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Chair

Mr. Rodney Weston

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•(1110)

[English]

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

Before we move into our witness presentation today, there's one item of housekeeping that we need to clear up. I have a standard motion that has been circulated. I'm looking for a mover on that motion.

It has been moved by Ms. Davidson that the proposed budget in the amount of \$1,600 for the committee's study of the lobster fishery be adopted.

(Motion agreed to)

The Chair: Thank you very much.

I was trying to ask Georges what we do if the motion doesn't pass.

Voices: Oh, oh!

The Chair: I'd like to start this morning by welcoming our guest, Mr. Irvine, to our committee.

Mr. Irvine, we appreciate you taking the time to come and meet with the committee, give us a presentation, and answer some questions for the committee members. As you can appreciate, with the situation of the lobster pricing, there are many questions that committee members have. We look forward to a great discussion here today.

Once again, thank you very much for being here, Mr. Irvine. I know that you have a presentation. You have provided a PowerPoint presentation, and I thank you very much for providing that as well. I believe that our clerk has advised you that we generally allow about 10 minutes for opening presentations, and then we'll move into questions.

There are time constraints on the questions that committee members have and on the answers. It's in the interest of fairness that we try to get in as many questions as possible. If I interrupt throughout the proceedings here today, please don't be offended. It's just in the interest of fairness and trying to ensure that everybody has the opportunity to ask as many questions as possible.

Having said all that, Mr. Irvine, I will turn the floor over to you. If you want to proceed with your presentation at this point in time, the floor is yours.

Mr. Geoff Irvine (Executive Director, Lobster Council of Canada): Thanks very much, Mr. Weston.

I apologize, I only speak English, so I'll do the presentation in English, but I understand it's being translated.

I'm delighted to be here. I know I have a short amount of time, so I'm going to go quickly through this. I'm going to give a top-level overview of what the Lobster Council is, what we do, where we came from, a brief overview about the industry, and then I'm going to dive right into some slides and graphs on the market, on volumes, on how the prices are built up, how prices are established, and things like that. I'm going to jump right into it.

The Lobster Council came together three-and-a-half years ago in a reaction to the last lobster crisis in 2007-08, when the Canadian dollar was strengthening dramatically. That's probably the single biggest factor in our industry. Prices were very low in that time as well, so the Lobster Council came together as a movement from the industry. Our governance is essentially half harvesters and half shippers, processors, and dealers, as well as the first nation community. So my board is basically half harvesters and half shippers and processors. So I work for both sides, if you will, of the industry.

We're funded by the five eastern provinces, with some core funding. We get money from DFO from time to time. We have project money that we make. We're a typical not-for-profit struggling organization. We introduced dues from our members last year. We have 55 active dues-paying members, and that includes all the harvesting associations, all the major companies, and many smaller companies.

We have seven real areas of focus in the Lobster Council. We were brought together essentially to promote Canadian lobster, but it turns out that's been one of the things we do the least of, unfortunately. Because of funding—and I'll get to that later—we spend a lot of time.... But we do actually spend some time doing that, leveraging money from the provinces and the federal government doing various things. We spend a lot of time on many market access issues—eco-certification, lobster husbandry issues in Germany, for example, whale entanglement—that are important. We try to communicate within the industry. We try to communicate issues out to our customers, all the good issues, and we keep the internal ones, all the challenging ones. We try to provide market research to the industry, so information about prices, information about landings.

Marketability I'm going to talk about later, but marketability is a big challenge. Branding, quality, shore price-setting mechanisms, these are all marketability issues. We're doing a lot of projects. We're in the middle of a traceability project for the lobster industry now and an automation project with five plants in P.E.I. and New Brunswick. We spend a large amount of time working with governments, both provincial and federal, and in the media.

I will describe the sector. Most of you know this, so I'll quickly run through it. There are 9,500 independent owner-operator harvesters; plus or minus 60 live shipper processors of which 99% of the volume would go through about 60 companies in five provinces. There are hundreds of shore dealers; hundreds of truckers; packaging-makers; 25,000 crew, plus or minus; over \$1 billion in export sales last year; and what's very significant and important in this room, 25% of our \$4 billion export of seafood is lobster.

I threw together a few slides just to show you our products. Live lobster, of course, represents about 40% of the billion dollars, so about \$400 million of export. Lobster tails is a huge product, mostly produced in New Brunswick, but also P.E.I. and Nova Scotia and Quebec. Meat—if you produce tails, you have to produce meat. Lobster meat has become a very important product: frozen, pasteurized, fresh, hundreds of millions of dollars' worth. There are popsicle packs, a traditional product where you cook small lobster and pack it in brine. It's a very popular product in retail in Europe. Whole cooked product, these are usually also smaller lobster that are sold in casinos, and on cruise ships, and in Europe; and in the Far East it's a very important product as well.

Then a newer product is ultra-high pressure. There are three machines in the industry now, one each in the three maritime provinces, that produce this product. It's a very high-value raw product that uses a high-pressure machine to extract the meat. It's a very fascinating new product. Of course, there are lots of specialty products: retail claws, retail tails, retail meat, and then things like caviar, lobster oil. There are lots of different meat products.

• (1115)

Jumping right into the export value, this slide isn't up to date, but it's consistent, to show you year in and year out. If I took this back 15 years it would be same. The Americans are our biggest customer by tenfold, twentyfold. Some of that volume is re-exported through American airports, Logan and JFK, and some is sold frozen from there. But the first port of export is the U.S. You can see that after the U.S., China and Japan are very consistently our biggest customers, and it drops off very quickly after Italy into \$4 million and \$5 million a year.

By province, it's also important to know where the action is. New Brunswick is by far the biggest producer of lobster, nearly half a billion dollars last year, mostly processed tails, meat and whole cooks, and popsicles. Nova Scotia is a close second, but mostly all live. The live sector is mostly concentrated in Nova Scotia. Newfoundland, Quebec, P.E.I., and New Brunswick are generally the processing places. P.E.I. is third there with \$134 million last year, mostly processed. Quebec is a steady \$80 million, \$75 million, mostly processed, but a lot of live as well. Also there is a growing processing sector in the Gaspé. Newfoundland is mostly an area where lobster is harvested and then sold to the Maritimes for resale,

so they don't get much credit for what they export, because they export very little. You can see a total of \$1 billion last year, \$1 billion the year before, and because of the net value, because of the recession, it was \$800 million before that.

Landings are the real story of our fishery. Look at the 2000 numbers—that's Canada in red and the U.S. in blue—in five-year increments. If you take it to last year—and I don't have that number—Canada is up 46% from the year 2000 in landings, and our friends in Maine are up 50%. So there have been dramatic increases in landings. This is the Maine number. Through the last 60 years they were very steady until about 1994, then Maine climbed up to 122 million pounds last year. That has had a big impact on us.

This is a slide that shows you the impact of that supply on the price. The red shows we have two peaks of supply every year, May and November, and you can see that year over year. This is 2007 to 2009 so it's a little dated, but after that it would just be higher. Maine is the blue. You can see that the Maine season mirrors our season, which is why we have such a vibrant processing sector. The processors can buy Maine raw material when they can't buy it from the Canadian fleets to augment their year of processing, but you see the downward trend in prices as the supply has gone up.

It's really important to put in context the Canadian situation. This is a slide produced in 2007 by Findus, the Scandinavian company, showing the global seafood value chain and where the money is—where value is earned and stays in global seafood. If you layer lobster over this, I would say it's very similar. The people who actually fish the product and farm the product maintain about a third of the value. First and secondary processing and then distributors are the other two-thirds. It's how food distribution works, whether we like it or not.

Now we'll dig right in to how the value is shared. This is all information that I sent you and this is all from the long-term value strategy that was produced in 2010, which is essentially what has framed our work for the last three years. This is updated to 2011 and shows that in the live sector, year in and year out, the harvesting sector receives 70% to 80% of the U.S. export price every year. I think I sent you data as well that backs this up about how the average of 79% of the U.S. export price in live is kept by the harvester.

This is a slide that shows how a \$4 shore price becomes a \$9 retail item, and it's important that people review this carefully because this is how most products build up into the market. This is based on a \$4 shore price, and you see the shore buyer who takes anywhere up to 50¢ to provide that service. The shipper has a margin in there, the distributor has their margin, and then the retailer has a typical retail margin. I saw lobster this morning down at Lapointe for \$9.99. They would have a similar buildup to that \$9.99 price here, even in Ottawa.

On the processing side it's a lot more complex because of yield. When you process a lobster, you're breaking it down from the shell into meat products, into tails. You don't sell the whole lobster when you're processing unless you're doing a whole product. This is a graph that shows, from 1998 until last year factoring in a 37% yield—which isn't exact but it's a factor that we decided to use—how that revenue is shared year in and year out. It ebbs and flows more in processing. Yield changes from year to year. If lobsters aren't fully meated when they're being processed, it can change the yield dramatically.

• (1120)

You see the distributor unit revenue is very consistent, because it has to be. Distributors—and I used to be one—if they can't make their margin on lobster, they'll sell something else. They'll trade crab, chicken, or whatever, so that distributor margin is very steady. The processor margin, as you can see, bounces around. There are good years and bad years. Unfortunately, the harvester is the one who generally takes the brunt of a downward market and you can see that in this slide.

