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Chair: Mr. Ken McDonald



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• (1535)

[English]

The Chair (Mr. Ken McDonald (Avalon, Lib.)): I call this meeting to order.

Welcome to meeting number 33 of the House of Commons Standing Committee on Fisheries and Oceans.

Pursuant to Standing Order 108(2), and the motion adopted on April 21, 2021, the committee is meeting on its study of corporate offshore licences.

Today's meeting is taking place in a hybrid format, pursuant to the House order of January 25, 2021. Therefore, members can attend in person in the room and remotely using the Zoom application.

The proceedings will be made available via the House of Commons website. The webcast will show only the person speaking, rather than the entirety of the committee.

To ensure an orderly meeting, I would like to outline a few rules to follow.

Members and witnesses may speak in the official language of their choice. Interpretation services are available for this meeting. You have the choice at the bottom of your screen of “floor”, “English” or “French”. You will also notice the platform's “raise hand” feature on the main toolbar should you wish to speak or alert the chair.

Before speaking, please click on the microphone icon to unmute your mike. When you are not speaking, please put your mike on mute.

I would now like to welcome our witnesses for the first part of our meeting today.

For the first panel, from the Canadian Independent Fish Harvesters Federation, we have Melanie Sonnenberg, president. From Unifor, we have Keith Sullivan, president of the Fish Food and Allied Workers Union. From the Maritime Fishermen's Union, we have Martin Mallet, executive director. From the Prince Edward Island Fishermen's Association, we have Ian MacPherson, executive director.

I would like to welcome Madam Desbiens in place of Madam Gill. As well, I want to thank Mr. Bradgon for filling in as chair of the meeting last week, as I wasn't available.

We will now proceed with opening remarks from Ms. Sonnenberg for five minutes or less.

Ms. Sonnenberg, when you're ready, the floor is yours for five minutes or less, please.

Ms. Melanie Sonnenberg (President, Canadian Independent Fish Harvesters Federation): Thank you, Mr. Chair.

On behalf of our members across the country, we want to take this opportunity to address the honourable members today. Again, we express our appreciation for this opportunity.

The Canadian Independent Fish Harvesters Federation is comprised of member organizations representing more than 14,000 independent owner-operator enterprises that harvest most of Canada's lobster, crab, wild salmon, shrimp and groundfish. With 43,000 crew members across the country, independent owner-operator fleets make up the single largest private employer in most Canadian coastal communities. Combined, our harvesters spend more than 20 million hours on the water per year. Together, we produce over five billion meals and \$3 billion in landed value, generating over \$7 billion throughout the value chain.

Canada's fisheries bring great value to our coastal communities. This extends far beyond their economic value. Fisheries connect us to our oceans and define the economic, social and cultural fabric of our country's coastal communities. On top of this, local fisheries feed millions of Canadians, protecting our collective food security.

COVID-19 has reminded us of the importance of protecting our domestic food supply. As the stewards of Canada's coastal communities, our members have profound concerns about the corporatization of the fishery, particularly by vertically integrated and multinational corporations and especially from foreign countries. We thank the committee for its attention to this critically important issue.

The simple message is the following. Our public resources are at risk of being swallowed up by foreign owners driven by one thing and one thing only, securing our wild fisheries production for their profit. Access to the fishery by these vertically integrated and foreign multinationals threatens our coastal communities whose livelihoods depend on the economic vibrancy of the fishery.

Take for example Royal Greenland, the fishing company wholly owned by the Government of Greenland and Denmark. Royal Greenland's operations in Canada illustrate the severity of the threats posed by corporatization of the fishery. Keith Sullivan will speak to this as well, I'm sure, but this is a really good case in point. Royal Greenland has nine production units in Canada. They do not support the owner-operator fishery. They explicitly promote full vertical integration, a business model not permitted in the Canadian inshore fishery.

Royal Greenland bought into the Newfoundland and Labrador fishery in 2016. By 2020, the year after their shareholders made record profits of over \$52 million Canadian, they were the largest processor in the province. They recently purchased the second- and fourth-largest processing companies in the province. They also continue to secure considerable financial stakes in the province through several smaller companies.

Royal Greenland's arrival in Newfoundland drastically accelerated the pace of foreign corporate consolidation. They now have significantly more capital than any other local processing company. This aggressive business model of control and purchase completely stifles local competition.

Royal Greenland also operates a plant in Quebec. Their plant in Matane produces 45 tonnes per day of prawns and snow crab, only 5% of which stays in Canada. The remainder goes to Europe. In 2019 and 2021, Royal Greenland's Matane plant offered extremely high landing prices to snow crab fishermen to cut supply to local Quebec- and New Brunswick-owned plants.

Royal Greenland is not only swallowing up local processors and producers; their shareholders are also reaping all the benefits from our fisheries, leaving only a small fraction of their food supply and economic value for Canadians.

The corporatization of the fishery has several far-reaching, long-term consequences. It puts at risk our collective food security and increases prices to the end Canadian consumer. It takes corporate profits out of local communities and puts them in the hands of corporate shareholders. It jeopardizes the future of independent, locally owned factories, which can prevent independent fish harvesters from negotiating a fair landing price. Finally, it undermines the owner-operator principle, which is the backbone of Canada's coastal communities.

Our coastal communities have the potential to be resilient, sustainable and prosperous drivers of coastal economic and cultural wealth for generations to come. We must do everything we can to protect this public resource which, critically, also ensures that we are never cut off from our own domestic food supply. Fisheries access must remain in the hands of our harvesters and our coastal communities. Our fishing licences must only [*Technical difficulty—Editor*] be granted.

The federation supports a competitive market environment, but we must ensure that control of these precious public resources remains in Canadian hands for generations to come. We need to ensure fair and equitable opportunities for our future generations of fish harvesters, the new entrants in the industry.

• (1540)

As such, we support the collaborative development of clear regulations to limit foreign ownership and corporate control of our fisheries. This could include reducing the threshold for foreign acquisitions under the Investment Canada Act and the implementation of regulations requiring transparency of corporate agreements signed with respect to fishing licences.

We will forward a more expanded written response with some case studies for your review as we have such a short time and we want to be able to use it for questions, Mr. Chair. I'll close by saying again that we're appreciative of the opportunity and we're looking forward to answering any questions you may have.

Thank you.

The Chair: Thank you, Ms. Sonnenberg.

We'll now go to Mr. Sullivan for five minutes or less, please.

Mr. Keith Sullivan (President, Fish, Food and Allied Workers - Unifor): Mr. Chair, I hope you're hearing me well. Thanks very much for this opportunity on behalf of our 13,000 members here in what is, at least today, sunny and warm Newfoundland. I'm not sure if that's so for all of the province.

The Fish, Food and Allied Workers represent all inshore harvesters in our province: 3,000 owner-operator enterprises and their crew members as well. Our scope of membership also includes those in the processing sector.

In Newfoundland and Labrador, the value of the inshore fishery cannot be understated. It is closely connected to our culture and continues to support our coastal communities. Throughout our history, hard-working men and women have devoted their lives to the ocean around us, a dedication that has been the backbone of our province.

Today, our collective success depends on keeping the value of this industry in their capable hands.

Year after year, we witness the increased concentration of the provincial processing sector. Our members have continued to raise concerns about the corporatization of the fishery, particularly by multinational corporations owned by other countries. Thank you for paying attention to such an important issue for us.

It is significant to note that this high degree of corporate concentration in the fish processing sector in the province has not been a positive development. It has depressed competition for prices at the wharf, stifled the ability of harvesters to seek new buyers and has really swung the labour relations environment in the direction of the processing companies, without the transparency we need. These negative impacts are only exacerbated when corporate control is in the hands of foreign entities.

A foreign-owned crown corporation has become the largest processing company in Newfoundland and Labrador. It has taken over two major companies and other small companies. Royal Greenland, as Melanie said, is owned by the Government of Greenland. The company is beholden to the people of Greenland and Denmark and is able to access unprecedented capital to further expand into any market.

