

Senate



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CANADA

CRISIS IN THE LOBSTER FISHERY

Report of the

**Standing Senate Committee on
Fisheries and Oceans**

The Honourable Bill Rompkey, P.C.
Chair

The Honourable Ethel M. Cochrane
Deputy Chair

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40th Parliament — 2nd Session

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ORDER OF REFERENCE

Extract from the *Journals of the Senate*, Thursday, March 12, 2009:

With leave of the Senate,

The Honourable Senator Comeau moved, seconded by the Honourable Senator Cowan:

That the Standing Senate Committee on Fisheries and Oceans be authorized to examine and to report on issues relating to the federal government's current and evolving policy framework for managing Canada's fisheries and oceans;

That the papers and evidence received and taken and work accomplished by the committee on this subject since the beginning of the First Session of the Thirty-ninth Parliament be referred to the committee;

That the committee report from time to time to the Senate but no later than June 30, 2010, and that the Committee retain all powers necessary to publicize its findings until December 31, 2010.

The question being put on the motion, it was adopted.

Paul C. Bélisle

Clerk of the Senate

CRISIS IN THE LOBSTER FISHERY

**THE STANDING SENATE COMMITTEE
ON FISHERIES AND OCEANS**

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CRISIS IN THE LOBSTER FISHERY

BACKGROUND

The Atlantic lobster fishery is in severe difficulty. Markets have collapsed as a result of the global economic and financial downturn, including in the United States, where 80% of Canada's lobster exports are destined. Prices paid to fishermen at the wharf have dropped to levels not seen in two decades.

On 26 May 2009, in keeping with its order of reference, the Committee convened a panel discussion on lobster – Canada's most valuable seafood export – and heard testimony from the following participants:

- Léonard Poirier, president of the Alliance des pêcheurs professionnels du Québec (APPQ);
- Ed Frenette, executive director of the Prince Edward Island Fishermen's Association (PEIFA);
- Earle McCurdy, president of the Fish Food and Allied Workers (FFAW);
- Christian Brun, executive secretary of the Maritime Fishermen's Union (MFU); and
- Katherine Wallace, executive director of the Gulf Nova Scotia Bonafide Fishermen's Association (GNSBFA).

Approximately 10,000 licensed owner-operators and 15,000 deck hands who fish on boats less than 45 feet in length were said to be directly affected by the downturn in lobster markets.⁽¹⁾ Twenty-five thousand others are employed on shore and in processing plants throughout the four Atlantic provinces and Quebec.

Fishermen are facing a very serious cost/price squeeze. Describing the situation in his province, Ed Frenette of the PEIFA informed the Committee that shore prices had declined by 20% in 2008, dropping to as little as \$4 per pound for small-size canner lobsters ("canners") and \$5 for live lobsters ("markets"). At the same time, production costs in 2008 (e.g., bait, fuel, gear) increased by 37% over the previous five-year average. This year, the situation worsened as

⁽¹⁾ There are approximately 3,000 licensed lobster fishermen in Nova Scotia, 2,500 in Newfoundland and Labrador, 1,800 in New Brunswick, 1,500 in Prince Edward Island, and 1,000 in Quebec.

prices dropped to \$2.75 per pound for canners and to \$3.50 for markets. Processing plants have closed, he said, and independent buyers are now being eliminated.

According to Mr. Frenette, “the overall economic loss to fishermen in PEI is as much or greater than the cumulative revenue earned by the [the province’s] hog and beef industries at their peak.” Earle McCurdy of the FFAW estimated that the amount of money paid to fishermen for their catches in Newfoundland and Labrador in 2009 will be down by at least \$100 million from the previous year. The situation is no different elsewhere.

After the collapse of the Atlantic groundfish stocks in the early 1990s, lobster became a mainstay for a large number of Atlantic fish harvesters. Today, the lobster fishery is an economic cornerstone in many small rural coastal communities. For instance, and as Christian Brun of the MFU pointed out, most of the 60 or so communities along the eastern shore of New Brunswick have virtually no other economic alternatives.

LONG-TERM VIABILITY

Lobster normally represents as much as \$1 billion in export sales annually. Like other sectors of Canada’s economy, the lobster fishery needs help to get through the global recession. The January 2009 Budget did not include, however, specific measures that directly assist the lobster fishery.

