sometimes that cheque's written by a company, sometimes by the independent fishermen themselves, but yes, the risk is right up front.

Mr. Ken Hardie: The risk is not to the quota owner; they get their money up front.

Mr. David MacKay: Exactly, they get 75%.

Mr. Ken Hardie: Okay.

Dan, if you're looking for quota, how do you find it?

•(1630)

Mr. Dan Edwards: There is no transparent quota transfer mechanism available. There have been a number of attempts to try to build one privately. It hasn't worked.

Quite often either people know somebody who knows somebody who has quota. That's how it works, or fishing processing companies would actively search it out and bid against each other to make sure they get enough quota for the year.

A lot of it's done for our vessel through the processing company because we don't have those kinds of connections and access. We don't have the deep pockets to lease that quota up front either. There's a real need to have a transparent quota registry in this process.

Mr. Ken Hardie: I'll go to you, Mr. Nobels. I was going to ask you that question.

How do you know who has quota for sale, and how do you actually get your hands on it? What's the process?

Mr. Modestus Nobels: It's been my experience that it's usually carried out by the company you're fishing with unless you've made some prior arrangement with an individual. It's very hard to know who has quota available unless you're operating through a processing company.

Mr. Ken Hardie: When you think of the processing company and where they're positioned on this, they help you get the quota, but of course then you're obliged to fish for them and you get paid what they're prepared to pay when you land the fish. It almost sounds like that old Tennessee Ernie Ford song, *Sixteen Tons*; you're sold to the company store kind of thing.

The upfront payment of the amount to the quota owner, regardless of what the final value of the fish you land is going to be, seems to really imbalance the risk-reward equation here.

Ms. Thorkelson, maybe you could speak to that.

Ms. Joy Thorkelson: Well, the process of control is key, and that's why processors like this system.

When I talked to one of the smaller processors, the manager said that he personally hates it but it's good for the company. That's how they guarantee that they get deliveries for the company. They will take quota and release it, and that assures they will get cash for whatever their needs are.

Mr. Ken Hardie: The processor would have interest in getting quota, because then they're assured that they're going to get product into their processing plant.

Is it a situation, though, where the person doing the fishing basically gets the word from the processor, "Okay, we've got you a quota and this is what it's going to cost you"? Or is there any kind of transparency, so that the fisher at least knows what the quota owner has asked for that quota?

Ms. Joy Thorkelson: Oh, I don't think so. The fishermen I've spoken with go to the processing company. They don't really know whose quota they have; they just get it through the processing company.

We are dealing with a company on salmon quotas right now, and they treat their quotas as though they were an enterprise allocation. They take all of their quotas, put them in a big pot and then just shuffle them out as the fishery goes on.

Fishermen are indentured to the company. They also pay a promised amount up front that comes off their settlement. These guys are indentured to the company, so they're not going to just run off. But a company will take their quota and just deal it out.

Mr. Ken Hardie: Mr. Edwards, when you look at a fair share agreement, would you be looking at basically a regulated percentage of who gets what, or would you be also factoring in the final cost of the fish as charged by the fisher either when they land it or by the processor when they sell it?

Lead us through what a fair share would look like.

Mr. Dan Edwards: I've spent a lot of years in British Columbia dealing with interest-based negotiation frameworks with several fleets.

Basically I would say that you would use a process like that, and that kind of process is based on interest-based negotiations and it has to be transparent. You have to know the cost of the vessel. You have to know what the investor has in its investment around the cost to lend money, or to use money to get quota. You put it all on the table and say, "Okay, what do we need as a vessel?"

We negotiate what's needed out of what we think.... It's a percentage.

• (1635)

Mr. Ken Hardie: But how do you know until you land the fish?

Mr. Dan Edwards: Well, you don't. You do it on a percentage basis.

What's happening right now is that people are paying up front—\$5 or \$6 a pound—and the processor is going to get caught in a bind just as much as the fishermen can, because the market can fluctuate. They have no real knowledge of that.

We're trying to deal with it as a negotiated sharing arrangement, as a percentage of landed value, prior to the season, which won't require that kind of arrangement. As the fish is sold, then the situation is worked through.

They do that in Newfoundland. I spoke to Dave Decker of the FFAW. This year, using that kind of process and more of a collective bargaining process, the halibut fishermen at the dock got \$12.75 a pound through the enterprise. I get about \$1.50.

The Chair: Thank you for that.

We'll go now to the Conservative side. Mr. Doherty, you have seven minutes or less, please.

Mr. Todd Doherty: Thank you, Mr. Chair.

I want to thank our guests for being here today. Mr. Edwards and all of our guests, thank you for your heartfelt testimony. This is one we've had a lot of discussion about around the table. I appreciate those who have travelled a great distance to be here today.

I'll just throw this out, and feel free, for any of our guests, because it's all relevant to you personally.... In your view—I mean "your" collectively—who benefits the most from the ITQ system?

Go ahead, Mr. de Greef.

Mr. Peter de Greef: I would say the stock of fish.

Mr. Todd Doherty: The stock of fish, right, so it's a fisheries management plan—really, that's what it is.

Mr. Peter de Greef: It's a management tool.

Mr. Todd Doherty: Right, which is why in the testimony last week, the officials said that this is a way they can manage the fleet, the number of boats that are out, correct?

Mr. Peter de Greef: That's correct.

Mr. Todd Doherty: Okay.

Mr. Edwards, Mr. MacKay and Ms. Thorkelson, does everybody agree with that?

Ms. Joy Thorkelson: Well, no. Actually, it's the transferability that's the issue. You can certainly have a stock of fish. It's a management tool in the integrated groundfish fishery, but there are

other ways. Once you have decided to divide your fish into quotas and transfer them, you have to look at other transfer mechanisms—perhaps a fair sharing, perhaps just among fishermen. Fishermen have come up with lots of alternatives to the money-based ITQ transfer system that's in place now.

Mr. Todd Doherty: Who holds the balance of power, outside the fisheries, obviously, in this system? Is it the processor? Is it the vessel owner? Is it the fisherman?

Mr. Dan Edwards: It's the quota holder.

Mr. Todd Doherty: Sorry, Modestus, did you have a comment?

Mr. Modestus Nobels: Yes. It's the quota holder who has the ultimate power here. They hold the ability to hold the fish.

Mr. Todd Doherty: In the testimony last week, we heard that in order to hold a quota, you also had to have a fishing licence. Are there real-world examples that you guys know of, that a group, an organization, a business or an individual holds a quota, but is not fishing, and does not hold a fishing licence?

Go ahead, Mr. Edwards.

Mr. Dan Edwards: Yes, there's just been an analysis done on that. There are 435 halibut licences, just as an example; only 140-some-odd vessels fished last year. There are a lot of these empty licences. They only have about 0.01% of the quota on them. They're now being used as quota transfer licences, a lot of times by the corporations or the processors. They hold the licence and pass the quota through it.

I don't totally agree that the transfer mechanism is the problem. I think it's the ownership that's the problem. If you had an owner-operator, and only fishermen were the ones who held the quotas, it would be a much different story. We could still transfer to make sure that our business was viable. We need that in the groundfish fishery, but we need to get rid of the absentee owner system.

Mr. Todd Doherty: Okay. Perhaps I'll reword my question. Are you aware of anyone holding a quota who doesn't have a fishing licence?

Modestus.

• (1640)

Mr. Modestus Nobels: Yes, there are a lot of individuals and corporations that hold quotas and are not actively fishing them. In the last two years, with the groundfish development authority that I sit on, we've heard rumours of significant foreign capital coming in to purchase quota structure, and that quota is now being held by offshore interests. They are not actively fishing. They, in turn, are leasing those back to corporations fishing here that have licences to fish that on.

Mr. Todd Doherty: They're the holders of the quotas. They own the quotas, these offshore groups—

Mr. Modestus Nobels: That's correct.

Mr. Todd Doherty: —and they don't have licences.

Mr. Modestus Nobels: No. You can hold quota and not be a Canadian citizen, but to actually fish, you do need to be a Canadian citizen.

Mr. Todd Doherty: Okay, but last week we were told by Mr. Thomson, one of the officials, that in order to hold quota, you must hold a fishing licence. I'm asking for clarification.

Mr. Dan Edwards: They don't track ownership, no.

Mr. Todd Doherty: They don't track ownership. Okay.

Mr. Peter de Greef: There can be trust agreements behind licensing. However, this is why I think a registry would be of great help, for transparency. People would understand what would go on, and it would help banks and other lending institutions, possibly.

Mr. Todd Doherty: Yes, that would allow you to say you have something of value. You'd be able to go and finance your operations from that, or—

Mr. Peter de Greef: Also, it's transparent, so people would understand what it was.

Mr. Todd Doherty: Okay.

Getting back to the comment from the officials who were here last week, Mr. Edwards, I agree 100%.

Would you say that the testimony from last week was incorrect in that you must have a licence to hold quota? We know of others who don't have a licence and they hold quota.

Mr. Dan Edwards: You have to have a licence, but the question is who owns the licence. Where's the money coming from? It could be a shell company, and there's no real tracking of that. You have to attach the licence to a quota, but that doesn't really tell you much. It doesn't tell you who actually owns it.

Mr. Peter de Greef: For instance, I own quota that is not on my specific licence—

Mr. Todd Doherty: But you own a licence?

Mr. Peter de Greef: No, it's my uncle's licence, and it's on his quota.

Mr. Todd Doherty: Then according to the comments that Mr. Thomson made, technically if you don't have the licence to fish that, you own a licence, but you don't have the licence for that quota. Is that correct?

Mr. Peter de Greef: That's correct.

Mr. Todd Doherty: Okay. I really appreciate the information we're getting, because not being fishers, we're trying to wrap our heads around this a little bit better.

With that, I'll cede the floor. Thank you very much.

The Chair: Thank you, Mr. Doherty.

Now we go to the NDP and Mr. Donnelly for seven minutes or less.

Mr. Fin Donnelly: Thank you, Mr. Chair.

Thank you to all our witnesses for providing testimony here or by video conference.

I want to encourage everyone who made recommendations to provide those recommendations to the clerk of the committee in writing if they haven't done that so far. I heard recommendations in a number of presentations, and it would be very, very helpful for the committee to see those recommendations in writing. This goes for

everyone who is providing a presentation, even if you send an email saying, "Here's my recommendation."

Ms. Thorkelson, you gave us a very long recommendation and it was comprehensive, so if we could have that in writing—I'm sure it is if your presentation was submitted—that would be very helpful.