As a government-owned company, Royal Greenland has certain social responsibilities and accountabilities to Greenland that it doesn't have in Newfoundland and Labrador or Canada. This creates conflict, whereby Royal Greenland prioritizes Greenlandic harvesters and employees over the best interests of harvesters and employees right here. We saw this in shrimp in 2020, when they wouldn't buy shrimp in Newfoundland and Labrador but bought large amounts in Greenland. The success of Royal Greenland depends upon vertical integration between fishing fleets and the processing side of the seafood industry. They really have to circumvent the rules here in Canada, the federal regulations. Royal Greenland has created its own form of vertical integration through these controlling agreements.

When the purchase of a large processing company in the province was announced late in 2015, Royal Greenland stated, "If we want to invest in developing existing markets and building new ones, it is imperative that we consolidate and co-operate within our core species." The intention was to dilute competition among processing companies and instead focus on competition with other proteins.

This perspective is incredibly harmful to independent fish harvesters who rely on fair competition to get fair and reasonable prices. Without the ability to access competitive pricing, harvesters are bound to financial relationships, sometimes with processors, that don't serve them. Royal Greenland seeks consolidation and co-operation across national borders. This is not to the benefit of workers or of harvesters and is really against policies that limit this foreign ownership.

We cannot allow one of our most valuable public resources, one with incredible socio-economic value and that quite literally puts food on our national table, to be sold to the highest international bidder. To do so would be a social and financial miscalculation that will be suffered by generations.

Continued access to our resources by foreign multinationals threatens our coastal communities that have been the stewards of our seas for generations. The survival of our coastal communities, which we proudly showcase as synonymous with Newfoundland and Labrador, relies on the protection of adjacent marine resources that provide meaningful employment and quality of life.

• (1545)

The recent changes to the Fisheries Act included "the preservation or promotion of the independence of licence holders in commercial inshore fisheries" in the purpose section. We recommend this committee propose tangible supports to follow up on this purpose.

There are several ways to do this, such as limiting corporate concentration with a special emphasis on foreign interests, ensuring an

aggressive crackdown on illegal controlling agreements where corporate interests siphon the value of adjacent resources from our communities and focusing on supporting new owner-operator harvesters in this sector.

It is incumbent upon every member here and all who value our oceans to protect the public resource and ensure it is the people of Canada who enjoy the economic and societal benefits that come from our waters.

I know I'm up against my time limit, so I would be happy to have more conversation and answer questions.

Thank you for your time.

• (1550)

The Chair: Thank you, Mr. Sullivan.

We'll now go to Mr. Mallet from the Maritime Fishermen's Union, please, for five minutes or less.

Mr. Martin Mallet (Executive Director, Maritime Fishermen's Union): Thank you, Mr. Chair and the committee, on behalf of the Maritime Fishermen's Union for giving us the opportunity to speak today.

Our organization represents over 1,300 independent inshore owner-operator fishermen in New Brunswick and Nova Scotia.

We are grateful that all parties supported changes in the Fisheries Act that protected owner-operators and fleet separation in legislation, with the purpose of keeping Atlantic Canada's public resources in the hands of fishers in their communities and protecting the inshore fisheries from corporate control and influence. However, we are still very much at risk of losing our fisheries from other angles.

In recent years, mom-and-pop, family-run and community-based fishing and processing enterprises have been on the international menu to be bought and agglomerated by large corporate interests owned by foreign nationals—

The Chair: Mr. Mallet, I'm getting some notice from the interpreters that they're having a problem with the sound.

Tina, could you advise us on that please?

The Clerk of the Committee (Ms. Tina Miller): It looks like there might be a problem with your headset.

Mr. Martin Mallet: Mr. Chair, a suggestion would be to pass it on to the next speaker.

The Chair: That's what we'll do. We'll ask IT to get in touch with you to see if we can straighten out that issue.

We'll jump ahead now to Mr. MacPherson for five minutes or less, please.

Mr. Ian MacPherson (Executive Director, Prince Edward Island Fishermen's Association): Thank you very much.

Good afternoon, committee members.

Once again, the Prince Edward Island Fishermen's Association appreciates the opportunity to present to the Standing Committee on Fisheries and Oceans during this busy time for all.

As a representative organization for over 1,260 captains, our harvesters have experienced many changes in the past few years related to on-board equipment, regulations and export markets, but the fact that our members participate in a profession that contributes directly to the local economy has not changed.

Fishing has been a cornerstone of local coastal economies for many years, and if we play our cards right, it will be for many more, but there are storm clouds on the horizon that are cause for concern. We should all be concerned about the risk of moving from having independent owner-operators supporting our local communities to a consolidation of the industry around big corporations that have too much control over the fishery and who may export significant profits.

The concept of independent owner-operators managing their own businesses has been key for the survival of coastal communities since the start of the commercial fishery. Captains and crews that live in these communities buy their food, pickup trucks and supplies locally so that local businesses can continue to survive.

On P.E.I., most fleets employ three to four crew members with the 1,260 core licence fleets. This represents wages for between 3,700 and 5,000 individuals and their families on the harvester side alone. This is an example of how our independent small businesses contribute to and impact local economies. Our sector was one of the few industries that started last spring and generated much needed jobs and business revenue for Canada when most of the country and world was shutting down due to the COVID-19 virus.

Much of what I've outlined is at risk if we allow corporate interests to gain control and have power over the fishery. The recent sale of Clearwater Seafoods of Nova Scotia to Premium Brands of Vancouver and FNC Holdings Limited Partnership is of great concern. The issue is about the consolidation of power and corporate interests in the fishery, regardless of who owns the corporation.

There are many unanswered questions surrounding that deal that need to be answered by the federal government. The largest corporate sale in Canadian seafood history was announced on November 9, 2020, and approved less than 60 days later, on January 6, 2021, with much of the review time taking place over the traditional holiday season. The December 23 letter expressing concerns and questions by the PEIFA to Minister Freeland was not replied to until May 7, 2021.

Here are some of the key questions and concerns we have:

One, it is unclear why the existing grandfathered midshore and offshore licences are being transferred to one part of the ownership group.

Two, since the conclusion of the sale, the new entity has purchased more assets in the seafood and cold storage sectors, which speaks to a target model of full vertical integration. This model typically lessens competition on the wharf.

Three, if either the new entity or one of the shareholder groups becomes insolvent or bankrupt, will section 15 of the DFO licens-

ing policy, regarding licences held by a corporation in receivership, still apply?

Four, will the existing midshore and offshore licences be granted any additional provisions? We are still awaiting a reply from the Department of Finance on what tax changes may occur under the new ownership group.

The issuing of licences to midshore and offshore fleets has always been contentious as the focus first and foremost is shareholder return.

Our ocean resources are collectively owned for the benefit of all Canadians. Our concern is that there may be unintended consequences to all harvesters and their communities if the requested licence transfers proceed without full disclosure and transparency and preferential corporate access to a Canadian resource is permitted.

At the very least, all potential negative impacts need to be assessed.

Food security for all Canadians is of primary importance. Transactions of this magnitude must be scrutinized in their entirety and all impacts, positive or negative, assessed. We believe independent local owner-operators, whether they be indigenous or non-indigenous fishers, not big corporations, are the best way to keep the fishery and our communities strong and our resource sustainable.

Thank you.

• (1555)

The Chair: Thank you, Mr. MacPherson.

Now I'd like to go back to Mr. Mallet if the sound issue has been rectified.

You can start from the beginning if you'd like.

Mr. Martin Mallet: Can you hear me? Can the translators hear me speak?

The Chair: No, wait one second. They're still checking on it.

The Clerk: Mr. Chair, could we suspend for two minutes, please?

The Chair: Yes, no problem. We'll suspend for a few minutes.

• (1555)

(Pause)

• (1600)

The Chair: We'll now go to questioning with Mr. Bragdon, for six minutes or less.