How the price builds up for processed products, again, is complex because of yield, but you can see how a \$3 to \$4 dollar shore price becomes a \$16 meat price. It's simply because of the yield factor. The amount of meat you take out of a lobster is 30% to 40%, so you have yield loss, buyer commission, fixed costs, variable costs, and you can see the gross margin for the distributor.

Drilling into the shore prices, I took a look at last year's shore prices to try to get a top-level view of how they're different in each DFO region. I took the gulf region, where the average last year was \$4.05, as you can see; maritime region, \$4.32; Quebec, \$4.58; Newfoundland, \$4.13; and Maine, \$2.68, which was the real killer. That number in Maine is really what precipitated the collapse last year, and I'll be happy to speak about that later.

Breaking out of the gulf, because a lot of the issues today are in the gulf, because that fishery is going strong, you can see in each LFA.... I tried to break out the provinces by colour. I just picked colours, and I chose LFA 25 to be in blue because it's in the fall. But you see the differences in the spring fisheries, 23, 24, 26, and 27. Last year there were some differences, but not huge differences. The New Brunswick price is quite low, but there often is a top-up at the end of the season.

That's another thing to keep in mind when you hear about shore prices. There are all kinds of factors in play that even we don't understand. There are usually bonuses paid and there are top-ups paid for various reasons, which defy logic but happen all the time. So when you see these official numbers, you have to remember they're not always exactly accurate.

I provided some data on harvesters and net income because that's really what we're here to talk about. DFO did its last study in 2004 on net income for harvesters. This is by LFA, at the bottom of the graph, lobster fishing area. You see in 2004 most fishing fleets were in the black and some very nicely in the black. Then the recession hit, the Canadian dollar strengthened, and our landings went crazy. You can see that the 2009 numbers, which were not done by DFO but which were extrapolated for this study, show that most of the fleets were losing money by then.

So what are we doing about it? I have a couple of quick slides to go. In the Lobster Council we are focusing on our plan and working our plan. I'll talk about it afterwards, but the long-term value strategy gave us excellent recommendations. Then last year we did working groups that came up with a plan that you also have, the implementation plan with 26 points.

We've chosen this year to work on two major strategies. One is developing a Canadian lobster brand, a specific brand that we can all get behind and that can tell our story. Lobster in China, our biggest new market, is mostly sold as Boston lobster, and it's absolutely preposterous. It's Canadian lobster, by and large, mostly Canadian lobster, but they call it Boston lobster as a generic term. We need a brand that we can get behind.

The other is having quality grading standards at the first point of sale, which will reward harvesters, which will ensure better quality through the market, and which will allow us to stand behind our brand. These are our two major projects for this year.

The last slide shows how you can help us at the federal level. We need help to help ourselves. We need a levy. We need some kind of a way to levy our industry, to raise money for marketing and promotion. We're not sure if we can do it federally, and we're not sure if we can do it provincially, but we need to find a way to levy ourselves. We know the industry is mostly behind the levy.

When we talked about 1¢ a pound a couple of years ago, most people got behind 1¢ a pound, which would be half a cent from the harvesters and half a cent from the selling side. It would give us \$1 million a year for these things. We like the marketing and promotion dollars that come to us from Agriculture and Agri-Food Canada and from other places. That's excellent. That's super short term. We have some markets that can use a bump, the Far East especially.

•(1125)

A free trade agreement would be fantastic for the lobster sector. It would be fantastic for the lobster sector if the lobster tariffs that are said to be coming actually happen. The Canada brand program at Ag Canada is a fantastic program for lobster, for all seafood. We do great work with Ag Canada. We need support for these tougher marketability issues like branding and quality grading because they're difficult and the shore price issues are tough.

I'd also ask that we remember what we've learned, because we've been doing this for three-and-a-half years. We pretty much know what we need to do, but we need everybody pushing in the same direction, so we don't forget what we already know from all these reports.

Thank you. I hope that was good timing.

The Chair: That was great. Thank you very much, Mr. Irvine.

We're going to start off with Mr. Woodworth.

Mr. Stephen Woodworth (Kitchener Centre, CPC): Thank you very much, Mr. Chair, and thank you, Mr. Irvine.

This is a challenging issue for me. I have to say there is no lobster where I come from, and I have no particular axe to grind with anyone on it. I just want to understand the issues.

Let me begin with the issue of a levy. My impression is that the LCC is formed and supported through the provincial governments. Is that correct?

Mr. Geoff Irvine: Yes. In our first couple of years DFO was part of it, but in the last couple of years it's been provincial.

Mr. Stephen Woodworth: My impression is that questions of marketing and basically everything that happens to the product after it hits the wharf are under provincial jurisdiction. Is that a correct statement?

Mr. Geoff Irvine: Correct.

Mr. Stephen Woodworth: All right, so if we're talking about imposing a levy on processors and harvesters, my thinking is that the most the federal government could do would be to encourage the provinces to proceed with that. Am I on the right track?

Mr. Geoff Irvine: Essentially, you are correct, except that the federal government regulates harvesters. So there is an opportunity, if the harvesters agreed, to find a mechanism through the licence fees that the harvesters pay.

•(1130)

Mr. Stephen Woodworth: So the federal government regulates only the harvesters and not the processors, distributors, or other people involved in the chain. Is that correct?

Mr. Geoff Irvine: Correct. We'd have to levy the buyers through the provinces.

Mr. Stephen Woodworth: All right.

The second area I want to ask you about is the feedback you get from what I will call "harvesters" but you'd call "fishers"—the people who draw the lobster out of the water.

Your agency includes those folks as well as the processors and other people up the chain. Is that correct?

Mr. Geoff Irvine: Correct.

Mr. Stephen Woodworth: Do you get input from the harvesters about the current situation and how to deal with it?

Mr. Geoff Irvine: Oh, absolutely.

Mr. Stephen Woodworth: Okay, so when you make a recommendation to us, can we be confident that you're speaking on behalf of the harvesters?

Mr. Geoff Irvine: Absolutely.

Mr. Stephen Woodworth: I assume, then, that they would be in support of the two-point plan you mentioned. Developing a quality grading program and a Canadian brand strategy would be top priorities for them as well as for everybody else in your association. Is that correct?

Mr. Geoff Irvine: Sure.

Mr. Stephen Woodworth: Okay.

The other area I want to ask you about, which I found rather intriguing even before you mentioned it, is the issue of the Maine lobster price of \$2.68 in 2012. I was even more interested when you said that it precipitated a collapse. I need to tell you where I'm at in this. I understand there has been a market decrease in the price that harvesters are being paid for their product. Is that what you meant when you were talking about precipitating a collapse? Is that the collapse you were talking about?

Mr. Geoff Irvine: Yes, the Maine situation precipitated the LFA 25 crisis in August, September, and October.

Mr. Stephen Woodworth: Okay.

What do you mean by LFA 25?

Mr. Geoff Irvine: Sorry, lobster fishing area 25 is our only fishing area that fishes at that time of year in the gulf. Those Maine shedders—"shedder" meaning soft-shelled lobster—coming into the market earlier than ever dramatically impacted the shore price in Canada.

Mr. Stephen Woodworth: Right.

Why is it they were getting such a low price—\$2.68—when Canadians were getting over \$4?

Mr. Geoff Irvine: Well, the Canadians who fished during the time that Maine was at its peak didn't get \$4. They got much less.

Mr. Stephen Woodworth: Has that collapse spread? You mentioned that Maine precipitated it, but what's the current state of it?

Mr. Geoff Irvine: Well, you need to look at sort of a 12-month window. I'll explain that if you like—

Mr. Stephen Woodworth: Please do.

Mr. Geoff Irvine: —because it's extremely important.

This whole situation today started about 12 months ago. Last spring, everyone was worried about the prices paid to harvesters being too high. Harvesters weren't; they loved it. The sellers, processors, the shippers, realized late in June that they had paid too much last spring, because they saw the influx of the Maine product.

At the Boston Seafood Show last year, in March, there was already chatter about the Maine product coming early. By the end of June, when all the spring seasons were finished and all the processors had bought all the Canadian lobster, the Maine product hit much earlier than ever, and at very low prices because the landings were so high in Maine.

That meant that the LFA 25 season, which starts in the middle of August, was opening in a collapsing market. All the processors that put up lobster based on those \$4.50 and \$5.00 shore prices last spring, suffered greatly.

Then in the fall of the year, when the Southwest Nova guys started, you'll recall the prices there were very low as well. What we're seeing right now is a hangover from that. There was inventory left from last spring as we entered this spring. There was a recognition by the processors that they were not going to get caught again, so that's why you see these lower prices today.

Mr. Stephen Woodworth: I don't want to take that too far, but it sounds as if it's a situational occurrence and it might right itself by the time we move into the fall. Is that a possibility?

Mr. Geoff Irvine: Hopefully.

These things always do right themselves. Year in and year out people pay too much, people pay too little. It ebbs and flows, but generally it works itself out. We've now seen 12 months of a tough market.