Mr. Nobels, you referred to a number of reports, the Ecotrust Canada reports, and the "Just Transactions, Just Transitions" report. You referenced Dr. Evelyn Pinkerton's "Fisheries that work". If you wouldn't mind submitting those reports to this committee, those would also be really helpful to refer to. Then all the members of the committee would have access to those, and the clerk, the analysts and everyone could take a look at the work you're referring to.

I want to start with you, Mr. Edwards.

You referenced the fair share mechanism, and you were explaining the components of that to Mr. Hardie when he asked you about that. I'm wondering if you could elaborate a little bit more. You mentioned the idea of a transparent quota registry. Are there other specifics under what you call a fair share mechanism that you'd like to see not only this committee look at but the government implement?

● (1645)

Mr. Dan Edwards: What we found in the last eight or nine months is a growing realization, and I think a lot of it came out of this committee. You listened to a lot of young fishermen from B.C. who were saying that they are not able to get into the fishery. A lot of the fishermen, even the quota holders, are recognizing that with the way it's going, there will be no crew, no skippers and nobody else on the water in the future, so we have to figure out a way.

The sharing mechanism is just one idea that came up, which we explored and will continue to explore. We're saying that we need to sit down with those who own the quota, and we have to hammer out a fair sharing arrangement around that issue.

Every fishery that I've been attached to and worked with, and every active fisherman that I know in the groundfish fishery and other fisheries have said that's a great idea but that it requires the discretion of the minister to put a hammer into it. In other words, if people don't respect that negotiated settlement that we get prior to the season, then the minister has the power, just like he does with the civil agreements that were illegal on the east coast, to pull the licence and stop it from being able to trade.

There's a hammer there to say, "Okay, you guys sat down and hammered out an agreement, and now we're going to see it in the IFMP, and we're going to implement it. It has to be adhered to. Otherwise there will be an appeal process and there's a very real chance that the person will lose their ability to use that licence in the coming years."

That's the core idea. There's a lot of work that needs to be done around how best to set up a process where people are actually being represented in a process like that. I mentioned the process we use for groundfish, where we worked for five years to build an integrative process. We in industry on the west coast are not strangers to doing hard work on the process side, and I know we can make it work.

Mr. Fin Donnelly: Thank you.

Ms. Thorkelson, your recommendation was a large one as well. Is there anything else you'd like to add to that? The committee will take a look at what you've recommended and see how to break it down. Are there other things you'd like to add in the minute and a half or two minutes that I have left?

Ms. Joy Thorkelson: I think Peter de Greef said what I said in a much better and more succinct manner.

Every fishery is going to have its own plan on how to get out of the bind that we're in. I think it has to be active fishermen who sit down and decide what their futures are. I think the government of Canada needs to say that we want to have an industry where active fishermen and communities are our priority, not delivering benefits to investors.

Right now, the Pacific region's priority is to deliver benefits to investors, and it should be the other way around. It should be protecting active fishermen and coastal communities.

Mr. Fin Donnelly: Would your system include the investors at the table?

Ms. Joy Thorkelson: I think that fishermen have a right to make up their own minds on what would work best for them. Then you have to bring the investors to the table to talk about a transition process, how you get from where we are now to where active fishermen feel that they would have a chance to make a decent living.

Mr. Fin Donnelly: I have one minute.

Mr. de Greef, you mentioned that the ITQ system is working well for the fish, not for the fish harvesters, obviously. One thing we've heard is that many fish populations have gone down over the decades, so if it's not the management system, what do you attribute those downturns to?

Mr. Peter de Greef: There are many different species. I could speak specifically to halibut. I would say that it's similar for various salmon. Size at age is a big issue. The fish aren't growing as big as they used to. The same number of animals are around. I would say that this is an environmental thing, and I wouldn't necessarily say that it is due to fishing.

•(1650)

Mr. Fin Donnelly: We need to study it. Maybe we need to look at it.

Mr. Peter de Greef: Yes. I believe IPHC is doing work with that, specific to halibut. With DFO, I'm not sure.

Mr. Fin Donnelly: Okay. Thank you.

The Chair: Thank you, Mr. Donnelly.

Back to the government side, we have Mr. Rogers, for seven minutes or less, please.

Mr. Churence Rogers (Bonavista—Burin—Trinity, Lib.): Thank you, Mr. Chair.

Thank you to all of the witnesses today. I'm going to start with Mr. Edwards.

You used the term "common denominator" when you talked about the fishery. You were saying that active fishers are not profiting and

that quota licence owners are reaping profits but that fishers struggle to make ends meet.

How do we fix what you call a broken system for harvesters?

Mr. Dan Edwards: That's what we've been putting some recommendations on the table for, trying to develop a way to share that revenue fairly. We've put forward recommendations like that. There are other potential ways to do it over time. You can, over time, develop an owner-operator kind of framework here in B.C. You can use tax incentives. There are a number of different ways you can start turning the ship around, so that the money is coming back to the active harvesters as opposed to where it is right now, which is at 80% to the quota holder—the situation I'm in—and 20% back to the boat.

I'm in a different situation than Peter in that I don't have a family quota. As the original people who got a quota, that's going to be more and more the situation where those who originally got the quota are no longer fishing. It's already very high. There needs to be a transition that works for the next generation. That's really why you guys are here, because you've heard that next generation say, "How the hell are we going to make a living in the future with this situation?" We need to find a solution to that.

Mr. Churence Rogers: Mr. Nobels, you said that ITQs are destructive. You talked about transferability versus buying in and other problems with the ITQs. From your perspective, how do you fix or modify the current ITQ model?

Mr. Modestus Nobels: As Dan pointed out, transferability is not necessarily the problem if you have checks and balances in the rest of the structure, which we presently do not have. That would allow for offshore investors and those outside the industry to begin to capitalize on the quota structures. That is really the telling issue in the end. It's the ability for investors to access quota and take that out of the hands of working fishermen. I agree with all the other speakers. The initiative here is to put the fish and the profit back into the hands of those who are actually fishing and the communities in which they live.

Dan pointed out several ways we could attempt to do that. There are examples worldwide that have been utilized to [*Inaudible—Editor*] quota structures out and make them more reasonable and balanced. We need to look at those examples and see what we can use here to drive our fishery in a more sustainable fashion.

Mr. Churence Rogers: David, you made reference to married licences and that they should disappear. Do you think that's a simple solution? Can you elaborate a little on that?

Mr. David MacKay: It can be simple right now. If a fish harvester appeals a married licence to the Minister of Fisheries and Oceans, we should be able to allow them to divest in the industry and allow them to sell those licences off. It's too overwhelming for somebody getting into the industry and buying a set of licences. It's hard enough to buy one, let alone three. How do we separate those licences? I say it's a simple solution, because I think it is. The department might say otherwise, but why when somebody says, "Why can't I separate my northern troll licence and sell it to a kid in the community that wants to get his foot in the industry?"

We're seeing many of these licences going to PICFI. The PICFI program is great, and Ken Hardie made a point about it the other day saying PICFI was to provide more access to the first nation fishers. Some of these licences are being put back in PICFI.

• (1655)

Mr. Churence Rogers: Peter, you talked about ITQs and said they delivered on conservation objectives, but no real socio-economic value for fishers or communities. Should it be changed and if so, how?

Mr. Peter de Greef: As Dan mentioned, there is a proposal where there is more fair share catch, similar to what we have. We used to have a better deal, but it was influenced by [*Inaudible—Editor*]. You can't expect somebody to take far less money than they can get in the open market. In order to bring those lease prices in, they would be based on a percentage, so everyone is sharing in the risk and everyone is sharing in the reward. I see that as beneficial and I see that as working. It has worked in our case for many years.

Mr. Churence Rogers: Thank you.

Joy, you mentioned you represent harvesters and plant workers. One of the comments you made was that most people want out, but can't afford to quit and young people want in, but can't afford to buy in. You talked about the concentration of resources in the hands of a few corporations and investors.

What would the UFAW like to see done with the ITQ system?

Ms. Joy Thorkelson: It would be an easy answer to say just get rid of it, but that's a facile approach. What really needs to happen is the people in the groundfish integrated fishery need to sit down and talk about what would work for the active fisherman.

I have lots of questions about the fair share agreement, but if that will work then active fishermen are making those decisions.

In the salmon industry, it might be completely different for trollers, for gillnetters and for seiners.

I think that we find a common thread. The commonality of those people who are working for a living is that they don't really want to pay a lot to somebody to access that resource. It was free for their parents to access that resource. Why should they have to pay somebody to access that resource? Peter's paying his uncle, but lots of people are paying doctors and lawyers and people who have invested in that quota.

The Chair: Thank you, Mr. Rogers.

Now we'll go back to the Conservative side.

Mr. Arnold, you have five minutes or less, please.

Mr. Mel Arnold (North Okanagan—Shuswap, CPC): Thank you, Mr. Chair, and thank you to all of you as fisher people for coming in today.

Your testimony is very interesting. The more we hear on this file, the more interesting it gets. It's very valuable towards making our recommendations.

As I understand it, I don't know if the halibut fishery was the first fishery to move under an ITQ system or not. You can inform me of that afterwards. I understand that part of the reason for going in that

direction was for fishermen's safety. In the previous system, the first out and first back in basically got the highest value for their catch, so fishermen were going out in unsafe conditions and so on. By bringing in the ITQs they had the ability to go out at any point when the weather was better, safer, under different conditions. Those ITQs were originally established based on the previous catch per harvester, and then they became transferable.

Have I described how we got into that system fairly closely, or is it different from what I have understood?

Mr. de Greef, would you like to start?

Mr. Peter de Greef: At one point, within a span of about 10 years, the halibut season in particular went from 60 days down to six. It kept rationalizing and ratcheting down, and people were increasing.... During that time frame—I believe it was 1987; I was not fishing that day—there was a big storm. They lost nine boats. Three people lost their lives.

I do think it somewhat precipitated going to quotas because they saw that. However, I think it was more of a conservation and management tool. It was very hard to manage the resource when you had such short openings.

Just as an aside—as IPHC commissioner—there is a fishery that's open access for halibut southwards. They want to move away because they have 10-hour openings. They are finding it extremely unsafe. They are looking at different alternatives.

• (1700)

Mr. Mel Arnold: Does anyone else have input on how we got to where we are?

Ms. Joy Thorkelson: First of all, halibut was divided into quotas, not into transferable quotas. We had quotas also in rockfish. With those quotas, you fish what you needed to fish on a full quota, and then after three months they put all of the unfished quota back into the pot. If you were going out fishing again, you signed up, you went out fishing and you were given another allocation of quota.

The unfished quota went back into the government, and the government distributed it again to the bona fide fishers that were going to go fishing. Nobody got a quota who didn't go fishing.