Mr. Richard Bragdon (Tobique—Mactaquac, CPC): Thank you, Mr. Chair. It's good to have you back.

We'll get under way with our questions this evening. Thank you to all the witnesses. It's good to see you here today sharing your thoughtful considerations. We appreciate the input you're providing to this committee.

Royal Greenland's growth in the Canadian fishing sector has been cited as an example of the growing trend of foreign-owned [*Technical difficulty—Editor*] Canada's shared fisheries resources. We also know that the principles of owner-operator and fleet separation have been established in Canada's Fisheries Act.

How are multinationals able to grow and consolidate the power they have in Canadian fisheries even though owner-operator and fleet separation have been established in the Fisheries Act?

I'll put that out to each of you, and I'll start with Ms. Sonnenberg.

Ms. Melanie Sonnenberg: The issue around the access through controlling agreements, given that the regulation came into play April 1, we've had a policy in the fishery which prohibited this from happening, but because it was a policy as opposed to a law, we had a considerable amount of creep, I'll call it. Now we've moved into a different phase where the implementation is starting, and hopefully, we will see the department do more investigative work and be more attentive from a regulatory standpoint to expose some of these things that are going on behind the scenes.

With the legislation and the regulation, we're very hopeful in the industry that some of this will come to an end, but we need the support of all parties on this. It's not a matter of just hoping for the best and wait and see what happens. We need to make sure that everybody understands the importance of protecting our coastal communities in this country and ensuring that these licences stay in the hands of the individuals in the communities.

The Chair: Ms. Sonnenberg, I have to interrupt, because you're coming through, but there's a lot of static and interruption in the answer you're providing, and the translators aren't able to actually translate.

I don't know if it's related to your headset, or the placement of your headset, but we'll go to Mr. Bragdon for some more questions, and hopefully, somebody can check on that for you.

Mr. Richard Bragdon: Thank you, Ms. Sonnenberg, and thank you, Mr. Chair.

To each of you, and you may want to comment on the original question, all parties supported the addition of fleet separation and owner-operator to the Fisheries Act when Bill C-68 was before the committee in the 42nd Parliament. In your opinion, did Bill C-68 properly establish these principles in the Fisheries Act?

I'll start with you, Mr. Sullivan, and then Mr. MacPherson, followed by Ms. Sonnenberg after that.

Mr. Keith Sullivan: First of all, for foreign companies to get access into the processing sector, there are very few limitations, and that's part of the consideration here. Do we want foreign governments controlling that much of our food security and being able to come right into the fisheries, and certainly, have that level of power and control?

The second part, and Melanie was about to [*Technical difficulty—Editor*] talking about the ease with which these companies have

just flouted the owner-operator policy and fleet separation. We know there have been court cases around this for some time. I recall the Elson case with Quinlan Brothers Ltd. in Newfoundland and Labrador. They were able to control these inshore licences.

Right now, when we go out to our communities on the wharves and everything, it doesn't look like anything has changed. We are hopeful that the changes in the Fisheries Act and the regulations will give us the teeth where the Department of Fisheries and Oceans and the Canadian government will be able to dig into these controlling agreements that are really undermining our coastal economy.

Up to this point, the regulations came into effect April 1. We have not seen the evidence of this, but I really suggest this is where we need to put our focus. We've seen this slip way too much, so much so that we're [*Technical difficulty—Editor*] in the fishery. Fish processing companies are buying all these up, and the value of the fish on our doorstep can go to foreign shareholders. That's not the vision we had for the Fisheries Act.

We really need to focus on cracking down on those controlling agreements.

• (1605)

Mr. Richard Bragdon: Thank you, Mr. Sullivan.

Mr. MacPherson.

Mr. Ian MacPherson: The thing I wanted to touch upon... We're working with DFO, and a lot of the folks in DFO did an excellent job on the legislation and in putting the regulations in place or drafting them. However, there are some areas that we have some concerns about. I'd loop this back to the financing part.

Typically, before the changes were made, only charter banks or credit unions could make these types of financial loans. That was probably too restrictive, as it excluded family members. They could have been in contravention if they helped. On the other hand, we really have to make sure that this doesn't get opened up too much so that we have offshore companies helping to finance licences and purchase fleets, because that was the very point that made us advocate for these changes. We have to be very diligent—not just fishing groups, but political representatives—to make sure we don't slide back down that slope.

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

We'll now go to Mr. Morrissey for six minutes or less, please.

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

It's too bad that we lost Martin for this part. We have to be clear, and let's clarify this for the sake of the analysts. There are two issues here, and I'm asking for a clarification.

We're interchanging corporate within the inshore and the offshore. Access to offshore resources is exclusively held within corporations. The inshore fishery, as enshrined in the owner-operator policy, is exclusively for inshore fishers. Some of them hold their affairs for tax purposes within corporate identities, but since they are a bona fide fisher, this is allowed.

Perhaps you could clarify for me, Ian, and Melanie can as well. What is the issue you see that could infringe on the owner-operator policy when corporate access to offshore resources is sold, especially if it's sold to foreign interests?

Mr. Ian MacPherson: Melanie, why don't you take that one first?

Ms. Melanie Sonnenberg: I thank my esteemed colleague from Prince Edward Island.

Mr. Morrissey, the issue is in the offshore.

Before I go any further, the interpreter can only hear me so-so. I'll keep my eye on everybody, and if the sound is not good, you can cut me off and let Mr. MacPherson finish the answer.

There is a blurring of the lines between offshore and inshore. I think that might be one of our primary issues.

Am I—

Mr. Robert Morrissey: Your sound is bad, but you say there's a blurring. That's important for this committee to get clear. What is the area where the government must be on guard to protect the blurring from offshore?

Offshore has always been corporately controlled. What has triggered some discussion is the sale of a large corporation that has access to resources of the state, and how that might encroach on the inshore fishery. There was also a discussion on the ownership of processors, but this committee has no great control over who buys independent processing companies. The processing sector is licensed by provincial governments, not the Government of Canada.

I want to focus my question on the concern that inshore fishers have as it relates to the sale of corporations that have access to offshore resources through licences or through a quota allocation.

• (1610)

Ms. Melanie Sonnenberg: I'll try again really slowly, and then if it doesn't work, I'll turn it to Ian.

Back to the blurring of the lines, it starts out offshore, but there are often doors that people are coming in through controlling agreements where they're gaining access to the inshore to get more supply. I think that is the preoccupation of the industry, the fact that things are not very transparent, and it's very difficult for us to see things up front.

In the case of Royal Greenland, yes, they are a processing industry that has come to Newfoundland, but with that they've also gained—and this is on the inshore—access through controlling agreements. We have other situations and companies that may be able to and may have access to the inshore in British Columbia.

The situation in British Columbia is quite different from in the east. They have a lot of corporations owning and running things in

the fishery, as you know from your study. That has shown us in the east how dangerous and what a slippery slope it is in terms of getting control and how fast it happens because of the deep pockets.

I'll stop there and let Ian add to it.

Mr. Ian MacPherson: The other part of that, and Keith alluded to it earlier, is that I think every harvester wants healthy competition on the wharf. If it's too minimal, that's not a healthy situation. [*Technical difficulty—Editor*] everybody in the supply chain has to make money. I think, when you have a scenario where a company that's seeking a resource, and they may have an offshore licence, comes into the inshore and perhaps overpays what the market can support, usually there's a price to be paid. Sometimes it won't be that year, but it will certainly be the year after, and/or several years after.

Mr. Robert Morrissey: I'll interject because I'm running out of time.

The concern primarily from inshore fishers rests on who owns the processing level and the concentration at the processing side, not so much who has the corporate control of the offshore resource.

Mr. Ian MacPherson: Can you repeat that, please?

Mr. Robert Morrissey: Chair, I think I'm running out of time.

The Chair: You have a few seconds.

Mr. Robert Morrissey: Is the concern amongst inshore fishers the corporate ownership at the processing level versus the corporate control at the fishing level, regardless if it's offshore? Your primary concern is the corporate ownership at the processing side, not on the harvesting side. Is that where you're coming from?