The crazy thing about this industry, which we all have to remember, is that there is a live market and a processed market. The live market, through this whole time, has generally been quite steady. As we know from the spring, people who were producing for the live market were getting \$4.50 a pound, while people who were producing for the processing market were getting \$3.50 a pound. They're distinctly different markets, which everyone has to remember.

The live market has been quite steady. The product for the live market was actually extremely short this winter, which is why it went up to \$10 a pound in March. There were crazy shore prices in the winter, because we actually had a winter and there was no product available.

• (1135)

Mr. Stephen Woodworth: I want to squeeze in one last area.

The Chair: Mr. Woodworth, I have to cut you off. You're out of time.

Mr. Stephen Woodworth: I'm out of time, so I'll have to try later, perhaps.

Thank you very much, sir.

The Chair: Thank you.

Mr. Toone.

Mr. Philip Toone (Gaspésie—Îles-de-la-Madeleine, NDP): Sorry, Mr. Woodworth. We don't have a lot of time for our questions.

Perhaps I will take on from where you left off.

Is there a difference between spring lobster and fall lobster? You're mentioning that one of the things we need to do is a quality grading program. Is there a difference in quality between those products?

Mr. Geoff Irvine: Absolutely.

There's a difference in quality between every area, and between every region. A lobster is not a lobster. It's different everywhere.

Mr. Philip Toone: Thank you.

Is it safe to assume that the product that's harvested in the fall is of a lesser quality than that harvested in the spring?

Mr. Geoff Irvine: It depends on exactly when. It's all about when the lobster has recovered from its moult.

Biologists study that all the time, and we study it as well. But fall lobster in most of Canada hasn't fully recovered yet. Any season that isn't in the fall can have a large percentage of soft shells and poorer meat-yielding lobsters. Generally in the spring, in every LFA it's top quality. But there are still differences in quality, even in the spring. You can't ship all spring lobster to China, and you can't ship all spring lobster to Europe. The dealers, the processors, and the shippers know this very well, and that's how they price it. That's why you see different prices throughout the industry.

Mr. Philip Toone: When you say you can't ship it all to China, and you can't ship it all to Europe, are you saying that most of it still goes to the United States?

Mr. Geoff Irvine: I'm speaking about the live industry. For the live sector you have to have the very best quality to go in the air, to go to Osaka, or to Shanghai.

Mr. Philip Toone: I noticed on your graph that the other regions, other than the United States, especially Asia, are growing quite rapidly. Has DFO assisted in marketing our product overseas, and if so, what's been the result of that?

Mr. Geoff Irvine: Well, DFO doesn't do any marketing anymore. Agriculture Canada has the marketing file.

Yes, there have been some dramatic increases in China. The numbers are something like this. In 2008, we sold a couple of million dollars' worth of lobster to China, and last year it was \$60 million. That's in five years, so China has become a real bright light. But 90% of the Chinese market is live, so you need the best lobster to go to China. Processing is growing very nicely, but...

Most of the marketing dollars come from the provinces and from the companies who are marketing.

Mr. Philip Toone: What is a top-quality product, then? I hear often that carapace size is a measure of quality lobster.

Mr. Geoff Irvine: No. It really has nothing to do with it.

Mr. Philip Toone: What is the difference between the different sizes? I hear often that we have smaller lobsters, below 80 millimetres in carapace size, say, and we have 82 to 83 millimetres in the Magdalen Islands, for instance, which seems to be a higher quality.

How does size matter?

Mr. Geoff Irvine: It doesn't.

Voices: Oh, oh!

Mr. Geoff Irvine: The short answer is that it doesn't matter. In lobster, it doesn't matter. Canners can be beautiful. Jumbos can be beautiful. Market size can be beautiful. It's not about size at all.

In this case, it's about recovery from moult. It's that simple. A lobster can be beautiful if it has recovered from its moult. If you remove it from the ocean when it's fully recovered, it's going to be beautiful. If it's not, you won't be able to do certain things with it.

Mr. Philip Toone: So why the fascination with size, then, without wanting to pursue that question too far...?

Mr. Geoff Irvine: Well, size matters in the market. You can't ship live lobster below three-and-a-quarter inches to the U.S., for example. It has to be processed, and then we can sell it to the U.S. In some markets, jumbos are sought after. China is one. The Chinese love large lobsters. They eat it like turkey. Jumbos have bumped in value recently, if they're high-quality jumbos, for the Chinese market.

• (1140)

Mr. Philip Toone: In looking at your graphs, I'm seeing that the areas that are going for the larger lobsters, the ones that don't have to be processed finally, those that are being sold live, are fetching much higher prices. Is there a reason why we would want to continue to pursue the industry of having smaller-sized lobster? Is the future not larger-sized lobster?

Mr. Geoff Irvine: I think it's both. We have excellent markets for smaller lobster. We have excellent markets for larger lobster. There are markets for all sizes of lobster. Size is not the issue in this case.

Mr. Philip Toone: But again, if I look at your graphs, what I see is that we're fetching a much lower price, and the whole crisis is about price. What I'm hearing from fishermen back home—harvesters—is that if we sell the live product, we're looking at a more solid future for the industry versus selling processed product. Processed product seems to be very popular in the States, where essentially the bottom fell out the market in their last economic crisis.

The future seems to be in Asia, and in Asia they want the live product. Is that not the future of this industry, or do we want to continue to be tied with the United States and the variations that this has brought to the market?

Mr. Geoff Irvine: Well, that's a great question. I don't have the answer, except to say that we need both at the moment. We have such high volumes. We need all the different markets. You have to remember that in some parts of the gulf, the catch of the smaller sizes is quite high. It's important to those areas to have that smaller lobster.

You're right. It's a challenge with the market the way it is, but I don't think we're going to see that changing anytime soon. As the processing sector grows—and it is a huge growth area—I think we can sell all the product we're landing.

Mr. Philip Toone: Let's get back to the fall product, then. We might be able to sell the product, but the problem is that the price is awfully low in the fall. What can be done to improve that situation?

Mr. Geoff Irvine: There's actually a bi-provincial committee working on that right now. New Brunswick and P.E.I. share LFA 25, and Nova Scotia marginally. I'm sorry, it's a tri-provincial committee that is working on that. They've been trying to figure out how to deal

with the issues in LFA 25. We're not involved in that directly. That's a harvester and processor issue in that area.

There are a lot of things on the table. There's changing the season. They're thinking about moving the season a week or two either way. There are a lot of options, but we're not getting directly involved in that.

Mr. Philip Toone: The seasonal issue sounds interesting. Have I run out of time? I'll bring it up in another question. Thank you.

The Chair: Thank you very much. Mrs. Davidson.

Mrs. Patricia Davidson (Sarnia—Lambton, CPC): Thank you, Mr. Chair. Thanks very much, Mr. Irvine, for being with us this morning. This is a very interesting discussion. I was interested in your comments that the live market has stayed steady, whereas the processed market is low. That's where most of the issues appear to be.

You said in your presentation that you spend the least time promoting Canadian lobster, but you spend lots of time on market access issues. I'm wondering why that is.

When you talked about your long-term strategies you talked about developing the quality grading program and the Canadian brand strategy. Is the council working on eco-certification? Is that part of the branding and part of the work that you're doing to try to improve the process market? What's happening with that eco-certification issue? Are the provinces participating in that? What's their status if in fact you're pursuing that? Can you talk a bit about that?

Mr. Geoff Irvine: Sure. I'll take your first question first. We've managed to do a number of different things with the promotional work we do. I didn't explain that very well. We've worked a lot with chefs in the U.S. and we've done a lot of work with food journalists, but our challenge is that we don't have funds, which is why we need the levy. We don't have our own money to do anything in terms of mass promotion.

We also know from the long-term value strategy. This massive work tells us marketing is the second thing we need to do after working on these marketability issues. We're following our plan and focusing on marketability issues as they're outlined in here: short price setting, branding, and quality grading. We're focusing on that first as a precursor to successful marketing. Most marketers and branders will tell you it's useless to go out there with a brand and a marketing strategy if you can't back it up with your products. That's the background there.

Eco-certification has been on our agenda every meeting for the last three-and-a-half years. One of the reasons the council was started was to drive eco-certification. I'm happy to say that as soon as Maine got certified about three months ago, we got serious about it. We hadn't had the momentum, but have the momentum now. Virtually every area is embarking on full certification with the Marine Stewardship Council.

In the Magdalen Islands, LFA 22 is about to be certified, which will be the first Canadian inshore fishing area to be certified. Our offshore area is certified already; Clearwater owns all that. The eight-day fishing licence is there, so they are certified. We're on the go. I expect within 12 to 15 months we'll have one of the major areas certified as well.

• (1145)

Mrs. Patricia Davidson: Once this happens, and it sounds as if you've made some good headway on this, how far would that certification take the Canadian product in the world market? Is it extremely important in new opportunity areas, or are you going to see an impact everywhere?

Mr. Geoff Irvine: Today it's become part of doing business. It's not going to give us better prices—it may—it's not going to hurt us. Essentially it's become a market access issue in Europe. If we want to sell in some European countries we have to be certified. It's becoming more important in Asia and in North America. We tell stakeholders it's the cost of doing business in the seafood world today. You have to have a third party certify that your fishery is sustainable.