That was the experience for rockfish. That is an example of a different measure of the same kind of control over conservation and access, but the government controls it, and there's no money floating around. Now, of course, the department changed that and made those into transferable quotas, and then part of the integrated groundfish management.

First halibut was transferred and divided into quotas. There were a lot of issues about how it was because it was the first big quota fishery, although abalone had preceded it. Abalone was a disaster because it disappeared, so you had quotas of nothing. Halibut went to ITQs quite quickly.

Mr. Mel Arnold: We've sort of captured how we got to where we are, where all of a sudden those ITQs, which are tradeable and saleable, became worth a lot of money. How do you think we could go back out of that system now into something that is workable? What I'm trying to get at is that we've established how we got here. Now how do we get to where you would like to go?

Ms. Joy Thorkelson: Many fishermen have come up with many different ideas. Part of it depends on how much the quota is worth. The quota's not worth very much in a degraded fishery. Fishermen say, "Well, let's just buy the quota out, put it in a pool, and work from there." For other fishermen, take fisheries like halibut, where quota is worth a lot and a lot of investors actually bought in, it might take a 10- or 15-year program, where some of the quota is bought out by the government year by year, put into a pot, and then redistributed to active fishermen.

There are many, many ideas out there. That's why the union hasn't come with any set ideas. A lot of different ideas might work in different ways in different fisheries.

Mr. Mel Arnold: Thank you.

We're out of time already.

The Chair: Yes, five minutes don't be long going when the topic is interesting.

Now we go to the government side.

Mr. Fraser, you have five minutes or less. That will probably clew up this portion before we get to the next group.

Mr. Colin Fraser (West Nova, Lib.): Thanks very much, Mr. Chair.

Thank you all very much for being here. This has been interesting.

Dan, perhaps I can start with you and follow up on a question you were answering regarding ownership, when I guess you were talking about the licensing and the quotas. Do you agree that really what determines ownership is the level of control over transferability of that licence or quota?

Mr. Dan Edwards: No, I don't think it's that so much; it's actually who went out into the market and bought it. They own it, essentially.

I mean, nothing is really owned in the Canadian context. It's all still a Canadian resource, but it's basically de facto ownership as soon as it's able to be traded in the marketplace. As to those who actually put the money out—I think Peter might know this better—the price for halibut in the open market has gone up to \$125 per pound at times. It goes down to \$90 and up and down. That's way beyond, as Peter said, what you could ever amortize in the present situation.

So in answer to that, if you actually started a fair sharing arrangement, and the fishermen who were fishing were getting more money, over time you could start seeing the limitation on the value of that as just a straight investment. It would be much more valuable to the fishermen. They would have more money in their pocket. You would see the price start to come down. You would see the fishermen on the water having money that they could actually invest.

Right now, I can't even invest in looking after our vessel, the way it is.

•(1705)

Mr. Colin Fraser: Okay.

Peter, can I get your thoughts regarding the level of control that someone would have over transferability, which is part of the issue here?

Mr. Peter de Greef: I wouldn't frame it that way—

Mr. Colin Fraser: Are there arrangements in place, such as financial arrangements, that you're aware of that basically limit the ability for someone to transfer a licence, perhaps, in exchange for having certainty of supply—a processor, for example, having certainty of supply?

Mr. Peter de Greef: Yes, that certainly happens.

Mr. Colin Fraser: Is that an issue, as far as you're concerned, regarding the actual ability of the fisherman to make arrangements for financing?

Mr. Peter de Greef: Yes. Generally, as processors, you're using your financing tool. You don't have banks that will lend you money. You don't have friends or family.... You have to get the money somewhere.

As to what the cost of that is, I couldn't tell you, but I would say that the cost is the independence of selling your fish on a free market.

Mr. Colin Fraser: You raised it in your remarks that access to capital is one of the issues, especially for younger people wanting to get into the fishery. I guess that ties into this ability where, in order to get financing, it means you have to enter into arrangements that you otherwise may not, because there's no access to other forms of capital.

In British Columbia, to my understanding, no fisheries loan board has been established by the province, unlike in other provinces. Would you be supportive if British Columbia were to move in that direction, or if there was some other way to allow a fisheries loan board to be established to allow access to capital?

Mr. Peter de Greef: I would be very supportive of that idea. I think that would help, in conjunction, possibly, with banks; it would take away some of the risk for banks and such. I'd be very supportive of an idea like that, yes.

Mr. Colin Fraser: I'm sorry that I don't have more time, but thank you all very much for being here.

The Chair: Now, we'll move to Mr. Doherty, for five minutes or less.

Mr. Todd Doherty: I have just one question for this group right now and I'll likely ask the same of the next group.

Well, no, I have two questions. Sorry.

My first question is, what is a quota worth? We talk about it a lot and our colleague Mr. Hardie asked about it in the previous session. Nobody can seem to tell us. I get that it depends on the fish we are going after and we say it's unattainable or it's out of reach, but what is a quota worth?

That question is for anyone.

Go ahead, Mr. de Greef.

Mr. Peter de Greef: The quota is determined by the market and a big player in the market is the Government of Canada for the PICFI program, which I support because it's a willing buyer and a willing seller. However, there are—

Mr. Todd Doherty: Right. It does drive the price up though. Is that correct?

Mr. Peter de Greef: There are consequences to that. Previously, I would say that they got the low-hanging fruit, so they got the guys who just wanted out. Now, it is harder to get the quota that is there to be sold, so this is driving prices up.

Mr. Todd Doherty: Is the Government of Canada holding onto that quota that is unattainable?

Mr. Peter de Greef: In a marketplace for somebody who was selling quota, yes, it would be. It drove it up, as well as other factors, but it is a market. It fluctuates. Right now, it is around \$90 a pound, specific to halibut, so it has come down quite a bit from \$130, from just a little while ago.

Mr. Todd Doherty: Okay, it's \$90 a pound. What would you get on the market for that?

Mr. Peter de Greef: You would get one pound of halibut.

Sorry, I should explain that. You get a percentage of the TAC.

Mr. Todd Doherty: That's what I was asking.

Mr. Peter de Greef: Yes, you don't—sorry.

Mr. Todd Doherty: You just get a percentage of the total allowable catch.

Mr. Peter de Greef: That's right. You're buying a percentage of the TAC, the total allowable catch, whatever that is at that point.

Right now, we're at a point where TACs are somewhat low. That might have helped to drive prices up as well, in anticipation that in the future TACs may go up again.

• (1710)

Mr. Todd Doherty: Okay.

These questions are for all of our guests. We hear this in our individual conversations and meetings with those who have reached out to us.

Do you feel that DFO has been listening to concerns? Do you feel that you have been consulted? Do you feel you have been listened to, if you were being consulted? What have been your personal interactions with DFO?

Go ahead, Mr. Edwards.

Mr. Dan Edwards: I answered that in my statement. The answer is no and I'm going right from your testimony from the RDG. They refused to even acknowledge the majority of the problems we are identifying here, in their testimony to you and so did the east coast fellow. He didn't identify the owner-operators, who are a fundamental plank that we're actually supposed to be here talking about. All three of them didn't talk about it and I found that incredibly insulting.

Mr. Todd Doherty: You see where I'm going with my questions.

Yes, Mr. de Greef.

Mr. Peter de Greef: Could you rephrase the question?

Mr. Todd Doherty: I was just asking if you feel you have been fully consulted, if your interactions with DFO have been—

Mr. Peter de Greef: I don't know if I have a good relationship with DFO, but I don't think they saw this as a high priority objective. We need to give a message that it is a high priority objective.

Mr. Todd Doherty: Okay.

Mr. MacKay or Ms. Thorkelson.

Mr. David MacKay: I will speak to that. I know some people who are part of advisory boards and who feel that there are hidden agendas made within DFO, so that when they come to the meeting their decision is already made. They're not taking the advice of the harvesters. There is that.

Generally, we just need to have a better relationship with them. We need more assurance. We need the minister to champion our fisheries and our industry. We also need to feel that somebody is going to bat for us, standing up for us, and letting us know that, with all the media hype with all these different issues, fisheries are going to stay and coastal communities are going to thrive and we're working toward better things.

We definitely need to hear more public statements.

The Chair: Thank you, Mr. Doherty. That closes up our session with the first set of panellists.

Thank you, all, for appearing in person and by video conference. As was mentioned by some members, if you feel there's something, whether it be a recommendation or something that wasn't covered, please by all means send it in either by email or in some form so we can include it in our report.

Thank you again.

We'll suspend for a couple of minutes while we get ready for the next witnesses.

• (1710)

_____ (Pause) _____

• (1715)

The Chair: Welcome back, everyone.

We'll start our second panel now. We have guests in person. We have Duncan Cameron, who is a fisherman. We have Fraser MacDonald, who is a fisherman as well, and we have Dr. Jennifer Silver, associate professor, University of Guelph.

You each have seven minutes to give an opening presentation.

We'll start off with Duncan Cameron, for seven minutes or less.

Mr. Duncan Cameron (Fisher, As an Individual): Thank you, Mr. Chair. It's a pleasure to be here.

I would like to begin by thanking the committee for giving me the honour of speaking here and for taking on this very important study. I am here with many other young harvesters who represent the future of our industry. We're ready to engage in proper process. We are the stewards of the resource and we know what we want.

That future is crystal clear for me: fishing licences in the hands of fish harvesters; benefits flowing from fishing enterprises into communities, creating jobs for boatbuilders, welders, shipwrights, grocery stores, fishmongers, carpenters; putting crew through university; and creating benefits for restaurants and many other businesses. Outside of those economic gains that would come from this, I want to be a part of the community again where fishermen are volunteering for school programs and trips, coaching sports and having cook-offs for charity. When we take care of our communities, they will take care of us. When salmon enhancement and creek monitoring are cut back, everyone has a stake, and we can make a measured approach because of it, and it is a public resource.

In the last two committee meetings you heard from people who have been at the helm of the situation as the value of B.C. fisheries fell while those of our neighbours to the north, south and east have surged. We heard the results of economic studies referred to as a myth, almost no acknowledgement of any problem from our own department in the Pacific. The Canadian Fishing Company stated that they have less fish and the lower supply means the prices are lower, and that they have a huge controlling stake in the fishery but somehow that doesn't mean they can control costs. The question was put to them around whether there's a formula or stake on the fish sold, and they said they don't have any magic formula around the margin. The sockeye price has been the same since the 1980s, so for me that raises a lot of red flags from pretty well basic economic principles.

You heard about many different types of licences, quota systems and management tools such as ITQs, but what you didn't hear about was ownership. Management tools were put in place to manage fisheries, not dictate the economic outcomes, or at least not good ones. We can have these different licences and have harvesters own them.