Mr. Ian MacPherson: I'd say it would be equal on both sides, because there are two sides to the industry. If there is an unhealthy balance on one side or the other, it's going to have negative impacts. That's an interesting question, and I would have to think on that a little bit more.

Melanie or Keith, do you have a quick response there?

Mr. Robert Morrissey: Chair, we can follow it up in a later question. Thanks.

The Chair: Thanks, Bobby. Time was kind of over. I did allow a little extra because of the interruptions.

We'll now go to Ms. Desbiens for six minutes or less, please.

[*Translation*]

Mrs. Caroline Desbiens (Beauport—Côte-de-Beaupré—Île d'Orléans—Charlevoix, BQ): Thank you, Mr. Chair.

I thank the witnesses for being here. Listening to them is most interesting. Their testimony is enlightening.

I am an islander, so the insularity of Prince Edward Island resonates with me. My father spent his life on the St. Lawrence River. He did coastal trade on a schooner. He was a captain. I was just talking about that this morning. My father always said that the offshore fishery was going to break the ecosystem and take away some of the fish and seafood that we need for community balance, as may be the case for Prince Edward Island. It's the same thing in the Magdalen Islands.

Mr. MacPherson, can you speak to that further, please?

• (1615)

[English]

Mr. Ian MacPherson: The problem is that they are driven for a profit, and the resource is for offshore sale. We need a healthy balance. I guess I want to reiterate that the inshore sector is not averse to corporations. It's just that, with the rapidity and the scope of these takeovers and buy ups of small operations—Martin was going to highlight another situation in Canada—it's fairly problematic. Of course, we all look to DFO to work hard and manage the resource so that no one takes advantage of it or takes advantage of it too much. These are challenges.

I think what we're talking about are checks and balances that need to be discussed and talked about more openly.

Thank you.

[Translation]

Mrs. Caroline Desbiens: Thank you, that's very interesting.

In Quebec, we have what is called the blue economy strategy. It's been a big trend. It's about ensuring our self-sufficiency, turning to the community and prioritizing that part of our economy over the international part. The international economy may look more lucrative on the surface, but in fact it is often catastrophic in terms of depleting marine resources.

What is the situation on your side?

Are you concerned about losing, over time, the fish resource itself?

[English]

Mr. Ian MacPherson: We're always worried about the resource.

I think what happens is that if a company comes in and overpays—and it could be for several years, if the long game is to take control of a market or gain a large market share—that starts to reduce the competition on the wharf, because the boats get lost to the bidder paying significantly more. It's really not a productive way for our system to work here. We need those checks and balances.

[Translation]

Mrs. Caroline Desbiens: So the economic vitality of your sector is indeed threatened, in these circumstances, if there is overfishing.

[English]

Mr. Ian MacPherson: Again, we leave it up to DFO to make sure companies are following the rules, not just inshore but mid-shore and offshore. As organizations, we're always watching that.

Certainly some of the offshore fleets, for some of the stocks, mackerel, for example, we have big concerns that too many of the big fleets are taking the majority of the resource out.

These are things that we, as organizations, deal with on a daily basis. That's what we're here to advocate for.

[Translation]

Mrs. Caroline Desbiens: How much time do I have left, Mr. Chair?

[English]

The Chair: You have just over a minute.

[Translation]

Mrs. Caroline Desbiens: I'd like to address Ms. Sonnenberg.

Do you believe that there is an imminent danger of a resource shortage for small operators?

[English]

Ms. Melanie Sonnenberg: Generally, I would say that given the way the fishery is managed through the department, there are some stocks that have serious issues. Ian referenced mackerel as an example. So, yes, there are certainly areas in which we would have concerns.

I think, more importantly, it goes back to transparency, so that we can better understand in the corporate offshore, if that's what we're talking about [*Technical difficulty—Editor*] what's going on, and there's an integration.

I'll go back to one of Bobby's questions, and it ties into this. The fishery is a Canadian resource, and it must be managed for Canadians by Canadians and operated by Canadians. It's not a resource that we want to see given over to other countries or other foreign interests. It's very important, as we work through our management plans, to secure our supply in a responsible and sustainable way.

I agree with you about the blue economy. It has great potential for a more stable approach to generating income and wealth for our coastal communities, but it has to be done in a way that we can see it. It has to be enforced, and we have to ensure that the benefits come back into the hands of Canadians.

Thank you.

• (1620)

The Chair: Thank you.

That's all the time we have for that line of questioning.

We will now go to Mr. Johns for six minutes or less.

Mr. Gord Johns (Courtenay—Alberni, NDP): Thank you, Mr. Chair.

Thank you, witnesses, for your testimony.

Ms. Sonnenberg, you talked about the west coast and foreign ownership and the slippery slope that the east coast is headed toward. Both you and Mr. Sullivan talked about Royal Greenland purchasing the second- and fourth-largest processing companies on the east coast. Certainly that's pretty alarming.

I have some questions in terms of operational structure and corporate structure. Can you talk about some of the concerns around the loopholes, if you want to call them that, or how they're circumnavigating appropriate reviews by Industry Canada, buying into the Canadian market, and what safeguards need to be in place?

Ms. Sonnenberg, I'll start with you.

Ms. Melanie Sonnenberg: Thank you, Mr. Johns.

The threshold, when corporations come to purchase fish plants and access and so on, it's a high bar. For our country I believe the number is \$480 million. That catches the attention of Industry Canada. It's in that range, and a corporation coming in at \$1.2 million catches their attention.

Sometimes what happens in coastal communities, and perhaps if Mr. Mallet might have been able to be on.... We've seen in New Brunswick where smaller plants are being, I won't say gobbled up, but being purchased. This is being done in a very systematic way so at the end of the day we now have a conglomeration owned by one entity, which perhaps, if they continue on, could make the threshold.

These things are concerning. It's not making the radar and that is a problem in itself. On the west coast—and you know this probably better than I—there is a lot of foreign ownership and it's not clearly understood. The committee raised it in the report in 2019, I believe, as a recommendation to have some public registry. We need to understand who is owning our resource on the west coast and we continue to advocate for that recommendation, and again, it's a public resource for [Technical difficulty—Editor] the country [Technical difficulty—Editor] I can compare to elsewhere.

I'm breaking up.

The Chair: Ms. Sonnenberg, yes, you're breaking up big time.

I don't know if Mr. Sullivan has anything to add to the answer to that question.

Mr. Gord Johns: I'll just add to that.

Mr. Sullivan, can you also share your thoughts? The frustration on the west coast is that there is no public registry. These recommendations came a couple of years ago and there's been no action around foreign ownership on the west coast transfers there, no public registry.

Why would the government not provide this information?

Mr. Keith Sullivan: I've heard the frustration from colleagues in British Columbia as well. A lot of the processing sector, that corporate side, is foreign-owned. We had examples this year where American companies were just taking the raw material and shipping it out. Even on the corporate offshore fishery here, it's frustrating because inshore adjacent harvesters have so little of the fish. It's

a little bit different here. The offshore actually has the majority of the fish on the Grand Banks. Foreign entities own probably the most and then the Canadian offshore sector, which really just blew up in the 1960s and 1970s, a short period of time in their overall history, and the inshore fishermen who depended on the local stocks for years had minimal access. They had the least amount of access to fish off the Grand Banks. The fish that come from the offshore sector, most of that is shipped out.

Sorry. You wanted to get in there with something?

• (1625)

Mr. Gord Johns: I think I'm going to go to the next question. It's around Royal Greenland again.

These controlling agreements, can you talk about the impact that has on coastal communities and these fishers and how they can control the price? Also, do other countries allow foreign ownership where they can come in and take over a public resource like this, and circumnavigate the rules and dominate like what we're seeing right here? I can't imagine [Technical difficulty—Editor] or any other country.