Yes, the provinces are helping fund it, as well as the industry.

Mrs. Patricia Davidson: All the provinces have been involved?

Mr. Geoff Irvine: I won't say all. They've all been involved in either pre-assessment or a full assessment, or they're getting involved. It's very active right now. It's very much in play today.

Mrs. Patricia Davidson: I'm trying to understand your dependence on the U.S. market. We saw the huge figures there. Do we need to reduce that dependency? Is your council working toward that goal? We've seen emerging markets come up in the charts you've shown us. Is reducing the dependence on the U.S. market one of the goals of the council, and is that going to help the pricing?

Mr. Geoff Irvine: We don't directly talk about it that way, but certainly you always want to be expanding into new markets, if they are good new markets.

Yes, I would say the industry is doing things like that. Look at some of the really aggressive exporting companies, such as Clearwater. Their goal is to have \$100 million in sales in China within five years. That's a huge number.

The Far East is a bright light for lobster, processed and live, and absolutely where we should be focused, but the U.S. will always be our biggest trading partner in lobster. We buy huge volumes from them. It's very much a back-and-forth relationship.

Mrs. Patricia Davidson: Would the levy you're talking about provide a self-sustaining revenue stream when it comes to marketing and some of the issues you need to be working on? Could you talk more about this levy and how it would work?

Mr. Geoff Irvine: Sure. I'd be delighted to.

Yes, we think it will. We know it works in other industries. In agriculture, the beef industry has a levy that funds all the Canada beef work. The pork industry has levies. In agriculture, it works very well. There's no real history in seafood though, so we're blazing new trails here. There's not a lot of history of this type of program in eastern Canada. It's tough to get people to think about it and it's tough to get people to think about regulating it. It seems that regulating and legislating anything new is very tough, but we simply have to make it happen.

The other example I like to use is the Alaska Seafood Marketing Institute. What Alaska has done is to raise \$25 million a year on levies and on grants. They are the world leader in marketing seafood; likewise, Norway. Norway has an \$80 million budget for their seafood export council—\$80 million—and Norway, as we all know, is a world leader in seafood, and it works. It really works. I always try to pitch it this way. If we invest a penny in marketing lobster, we will make back a dime or a nickel or a quarter, in a heartbeat, but we need that penny. So it's tough.

• (1150)

The Chair: Thank you very much. Mrs. Davidson, your time is up.

Mr. MacAulay, go ahead.

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

Welcome, Mr. Irvine. It's good to have you here.

Eco-certification is basically driven by the retail sector anyhow. Do I understand correctly that if you don't have eco-certification when it's put in place, you'll just not sell your lobster some day down the road?

Mr. Geoff Irvine: That's correct in parts of Europe, not all of Europe, and it's a retail thing.

Hon. Lawrence MacAulay: Yes, it's a retail thing for sure.

Also, you mentioned that you have 9,500 fishers you work for and 60 corporations. How much in funds do you retrieve from the fishers?

Mr. Geoff Irvine: Virtually all of the harvesting associations pay dues based on their membership, so it's about half and half between the companies and the harvesters. Last year, we raised \$50,000 in dues. This year, our goal is \$100,000 in dues, and it's roughly 50-50.

Hon. Lawrence MacAulay: Thank you very much.

On the 2009 report we discussed yesterday—and you have a lot of reports—those recommendations made by this committee.... I think one of the recommendations was that you be established, which I expect you wouldn't be opposed to, but they did follow through.

Are there any other recommendations in that report that you think the government should follow through on? I'm thinking about the fishers providing assistance to the lobster fishermen to reduce their costs. Has the government gone through with that?

Could you comment on when they charge for tags and the log books and this type of thing? Could you elaborate on that? The problem we have in the inshore lobster fishery in Atlantic Canada... With the situation as it stands, they're going to have a very difficult job surviving at that price.

Mr. Geoff Irvine: I agree.

Hon. Lawrence MacAulay: Do you believe that the government has implemented enough of this study?

Mr. Geoff Irvine: I can't really speak to the tags and the log books because we don't get involved in that side of the house. We stay away from resource management issues, in general. We leave that to the harvester groups, and they like it that way. We try to stick to marketing, market access, marketability.

The plan and the strategy were developed by the industry, and governments have helped us where they've been able to. We're getting better at understanding how to go after grants and money. There's an art to that. Everybody knows that. The money is there, the programs are there, but you have to go after them. So we're getting better at that.

In general, the governments have supported us fairly well, but you'd have to give me a specific question.

Hon. Lawrence MacAulay: I was as specific as I could be. When you increase the cost, now you're not going to be opposed to your own establishment but you're going to be.... I was just thinking that with the fishermen and the situation they're in.... Anyway, we can drop that.

You've indicated clearly that the size of the lobster is not the issue, it's the quality of the product itself. That's quite important where I come from.

Before the change in the dollar, what was the value of the product?

Mr. Geoff Irvine: That's a great question. If you look at that data sheet that I sent you, it's very instructive on how the dollar change impacted the industry. Back when we had a \$1.40 or \$1.50 dollar, I had a trading company at that time. I can tell you it was wonderful times for all Canadian products. The shore prices basically go in lockstep with the dollar change. You could fall out of bed in the morning and make money on lobster when we had a cheap dollar, because you could buy it for \$6.00 from a harvester and you could sell for \$6.00 U.S. in Boston and make \$1.50. Now we have to make it on proper business practices. Taking a look at the dollar is dramatic.

If you look at the last year that we had a \$1.20 dollar, that was the last year we had a \$6.00 shore price. The strength of the dollar mirrors the shore price difference.

• (1155)

Hon. Lawrence MacAulay: It seems to me that, as you've indicated quite clearly, sometimes there's a large amount of lobster on the market, and then there are times that we do not have lobster at all. You've touched on the grading and the branding, but what about

if you had holding tanks? Would you suggest that there should be cooperatives involved in this with the fishery involved?

What way do we do this to make sure that we have an orderly marketing plan? What we want to do is get the best dollar out of the lobster, year round. From what I understand, we're not doing that. But you're telling me, if I understand you correctly, that we could if we had an orderly marketing system. Could you elaborate?

Mr. Geoff Irvine: Today there is a very active inventory management sector of the industry, which I didn't talk about. There are companies that buy lobster during their peak time and put them away and then release them to the market when it's to their advantage. It happens every day. In Nova Scotia, there are holding facilities above ground, in reservoirs, and in the ocean. In New Brunswick and I think on P.E.I., they've tried it. So it happens today. That's very much a part of the marketing strategy. To have lobster the year round, you need to hold them.

Hon. Lawrence MacAulay: Would it be fair to say that they're buying lobster when the market is glutted? This is a business practice. I'm not condemning anybody. But then they have the lobster in the holding tanks, and they're able to retail the lobster later at a much larger price. Would you suggest that or not?

Mr. Geoff Irvine: I would, loosely.

Hon. Lawrence MacAulay: It makes sense.

Mr. Geoff Irvine: They're not retailing it.

Hon. Lawrence MacAulay: They're moving it on.

Mr. Geoff Irvine: These are live shippers who are keeping their market happy during times of no product or during times when product has just landed that isn't acceptable to ship. It's definitely a marketing strategy. It's a sales strategy. Sometimes it works, sometimes it doesn't. Last year, after the spring season, there were massive mortalities in the holding systems because of the quality of the lobster, and because of the water temperature. That wasn't a great time to be holding lobster. Sometimes it works, sometimes it doesn't. Sometimes the market goes up, sometimes it doesn't.

Hon. Lawrence MacAulay: There was a suggestion by some people that we need to hear from more people other than yourself. I'm pleased you're here. I think I said that. I recommended that you be here. I think I told you that yesterday. Do you feel that we should hear from other sectors involved in the fishery in order to establish where we are and just what is going on? Do we need the producer of the product itself, the people who handle the product? Do you feel it's of value for this committee to hear from these people and find out just what is going on?

For example, we hear that Red Lobster hasn't changed the price— personally, I do not know—from the time the lobster price was high. We're in a free-market situation and it's fair for them to do that if they want. Do we need to go farther with this committee in order to find out just exactly where we are, and what the retail of the product is? For the person consuming the product, has the price changed much since the fishers were receiving a large price, excluding the change in the dollar? Do we need to deal with that?

Mr. Geoff Irvine: I guess that—

Hon. Lawrence MacAulay: In order to find out just exactly what is going on, if you could ever find out what's going on...and, of course, I realize we're in a free-market situation...

The Chair: Mr. MacAulay, let Mr. Irvine answer.

Hon. Lawrence MacAulay: I was just trying, Chair, to be sure that he understood exactly where I was coming from.

The Chair: I appreciate that.

Go ahead, Mr. Irvine.

Mr. Geoff Irvine: I don't know the mandate of the committee. I don't think it could hurt to have the harvesters or the shippers or processors here to give you their side of the story. I would just reiterate that we've done that. We've been talking among ourselves for three-and-a-half years. We know basically what the challenges are, but that's up to you. I think they'll tell you what I'm telling you, because what I'm telling you is what they tell me around our tables every day. But that's up to you.

• (1200)

The Chair: Thank you very much.