Just for clarity, there's been a lot of talk about ITQs. The leasing inequality happens in many other fisheries, basically where there's any value in the fish.

I've been a certified operating captain for 13 years. I have owned, leased, bought and sold licences and boats over that time period. I am here because of the advantages I'm afforded coming from a fishing family. My dad owns multiple licences, including halibut quota. We recently partnered on a prawn boat together. Without these advantages, there is no way I would have made it this far.

When fishing, I'm under surveillance 24-7 by video monitoring systems that incorporate GPS tracking and different coding to detect if I may be violating licence conditions. That data is uploaded on the water to a third party, and I am audited for any possible violation.

I work in one of the most dangerous occupations in the country, trap fishing for Dungeness crab. Four years ago I nearly became a part of that statistic when my 19-foot crab boat sank in the middle of the night, and I was picked up off the beach by the Coast Guard.

Yet in B.C., if you want to own a licence, you don't have to risk your life. You don't have to be monitored by video camera. If you're a foreign owner, you might have to create a shell company. Somehow this piece of paper yields you 80% of the landed value, with no risk. Again, that piece of paper is a privilege given by the

people of Canada. I understand the importance of processors and the jobs they create. We need to make sure that there is a secure future for processors and harvesters. There does not need to be a future for people on the couch leasing out the quota they own, only removing jobs, economies, food security and tax revenue from this country.

At the heart of this problem is a very simple cause: licensing policy with no consideration for cultural or socio-economic concerns. This led to consolidation of licences and concentration of ownership, seafood companies vertically integrated to control costs and secure supply. Specifically for the fishing industry, it gave them the control of the advisory board process—big surprise that fishermen became a cost and our incomes went down. As fishermen became more fractured and unorganized, we became marginal costs rather than a fixed or variable cost. Like any marginal cost in a vertically integrated economy, our share is going to near zero per cent.

However, the fishing industry in Canada is not like other industries. First of all, it's a public resource that belongs to the citizens of Canada. A licence is a privilege, something we are quite often reminded of whenever we face access issues. The management of these fisheries, the harbours that welcome us and the Coast Guard that keeps us safe, are paid for by Canadians. Why are we spending all this money and not seeing the benefit, letting profits go to just a few, more and more of whom are in another country? Why are we not keeping the spinoff economies in Canada, more seafood in Canada, higher landed value generating more taxes to pay back these investments Canadians have made?

● (1720)

I think it is also important to note that as bad as it is right now, it can get much worse. A large portion of our seafood is exported, and assuming that continues and we don't make regulatory changes, licences and quotas will also be exported.

In the first two hearings, this committee heard that the high cost of licences, and having to get a mortgage for that, is a barrier to entry. That is partially true, but the biggest issue is the low return on investment. No matter how big or small a debt load harvesters take on, they have to be able to service that debt.

We are not able to do this in most cases because we are competing against processors, large quota holders or foreign countries with a much lower threshold for return on investment than harvesters whose only revenue stream is fishing. Overcapitalization of our fisheries is a serious issue, but if only fish harvesters could buy licences, we would not have this problem.

A loan board for purchasing licences would only make the problem worse if returns on investment do not improve. However, if they do improve, it would be a great tool for us.

You also heard that overcapacity, conservation and safety were some of the main objectives with the evolution of licensing on the west coast. I do not believe the current licensing policy is achieving those objectives.

In any given year, I may fish herring, salmon, halibut, crab and spend over 200 days on the water. This is because I lease most of the licences I operate, and I see only a small percentage of the total profits. If I could own even one-third of those fisheries, I would reduce my capacity by over 60%, freeing up licences for other harvesters to do the same. This would have a domino effect, freeing up more licences as people fish less, people receiving a greater share of the fish they are catching, and at the same time alleviating some of these supposed overcapacity issues.

From a conservation standpoint, when people are at razor-thin margins and are most worried about making it from one year to the next, conservation priorities are very low compared to people who are able to plan the rest of their life.

The point of the study should be to look at what has actually happened from a conservation standpoint, not the theory or the hypothesis that the decision originated from.

As far as safety goes, I think the current regime continues to pose serious harm to harvesters, as well as increasing environmental impacts. Harvesters have very limited capital budgets and little of that can be spent on safety equipment or newer, cleaner technology.

The origin of these problems is simple; the problems it has created are immensely complex. It's overwhelming for someone like me, and I have lived in it my whole life. But the origin is simple and the solutions can be, too.

We need to put fishing licences back in the hands of fish harvesters. We need to let fishing economies benefit the communities we live in. We need to give Canadians the opportunity to buy the fish they are paying for to be managed. We need to transition in a way that lets people who are currently leasing plan for ownership, and not do any harm to people who have invested in good faith.

A few short-term goals that I believe are straightforward and concrete could be the following:

One, by the year 2022, licences or quota that are purchased must be operated by the person who purchases them. This is trickier on something like groundfish, where you may have to say, "You can value your halibut or the target species, but you can lease out the associated bycatch to meet conservation goals."

Two, create a space for harvesters who are not licence holders to engage with DFO. We are the industry, not numbered companies. Currently this cannot be done through the current advisory board process.

Three, allow licences to be unmarried, to free up licences from the marketplace.

Long term, I believe the transition should be driven from principles and objectives harvesters agree upon, that is, active harvesters. We need to set a deadline of seven years, like PIIFCAF, for this transition to take place. It should also be noted that the current advisory board system cannot use this to address.... We heard that from the department's earlier meetings, and that will not work.

Thank you.

• (1725)

The Chair: Thank you, Mr. Cameron.

We'll go now to Mr. MacDonald, for seven minutes or less, please.

Mr. Fraser MacDonald (Fisher, As an Individual): Good afternoon, Mr. Chair, and committee members. I would like to thank you very much for granting me the opportunity to speak to you today. It's a long way from the fishing grounds in B.C. to here, and it means a lot to be able to speak to you, our elected representatives, so thank you for that.

My name is Fraser MacDonald. I'm a first-generation fisherman from Vancouver Island. I'm 32 years old, and I have been commercial fishing for 14 years. I own two small commercial fishing vessels. I participate in three to four fisheries each season, and I own no licences. I lease everything that I fish.

Today I will tell you about my personal experience within B.C.'s commercial fishing industry and specifically my experience with relying on the lease market. I will describe how the current and past fishing policies have created roadblocks for me and other young fishers or people trying to grow within the industry.

Without a doubt the licensing policies that were introduced in B.C. over the past 25 years have helped stabilize and improve management and sustainability—and safety, to some extent—in the fisheries. The benefits have increased the market value of our common resource and have made B.C. a world leader in management. Simultaneously, though, these policies have attached a value to access. This is something that should never have been allowed to be valued, bought, sold or invested in from the start.

Quotas and licences should never have been opened up to free market, but they were. Now the licence and quota markets more closely resemble a speculative stock market than a fisheries management tool. The implementation of this system created winners and losers then and today. Some lost out and left the industry or were priced out when ITQs were introduced. Others were initially gifted ITQ allotments and limited-entry licences that have valued to the point where they are worth millions of dollars.

B.C.'s access to harvest fish was privatized and profited from. This privatization of access has created insurmountable entry costs and what I will call a lost generation of fishers. I have watched this take place within my own group of friends. Ten years ago, in 2008, there were 15 to 20 men and women from my close network of friends where I grew up who actively commercial fished. In 2018, there were three of us left from this group. My friends chose to leave the commercial fishing industry, often reluctantly, for other careers because they could not see a stable and profitable future for themselves. Buying a boat and licence package was financially unrealistic due to the high cost and lack of access to capital for young people. This exodus has caused a serious labour shortage for crew and is foreshadowing a successional crisis that we will soon face as the current generation of fishermen ages out and needs to retire.

In 2011, after a couple of seasons of working as a hired skipper, I realized that I needed to increase my earnings if I wanted to make a decent living and stay in the fishery. Buying a vessel would increase my share of the catch's revenue, so I started looking for a boat. The price of a prawn licence for the boat that I bought in 2012 was \$750,000, putting the boat and licence package at almost \$1 million. As the licences were out of my price range, I would rely on the lease market to secure my access. I used equity from my home to get a loan for \$200,000 from a federal government-funded loans program, and I got a boat.

In 2012, when I bought the boat, it happened to coincide with the full implementation of PICFI. I do agree with the stated objectives of PICFI, but from my experience and as the committee heard yesterday from Chris Cook, PICFI's stated objectives have not been achieved. By implementing PICFI the way it did, DFO actually created a lot of negative effects in many fisheries through the lease market and by driving up costs as well. For time's sake, I won't get too much into that, but I'm going to submit a written summary of my experience with PICFI to the committee.

My biggest obstacle as a boat owner was securing access to leasable licences. I had to convince fish buyers to take a chance on someone new and young, guaranteeing them my product if they would cover the lease costs up front for me. Paying a lease up front is a condition demanded by almost all lessors, and I learned quickly that banks aren't too keen on approving \$50,000 lines of operating credit for 26-year-old seasonal business owners, regardless of equity or a co-signer. I learned the hard way that if you don't come from an established fishing family on our coast, entering the industry without a licence is nearly impossible. The uncertainty of access each year was very stressful and made growing a business extremely challenging. It was only because of stubborn optimism that I managed to keep my fishing business moving forward. My challenges were witnessed by many of my close friends and reinforced their lack of faith in the licensing system.

In 2017, I bought my second boat, a 40-foot fibreglass freezer troller capable of fishing multiple fisheries. This boat's versatility meant that if one fishery was poor during the year, I could rely on income from the other fisheries and still put a year together. With my previous lessons learned, I was not about to go buy another boat without making sure I had secure access to licences. An offer was

made to me by a processing company to form a partnership, and after some negotiation, we came to an agreement and I bought that boat.

This arrangement meant that I had purchase financing, access to the buyer's pool of licences and quota, and access to operating credit, if needed. In return, the company will maintain a minority stake in my boat indefinitely and have first access to my product as long as it is willing to pay market value. I will say that the company's partnership offer was very forward-thinking, and it has been mutually beneficial.

● (1730)

I'm happy with how things are going in this particular case, but this is not a solution to our licensing problem on the coast. This is only available to a very small number of people. When I speak to people who have joint ventures with other companies, they don't speak very highly of their situation.