The Committee’s witnesses proposed a number of possible solutions to ensure viability in the long term. Because a high proportion of its production goes to restaurants and higher-end products, the fishery is often the first to feel the effects of an economic downturn. The evidence heard by the Committee suggests that much more needs to be done, therefore, from a marketing standpoint. According to Katherine Wallace of the GNSBFA, lobster harvesters recognize the need for change in response to new market challenges such as eco-certification/labelling, but government also needs to provide assistance to effect such change.⁽²⁾

FFAW president Earle McCurdy pointed out that the low prices being paid to lobster fishermen are not being reflected in consumer prices in the United States. Middlemen

⁽²⁾ As a result of growing concerns about sustainability, “eco-labels” have become an emerging phenomenon world-wide. In the capture fisheries, the Marine Stewardship Council (MSC) is the best-known certification and eco-labelling organization.

and retailers, he said, have been taking advantage of favourable circumstances. In his view, the Atlantic industry needs to adopt a more strategic and collaborative approach to marketing.

Part of the problem is that we have no strategy whatsoever as a country. Anyone at all with a buyer's or protester's licence is completely free to go out and ruin export markets in whatever manner they see fit – to dump cheap product on the market, engage in distress selling, et cetera. ... We are not organized in how we approach the market. We go in almost begging the market to take advantage of us; that is the way we conduct ourselves. That is certainly true in our province and I do not think it is that much different in the others

The testimony of the panellists also made it very clear that there needs to be a better balance between harvesting capacity and the available resource. The Committee was informed that lobster fishermen in a number of regions are in favour of fleet rationalization, or the permanent removal of fishing licences, as a means of reducing fishing effort, rebuild stocks and improving the financial returns of the remaining fishermen, provided they are afforded a certain level of participation and protection. Over time, rationalization would allow older fishermen of the baby-boom generation to finance their retirements by selling their enterprises to others, including younger fishermen, who would have access to a more stable resource. Rationalization was described to the Committee as not only desirable, but also inevitable. Even if there were no recession, a number of fishing enterprises would still be facing difficult challenges in sustaining their operations.

At our meeting, the Committee learned that, in Prince Edward Island, federal/provincial discussions were underway to develop a plan and process that would see the permanent retirement of licences from the fishery. We were also made aware that a coalition called the Atlantic Alliance for Fisheries Renewal (AAFR) had proposed a strategy in

February 2009 to rationalize the inshore fishing fleets they represent.⁽³⁾ The core elements of the proposal include:

- the voluntary removal, over a five-year period, of up to one third of current enterprises from inshore fleets in the three regions represented by the AAFR;
- harvester organizations taking the lead in the design and implementation of restructuring, given that local circumstances vary from one Lobster Fishing Area to another;
- industry applicants being responsible for marshalling one third or more of the investment costs for rationalization plans for particular fleets; and
- a \$233 million federal government investment in a new Atlantic Inshore Fishery Renewal Fund, administered by existing federal agencies, to provide capital, credit and loan guarantees to support fleet rationalization (see Table 1).

Table 1 – Estimated Fleet Rationalization Investment Costs, AAFR

Fleet Sectors	Removal Target	Total Cost
Quebec lobster fleet	192	\$29 million
Gulf lobster fleet	1,015	\$152 million
Newfoundland and Labrador	1,352	\$169 million
Total	2,559	\$350 million

Source: AAFR, *Renewal of Atlantic Fisheries: An Action Plan for Fleet Rationalization*, 10 February 2009, Table 7, p. 19.

According to FFAW president Earle McCurdy, although fish harvesters in Newfoundland and Labrador are willing to pay for some of the costs of a rationalization program and the provincial government is prepared to contribute 30%, the federal government has yet to come to the table to enable a three-way plan. Mr. McCurdy also made a point of mentioning that while virtually every one of our competitors in the world seafood market has put significant amounts of public funds into fleet rationalization, in Canada the Minister of Fisheries and

⁽³⁾ The AAFR was initially formed by the three largest fish harvester organizations in the Atlantic region – the FFAW/CAW, the MFU and the APPQ. The GNSBFA, the Gulf Nova Scotia Fishermen’s Coalition, and the Northumberland Fishermen’s Coalition later joined the Alliance.

Oceans and the bureaucracy support the notion of voluntary “self-rationalization” to reduce the number of participants in the lobster fishery.⁽⁴⁾

The president of the APPQ, for his part, advised that if an Atlantic-wide federal provincial/assistance program for the lobster industry were to be implemented, it should offer some flexibility and not be limited to fleet rationalization. In Quebec, he said, lobster fishermen of the Magdalen Islands lean towards stabilization of the industry because tremendous efforts have already been made to reduce fishing effort.

[W]e must visualize the fact that the problem is not necessarily the same everywhere. We are not all at the same level, not of development, but of fleet restructuring. In the present context, I am in agreement with the provision of assistance for the most disadvantaged fleets, the less structured fleets, but this whole rescue plan for the industry much provide encouragement to those who are making an effort. The principle at play must be that of fairness.