We'll now move to a five-minute round, and we'll start off with Mr. Donnelly.

Mr. Fin Donnelly (New Westminster—Coquitlam, NDP): Thank you, Mr. Chair.

Thank you, Mr. Irvine, for being here.

It sounds like in your message you have clearly presented information to us. You asked how the federal government could help. You emphasized that marketing through other jurisdictions is key. You pointed to Alaska, Norway, so obviously, this development of a levy system to fund and promote and structure reforms is key, and supporting marketing and promotional dollars is also key.

One thing I want to turn to, though, is in your presentation I didn't hear much about the biomass. Maybe we could explore that a little bit. Would you say there are any issues with biomass in Canada, or in the United States, more specifically, given the landings you've mentioned in Maine?

Mr. Geoff Irvine: The biomass is very healthy. We have a challenge of excess, but the lobster biomass, in general, is in great shape, and we have low predation out there. Predators are absent. Herring is not there. Cod is not there. We have warming waters that are moving the lobster body more north and I think impacting the proliferation of lobster. We have bigger and more powerful boats to catch more lobster.

We work very closely with the DFO biologists all the time, and I sit in on meetings of the advisory boards for all the different areas

and meet with the harvester associations. Of course, there are some areas where there are some challenges in the gulf, a couple of spots, but in general, the biomass seems to be very healthy.

Mr. Fin Donnelly: How far is that predicted into the future? We did a big report on snow crab, for instance, and we know the biomass cycles over, let's say, decades. There are highs and lows, and that obviously affects pricing.

Mr. Geoff Irvine: Snow crab is about a seven-year cycle. With lobster, I don't think we've seen that type of cycle. If you look at the numbers they're just all going up.

Are we worried about it? Sure. If we saw a collapse in this fishery it would be traumatic.

Mr. Fin Donnelly: And you don't see that.

Mr. Geoff Irvine: Not today.

Mr. Fin Donnelly: You mentioned the warming waters, climate change affecting the oceans. Does that have any influence on the U. S. or Canadian side and on areas within the Canadian fishery?

Mr. Geoff Irvine: I'm not a biologist and I don't spend a lot of time on this, but anecdotally, what we've seen is the fishery in the very southern part of the range, which would be Cape Cod, Rhode Island, that southern part of the range, has basically dried up. The lobsters are moving north to cooler water. What does that mean? I don't exactly know, but in the Canadian zone we've seen massive catches in the Bay of Fundy. We've seen massive catches on the north side of P.E.I. We've seen huge catches around Guysborough county in Nova Scotia.

You'd really have to talk to the DFO biology folks about that. All I can tell you is that it's given us a bountiful harvest to market, and it's been good on one hand, but a challenge on the other.

Mr. Fin Donnelly: Right, in terms of pricing....

Mr. Geoff Irvine: That's right.

Mr. Fin Donnelly: I'll switch gears for a second on the certification. I know it did come up earlier, but Maine has been given the Marine Stewardship Council certification, and other areas in Canada are looking at that closely. How much do you think that certification does affect lobster price specifically, say, percentage-wise of landed product? You had mentioned that quality is key.

Mr. Geoff Irvine: It's a tough question. I don't know the answer.

Eco-certification in general in seafood products has not been shown to dramatically increase prices. It has been shown to keep prices steady. As I said earlier, it has basically become a cost of doing business, which is challenging for the industry to accept. It's a big investment, but it's really something we can't ignore. We know that we have a sustainable fishery. Unfortunately, we just have to have someone else tell us. Also, having that MSC logo will help us with our branding strategy; there's no doubt about that. Maine is already using it in their promotional strategy.

I didn't mention it earlier, but another big factor here is that Maine is about to pass a bill in their legislature—I'm not sure whether it has been talked about here—which will implement that levy. They have been wrangling over how to share the levy. Maine, of course, is in America, so the state regulates both the buyers and the fishermen. It's a hell of a lot easier than here, in our system.

They're about to pass it. It has gone through the committee in Maine, so I'm convinced it will be passed. It will produce \$1 million next year, \$2 million the following year, and \$3 million the year thereafter, providing \$6 million for promoting Maine lobster. This is another reason that we have to get at this.

I'm sorry, I digressed there.

● (1205)

The Chair: Thank you very much.

Mr. Allen.

Mr. Mike Allen (Tobique—Mactaquac, CPC): Thank you, Mr. Chair, and thank you, Mr. Irvine, for being here today.

Thank you for the information with respect to why these landings are going up. Obviously, they have a supply and demand situation. More supply means that the pricing, especially if you can't level it out....

I have a question on that, though. Are there optimum holding times for the stock if, for example, they are put in live pens, or if they are processed and put in vacuum packs, or whatever it happens to be? Is there a time beyond which it has gone past the best time to still be marketed, past optimum holding times?

Mr. Geoff Irvine: In the case of live lobster, it depends on how you hold it. If you do what they call holding it in tubes, whereby they have plastic tubes in crates, floating in water, that's one way to hold it. The experts on that would know. But there is definitely a shelf life. If you're holding them in crates, there's a time by which you want to move them. If you're holding them in above-ground storage, there's a time by which you want to move them. The folks who do that are very good at it.

In terms of processed products, there are best before dates on all products, and that system is closely regulated by CFIA and by our customers and shippers. With some of the newer products.... There's a pasteurized lobster product being developed, which is really fascinating. It has a much longer shelf life for retail and for food service. There's some neat stuff happening there.

Mr. Mike Allen: Is that an example of some of these companies' looking at technology options to build, to possibly stretch this time out a little further?

Mr. Geoff Irvine: Absolutely. Look at that UHP product. It's a fantastic, high-end food service product that I think is going to grow.

Mr. Mike Allen: I'd like to ask you a couple of questions about the interprovincial committee that has recently been struck by the provinces. You indicated that you're not directly involved, but I'm assuming that some of the folks who are part of your council would be in that working group. Is that true?

Mr. Geoff Irvine: We don't know yet. What I know about that interprovincial panel is that it's going to consist of three people, one nominated from each of the maritime provinces. I'm assuming they

will be experts in the field of understanding how markets build up and where the value is in the value chains. Of course, we will likely be an adviser to the panel. We have reams of data and research.

The terms of reference are just being written for that group. P.E.I. has its own panel or individual doing a similar thing. It's rather early days yet.

Mr. Mike Allen: In your recommendations, you talk about supporting long-term improvements in industry structure. There have been many recommendations made in previous reports, even by this committee. Can you specifically say what you mean?

You mentioned in passing that these folks might talk a little about restructuring the fishing seasons. That's obviously one way to do it. Have there been any discussions on quotas, or other types of things as well?

Mr. Geoff Irvine: I really don't know what they're going to be talking about, exactly. From what I've seen in the media and heard from various provincial people, it's mostly about structural questions: how the prices are set.... That's a big one, I think. Nobody likes the way the shore prices are set today; it's a mess. We've done a lot of work on that, and there are lots of options.

It's mainly a question of how prices build up, how the value is shared, how the prices are set. I think they're going to focus on things such as those. I don't know that they're going to be focusing on resource management issues, such as changing seasons. I don't think that's part of this, and I don't think quotas or any supply management question is part of this.

● (1210)

Mr. Mike Allen: Judging from some of the information you've given us and I'm hearing from you today, but as well respecting Mr. MacAulay's comments, there has been a tremendous amount of work done in the last three years. It just seems to me that, if we keep holding hearings and just keep hauling people in.... Are we not better off to start looking at some of the stuff you're producing and look at areas in which government should or shouldn't be involved?

You've laid these recommendations out. You have talked about the levy system, about marketing promotion—all things that we can consider—but I'm wondering what the value of going through a big exercise is, when you have done a lot of this work.

Mr. Geoff Irvine: I don't know, but we have done all this work. We have a plan, which we're working on. It takes time. I can't speak to going through this again and again, but we have gone through it again and again.

Of course, one thing that's very practical in this issue is getting buy-in. We have a huge industry. I sit with my group; they're the most involved harvesters and most involved companies. But there are hundreds and thousands of people who aren't engaged. I guess any focus we can put on this is good. That's why I'm delighted that this panel is going to come together and that it has a high-level political focus. We need that. We need the industry to have that high-level focus to finally realize what we have to do.

So I don't think it can hurt.

The Chair: Thank you very much.

Monsieur Larose.

Mr. Jean-François Larose (Repentigny, NDP): Thank you, Mr. Chair.

Thank you to our guests. Being a fan of lobster, I'm happy to see you here. This is all very instructive to me.

You mentioned branding. I thought that was interesting. It's very "in" right now. I think it's a direction many people are looking in. You spoke about live lobster and the market in China. Do you believe that this strategy of branding is going to have an impact there or on various other markets that you're looking at? How can you stabilize the live market, which you seem to say is difficult, or say that sometimes there are shortages because the quality is really important?

Mr. Geoff Irvine: For China, we absolutely have to brand Canada. We haven't done a great job of it.

Some companies have done a great job of it. As I said, *Homarus americanus*, our lobster, is known in China as "Boston lobster". Like "Kleenex", it's a generic term: Boston lobster. We need to do something about that, because most of the lobster sold in China is Canadian lobster. Whether it's sold by us or by Americans, it's our product. So that is a place in which we absolutely have to develop and establish a strong brand.