As has been previously explained, halibut ITQ owners get paid up front each season for their quota before the season opens, usually by processors who have to secure quota to ensure their market share of the catch. As processors work on margins, their business is one of scale. The more quota they can secure in their pool, the more they can market and, theoretically, the more money they can make. This has turned most fish buyers on our coast into quota and licence brokers, which adds a huge financial and administrative burden to companies whose main objective is to buy fish, market it and process it. The current structure completely insulates quota owners from price fluctuations during the season, and leaves 100% of the risks on fishermen and fish buyers.

I had an experience in 2017 fishing leased halibut quota that illustrates how the current system is out of balance. In April 2017, I leased 32,000 pounds of halibut quota from a buyer for \$7.50 a pound. This was the going lease rate at the time, and the landed value for halibut had been between \$9 and \$10 for the past two seasons, so we estimated that we would be able to get \$2 of gross profit to the boat after paying our lease. By August, the landed price had fallen to \$7.50, so we were waiting until the end of the season, hoping the price would come up a little bit so we could make a small profit to pay for the expenses. However, the price did come up a little bit, and there was a small margin, but because I had to wait so late in the season for the price to come up, we had only a few days of fishable time due to weather, and I wasn't able to land all of my quota that I'd leased. Luckily, I was able to carry over the additional 16,000 pounds of quota that I didn't land until the 2018 season.

When the season opened in March, a few months later, I went back out to the grounds to catch this last 16,000 pounds of quota, but the market price had fallen to \$7.50. We had to go fishing because the buyer had leased this fish 12 months before and had already paid \$124,000 to that quota owner, so I couldn't not go. I had to go so they could recoup their costs. We went out and we landed the fish for a net gain of nothing to me, and I actually borrowed \$30,000 from the buyer who leased the fish for me so I could pay the trip expenses and pay my crew fair wages, because they did the work and they deserved to get paid.

The two quota owners I leased from in 2017 both got cheques for \$120,000 for their quota. My crew and I spent a month on the water and landed over a quarter million dollars' worth of fish, and I finished \$30,000 further behind where I started, not including the \$50,000 in capital expenditure to rig my boat up to long-line that fall.

Going fishing and losing money on a trip is very much a reality in this business, and I accept that financial risk every time I leave the dock, but it's a lot easier to accept a loss when the landed value of the fish simply doesn't cover the trip's expenses. In this case the landed value was substantial, but my crew and I just weren't in on the take.

One point I'm sure all stakeholders can agree on is that if we continue operating the way we are now, eventually we will not have enough active fishermen left to sustain the harvest requirements of our industry. Fishing is both a trade and an art. It takes years of experience on the water to master, which means we need to start reforming licensing policy now to avoid a critical labour shortage in the near future. It's essential that the recommendations from this study aim to solve the problems we face today, and not just put a Band-Aid on their symptoms. We need urgent action with set timelines for industry and DFO to introduce balance to the leasing market and ensure fair distribution of wealth from the landed value of our fish. A one-size-fits-all policy won't work, as was mentioned by our previous guests. It needs to be done fishery by fishery, but it needs to happen quickly. Any delays or strategies from the corporate side of things, I believe, would be extremely short-sighted, and I hope we can all work together to find a solution that benefits the industry.

Looking at the long term, we need to find common ground and look at where we need to be 10 years from now as an industry, and then design and implement well-thought-out specific policies that will get us there. I see a sustainable fishing industry in B.C.'s future being made up of fishermen and fish processors. The timelines for the industry's future must allow sufficient time for investors and retiring fishermen to divest and retire with dignity. The fishing industry is tight knit and many of the retired investor fishermen are still mentors and close friends to active fishers.

In conclusion, I think there's recognition here that our system is not working as it was intended to, and I think it's crucial that we seize this opportunity to transition our industry into a brighter future.

Thank you very much for listening to my experiences today, and I'm sorry if I went long.

• (1735)

The Chair: It was just a little bit over. Thank you, Mr. MacDonald.

We'll now go to Mr. Antilla, for seven minutes or less.

Mr. Ross Antilla (Fisher, As an Individual): Hi, I'm Ross Antilla. I'm from Pender Harbour, and I'm a fourth-generation fish harvester.

I'd like to bring your attention to licence marriages and the negative impact they have on all fish harvesters.

Licence marriages make licences more difficult to buy and sell, because you have to buy or sell them as a block of licences. It is

difficult to try to purchase a single licence, and most times you have to buy the licence you want with a separate unwanted licence attached to it. This pushes the cost of the licence you are trying to purchase out of reach for most young fish harvesters, which forces them to lease from someone else. Even if you own a licence and you want to expand and grow your business and buy another, most likely the other licence will marry to your existing licence and it will be irreversible.

I truly hope the committee will review the policy on licence marriages and allow them to be divorced to make it easier for fish harvesters to be able to afford to buy the licence they want, without others attached as a block, and to help us avoid leasing a licence from someone else.

Leasing is the second point I would like to bring to the committee's attention, and how it has changed to the state it is currently in.

Leasing started out as a way for people to cover their own catches that they had gone over on and borrow from someone else who still had remaining quota to catch, and it was cheap and affordable. Leasing nowadays exploits a fish harvester's primary source of income to benefit the licence-holder's investment portfolio.

Using the halibut fishery as an example, licence-holders make 80% of the profits of fishing while the fish harvester has to use 20% to pay all expenses, including licence fees, camera fees and crew, and somehow after all that, make a living.

Most of the time the company holds the quota, which means you are forced to sell to them at their prices, deliver to their specific ports and fish the areas they want you to fish, which is effectively taking away your freedom as a fisher. If you don't fish their quota, you might not get to fish at all next year.

Most members on the fishery advisory boards to DFO are licence-holders, and as such have made decisions in the best interests of licence-holders. This has created a slave-like environment for young fish harvesters in the industry.

I would advise the committee to review the licensing policy of the west coast fisheries and alter leasing for the benefit of our endangered coastal fishing communities.

Thank you.

• (1740)

The Chair: Thank you, Mr. Antilla.

Now we'll go to Dr. Silver, for seven minutes or less, please.

Dr. Jennifer Silver (Associate Professor, University of Guelph, As an Individual): Thank you for the invitation to be here today and for the opportunity to speak to you about west coast fisheries. Also, thank you to my co-panellists and the panellists earlier. It's really a delight to be speaking among so many fish harvesters.

I have been researching fisheries, aquaculture and coastal communities in British Columbia for 14 years, and I've been studying commercial fisheries licensing for the last two, specifically. This work informs the remarks I am going to make today. I have divided the remarks into three main points and then three takeaways for your study.

The first main point is that, as you've been hearing, the total number of licences and the total amount of quota for all major Canadian Pacific fisheries are limited. For all major fisheries, they can be exchanged among holders through market transaction.

What this means in practice is that fish harvesting operations can register and hold numerous licences. In turn, they can participate in a range of fisheries or earn revenue by leasing out some or all of their licences and quota. Conversely, there are those that hold a single licence, a small number of licences or none at all that are access constrained. Their choices are to fish part-time or to lease additional licences and/or quota.

Licences and quota are very expensive. Estimates produced for DFO suggest as of 2016 that licences sell for tens of thousands of dollars—for example, the AG licence for salmon is over \$64,000—to hundreds of thousands of dollars—for example, the W licence for prawn is over \$770,000. One type, the G licence for geoduck, is estimated to exchange at \$6.1 million.

My current research has counted exactly how many licences and licence-holders there were in the 2017 calendar year. We have found that there were 6,563 Canadian Pacific commercial fishing licences and 2,377 unique licence-holders. There are more licences than holders, and as I bet you would guess at this stage, distribution is not even. Our research shows that there were 38 licence-holders who registered 20 or more commercial licences. Of these 38, there were six that registered more than 50 licences. Conversely, there were 1,357 licence-holders that registered only one licence and 499 that registered two.

Mine is the first study that I'm aware of to look at licence holdings across all fisheries. It builds on a couple of other studies that have looked into the distribution of licences in salmon and herring, specifically. This is a body of growing research that shows a large number of access-constrained harvesters in the west coast fisheries. You have heard first-hand today and in previous meetings about the conditions they face and about the economic constraints related to leasing from those with larger licence and quota portfolios.

The second main point is that in the global context, transnational firms and investors show interest in securing licences and quota and investing in or taking over fishing companies. A recent study by Swedish researchers found that 13 corporations control 11% to 16% of the global marine catch and 19% to 40% of the largest and most valuable stocks.

In the Canadian context, anecdotal reports—some which we've heard today—and recent investigative journalism suggest that there

have been instances of foreign investors buying or providing loans for licences, quota and/or vessels in B.C. In my research, I have been looking for evidence of foreign investment in west coast fisheries. I've been searching mainly publicly available information, media reports and the Transport Canada vessel registry. Being confined to publicly available information makes it very challenging to discern the extent to which this may be occurring in Canadian Pacific fisheries, and indeed, to predict what may happen in the future. Given that Canada's fish stocks are a public resource, I would argue that monitoring foreign and speculative investment is crucial to transparency and falls within the purview of fisheries management.

The third main point is that Pacific licence holdings, leasing arrangements and other types of economic arrangements related to licences and quota are not monitored or systematically reported and are not currently considered in fisheries evaluation.

This is noteworthy in the context of your west coast study. Policy in the Atlantic region regulates against leasing, loans and other economic relationships in some fisheries between inshore licence-holders and processors or other investors. Sometimes you will hear these referred to as controlling agreements; under some conditions, they are not permitted or they're tightly regulated.

You may also wish to note that the licence-holder identification data that I've used in my study to count west coast licences and licence holdings did come from a publicly available spreadsheet maintained by DFO Pacific. While it can be freely downloaded, this spreadsheet is hundreds of thousands of rows long. The process that we used to count licence-holders across types involved developing computer code that automatically extracted and matched identifying information. Put simply, the basic information is available but unless you have two years and are willing to learn computer code, it's not highly accessible in a general sense.

These points lead me to suggest that while DFO Pacific is making strides on fisheries science becoming more transparent and oriented toward ecosystem dimensions, comparable efforts are needed to make allocation and fisheries evaluation similarly transparent and oriented to human dimensions.

● (1745)

Now I'd like to offer three takeaways for your study. I have chosen these with special attention to your stated interest in "evaluating the distribution of economic benefits generated by the industry and the aspirations of fishers and their communities".

The first key takeaway is that the concern expressed by independent harvesters, new entrants and next generation harvesters about their future in Pacific fisheries is unquestionably tied to the limited availability and high cost of key licences and quota. To put this into perspective once again, consider estimates that put the aggregate market value of all licence holdings across fisheries in 2016 at just over \$956 million and the aggregate market value of quota at just over \$1.1 billion. The impressive nature of these figures and daunting questions about whether access rights to a public resource should be commoditized to such a degree and exchanged through market transactions that are largely unregulated at this point in time are, in my opinion, at the crux of your study.