Mr. Keith Sullivan: Yes, I can't think of any country that has a fishery with a structure like this. I guess the thing is on paper in some ways Canada doesn't have this foreign ownership, but we know majorities of some fishing fleets are illegally owned by fish processing companies. It's obvious in every community. We can go around communities in Newfoundland and Labrador and say, "That's a company boat and that's company boat." There seems to be a real hesitation on the part of the Department of Fisheries and Oceans to do anything about it. Again, we do have regulations. We do hope there's more investment in this, and follow-up with investigations into exactly where the money is, and what the agreements are that lawyers have drawn up that show it's in a fisherman's name but we know all the value of that fish is going to a processing company.

We really need to dig in and crack down on that. It's been known for some time but the will hasn't been there to crack down [Technical difficulty—Editor] with everyone knowing that it is really doing.... For parts of the coastal economy depending on the fishery, that money is just leaving there now, a lot of that value in the fishery. If you're a young person, you don't have a chance of getting in because there's going to be a company that will outbid you every single time.

That's what's happened in the last number of years.

The Chair: Thank you, Mr. Johns.

If anybody has a question for Ms. Sonnenberg, you probably will want to send her the question. She can respond in writing back to the clerk so that we would have the answer more suitably available when we start to clue this up. It would be great if we could co-operate there.

We'll now go to Mr. Arnold for five minutes or less, please.

Mr. Mel Arnold (North Okanagan—Shuswap, CPC): Thank you, Mr. Chair.

I want to thank all of the witnesses.

My question is for Ms. Sonnenberg, so she may be able to give a thumbs-up or a short answer to the question and still be able to be heard.

As you are aware, the committee undertook a study in the last Parliament that examined DFO regulations of fisheries in British Columbia—or the west coast. Recommendation six of that report called on the government to undertake a comparative analysis of the east coast and west coast fisheries.

Last June, Minister Jordan tabled the government response, in which she stated that the government had initiated the analysis that was asked for in recommendation six. Do you know whether the report of that comparative analysis has been completed or not?

Ms. Melanie Sonnenberg: I don't know if anybody can hear me. We're having a terrible storm here, and I did not hear the question.

The Chair: We're not hearing the answer either, Ms. Sonnenberg. Mr. Arnold, please submit that to the clerk in writing, and they'll contact Ms. Sonnenberg with it.

Go ahead, sir.

Mr. Mel Arnold: If that report has been completed, has it been shared with anybody outside of DFO or the government? It would be interesting to see that report.

I want to move on, hopefully, to someone we can have a better connection with. I'm sorry yours isn't working, Ms. Sonnenberg.

Despite Bill C-68's efforts—the changes to the Fisheries Act in the last Parliament, and the efforts to strengthen the principles—do you think the current wording and applications are strong enough to achieve the intended outcomes of protecting fisheries and harvesters?

I'll start with you, Mr. MacPherson.

Mr. Ian MacPherson: As I said earlier, we are still working closely with DFO. There were a couple of areas that we were still talking about when it went to second reading. Then the final language came out.

I would stay it's still a work in progress. As everyone on this committee knows, the fisheries escalated in value quite a bit over the last few years, so we always have to be diligent to make sure that the current regulations are enforced to the letter of the law and that any areas that we can shore up with perhaps some more policy information—

• (1630)

Mr. Mel Arnold: Thank you.

Mr. Sullivan.

Mr. Keith Sullivan: I think the wording is probably fine. I really find that it's just the backing up with the actions, the real commitment to follow up on these major problems that are undermining our rural economy, our coastal communities, places that depend on the fishery. It's all about the intent of it and following up on that in-

tent. That seems to be the piece that's really missing in the equation.

I don't think it's necessarily a major weakness of the wording in the regulations. We just need to dig in and do this, make sure people who are breaking those rules are paying the penalties for it, and that there's enough disincentive there for people not to be doing it. Right now there hasn't been a consequence for people breaking the rules all along. That's where I see the biggest issue.

Mr. Mel Arnold: [*Technical difficulty—Editor*] more than the actual language that's out there. Thank you.

Mr. MacPherson, and possibly if there are others who have something to add in afterwards, you mentioned the unintended consequences of some of these controlling agreements that are taking place. Could you elaborate a little bit on that? Our time is very limited. What are the unintended consequences that you see?

Mr. Ian MacPherson: Certainly there's the difficulty of newer and younger people getting into the fishery. A lot of times the sale of a fleet can be dictated by the company that's financing that fleet in the back scene there. That's one of the biggest ones.

As I alluded to earlier, we want to make sure there's always healthy competition out there on the wharf. Certainly corporations have their place, but it's important that the small independent businesses are able to survive too. That's one of our big concerns right now.

Mr. Mel Arnold: Thank you.

Perhaps Ms. Sonnenberg and Mr. Sullivan would be able to answer in writing to the committee.

I think I'm out of time, am I not, Mr. Chair?

The Chair: You're right on the mark, Mr. Arnold.

We will now go to Mr. Cormier.

You have five minutes or less, please.

Mr. Serge Cormier (Acadie—Bathurst, Lib.): Thank you, Mr. Chair.

Thanks to all the witnesses for being here today.

I'm not sure if Ms. Sonnenberg is back on, so I will start with Mr. Sullivan. I'd like to go back to Royal Greenland. We saw this with shrimp a couple of years ago. I'm seeing this year, with lobster and crab in my riding, that this company is on the wharf and offering two dollars or three dollars or four dollars a pound more for some of the resources.

When you're a fisherman and you're offered those kinds of prices, you tend to sell to the person who is offering you more, right? On the other hand, are you also telling your fishermen what the impact of that can be? We all know that after they offer those prices, maybe in the next couple of years they will just say, "Hey, we buy everything here", and the prices will be as low as possible.

What do you think we can do as a government to stop that? It's very, very troubling to me that it's happening. I have raised that a couple of times, and I think our government is prepared to look at it. What do you think is the solution here?

Mr. Keith Sullivan: First of all, you're right; it's hard to argue that when you see these big prices being offered. Obviously, that's a problem here. Sometimes it can be a sign of some healthy competition, but we know that they're aggressively trying to eliminate the competition.

As Mr. Morrissey mentioned before, it's complicated because the processing is provincial, so we're talking provincial counterparts in terms of having too much concentration and eliminating the competition. But those who are processing are usually the offshore fishing companies as well. We see Ocean Choice International, a big fish processor and big offshore operator. With Clearwater we would see some similar things there.

I think that level of concentration has to be looked at. It's why we're here talking about the concentration in the offshore sector. It's usually directly related to the processing sector. I think that's where this committee can really have an impact.

• (1635)

Mr. Serge Cormier: Okay.

I'll move to another topic. As I think you saw in the news lately, a lot of the crab licences from my area in northern New Brunswick that were being sold left the region. Those licences are worth \$10 million, \$12 million or \$15 million now. Most of that is because of a ruling that you have to be a resident of New Brunswick for only six months, for example. A couple of years ago—I think Mr. MacPherson is online from P.E.I.—there was a licence bought from a 24-year-old from P.E.I. DFO said they checked everything and everything was according to the law, blah, blah, blah.

Do you think there's enough done by DFO officials to monitor those kinds of transactions? We're seeing that in crab right now, with those licences worth millions of dollars, but in lobster, licences here can be worth close to \$1 million or \$1.5 million.

Do you think there's enough done, Ms. Sonnenberg or Mr. MacPherson, about the monitoring by DFO officials? Do you think we need some change in those residency rules or other rules? Do you think a committee should be put in place to get to the bottom of this and make sure that those licences stay within the community? The spirit of the new Fisheries Act, and the regulations we put in place on owner-operator and fleet separation, is to keep those licences within the community. If we have all those licences leaving, what are we going to do?

We're talking about Royal Greenland here, but I'll bet we can talk about Champlain investments and other groups of companies who also want to buy that. Do you think we have some work to be done here by DFO officials and by our government—I'm sure they'll want to look at it—with maybe a committee put in place?