The challenge with branding is fascinating, because every one of the various provinces involved in this industry has its own parochial feeling about its own lobster. Quebec has developed recently a very nice lobster brand, and they're promoting it very actively around the world. Nova Scotia is talking about establishing a lobster brand. P.E. I. would like to establish a lobster brand.

My challenge on a daily basis is to remind people that we're stronger as Canada than we are as provinces. We know this from all the work of Agriculture and Agri-Food Canada. The Canada Brand program knows that. I'm a bit of a broken record, but the Chinese know Canada. They don't know Quebec or Nova Scotia.

That's another thing that I need help to focus on: Canada, and not Cape Breton or P.E.I.

Mr. Jean-François Larose: I believe that a couple of years back *Pêches et Océans* put in place a tagging system under which the fishermen do the tagging. But there's not really any control, and the fees are placed on them. Is there anything that we at our level could do to make it perhaps more...? "Unisync" may be the word I'm looking for.

Mr. Geoff Irvine: A grand vision would be a Canadian brand with a Canadian tag, with a traceability component, which is what you do in Quebec. I'm not sure whether you're from Quebec, but....

Mr. Jean-François Larose: I am, yes.

Mr. Geoff Irvine: Quebec has this Aliments du Québec program under which every fisherman has a number, and if they want to participate, their number is on their tag. They tag their lobster with this number, and if you buy the lobster anywhere in the world, you can go online and see a video about that fisherman.

There's another program called "This Fish", which is a seafood program based on the west coast. It is another tagging program that many lobster guys have participated in. It's a traceability program for marketing.

As you said, there hasn't been a lot of pickup at the distribution level yet, but a Canadian brand, with a Canadian tag and a Canadian traceability program...? That would be beautiful.

Mr. Jean-François Larose: If that branding were put in place, we have talked about China, but are there any projections for any new markets that could be looked at, maybe Japan or Korea?

• (1215)

Mr. Geoff Irvine: The Far East, South Korea, is another great growing market. Japan has been a very steady market forever, but I'm sure we could do more work there.

We have a whole marketing strategy that is evolving, but basically, the idea is to start domestically. We can sell more lobsters domestically—work with chefs, journalists, those who influence food around the world, key U.S. markets, key European markets. But the Far East is definitely a big bright spot.

Mr. Jean-François Larose: In that direction, would there be anything we could do at a federal level to support the council?

Mr. Geoff Irvine: Sorry, that was a key question. I don't know yet.

We work every day with Agriculture and Agri-Food Canada that has the mandate to support marketing of food products. I have a meeting with them later today on supporting our branding program with some money from a program.

The Canada brand work that they do around the world... I met our trade commissioner from Ukraine in Europe last month. He had just done a huge promo of lobster, salmon, and a couple of other products, in Ukraine, using Canada brand money, in retail outlets in Kiev. Those are really important programs.

The Chair: Thank you, Monsieur Larose.

Mr. Sopuck.

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

I was interested in your slide, “How can Federal government help?” I'd like to go through it point by point. I'll leave the levy for a minute.

In point number two, you said to support marketing and promotion. In 2009, something called the community adjustment fund directed that \$10 million be allocated to improve marketing and assist in innovation. Mr. Irvine also talked about what AAFC is doing with you in terms of marketing and promotion. So the federal government is fulfilling that ask of yours, is that right?

It's never enough, I understand—

Mr. Geoff Irvine: We can always use more.

Mr. Robert Sopuck: —but we are doing point number two.

Mr. Geoff Irvine: There have been programs in the past, for sure, and there is the agri-marketing program under AAFC today that we need to levy to be able to match, to be able to qualify for.

Mr. Robert Sopuck: I'll get to the levy in a minute.

Point number three is to complete the CETA negotiations. We're doing that.

Point number four is to continue Canada brand program with AAFC. Obviously, to continue means that it's in place.

Mr. Geoff Irvine: It's in place today, yes.

Mr. Robert Sopuck: In terms of long-term improvements in industry structure, my colleague talked about that. That's an ongoing effort, I presume, and the federal government is participating in that.

Mr. Geoff Irvine: Yes.

Mr. Robert Sopuck: In terms of the levy, then, we're basically doing all you're asking for, except the levy. It seems to me that there is a consensus among the harvesters to have a levy. Are you saying that it's up to the federal government, which is legitimate, to actually put a legal structure in place so that levy can be harvested from the harvesters?

Mr. Geoff Irvine: If the harvesters are supportive of that, as they were some months ago—and of course it will take some more checking back on that—in general, yes. The question is whether DFO can do that through the regulation of licence fees. We're talking to them about it all the time.

Mr. Robert Sopuck: Well, I represent an agricultural constituency and we do it all the time in agriculture. Out west, we have something called the western grains research program. That's a check-off. On every tonne of wheat a certain amount of money goes for wheat research. It's a very successful program. I don't think we need to reinvent any wheels here; simply look at what agriculture has done and do what they do.

Personally, I find it really interesting that commercial fishing in general is the only natural resource harvesting enterprise in Canada that does not pay any royalties or levies. There are stumpage fees for trees, royalties for fur, oil and gas revenues, and so on. Commercial

fishing stands out as the only one that does not contribute to itself, if I can use that phrase.

I would personally be supportive of whatever the federal government can do to assist you in that particular endeavour.

What is Canada's standing in the world in terms of lobster harvests?

Mr. Geoff Irvine: We're the biggest in the world.

Mr. Robert Sopuck: Okay. You talk about lobster tariffs. Which countries have tariffs imposed on our lobsters?

Mr. Geoff Irvine: The EU has tariffs on all products. It ranges from about 6% on live up to 18% on meat.

• (1220)

Mr. Robert Sopuck: So CETA would be a great boon for your industry.

Mr. Geoff Irvine: Absolutely.

Mr. Robert Sopuck: Okay.

Do harvesters reduce harvest when prices go down? I used to work in the paper industry and we would always hear that such and such a mill had a shutdown because prices were low for a month. Then they would start up again.

Does anything similar happen in the lobster industry?

Mr. Geoff Irvine: Generally, when the prices get too low they stop fishing because they simply can't afford to fish. There's no coordinated effort to slow down.

Mr. Robert Sopuck: Does that reduction in fishing effort often result in a bump in the price?

Mr. Geoff Irvine: If you took a look through history you'd find it generally does because it's a supply issue; that is, if you keep supply off the market for long enough.

Mr. Robert Sopuck: How much competition is there between harvesters in terms of calling a buyer over and saying I'll sell you mine for a slightly lower price than he's asking.

Is there much competition between the harvesters?

Mr. Geoff Irvine: I think you meant sell at a higher price.

Mr. Robert Sopuck: Yes, I'm sorry.

Well, no, someone could say, “Instead of you buying from him, I'll sell you mine for a nickel a pound less”.

Do they do that?

Mr. Geoff Irvine: It's a complex relationship between the harvesters and their dealers. It's complex. Historically, you usually sell to the same guy your whole life, generally. Of course, there are guys who bounce around. There can be intense competition on the shore.

The Chair: Thank you, Mr. Sopuck.

Go ahead, Mr. MacAulay.

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

I appreciate the questioning. I doubt if there are many fishermen who offer them for a lower price. I don't think you'd be running into a lot of that.

Following up on what Mr. Allen had to say and your response, it would indicate to me that you don't see a big need for bringing anybody else before this committee, which is somewhat discouraging for me when looking at the price and what's going on.

Would you agree, sir, that companies undercut each other? Do you think it's a race to the bottom for price? What I mean is that whatever the company, whether it's Clearwater or anybody else, if they're going to China, Japan, or somewhere else to sell lobster and another company is going too, what I would like to find out—and I'm sure the fishermen would want to find out—is are they there to be sure they sell lobster? Do you feel there could be an undercutting of price or in fact a race to the bottom?

Mr. Geoff Irvine: In terms of your first question, I think I said it couldn't hurt to have other people come before this committee. I don't know the mandate of this committee.

Hon. Lawrence MacAulay: I appreciate that.

Mr. Geoff Irvine: That's up to you.

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

Mr. Geoff Irvine: It doesn't matter to me. I think I said they would probably say what I'm saying.

In terms of how we market and sell lobster, there is a large amount of undercutting that goes on in our industry. It's very competitive out in the industry. My board members love to call them cheap sellers. We have all kinds of cheap sellers in the industry who will work for nothing.

The challenge with the lobster, on the live side, is that you and I could start a company tomorrow and sell live lobster. If we want to work for a nickel, we can work for a nickel. We don't have the overheads of a company that's been in the business for 20 years. There are a lot of different business models out there. It's fiercely competitive and there's lots of undercutting. Do they want to race to the bottom? No. I don't think anybody wants to race to the bottom. All of these processors and shippers operate in the small communities where the fishermen are. I don't think any of them like the pricing the way it is. They work and live in these communities as well. Nobody likes it this way, but the market is this way for all the reasons that a market does what it does.

Hon. Lawrence MacAulay: Thank you very much.