The second key takeaway is that, given the lucrative value of licences and quota, the federal government should not ignore the potential for foreign and speculative investment in fisheries off of all three of our coasts. Questions about how and under what conditions, if it's going to be permitted at all, and the ways it should be reported and monitored are especially crucial. DFO should be tracking leasing, sales and other transactions because, as I mentioned earlier, this is a highly valuable public resource.

The third takeaway is that there are programs and policy options that could be tailored for the west coast, as we have been discussing. There are programs that have been pursued elsewhere, such as licence and quota banks and youth permits that could be developed to support and expand access for independent harvesters, new entrants and young harvesters. Moreover, there are policy options that have been pursued elsewhere, such as fleet separation requirements and mandatory reporting of leasing and controlling agreements that would improve transparency and could be monitored and evaluated in pursuit of social and local economic objectives in Pacific fisheries.

To conclude, I'd like to thank you again for the invitation to be here. I really want to congratulate you for this study. It is an important time in the west coast fisheries, and careful attention to licensing and quota can help to better balance objectives for what is a very important public resource.

The Chair: Thank you.

We'll move on now to the questioning.

First, of course, I welcome the Honourable Kent Hehr here to committee today. He's subbing in for Mr. Rogers, who has another appointment to go to.

Welcome, sir. Hopefully we can teach you something about the fisheries while you're here.

Hon. Kent Hehr (Calgary Centre, Lib.): I think that's wonderful, Ken. Thank you.

The Chair: For seven minutes or less, from the government side, we have Mr. Finnigan, please.

Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.): Thank you, Mr. Chair.

Thanks to all of you for being here. I would also like to thank Mr. Hardie for bringing this to our attention. It really opened our eyes. I'm from the east coast, and I thought our fishery was complicated. When I hear how everything is taking place on the west coast, I'd

rather go back to the east coast and hear from fishers there, but I'm really happy to hear what you guys have to say.

I'm hearing from different independent fishers about the issues, about financing, about leasing or getting a boat to go fish and not knowing if you have a contract. The advisory committee and subcommittees have been established to provide advice to DFO on the management of groundfish fisheries, including the halibut advisory board, the groundfish trawl advisory committee, the sablefish advisory committee, the groundfish hook and line subcommittee, the commercial industry caucus and the groundfish integrated advisory board.

Do active independent fishers feel they have a voice on those committees, and do they listen to you? Do they take you seriously?

I would ask any of you independent fishers what your thoughts are on that.

Mr. Fraser MacDonald: I'll start by saying something quickly.

I think for the most part you can only get on one of those boards and be a voting member if you own a licence. The vast majority of people who are active fishers on our coast are hired skippers who run boats for owners or they're someone like me who owns a boat but leases the licence. You don't really get a voice on the advisory committees unless you own a licence. Then you can be a member.

I very recently started to get involved in that with tuna because technically my boat has a registered licence on it now, so I'm just going to these advisory boards and letting myself in to participate.

• (1750)

Mr. Pat Finnigan: Are there any other comments or is it pretty much the same?

Mr. Duncan Cameron: I sit as a director on the B.C. Crab Fisherman Association. I've been a proxy rep for the crab advisory for five years. The principle of owning a licence to have a vested interest worked very well in the beginning; it has just evolved poorly as fewer and fewer fishermen are licence-holders. Now we're really stepping into that area where people not fishing have the advisory boards. In the beginning, it was a good policy to have vested interest there. Now we haven't had any regulation as that has evolved.

Mr. Pat Finnigan: Maybe that can lead into my second question. On January 30, a DFO official mentioned to the committee that the department was supportive of implementing changes to the current fisheries management regime where it is supported by a clear majority of participants.

That's what I would like you to define. Who are the participants? Is it people who own the licence? It's not defined here who the participants would be that could influence or bring about changes. Would you define participants again, Mr. MacDonald?

Mr. Fraser MacDonald: As far as participants go, in the broader sense it would be quota owners, boat owners and active fishermen. We all participate in the industry in a roundabout way.

Mr. Pat Finnigan: Are your comments or suggestions taken up by DFO when it consults?

Mr. Fraser MacDonald: DFO has multiple levels, so the advisory board is generally.... From my experience with the tuna advisory board, we take our concerns to our fisheries manager, but I'm not totally aware whether that fisheries manager has any real pull higher up the chain in the Pacific region. I couldn't speak to it.

Mr. Pat Finnigan: Dr. Silver, you talked about the price of licensing going up over the years, but in a normal market situation, wouldn't the price be determined by the actual worth of the licence? In other words, if you pay \$100,000 for a licence, shouldn't market force, if no other forces are acting on it, determine what you should pay and make a living by financing that?

Dr. Jennifer Silver: Yes, and this speaks to the issue of the separation from licence ownership, and in many cases the separation of that from actual harvesting. The costs of harvesting aren't necessarily being borne by those who own the licence.

Mr. Pat Finnigan: Is there parked money there by investors not into fishing, but either outside or local people who are parking money in speculative ways? Could that have driven up the price of the licence?

Dr. Jennifer Silver: This is one of the challenges I've encountered in my research on trying to understand who are the investors. When you run into numbered companies, for example, in licence registries, it becomes very difficult for a researcher like me who is relying on publicly available information to determine who exactly those numbered companies are and then understand their motives and motivations, where the money they have to invest is coming from and those sorts of things.

We've heard stories, and again, there has been recent investigative journalism in *The Globe and Mail* which suggested that perhaps there is an element of foreign and speculative investment. That's due to the nature of public information versus private information. That's as far as I'm able to say definitively, but it is a topic that the committee should be pushing on or writing about in recommendations in terms of greater attention to the issue and monitoring. It's under the purview of fisheries management.

Mr. Pat Finnigan: Would you make those investors public, or would you see regulations as to who can actually own a licence?

Dr. Jennifer Silver: I think a first-off would be a publicly accessible registry of licences and quotas.

As I mentioned, there is this very large spreadsheet which DFO Pacific does make available. It has taken us a couple of years to understand it, and then to use it. I'm not a computer coder. I had to find a very specialized colleague who was able to help me with this to match identification across licences.

Something more accessible and useable than that would be very valuable as a starting point. If the minister, DFO and fisheries managers decide the market transaction piece is something they would and should be monitoring more, then that would be the vehicle you could use to do that, but the registry is the starting point.

● (1755)

The Chair: Thank you, Mr. Finnigan.

Mr. Arnold, you have seven minutes or less.

Mr. Mel Arnold: Thank you, Mr. Chair.

Thank you to the four of you for coming in and sitting through the first session and now being here for the second session.

Mr. Antilla or Mr. MacDonald, I should have kept better track of which one of you made the statement about processors determining basically when you fish, what you fish, where you fish and where you offload. Can you elaborate on that? I will give you some time, because I know your seven minutes to present may have kept you from elaborating a little further.

Mr. Ross Antilla: Well, if you lease a quota from somebody, you're expected to deliver the fish they attached to it. They pay you their price. It might not be the best price on the market. Normally, as a fisher, you want to get the highest price you can get.

As a fish harvester, you have to diversify into different fisheries. Through that company you usually loan.... You get a quota from elsewhere, also. You're locked into having to fish for them year after year, or you might not get a chance to fish.

Mr. Mel Arnold: I have a question for you. Is that part of the processors needing a consistent supply of product to keep the plants and their employees going on a consistent basis? Is that part of it? What are the other factors that you see in the stipulations they put around your harvesting fee?

Mr. Ross Antilla: Do you want to answer that?

Mr. Fraser MacDonald: Yes.

I think you nailed it there, yes. Processors have very large overheads. You heard them talk about that yesterday. I know the company I sell most of my fish to has just built a plant that looks very expensive. The way those guys make money is to buy and sell fish, and they need to have secured supply or they can't confidently spend the money to build the plants they need, to create the value we need from our fisheries. So yes, fish buyers and processors are forced by the structure of how the whole system is set up into being quota brokers because they need to ensure their own supply.

Mr. Mel Arnold: Yes, that's a complication that has developed as the system changed, as the processing systems became more consolidated, with fewer and fewer small local community processing plants and so on. It's going to be a difficult situation to go back from that, I would assume, unless there can be a trust or some sort of a relationship built between the independent harvesters and those processors.

How do you see a solution to that part of the puzzle? That, obviously, is important to the processors.

Mr. Fraser MacDonald: Yes, you can go for it.

Mr. Duncan Cameron: There are other ways to guarantee supply of product than just owning the resource. Any retailer in the world does that. You could do it through better prices, through better service, all sorts of ways other than just owning it. We see that in other fisheries like crab. We have over 40 buyers. They can do it through service or through other tools, but they're not owning it.

Mr. Mel Arnold: Okay. That's part of what we need to hear as a committee so that we can make recommendations.

I heard from you and others that we need to come up with a solution for the next generation of fishers. You are that next generation, we hope, and the others following you. That's where we need to hear solutions. We're not on the ground ourselves, so that's why I'm asking these types of questions.

There was also a comment made earlier about how some of the transferability is actually necessary or required. I don't know whether you heard it. I think it was in reference more to groundfish stocks and so on, where they have very limited catch limits or quotas that can be transferred from one vessel to another to address bycatch. Can you elaborate a little more on how that process, that transferability, is required?

I don't know who might have an answer to that part. It may be more of a problem on the north coast, I think, from my background of the issue. Do you want to give it a go, Mr. Cameron?

• (1800)

Mr. Duncan Cameron: Yes, I'll give it a go.

I think the two fellows you had earlier are quite a bit more experienced groundfish fishermen than we are. You have all these small choke species. For yelloweye, for instance, you may only have 130 pounds of it coast-wide for 15,000 pounds of halibut, and even then it's broken up into different blocks. You might only have 20 pounds or 10 pounds in one area, so you have to build it. First of all, trade your yelloweye, and trade in the area you're fishing in. But that doesn't mean the target species is something that couldn't be built around that.

Mr. Mel Arnold: Okay. The detail on that one, I guess, is more complicated than we can get into today here. But it was an interesting comment that some of that transferability is required, so a different transfer system than what's happening with other ITQs is required, I take it.

Perhaps, through the chair, we could get some more information or get the earlier guest to provide us with a bit more on what he was referring to on the transferability. Thank you.

We talked earlier about the cost of the quotas, the cost of the transfers and so on.

Mr. MacDonald, you referred to your costs, and said that you put your home up as collateral and so on. I think part of what we heard earlier was that the prices were driven up because PICFI took the low-hanging fruit that could have gone to incoming new fishermen. Would you guys reflect that same comment?