That's for Ms. Sonnenberg or Mr. MacPherson, whoever wants to go first.

Mr. Ian MacPherson: I certainly think that would be a good start. We want to be careful about saying that every situation is bad, because it isn't. At the other end, though, there are areas of concern. It really needs to be followed up. This is one of the primary areas we're working on with DFO on the enforcement side to make sure they go through enough steps to identify the money.

I want to make one other quick comment. Let's not forget that we're talking about food. When you have organizations that are backed by countries that [*Technical difficulty—Editor*] for food, they will pay a lot of money to get control of those resources. Let's not lose sight of that.

Mr. Serge Cormier: Thank you.

The Chair: Thank you, Mr. Cormier.

I think you'll remember I stated that with any questions for Ms. Sonnenberg, we'll put them in writing to the clerk, and the clerk will get them to her and she can respond the same way, instead of having to interrupt and waste more time.

We'll now go to Madam Desbiens for two and a half minutes or less, please.

[*Translation*]

Mrs. Caroline Desbiens: Thank you, Mr. Chair.

I would love to be a permanent member of this committee. Our very interesting discussions make me hungry for more.

I'll address Mr. Sullivan.

We've been thinking a lot and I've been taking notes. Transparency, community economy and market economy are important. The market economy is a resource and we need to maintain the market.

What are your proposals?

Could we set up an oversight committee that some of you could serve on? Could that be a way to brainstorm and monitor the situation more closely?

[*English*]

Mr. Keith Sullivan: The short answer is yes. I think it's just a matter of some more resources here, and it's not....

The inshore fishery can operate very well on its own. It's a very healthy environment. Young people can get in and pay a fair market value and get a fair return on investment. It's just that the proposition for fish companies to go in there and get access to the supply is a bit of a different value proposition, and that's all leaving.

We really need DFO to follow up on what they say they're going to do, the investigations. When they find these people who are in violation, sometimes there are significant licences and there can be penalties associated with this. With what we've seen in the past, when they were outside the regulation and basically in violation of the owner-operator and the fleet separation policy, they were given a chance to fix it. The policy was there because they wanted people to come into compliance.

That wasn't what it was supposed to be. In the past, DFO got very lenient and I think were very sympathetic to some of the larger companies, but now we need them to really dig in. There have to be consequences. I think that's the biggest thing that we see. If people are fined or lose access to licences that are worth millions of dollars, soon that will become too risky of a proposition for any company to take. Just make sure that we're doing what we can to keep those licences in generally the local areas, with the harvesters in those communities.

• (1640)

The Chair: Thank you, Ms. Desbiens.

We'll now go to Mr. Johns for two and a half minutes or less, please.

Mr. Gord Johns: Thank you.

We've seen the comparative analysis, and I think that DFO clearly needs to get a backbone when it comes to protecting harvesters from foreign ownership. In B.C., we saw that U.S.-based Pacific Seafood Group bought up a bunch of processing and fishing licences, and then they basically shut down the processing and exports—live or fresh or frozen—for processing in the U.S. Now they get half of what U.S. fishermen get for the same product.

Can you talk about how this could happen on the east coast in terms of the purchases that are happening? What does DFO need to do to stop foreign ownership and the impact that's having on independent fish harvesters?

I will leave it with you, Mr. Sullivan and Mr. MacPherson. You can both take a stab at this.

Mr. Ian MacPherson: Sure. I'll go first.

I just want to loop back to a point that Melanie made earlier. I believe she said \$1.2 million but meant to say \$1.2 billion, which is the threshold before the purchase of some of these [*Technical difficulty—Editor*] the full breadth of the federal government analysis. We need to lower that threshold, because you can buy a lot of operations that are \$2 million, \$10 million or \$20 million and still be under that threshold. That's a real problem.

Mr. Gord Johns: Mr. MacPherson, could you also speak about how they're even able to circumnavigate that? They're buying chunks at a time.

Mr. Ian MacPherson: Yes. Currently they would be in compliance. That's the concern.

You get that total sum—and Keith can speak to this better than I can—and sometimes they're big purchases, or you hear quietly that five or six independents have been bought up, and all of a sudden you're dealing with a pretty big concentration in the marketplace.

Mr. Keith Sullivan: Yes, if you want to follow up on that, I think that makes all the sense in the world. Ian said it very well.

When you're talking about local fisheries, food security issues and food supply, buying something that's \$500 million and then buying something that's \$100 million next week and then \$200 million, these are big companies in fish processing. Maybe if you're talking about international banking or something, a billion-dollar price tag may not be extremely big and you can't concentrate very

quickly, but I think there are different considerations here. More and more, we have to be looking at the security of our food supply and, more importantly, the security of our economy for our local people who've always depended on our fisheries resources.

I think there's some other scrutiny and, very specifically, looking at that threshold or a different way of looking at the sale of things around the fishery is one way we can do it.

The Chair: Thank you, Mr. Johns.

We'll now go to Mr. Calkins for five minutes or less, please.

Mr. Blaine Calkins (Red Deer—Lacombe, CPC): Thank you, Chair.

Whoever wants to take my first question can. It's a general question. I know it's been spoken to quite a bit here.

We don't know who owns what on the west coast, really. Is there enough transparency about who owns what on the east coast when it comes to fisheries and to processing? Can you find out who owns what? Does the department publish appropriately? Can you dig in and find out who has the licences, the quota, the processing and who has what?

• (1645)

Mr. Ian MacPherson: I'd say the short answer to that is no, we don't. Our colleague, Jim McIsaac, on the west coast, can speak to very specific situations in terms of ownership being basically traced back to foreign ownership of the Canadian resource and controlling that resource.

We really need to protect our food source on behalf of Canadians.

Mr. Blaine Calkins: Mr. Sullivan, do you want to weigh in on it?

Mr. Keith Sullivan: Yes, I'll be very quick.

Too often, it's kind of cloudy. We don't know who the true owners are, particularly when we're talking about them illegally holding controlling agreements. You really have no idea and you have to dig in more on that.

Another one that's related to the sustainability of the resource is that the Department of Fisheries and Oceans won't let you know how much fish was caught by offshore companies unless there are five there. For a lot of the species that the offshore in particular are catching, there are less than five of them. They call it the "rule of five" and you can't even tell how much fish is caught out of a public resource.

I'm not talking about how much they caught or how much they sold it for and to who, so I mean—

Mr. Blaine Calkins: Are we talking about inside the exclusive economic zone?

Mr. Keith Sullivan: Yes, absolutely. For some species, we look and the Department of Fisheries and Oceans can't tell you how much fish was caught out of that zone last year because there was a company that got such a large share of it, so they won't make it transparent.

It's outrageous and ridiculous. It's hidden behind to cloud things continuously. It doesn't help you manage the resource either. Another recommendation is to get rid of this rule of five when we're talking about a public fish resource.

Mr. Blaine Calkins: Ms. Sonnenberg, I see you nodding your approval. I would imagine we'll get a written response. We now know what lightning sounds like on a Zoom meeting. It is a different sound. It's the first time I've heard that type of feedback and static. Anyway, I hope you're safe where you are.

Mr. Sullivan, it's interesting that you should say that. The other night, I was out fishing here on a local lake and there were some guys who came in from shore who likely weren't going to be able to tell you how many fish they caught either, but for quite different reasons. We'll make sure we look into this rule of five. It's the first time I've heard of it.

It's 2021. We're two years away from 30 years since the cod moratorium, more or less, depending on what year, 1992 or 1993. The life cycle says four to seven years for [*Technical difficulty—Editor*]. How come the Atlantic cod haven't recovered?

Mr. Keith Sullivan: In a short answer, there has been a significant amount of recovery. It's gone from 10,000 to 20,000 metric tons to over 500,000 metric tons. Many harvesters I talk to are seeing more cod now than they ever did in the 1980s, so I wouldn't say that it hasn't recovered.