The testimony of Mr. Poirier also underlined the need to establish an insurance program for the fishery similar to crop insurance for farmers.

THE IMMEDIATE CHALLENGE

Judging from what the Committee heard, the immediate challenge is to weather the current storm caused by the severe drop in lobster prices. As the president of the FFAW put it, “you have to survive the short term to participate in the long term.”

Initiatives such as federal investments in marketing, promotion and eco-labelling, while welcome and needed, are overshadowed by the more pressing problem of fishermen getting significantly less for their catches. Witnesses believed they are operating below break-even levels and asked that government intervene. The APPQ president put it this way:

⁽⁴⁾ In response to a request made by the Minister of Fisheries and Oceans in February 2006 to review the 1995 Lobster Conservation Framework, the Fisheries Resource Conservation Council released a report entitled *Sustainability Framework for Atlantic Lobster 2007* in July 2007, which supported options that involved “self-rationalization” to reduce the number of participants in the lobster fishery.

In the short term, we will certainly be needing money because none of our businesses are covering their production costs. We need money if we want to avoid bankruptcy and seeing our family or cottage-type businesses taken over by conglomerates or other such structures, which would be very harmful to the resource.

In the month of March 2009, approximately \$460,000 was spent in joint federal/provincial marketing assistance.⁽⁵⁾ On 22 May 2009, the Minister of Fisheries and Oceans announced that governments and industry would collaborate in a new Atlantic Lobster Development Council to increase domestic and international market access and support the industry in reaching the eco-certification standards necessary to increase their global markets. Although few details of the \$10 million initiative from the Community Adjustment Fund have been released,⁽⁶⁾ participants in our discussion all agreed that the initiative offers no immediate help to fishermen in these tough economic times.

At our meeting, measures to ease the lobster industry's problems were suggested, such as reducing licence and monitoring fees and taxes on fuel. Temporary relief could also be provided through the Employment Insurance (EI) program.

EI fishing benefits are paid to self-employed fishermen, and eligibility for benefits is based on earnings rather than on hours worked. A major concern in this regard is that, unless markets and lobster prices improve, thousands of vessel operators and crew members in the Atlantic region may not qualify for EI benefits. Fishermen could increase their fishing effort in order to earn as much as possible to qualify, which would put additional stress on stocks and possibly jeopardize future catches, add more product to already oversupplied markets, and build up even more inventory. The Committee was advised that otherwise viable owner-operators could be forced into bankruptcy, possibly forfeiting their homes and property, against which they may have borrowed to make ends meet.

⁽⁵⁾ The Atlantic Council of Fisheries and Aquaculture Ministers announced that nearly half a million dollars would be spent in joint funding on marketing Atlantic Canadian lobster, with Agriculture and Agri-Food Canada contributing \$328,750 and the Maritime provinces together contributing \$126,250.

⁽⁶⁾ DFO, "Canada's Economic Action Plan – Harper Government Delivers Support for the Lobster Industry," News release, 22 May 2009, <http://www.dfo-mpo.gc.ca/media/npress-communique/2009/hq-ac21-eng.htm>.

To ease the current situation in coastal communities where non-fishing job opportunities typically do not exist in the best of times, let alone during a recession, witnesses urged that the federal government allow fish harvesters to qualify for EI benefits based on 2008 earnings. This would help fishermen make it to the next fishing season. Another suggestion was to extend EI fishing benefits by five weeks, which would put fishermen on the same footing as regular EI claimants in Budget 2009 in recognition of the fact that the economic recession will increase the duration of unemployment.

RECOMMENDATIONS

Recommendation 1

The Committee recommends that the Government of Canada act immediately to implement changes to the Employment Insurance program to address the problems created by low lobster prices specifically by: (a) allowing fish harvesters to qualify for EI benefits based on 2008 earnings; and (b) extending EI fishing benefits by five weeks.

Recommendation 2

The Committee recommends that the Minister of Fisheries and Oceans immediately enter into formal discussions with Atlantic fish harvester organizations and the provincial governments to develop a short-term assistance plan for the fishery.

Recommendation 3

The Committee further recommends a comprehensive plan for the lobster fishery, including voluntary fleet rationalization to reduce fishing capacity where needed. The federal government should contribute to the costs of removing lobster licences from the fishery.

WITNESS LIST

Tuesday, May 26, 2009

Alliance des pêcheurs professionnels du Québec
Prince Edward Island Fisherman's Association
Fish Food & Allied Workers
Maritime Fishermen's Union
Gulf Nova Scotia Bonafide Fishermen's
Association

Léonard Poirier, President
Ed Frenette, Executive Director
Earle McCurdy, President
Christian Brun, Executive Secretary
Katherine Wallace, Executive
Director