Basically, what you're saying is that there is a problem at the marketing end. There is a problem because, if you're selling the product at a lesser price, the ones that suffer the most are the people. As I said before, the people who take their coats off to go to work generally do not get the money. This is what's going on here with the fishermen, I'm afraid. I would hope that this committee would see that. I certainly appreciate your expertise and knowledge, but there are other people in the industry who we need to hear from.

Also, I would like you to comment on the Atlantic lobster sustainability measures program, the \$65 million that was put in place. Could you elaborate on the federal government putting dollars

in place to aid in the marketing of lobster? Do we need more of that? Do we need more dollars? Was the money spent as well as it could have been?

I'd like you to comment on that.

• (1225)

Mr. Geoff Irvine: The ALSM was \$50 million, the short-term measures were \$5 million, and the marketing money was \$10 million, if I'm not mistaken.

Of the ALSM's \$50 million, virtually all of that money was used, if I'm not mistaken, to buy out licences, which I think was money well spent—taking effort off the water, which I think helps everybody who is left. That was most of the \$50 million, and also sustainability plans for the various fleets. Of the \$5 million short term, I think about \$3.5 million was paid out to harvesters directly. Of the \$10 million for marketing, I think about \$8.5 million was spent. I just took a look this morning on all the projects that it was spent on and half a million was on our project—our long-term value strategy—which I think was money very well spent. There was money spent on processing techniques, on P.E.I., on marketing to China, Canadian cities, U.S. cities. So I think the industry spent that \$8.5 million about as best as it could.

We weren't in place when that began, so I think if we had that money again through the Lobster Council, we would spend it differently. I think we'd spend it a little more strategically and we'd spend it to work our plan. So if you handed me \$10 million today, we would spend it to work our marketing and our marketability plan and put it to very good use.

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

Hon. Lawrence MacAulay: You cut me off again.

The Chair: Time is up.

Ms. Sims.

Ms. Jinny Jogindera Sims (Newton—North Delta, NDP): Thank you very much.

You know, it's always a delight to pop in to a different committee and whenever we talk about fisheries it's an area that's close to my heart, coming from the west coast. Of course we don't have lobster, but we really appreciate the lobster that you provide to the rest of the country and Phil keeps promising to bring lobster, but has failed so far.

An hon. member: It's on record now.

Ms. Jinny Jogindera Sims: Really, one of the key questions I have is that whenever we're looking at industries, whether it's the salmon industry or the lobster industry, we call them industries, but they're also people's livelihoods. These are the people who go out and fish and they make a living that way. Whenever we're looking at these industries now, we know that science can inform us, that good research can inform us in the kind of decisions we make—whether it is about the way we harvest, when we harvest, or whether it's tracking the amount of lobster in this case and the impact of climate change or overfishing so to speak.

When you look at science and research, how could the federal government do more to support research and development to assist the lobster industry? Now, knowing that we have a government right now that is quite allergic to data, and has a very hard time with a lot of research as well, and we know that—

Some hon. members: Oh, oh.

Ms. Jinny Jogindera Sims: I'm at a committee. I'm being nice. Enjoy this.

For me the question really gets down to what we at the federal level could be doing specifically. I don't want general comments, because I could make those too. But specifically, what research and development could the federal government focus on that would assist not only the so-called global industry of lobster in Canada, but also specifically those who actually fish for lobster?

Mr. Geoff Irvine: My answer is that I really don't know. That would be a question of some of the harvester groups that may come here. They're far more involved in that day-to-day biological things than we are. I don't really know.

What I do know is that the lobster biologists who work at DFO are very important and the work that they do on all the things that they do is very important. I wouldn't want to see that ever change, but specifically I can't answer that. I don't know. You'd have to ask the harvesting group, who is on the water day to day. They're far more involved. You'd be surprised at how active the harvesting associations are with science. They're very active with science. They do a lot of projects. They're very mindful of the gift that they have been given, and that's a great question for them.

• (1230)

Ms. Jinny Jogindera Sims: Thank you. I'm hoping somebody on the committee will note that and ask them when they come to this committee.

Obviously the work you do as an organization has to be informed somewhat by science. As you said, you appreciate the work being done by DFO in this area, and you appreciate the information they provide. So my plea to the government is, with all the cuts that are going on, I hope that there are no planned cuts to the few scientists we have left who are doing research in these areas. I know you can't comment on that, so that's more for me.

The other thing is that I noticed in this report, in the presentation you made today—and I wasn't here for the whole presentation, but I did flip through quickly—that when you got to “How can Federal government help?” there were a number of areas there. So I'm looking to you for some ideas of how this could happen. How could the federal government support marketing and promotion?

Mr. Geoff Irvine: They could by continuing to fund the AAFC marketing program and continuing to fund the Canada brand program. These are important for the seafood sector.

Ms. Jinny Jogindera Sims: Thank you.

How could we support the long-term improvements in industry structure?

Mr. Geoff Irvine: You could by continuing to support the Lobster Council of Canada.

Some hon. members: Oh, oh!

Ms. Jinny Jogindera Sims: Okay. That was an open-ended question. You could have gone on about that.

The Chair: Thank you very much. Your time is up.

Mr. Kamp.

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

To begin, let me just correct that the short-term measures program was actually a \$15 million program. I'm not sure if all of it was spent, but certainly more than \$5 million was spent on that.

My main question is sort of a general one to begin. You're here because some members of the committee felt that the lobster industry is in a particular “crisis” or that there were things going on that were somewhat unusual. I guess that's my question. Is what we're seeing at this point in time, with the prices and so on in recent weeks, unusual? I understand that when they're low, that's not a welcome time, but is there anything that's unexpected, given the factors at play?

Mr. Geoff Irvine: I think what we see today is the culmination of a year of decreasing shore prices, and it is most definitely a crisis for some fleets. When the shore prices get to these levels, fishing operations simply become unviable. So there is very definitely a crisis.

On the selling side, the lobster has to be sold. We had companies go bankrupt last year. Despite what everybody thinks, there's very low profitability in the selling sector as well as in the fishing sector. Some fleets are able to make up for lower prices by catching more, but some simply can't. So definitely some fleets are really suffering in this environment of low shore prices and that impacts hundreds of communities.

I would say that we are definitely at a point now where there are big challenges.

Mr. Randy Kamp: I think you said earlier, though, that these will work themselves out. Is it accurate to say that although these are certainly difficult times for harvesters and other sectors of the industry, the situation is not due to collusion or anything like that. There are sort of expected factors that come into play from time to time in the marketplace. Is that right, or am I missing your point there?

• (1235)

Mr. Geoff Irvine: I can't say that this will work itself out. Generally, year over year, these things work themselves out. I don't know where this is going to go. It depends on all kinds of factors: whether we keep landing the same volumes, how the currency does.... There are all kinds of factors.

Is there collusion? Is there something strange going on right now? No. From the facts in front of us, the activity and the way the market is behaving are fairly predictable. Our challenge is that today it's working at levels that are below the levels where the harvesters can be profitable, and that's a real challenge.

Mr. Randy Kamp: No, I understand that.

In the long-term value strategy report, the Gardner Pinfold report, I think it was really helpful, near the end of it, when it talked about six key factors:

Four market factors—demand, supply, price and quality—are helped or hindered by two factors that can be managed by industry—degree of cooperation and the nature of competition.

I think that's very insightful, actually. Those last two—the degree of cooperation and the nature of competition—obviously do affect supply and demand, and so on. Are you making any progress on these?

Mr. Geoff Irvine: It just warms my heart that you've actually read the report. It's a big report, and not a lot of people have done that.

Those are two key factors. Have I seen a change in cooperation in three-and-a-half years? Absolutely. Do we need more? Absolutely. We have a real failure to communicate and cooperate going on in this industry, but it's better than it was. We're absolutely making progress there.

I can attribute that to actually having a lobster council where for the first time ever we have harvesters, shippers, processors, and dealers sitting around a table like this, three or four times a year, building relationships. It never really happened before outside of your own community. So that's been really important.

What was the second one: the nature of collaboration?

Mr. Randy Kamp: Competition.

Mr. Geoff Irvine: Right, the nature of competition. Well, that goes to what Mr. MacAulay said. It's a cutthroat, competitive business, and we trade away a lot of our value in the industry by competition. The report clearly says that. The structure of the industry is such that we kill each other in the market, and we leave a lot out there that we should be keeping in Canada.

Mr. Randy Kamp: Thank you very much.

The Chair: Thank you, Mr. Kamp.

Mr. Weston.

Mr. John Weston (West Vancouver—Sunshine Coast—Sea to Sky Country, CPC): Thank you.

I just want to repeat the kudos to our parliamentary secretary for his hard work.

On the other hand, I have to bring a challenge to the chair. We have a meeting on lobster. There's a problem with getting lobster out in the marketplace, and what do we have for lunch? Tuna.

Voices: Oh, oh!

Mr. John Weston: At any rate, I'd like to take up the really interesting comments you've made, Mr. Irvine. Thank you for being here.

We were talking earlier about Maine and the circumstances in Maine. You were on the point of explaining how the increase in supply of lobsters in Maine was coinciding with the decrease in price. The \$2.68 number sticks in my head.