It's probably been stalled. I think in early years, the natural environment wasn't really conducive to the growth of the stock. More and more, we're seeing a massive amount of predation, particularly by seals. That stock of seals has really exploded. In other places, it would be called an invasion of sorts. As far as predation goes, that's probably been the biggest issue in limiting the growth of that stock.

Mr. Blaine Calkins: I don't know if you can address this, but is there anything in any of our international trade commitments or our international trade agreements that would affect any of the policy proposals that we're discussing today insofar as retaining exclusive Canadian ownership throughout the value chain of our fish stocks is concerned?

Mr. Keith Sullivan: I'll just say quickly that I don't think there will be anything contrary to international trade agreements. Right now, with regard to our inshore fisheries licence, the rules and regulations around that are supposed to say that you have to be a resident of a specific area, not only of Canada, for example, and to my knowledge, that hasn't been challenged at all. I can't think of anything offhand, but I can't say this is the definitive answer.

• (1650)

The Chair: Thank you, Mr. Calkins.

We'll now go to Mr. Morrissey for five minutes or less please.

Mr. Robert Morrissey: Thank you, Mr. Chair.

First, I have a question for Melanie.

Melanie, would you explain in writing to the committee how predatory pricing practices work on the wharf to the detriment of those fisheries involved? It's important that the committee hear exactly.... The price goes up for a short period of time. They get control of the market, I understand. Then they drop it. If you could sub-

mit to the committee in detail how this works in the long term to the detriment of the industry, I would like to see that.

My question then goes back to Mr. MacPherson and to you, Melanie, as well. This committee received letters requesting that the committee review the sale of Clearwater, but nobody's addressed it in this committee to date and not in your opening comments. What was the issue there that upset the inshore fishery so much? Could you explain that, Ian? Melanie, can you speak to that issue as well?

Mr. Ian MacPherson: I think we know it's a historic arrangement. Our question for the minister was really quite simple: With the new partnership, would there be any changes that would be outside of a share purchase? Those are the kinds of questions that we're wondering about, and we have not received responses to a number of them. We did get some responses from Minister Jordan in mid-May.

Mr. Robert Morrissey: Could you be more specific?

I can understand your concern about what would happen to these licences or this quota in the event that a corporation goes bankrupt and about what criteria would be in place when the licences and access to quota are transferred to different identities. However, quite frankly, I haven't heard anything specific, and that goes back to my earlier question on the corporate because both Clearwater and Ocean Choice have access to offshore resources that the inshore fishery does not have. Also, they have been historically owned by corporate identities.

Where are we now? I'm not following the thread here.

Mr. Ian MacPherson: I think it goes back to.... It was a significant deal. It involved a partner from the west coast, too, so it was a significant consolidation of east coast and west coast companies. There have been pretty basic questions, and I guess where our frustration has been is that maybe they all have simple answers, but we can't seem to get answers to some of these questions.

Mr. Robert Morrissey: Could you give this committee those basic questions? We will be following up with officials from the department, and that's what I want to know, what direction, because I haven't heard it so far.

Mr. Ian MacPherson: Yes, we'd be glad to do that, Mr. Morrissey.

Mr. Robert Morrissey: Okay, we'll need specifics, because if it was just a transfer and who bought them, then that's not a road I'm prepared to go down. We should not [*Technical difficulty—Editor*] if it's within Canada. My concern, and I assume the fishermen's, would be what controls the sale of these corporations to offshore interests. That's what I would like to focus on and be clear on, these corporate identities, because they're granted access to, as was pointed out, a resource that's owned by the people of Canada. My concern would focus on what steps we as a government.... I thought that's what I was going to hear from the fishing industry. What steps are we going to take to ensure that, in the sale of these corporations, not so much who is buying it, but if they go outside the country, then do we maintain that ownership here in Canada.

Then I would want you, whoever wants to, in my time left to focus on the consolidation around big corporations. They refer to the corporatization of the fishery. What should we, as parliamentarians, be on the lookout for from that side?

Melanie, you could respond on paper.

It's fine for Ian or Keith Sullivan to respond here.

Mr. Keith Sullivan: Okay, I'll start.

I think as a rule that should be strictly adhered to, any access, certainly, to fishing privileges in Canada must be Canadian owned. The consideration is whether it should be fully Canadian owned. Right now basically a foreign company with a Canadian subsidiary can own these corporate licences. That structure could be revisited. We know we've had major companies that have outwardly been 49% foreign owned. Is that an acceptable threshold? Really you wonder when you get complex structures how much of the money may be staying in Canada. We know that a lot of our fishing enterprises have significant foreign investment. I think that's something worth reconsidering as well.

With regard to maintaining our strong fishing communities, we've seen generally significant growth in the value of our enterprises on the east coast. They are sizable businesses and they are really capable of harvesting fish. New opportunities exist. We're seeing a changing ecosystem. The species we're fishing and concentrating on now are not the same ones as 30 or 40 years ago. I expect one thing about that—that it's always going to change. The marine ecosystem is going to be conducive to some other species coming along. Giving that fish to inshore owner-operators, to people who live along that area of coastline, is a very good economic policy for Canada to adopt. That is one way to ensure that the value of our species stays here.

When we see them going to offshore companies, generally following and really understanding how that money stays in our economy and even in Canada gets an awful lot blurrier.

I'll leave it there.

• (1655)

The Chair: That's great.

Thank you, Mr. Morrissey. That clears up our questioning for the first portion of our meeting.

I want to say thank you of course to Ms. Sonnenberg, Mr. MacPherson and Mr. Sullivan from my neck of the woods here in Newfoundland. It's great to see all of you again. I know you've been before committee before.

I wish everybody a safe and happy evening.

We're going to suspend now for a moment so we can change over to the next portion of our meeting.

• (1655)

(Pause)

• (1700)

The Chair: I have some reminders for the benefit of our next witnesses.

When you are ready to speak, click on the microphone icon to activate your mike. When you are not speaking, your mike should be on mute. When speaking, please speak slowly and clearly.

I would now like to welcome our second panel of witnesses. From Clearwater Seafoods Limited Partnership, we have Jennifer Deleskie, vice-president, business development and public affairs Membertou Corporate and Christine Penney, vice-president, sustainability and public affairs.

You have an opening statement of five minutes or less. I don't know if you're both speaking or if one is doing it, but you can arrange that yourselves.

I will ask you, members of the committee, when we get to questions, to identify yourself and who you would like to answer the question. Doing that makes things a little bit easier and a little bit less time-consuming. We'll get more information that way.

When you're ready, you're good to go, Ms. Deleskie.

Ms. Jennifer Deleskie (Vice-President, Business Development and Public Affairs, Membertou Corporate, Clearwater Seafoods Limited Partnership): Thank you, Chair.

It's an honour to be invited today to appear before the Standing Committee on Fisheries and Oceans. My name is Jennifer Deleskie, and I'm the vice-president of business development and public affairs at Membertou Corporate. I am joined by my colleague, Christine Penney, who is the vice-president of sustainability and public affairs at Clearwater Seafoods.

We are pleased to provide comments on the committee's study examining the process and structure for corporate offshore licences and quota transfers. We're also eager for the opportunity to address some of the concerns and issues raised in previous fisheries and oceans committee sessions on the topic of inshore fishing licences.

Founded in 1976, Clearwater is one of North America's largest vertically integrated seafood companies and one of Canada's leading seafood exporters. It is recognized globally for its superior quality, food safety, diversity of species and reliable worldwide delivery. Over the years, Clearwater has become an integral part of the community in Atlantic Canada, with a focus on responsibly harvesting seafood of the highest quality, all while investing in communities and innovation in the sector and working toward indigenous reconciliation.

Clearwater has a long history of working collaboratively with Mi'kmaq first nations, helping to foster meaningful participation in the commercial fishery and working toward economic outcomes that benefit everyone. There have been significant agreements over the last few years that have strengthened Clearwater's decades-long relationship with indigenous communities. These agreements have contributed to establishing and advancing avenues for more indigenous participation in Canada's seafood industry.