Mr. Fraser MacDonald: I think a combination of government money, through PICFI, coming into it would definitely raise prices. I also think as landed value went up, lease prices went up with that and investors saw a way to buy something and get a pretty significant return on their investment each year, guaranteed. That also drove it up as more speculative money came into the quota ownership.

The Chair: Thank you, Mr. Arnold.

We'll go now to the NDP and Mr. Donnelly, for seven minutes or less.

Mr. Fin Donnelly: Thank you, Mr. Chair.

Again I thank you all for being here and for providing your testimony to us on this study. I would encourage each of you, if you haven't already done so, to submit your recommendations in writing to the clerk. That is definitely one thing.... We'll take the testimony, but we'll also really be probably arguing over the recommendations, or discussing them anyway.

Mr. MacDonald, perhaps I could start with you.

I think we've heard loud and clear, or this committee has over months, from some of the younger fish harvesters, which I think three of you represent, actively fishing here. You made a comment about how if we don't change the system, we won't have enough active fishermen left. Can you describe what that would look like if we don't change the system and we don't have active fishermen left, and where we're heading?

Mr. Fraser MacDonald: Yes, I think we all need to appreciate that we have a fantastic resource on the west coast, and a large number of good species with good value. If we don't do anything, we're not going to have enough people to pull them out of the water. You can't just go to school for three months and get a ticket and go catch fish. It takes years to learn that from the previous generation. If we don't encourage more young entrants now and try to bring back people who have left with that knowledge, we're not going to have the means to pull the fish out of the water using Canadian labour.

Then you start wondering where we go from there. Well, maybe we start bringing in foreign workers to catch the fish for us because we don't have enough qualified people, and you can see where that goes. If we change policy now, we can recruit more young entrants, and over the next decade they can learn the skills necessary to fish, and we can continue with a healthy next generation. It's at risk right now. We can't even find crew right now because there aren't enough net benefits left over to make it worth their while.

Mr. Fin Donnelly: Excellent.

You described a system that you said has worked for you, but wouldn't necessarily work for others. You also talked about how PICFI objectives haven't quite been met. Do you want to comment on either of those?

Mr. Fraser MacDonald: Yes, I'll do PICFI first. I've done quite a bit of leasing through the PICFI system, leasing licences that have been allocated to first nations bands. I've also worked for a couple of years running a boat to train band members from local first nations so they can take over their fishing enterprises.

In my experience and the experience of a lot of my friends who are from coastal bands, the PICFI licences haven't actually gone to increasing access for band members. They've become revenue streams for band offices. Those licences aren't being fished by band members. They're being leased out in the free market to the highest bidder. I have personal examples of how my friends from coastal bands who bid on the licence were outbid by \$5,000 on the free market and didn't get that access, so that has not achieved its objectives.

• (1805)

Mr. Fin Donnelly: Dr. Silver, could you summarize your top-shelf recommendations? You gave us a lot to chew on, which I appreciate, and I think it will be good.

Dr. Jennifer Silver: I would say for me it's the monitoring, like a licence and quota registry. For some of the reasons I talked about, I think it will make understanding these markets easier, and if the desire is to regulate them in one way or another, then that will make it easier. I think from a transparency standpoint, again with a public resource and the capacity within DFO and within the research community to be helping to ask questions about social and economic objectives in coastal communities, that would have the double value of helping our understanding of the issues.

Mr. Fin Donnelly: Have you researched any jurisdictions around the world that are bright, shining examples of exactly what you're talking about?

Dr. Jennifer Silver: You heard last week from Alaska. I think there are some interesting initiatives going on there that were discussed. Personally, most of my research has been in B.C. I'm happy to try and pull some papers that I can provide to the committee.

Mr. Fin Donnelly: That's always helpful. If the government is looking for solutions and looking for other systems that are working, that's super helpful.

We heard the comment about too many boats chasing too many fish.

Mr. Colin Fraser: Too few fish.

Mr. Fin Donnelly: Too few fish. Too many fish would be another problem, wouldn't it?

Do you have a comment on that?

Dr. Jennifer Silver: I think that the history of first licence implementation goes back to the late 1960s with TAC and quota. In some fisheries, it's a really important one, although it's much longer than we can go into here. When we consider that there were lots of people in vessels involved in fisheries before licence limitation happened, vessels just don't go away. People who desire to be fish harvesters don't just go away. When people use that phrase, I have a lot of empathy because the situation was one where people were fishing and then, all of a sudden, the number of licences got limited. That necessarily means restructuring. I think there's been a reliance

on the idea of market principles to take care of allocation. We've heard discussion of how maybe politics plays into that as well.

Mr. Fin Donnelly: Maybe.

Dr. Jennifer Silver: The social scientist in me thinks about that longer history and that people, harvesters and vessels don't just go away.

Mr. Fin Donnelly: Thank you.

Mr. Cameron, you talked about a proper process and you mentioned a seven-year transition.

Could you briefly comment on this? That's a pretty specific and helpful suggestion.

How can we move from where we are currently to what you envision in that seven-year transition period?

Mr. Duncan Cameron: I guess the seven years comes out of the fact that Newfoundland did it like that. To be honest, it's born out of a little cynicism from my entire life dealing with the region. If you don't give them some pretty hard direction, they're just going to talk about doing it. That's where that's born out of and the fact that it seems like it has a legal precedent right now. It seems like it's something that can work. I'm aiming for tangible goals that I think could happen. Possibly, I think there are some loftier ways to do it.

I'd like to put forward—

Mr. Fin Donnelly: We need a strong, political solution or a mandate.

Mr. Duncan Cameron: Not to be rude, but I'd put forward an idea that could withstand any political view, that I think we can all agree on and that could be unanimous. Hopefully, we'd have a better chance of gaining traction.

The Chair: Thank you, Mr. Donnelly.

Now, back to the government side with Mr. Hardie, for seven minutes or less, please.

Mr. Ken Hardie: Thank you, Mr. Chair.

Thank you to everybody for being here.

Mr. MacDonald, do you buy quota or lease it?

Mr. Fraser MacDonald: I lease quota, yes.

Mr. Ken Hardie: You lease quota.

Do the people who are offering quota for lease compete for your business?

Mr. Fraser MacDonald: No. It's the opposite. We compete for them.

• (1810)

Mr. Ken Hardie: That's really weird.

You have the money, or you would have the money, yet they set the price and you have to take it.

What's wrong here? What has to change?

Mr. Fraser MacDonald: The whole quota ownership is so opaque, with who holds it and who leases it, and a lot of it is done through buyers. Most of the time, I don't actually know whose licence or quota I'm fishing because it comes from a pool of stuff that different buyers control.

Mr. Ken Hardie: Do you know what the buyer paid for it?

Mr. Fraser MacDonald: No. You try to work with a buyer, like the one I work with now, with whom you have a good faith agreement, but you don't know.

Mr. Ken Hardie: Of course, there's a suspicion that there is foreign ownership moving in. I've made reference to what I've, probably unfairly, called stupid money, but money that's just looking to hide somewhere, as in B.C. real estate money also ending up in quotas.

Is there a suspicion, or more than a suspicion, in fact, that if there is foreign ownership, does this also mean that product is being directed away from our market? Are we losing sovereignty over what we're pulling out of the sea?

Mr. Fraser MacDonald: I'll comment quickly on that and let the other guys comment as well.

I had a lunch in 2014 with a Chinese corporation that operates a line of grocery stores. Basically, they came to me offering to buy a prawn licence and boat for me because prawns and shrimp are in huge demand and they needed more access. They saw Canada as having quite a large, valuable stock. They also commented to me that over the past 12 months, they had bought 10 shrimp trawl licences in Canada.

I can't speak on any other specifics, but that is one specific. I actually had lunch with the people and that's what they told me.

Mr. Ken Hardie: Is that product going someplace else?

Mr. Fraser MacDonald: Yes. Their specific purpose was to get product so they could supply their grocery stores.

Mr. Ken Hardie: My first career was in radio. The stations I worked for basically were given a licence to use a frequency. The frequency belonged to Canadians, just as the fish belong to Canadians. However, we had a rule. The rule said that there was only a certain level of foreign ownership allowed in any of those licences.

Should we be thinking about something such as that? In other words, just as with a broadcast licence you're not allowed to have more than a certain percentage of foreign ownership, or with an airline as well. Should that rule or a similar rule apply in the ownership of licences and quotas?

Anybody can chime in.

Mr. Fraser MacDonald: Only Canadian citizens should be able to own access to fishing quota and licences. That's very straightforward.

Mr. Ken Hardie: Ms. Silver.

Dr. Jennifer Silver: Yes, it's a really important thing to be considering.

I'll put my answer in the context of a global situation where basically global fish catch has flatlined. It's not going to get much

higher, so we're going to have companies and countries looking to secure supply.

As we've heard, we have great resource on the west coast. We have great fishery resources on all of our coasts, so it's an important question to be asking and eyes to be open as to how companies and investors take the opportunity to secure supply.

Mr. Ken Hardie: Has anybody assembled enough information to determine what return on investment a quota owner is getting under the current arrangement? Does anybody know?

Mr. Duncan Cameron: It depends on year to year. It could be somewhere around 8%, but then you also have the valuation of that quota going up quite rapidly, until the last year or two.

Mr. Ken Hardie: Of course, it's what you bought it for; that's your original investment. Then if the valuation is going up, I guess you could say that on paper the return on investment is going up, but you don't realize that until you sell it.

I'm just looking at the year-over-year cash flow.

Mr. Duncan Cameron: If you were to refer to it as an asset and that asset being evaluated every year, I would say the ROA would be somewhere around the 8%.

Mr. Ken Hardie: It seems that the way things are shaping up right now, the processors play a pivotal role. They have a material interest in making sure they have enough fish to operate. They obviously then take on the risk of selling it into the marketplace.

Are we coming to the point where perhaps the most viable arrangement is basically for fishers to become employees of processors?

• (1815)

Mr. Fraser MacDonald: Yesterday, one of your witnesses actually used the terminology "find a better boss". The last time I checked, they don't pay our CPP contributions; we do. Therefore, I was quite interested to see that.

We're not their employees. Technically, we're supposed to be independent fishers who are part of a transaction: We're catching fish and selling it to them and they are buying it.

Mr. Ken Hardie: The question can come up, are you a square peg in a round hole here with the way things have developed?

Mr. Fraser MacDonald: Yes.

Mr. Ken Hardie: Okay. Thank you for that.

We've also noticed that a fisheries loan board, where fishers themselves could get financing or loan guarantees in order to go out and directly deal with the licence and quota owners, so in other words, basically cutting the processor out of it, could give you more independence as to who you sold to.