Can you please confirm that I have that right, that it's clearly a supply-driven issue?

Mr. Geoff Irvine: I don't have the exact number here, but I think Canada imported roughly 200 million dollars' worth of Maine lobster last year to process in Canada, which would be over half of Maine's supply.

Maine lobster is a key component in the processing sector in Canada, in New Brunswick specifically, and in many other provinces. They were landing so much last summer that the price absolutely collapsed. It got down below \$2 at some points. Much of that product came to Canada to be processed, which helped to collapse our market.

So yes, supply is a huge factor in this. It's massive. It's *the* factor.

Mr. John Weston: That's highlighted in the page in your deck entitled, "Canadian and US Supply and Price trends 2007-2009".

Mr. Geoff Irvine: Yes.

Mr. John Weston: To me, as I look at where government can play a role, and maybe where government, even if it were to intervene, wouldn't necessarily play a role, we can't alter the supply.

I felt that your requests were quite wise and fair, in that you seem to have reflected that overriding factor in your list of things the government could do to help.

• (1240)

Mr. Geoff Irvine: Well, I hope so.

No, the Lobster Council is not asking for any intervention when it comes to supply. The harvesters have to manage supply themselves. That's up to them. What we're asking for is help to market, promote, and manage the marketability factors.

Mr. John Weston: On that very point of helping to promote, I'm the chair of the Canada-Taiwan Parliamentary Friendship Group, and I notice that Taiwan is not listed as one of your major buyers.

Chinese people do love this type of seafood. Is it just the smallness of the population of Taiwan, or are there other factors that don't put Taiwan on that list?

Mr. Geoff Irvine: I imagine it's just a factor of how we add up the numbers. I think they are probably in there. They could be a part of the China numbers or the Hong Kong numbers. I don't know where Taiwan fits there, but I'm sure we sell good volumes in Taiwan.

Mr. John Weston: All right. I was really intrigued by your description of the history of your council. It's only three years old and yet you have an optimistic view of the level of cooperation among the members. Is that perhaps because one's imminent execution concentrates the mind, or is it because you see other good motivations driving people to work together, which perhaps could spell a more optimistic future?

Mr. Geoff Irvine: They couldn't have picked a more optimistic guy to have this job than me because this is the most challenging position I think there is in the fishing business. Keeping the lobster sector working together is very tough. So I'm optimistic because we have bountiful harvest, we have big opportunities to market and brand and do all these exciting things, and I think we'll do it. I think there's momentum building to do it. I'm not sure if that answers your question.

Mr. John Weston: You're optimistic. You're clear in your answers. You know the industry. You're obviously the right person in the job.

You also mentioned thousands of people are not involved in the council. What plans do you have to get them involved?

Mr. Geoff Irvine: With some money from DFO in the last quarter of last year, we were able to hire a communications staffer. So I have 100% more people right now, and we have been able to keep her.

Our plan with that is dramatically more and better communications. We have started an e-newsletter. We have started a much more vibrant website. We talk every day about ways to bring more people into the council through other, different means.

It's really a communication strategy of promoting ourselves within the industry. It's a huge industry. It's a fragmented, multilingual industry. We have a strategy in place, but it's slow. Many thousands of harvesters are represented by unions and associations, so it's also working closely with the leadership in the PEIFA, the MFU in New Brunswick and the Grand Manan Fishermen's Association, the FFAW, and getting them to pass on all the information. That's coming, but it's daily.

Mr. John Weston: You pivot—

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

Mr. John Weston: Ten seconds?

The Chair: No. Your time is up.

Mr. John Weston: You're ferocious, but I earned that, didn't I?

The Chair: It's because of the comment to the chair about the lobster. We could be studying peanut butter soon, so just be careful.

Mr. Irvine, I want to thank you for your presentation today. I have a couple of questions myself. I want to expand upon something you mentioned in the intervention with Mr. Weston. You talked about 200 million dollars' worth of lobster that was imported from Maine into New Brunswick last year.

My question is around the numbers that you talk about for exports by province, that slide you showed. It showed New Brunswick having a \$476 million export figure last year. Are those 200 million dollars' worth of exports included? Is this a processed product? Can you break that number down, I guess is what I'm trying to find out. That \$200 million of lobster that was imported, does that go into the \$476 million that was exported as well, for that figure you have put before us here today?

Mr. Geoff Irvine: Sure. Just to be clear, most of that lobster comes into New Brunswick first, but some of it goes to P.E.I. and some of it goes to Nova Scotia to be processed.

I don't know the number, but I would say the majority of it stays in New Brunswick to be processed. So yes, the number I presented for New Brunswick exports includes any products produced from the Maine raw material.

● (1245)

The Chair: I understand that. We in Atlantic Canada had the value of having the processing sector. To be very frank with you, we have the majority of the processing sector. The lobster that's imported comes across that border from Maine into Atlantic Canada to be processed in Atlantic Canada, I guess is what I'm saying. We are receiving some value.

I'm trying to establish if it's factored into these numbers that you provided us today because obviously those numbers aren't exactly what's harvested and processed. I guess some of the harvesting is taking place in the state of Maine. It's hard to isolate Atlantic Canada.

I'm getting to the fact here. I know I'm taking a long way about it, but the 25,000 crew, plant workers, and other supports, those people would be in the processing sector. They would receive some value and some benefit because of that importation of lobster into Atlantic Canada, because we have the processing sector more established in Atlantic Canada. Would that be a correct statement to make?

Mr. Geoff Irvine: Oh, absolutely. I think that slide showed the three peaks in the year, and I tried to explain that having that Maine product in the fall of the year keeps our plants open year-round, which hasn't always been the way.

The Chair: That's the point I want to highlight here. Maine's not the enemy here, I guess is what I'm saying, because they are facilitating, keeping our processing sector alive by our being able to import that product as well.

I'm not trying to pit one against the other, but you made the comment that it was the low price of the Maine lobster that precipitated the issue last year. We know the issue we're talking about here. We're talking around it, but I'm just trying to establish that there is cooperation that exists between the regions as well.

Mr. Geoff Irvine: Absolutely, and there are many who think we should be collaborating with Maine on our marketing efforts. It's the same species, we all fish *Homarus americanus*. We catch roughly the same amount now, but we've resisted that. We think the way to go is to promote Canada, but we work with them all the time. I talk to the Maine folks all the time, and there are lots of linkages, and the Maine border takes lobster back and forth, as we know.

The Chair: I appreciate your comments, because that's where I was going. Is there value in working with the State of Maine? As you said, there is a levy being applied in Maine—

Mr. Geoff Irvine: About to.

The Chair: —or about to be applied in Maine. Is there value for the Lobster Council to work with the State of Maine, recognizing the fact that globally we're seen as one area? I know we have a border there, but the seafood product doesn't know that border.

It's more of an observation and it's not a criticism at all. I want to end by commending you on the work that you've done. You've brought us a tremendous amount of data, and certainly, to Mr. Weston's comment earlier, it's a huge challenge to try to bring all these groups together and to work toward the direction that you're going.

We do understand a little about the industry and that what you're doing is not easy. I want to commend you on that and encourage you, more than anything else, to keep going because I do believe you're going in the right direction. Some of the data you've put before this committee today has clearly outlined some of the opportunities that are out there for the lobster industry.

You showed some numbers with respect to exports and where these products are going. I see increases just in the last few years into some of the Asian markets. If we expand in those markets, it's going to make our product more valuable in the other markets as well. There is a means to the end, and I wanted to comment on that. I want to commend you once again on what you're doing. I do appreciate it.

Thank you very much, Mr. Irvine, for coming today and thank you for providing us with the information you've put before this committee. We certainly do appreciate it.

Is there any further business for this committee?

Mr. MacAulay.

Hon. Lawrence MacAulay: Yes, Mr. Chair, just on the direction of the committee after what we heard today, are we going to bring more witnesses before the committee?

I'm very disappointed. Mr. Allen is shaking his head.

● (1250)

The Chair: Mr. MacAulay, you're asking a question. The committee did pass a motion to hear from Mr. Irvine, and we did that today. There hasn't been any discussion within the committee to go any further or any decisions with this committee to go any further.

I'm not sure what you're asking here today. Is it for further direction or what's the case? We say many times that a committee is the master of its own destiny, and certainly I'm asking for some direction from you and from the committee members here today.

Mr. Woodworth.

Mr. Stephen Woodworth: I guess we've now moved from the process of hearing evidence to the process of determining committee business, and I'm sure Mr. Irvine would like to stay and listen, but I think we should at least give him the opportunity to leave if he wants to do so. I don't know if he was properly thanked and sent on his way.

The Chair: I hope he was properly thanked. Thank you, Mr. Woodworth.

I assume you're moving that this committee go in camera.

Mr. Stephen Woodworth: I so move.

The Chair: I would ask members, before you get up and leave, there's a motion on the floor. It's been moved by Mr. Woodworth that this committee proceed in camera.

Those in favour? Those opposed?

Mr. Jean-François Larose: Could we get a recorded vote on that, please?

The Chair: You certainly can.

(Motion agreed to: yeas 6; nays 5)

The Chair: We'll take a brief recess so we can go in camera.

[*Proceedings continue in camera*]

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