Would that break the current stream where you have the processor dealing with the quota owner, back and forth, and then the fisher is captive to the processor? Would it break that chain if there were an alternate source of money for you guys to go out and lease licences and quota?

Ross.

Mr. Ross Antilla: If as a fish harvester you own the licence, you have a lot more freedom to sell to who you want to sell to for the highest market price you can get.

Mr. Ken Hardie: Has anybody done an analysis of the spread between what the fishers are paid when they unload the fish and what the processors get when they sell the finished product?

Mr. Duncan Cameron: That depends on how much share of the market the processor has, so say, Canadian fish and salmon is going to be significantly higher than for a processor that doesn't have that large control of the market, where they're not controlling the cost.

The Chair: Thank you, Mr. Hardie. You've gone over time.

Now we'll move to the Conservative side with Mr. Doherty, for five minutes or less.

Mr. Todd Doherty: Thanks.

Again, I want to thank our guests. This is my first chance to talk to those of you who are before us right now. Thank you for attending today. I also want to say thank you for the conversation that we had the last time you were in Ottawa.

Again, as I mentioned before, not being a fisher or coming from that industry, I am coming to understand how our policy in Ottawa or the policies in Victoria impact you. There were some really heartfelt messages for us at that time, and I really appreciate your candour and the subsequent emails too. I understand it.

I want to go back to this foreign fishing or foreign ownership.

Fraser, you mentioned you had lunch with a foreign group that was going to buy a boat and buy a licence for you as well. We also know that off our coast there is a lot of illegal and unreported foreign interference or foreign fishing. Could these groups who haven't purchased a boat be the same entities that are right along our borders or in our waters and catching illegally but also legally?

Mr. Fraser MacDonald: They could be, for sure. I think it depends on the operation. There are groups of boats in the foreign offshore fleets that specifically, as their job, try to—

Mr. Todd Doherty: That's their targeting—

Mr. Fraser MacDonald: Yes. Whether those are the same people who are investing money here, I'm not sure, but it could be.

Mr. Todd Doherty: Yes, they're getting it one way or the other. They're either getting it through a partnership with you or they're going to be along there and doing it anyway.

Does anybody else have a comment on that?

Dr. Jennifer Silver: I don't know, but it happens elsewhere in other countries. The study by the Swedish researchers that I referred to in my remarks found a small number of companies globally that control a large amount of catch. As Fraser was saying, there are discussions among researchers about vessels whose job it is to stay in international waters and sit on the line.

I hesitate to say yes, absolutely, but I think it's a reasonable question to ask.

•(1820)

Mr. Todd Doherty: You brought up some interesting points and data that we weren't able to receive. DFO couldn't provide us with

that information, surprise, surprise. If anybody paid attention to this committee previously, it always sticks in my craw that these guys are supposed to be the experts; they're supposed to manage their file, yet they don't have the information.

Does the study you're reporting name the companies?

Dr. Jennifer Silver: I'm trying to decide what to do about that in the publications, to be very honest. I think we've heard the large company names thrown around here.

Mr. Todd Doherty: I haven't heard so—

Dr. Jennifer Silver: You heard from a Canfisco representative yesterday that they own a large number of licences.

Mr. Todd Doherty: I wasn't here, so I missed it. Shame.

Dr. Jennifer Silver: Yes, shame. I hear they replay it on the Internet so you can listen to it.

Voices: Oh, oh!

Mr. Todd Doherty: Let the record show that the witness has a sense of humour.

Dr. Jennifer Silver: Hey, I'm an academic. That doesn't get said about us very often.

Mr. Fraser MacDonald: I have some thoughts on that. Until about 2015, DFO had quite a well-laid-out page on the website where you could access this information. It was called the licence listing by fishery. There was a drop-down menu. This is what I used to lease licences. I looked at which bands had licences that would fit my boat and then I called and went there—

Mr. Todd Doherty: It's gone now, right?

Mr. Fraser MacDonald: It's gone. As of about 2016, there's now this extremely convoluted 4,000 page long Excel file that is very hard to get through and very hard to find as well.

Mr. Todd Doherty: Why do you think it has been removed?

Mr. Fraser MacDonald: I have no idea. It's not very convenient.

The Chair: Thank you, Mr. Doherty. That's it, Your time was over.

Now we'll go to Mr. Morrissey, for five minutes or less, please.

Mr. Robert Morrissey (Egmont, Lib.): Thank you, Mr. Chair.

There's a lot of reference made to the issue of married licences and the resistance of DFO to allow them to be broken up for sale. Where would you see a negative side to allowing that? Is there a downside to allowing the licences to be sold separately after they're accumulated?

Mr. Duncan Cameron: I think that, in its testimony on January 30, the department named the reason as being more vessels on the water, so whatever you make of that. I don't think it's a downside at all.

Mr. Robert Morrissey: It's something you're advocating for.

Mr. Duncan Cameron: The unmarrying of licences, yes. I'm just saying that, in its testimony on January 30, the department did refer to it.

Mr. Robert Morrissey: As fishers, you do not see a negative to allowing that to happen, to having a policy that allows that.

Mr. Fraser MacDonald: I think it was brought in to limit the size of the fleet, and I think the size of the fleet has been limited. In the same way that length restrictions on a lot of licences are a little bit archaic, I think allowing the unmarrying of licences would probably not have many negative effects, but would allow more affordability.

Mr. Robert Morrissey: Okay.

As I listen to the testimony, one major problem on the west coast issue, to me as an east coast representative, is the whole ability to transfer quota and the ability to have it held by somebody without a licence. The comment was made about how we need to have a better balance to the leasing market.

Could you briefly tell the committee how you would see that balance? We've heard about transparency, but if there's one thing this committee can deal with, it's with making recommendations around the area of leasing. Everybody seems to have a focus on that one.

Mr. Fraser MacDonald: I think your previous two guests made very good points. A fair sharing leasing agreement that actually had teeth, from the government, would really help solve that. I know that, for me, even if we had that type of a fair sharing agreement, with the extra money I could make I'd be able to—

Mr. Robert Morrissey: What do you see as the teeth that government would have to have?

Mr. Fraser MacDonald: I don't know enough about the procedure to totally comment, but I think something.... Basically, if we could put percentage-based leasing, actual numbers, fishery by fishery, into the integrated fisheries management plans, that would be a way to do it. I'm not an expert on that. Somehow make it stick, because if we continue with the free market, we're just going to keep going the way we are now.

•(1825)

Mr. Robert Morrissey: You made the comment, as well, Mr. MacDonald, that you're a first-generation fisherman, but that you own no licence. You're fishing and you have no licences.

Mr. Fraser MacDonald: I lease everything.

Mr. Robert Morrissey: You lease everything. Is that sustainable?

Mr. Fraser MacDonald: It's the only way I could really do it. Duncan made a comment about this earlier, which I thought was a really good point. As lease prices go up and quota lease prices go up, people have to fish harder to be able to make enough money to make it work.

Mr. Robert Morrissey: When you say "fish harder"....

Mr. Fraser MacDonald: I mean more effort. We have to increase our fishing effort, and we have to increase our fishing effort in multiple fisheries to make enough money to make the business work. If all that extra percentage of the landed value were actually staying with the fishermen and not going somewhere else, we would be able to actually fish less and catch less because we'd be making enough money to keep our businesses going.

Mr. Robert Morrissey: The other part that I found intriguing was about the boards that are overseeing this. It looks like there are no active fishers on some of these boards that are making the decisions that are really controlling the fate of your fishery. It's a convoluted way you get there. Am I correct?

Who sets the boards up? Is it federal DFO policy that establishes the criteria for who sits on the boards?

Mr. Duncan Cameron: Yes, it's the way that they communicate through the region on different management plans.

Mr. Robert Morrissey: So, DFO establishes the criteria for the makeup of these boards or committees that give back the advice.

Mr. Duncan Cameron: They establish the process in which the advisory board will communicate to the department.

I'll be honest. With crab, we have asked for a different multi-sectoral process for the last five years running. I can guarantee what the next crab industry meeting will be. They'll be asking for a new process.

We don't get it. We need a new way.

Mr. Fraser MacDonald: With tuna, it is quite democratic. There's a vote for boards of directors. Then, from the board of directors for the B.C. Tuna Fishermen's Association, we select members to go to our tuna advisory board, and they deal with the fisheries manager, so that is quite good.

Tuna is unique because all you need is a schedule II permit to fish Canadian tuna. It's one of the only low-cost to entry fisheries we have.

The Chair: Thank you, Mr. Morrissey.

We're almost out of time. I guess we started a few minutes late, so I'll allow Mr. Doherty to ask one question and Mr. Donnelly to ask a question.

I'll remind members, when we clew up we have to do a little bit of business for the approval of the budget so that our guests can get paid for their expenses.

Mr. Doherty.

Mr. Todd Doherty: I have one question. It's a really simple question.

In terms of the makeup of these advisory boards, are they fishermen or are they retired bureaucrats?

Mr. Duncan Cameron: The boards would be licence-holders for the most part. They are fishermen less and less. They used to be almost all active fishermen. Now that active fishermen are less and less licence-holders, they are more and more non-fishermen.

The Chair: Mr. Donnelly.

Mr. Fin Donnelly: Again, Mr. Cameron, on the topic of ownership, you commented on moving from inactive to active fish harvesters. Do you have a comment about how you see that happening to include those speculators and licence-holders, in the process of moving away from the ownership of their...?

Mr. Duncan Cameron: I had a meeting with the minister and the region a couple of weeks ago. We asked to sit down with the minister and the Pacific region to talk about how that would play out. We were told we could talk about that after these recommendations come out, so it's the cart before the horse, maybe. I don't know. We'd need to sit down and discuss that. We need a space where we can be a part of that process.

Mr. Fin Donnelly: Thank you.

The Chair: Thank you, Mr. Donnelly.

Again, thank you to our witnesses for this portion of our committee meeting today. It's been insightful information. I'm from the east coast and I thought the fishery was a hornet's nest on the east coast, but the west coast takes the cake. Anyway, it's great to hear all your comments and everything you're trying to solve in a fishery at a

time when one may wonder whether it is worth your while to be here or not. Again, thank you for your input. I'm sure we will have some more witnesses involved in the fishery again tomorrow, and I'm sure it will be just as insightful. Thank you, each of you, for appearing here today.

To the committee, I need a motion to approve the budget.

It is moved by Mr. Hardie, and seconded by Mr. Doherty.

(Motion agreed to)

The Chair: I'll sign, and people can get paid. Perfect.

Thank you, everyone.

The meeting is adjourned.

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