Most notably, in January 2021, Premium Brands Holdings Corp. and Mi'kmaq first nations reached a historic agreement in acquiring ownership of Clearwater Seafoods. The collective investment of seven Mi'kmaq nations in Clearwater represents the single largest investment in the seafood industry by any indigenous group in Canada. This is truly a generational investment that will secure and create new jobs, advance meaningful reconciliation and will continue Clearwater's international reputation for excellence in sustainable seafood. With this partnership, Mi'kmaq are now 50% owners in the company, and it has become a new way in how we do business in this industry.

Over the last few years, it's been a pleasure to work in close collaboration with Christine Penney. We are all committed to building the world's most extraordinary wild seafood company, dedicated to sustainable seafood excellence.

With that, I want to hand it over to Christine.

Ms. Christine Penney (Vice-President, Sustainability and Public Affairs, Clearwater Seafoods Limited Partnership): Thank you, Jennifer.

Thank you, Chair and members of the committee.

I too would like to emphasize how proud we all are to have built and to be continuing to build a relationship with the Mi'kmaq of Nova Scotia and the Miawpukek in Newfoundland and Labrador. It's tangible proof of both the community and the business benefits of indigenous reconciliation and the benefits to rural fishing communities. It is truly a win-win-win.

We are pleased to have new owners who are focused on creating sustainable value over the long term, which allows Clearwater to continue to invest in maintaining resources, opening markets and building the reputation and value of Canadian seafood.

Recently there have been some questions raised regarding the ownership structure of inshore fishing licences. I want to make it clear today that historically under the owner-operator and fleet separation policies and now under the current DFO policy for preserving the independence of the inshore fleet in Canada's Atlantic fisheries, which has been turned into regulation, Clearwater is prohibited from owning inshore fishing licences or entering into controlling agreements.

The change in ownership of Clearwater does not impact the application of these policies and regulations or change the application of the policies and regulations to our business. Clearwater does not own and has no intention of owning licences that fall under the PI-IFCAF regulations, and Clearwater does not enter into controlling agreements for licences.

Our new ownership structure puts the Mi'kmaq at the boardroom table as owners of our company, but it does not alter or impact the day-to-day operations of the company. This provides stability for 1,500 good middle-class jobs across the 276 communities in Atlantic Canada that continue to help drive the economy in the region.

The whole Clearwater team is excited to embark on this next chapter of the company's journey. We're proud of the partnership between Premium Brands and the Mi'kmaq and this monumental step toward reconciliation and greater indigenous participation. We

will continue to work collaboratively to build a sustainable and diverse Canadian seafood industry that supports thousands of jobs, generates significant economic activity in coastal communities and provides seafood products of the highest quality to consumers all over the world.

We look forward to your questions and thank all of you for your continued leadership and commitment to fisheries excellence in Canada.

• (1705)

The Chair: Thank you for that.

We'll get right to our round of questions for six minutes or less.

We'll go to Mr. Bragdon, please.

Mr. Richard Bragdon: Mr. Chair, we're going to pick up with Mr. Mazier. He didn't get a chance in the first round.

Mr. Mazier, I'll go over to you, sir.

Mr. Dan Mazier (Dauphin—Swan River—Neepawa, CPC): Thank you, Vice-Chair and Chair.

Good afternoon, witnesses, and thank you for coming out today.

Does Clearwater's ownership transition change Clearwater's ability to hold inshore licences and fish?

Ms. Christine Penney: No, the change in ownership doesn't affect our ability to hold inshore licences.

We are prohibited from doing that under what was policy in DFO and is now regulation. That regulation continues to apply today in the same way that it did prior to the transaction.

Mr. Dan Mazier: Okay.

How much of Clearwater's corporate profits stay within the coastal communities?

Ms. Christine Penney: Clearwater is a major employer across Atlantic Canada. As I said, we have 1,500 employees. Those employees live in 276 communities across the province. We have major processing operations in small coastal communities, and we also have a significant number of our employees who are fleet employees who travel to work on offshore vessels and typically work trip on, trip off and go back into their home communities.

Of course, that generates a significant amount of economic activity from employment income, and there are significant procurement activities that happen with small, local businesses in each of those communities, and, of course, Clearwater is a Canadian-owned company.

You have certainly heard some of the testimony earlier in terms of concern around foreign ownership. Prior to this transaction, Clearwater was a Canadian company and it continues to be a Canadian-owned company.

Mr. Dan Mazier: Do you have a percentage of profits that stays in the communities? Do you have a plan around that?

Ms. Christine Penney: I don't have our economic activity broken down by community at hand here, Mr. Mazier.

Mr. Dan Mazier: It is my understanding that Clearwater was convicted of violating the Marine Stewardship Council certification. Does Clearwater plan to renew this certification, yes or no?

Ms. Christine Penney: I would clarify that we were not convicted of violating our Marine Stewardship Council certification. We chose not to renew what is a voluntary five-year certification with the Marine Stewardship Council. That was a business decision, really, based on the fact that there is a significant cost and effort to maintain that voluntary eco-label on our products.

Those products weren't carrying the logo into the marketplace, so we weren't getting the value of that back from the marketplace for that particular product. At the end of our five-year certificate, we chose not to voluntarily go into a recertification for the next five-year period.

• (1710)

Mr. Dan Mazier: Do you think that not having the certification creates risk for a devalued perception of Canadian seafood products?

Ms. Christine Penney: No, and we maintain the MSC certification on many of our other products, in fact. In each case it's really a decision that is based on the value that the eco-label brings in the marketplace.

I think Canadian seafood does have a very good reputation internationally. That's on the basis of our strong regulatory regime, led by DFO, and that MSC certification is really a third party verification of the responsible management of our fisheries.

In this particular case, as a small-volume fishery, it didn't make sense for us at the time to go into the recertification process, but I don't think that is impacting the reputation of the product internationally.

Mr. Dan Mazier: Thank you.

We've heard a lot of concern around corporate concentration and the importance of keeping the profits inside Canada in Canadian coastal communities.

How is Clearwater ensuring that the profits are staying in Canada's coastal communities [*Technical difficulty—Editor*] goal to trying to get that done?

Ms. Christine Penney: Our operations generate significant economic activity in small coastal communities. In many cases, we are the major employer. I would use Grand Bank in Newfoundland as an example. Our plant in that community is the significant employer. We have a great working relationship with the town. We have long-standing employees who have good, solid, reliable, full-time jobs in that facility.

Beyond that, again, we are a Canadian-owned company. With this transaction, the Mi'kmaq now own 50% of the company. That represents all aspects of the company, from governance and operations to economic activities that are generated from the company.

In addition to the coastal communities where we operate, the economic benefits that Clearwater generates are now flowing through to the Mi'kmaq communities.

The Chair: Thank you, Mr. Mazier.

We'll now go to Mr. Battiste for six minutes or less, please.

Mr. Jaime Battiste (Sydney—Victoria, Lib.): I want to thank the witnesses for joining us today. I want to get into some of the concerns that were raised in the previous panel.

I really couldn't understand some of the concerns raised around Clearwater. I do understand it is a big deal, but it's also a proud deal for Cape Breton when we see leadership taking on billion-dollar deals.

I want to come in with some of the questions around the offshore licences. Here is one of the questions I received in my correspondence: If the conversion of the offshore licence into some other category is allowed, i.e., regulated under communal indigenous regulations, could this, in the future, also be done to owner-operator licences and enable corporations to use indigenous bands or consortiums to circumvent the owner-operator provisions of the new Fisheries Act aimed at protecting owner-operator principals?

Ms. Christine Penney: In this transaction, there is no change in the status of these licences. These are offshore commercial licences, and they remain offshore commercial licences. What has changed in this transaction is the ownership of those licences and the company.

Mr. Jaime Battiste: Could this transaction circumvent PIIFCAF owner-operator policy for inshore owner-operator fishing fleets if offshore licences are converted to communal licences?

Ms. Christine Penney: Again, these licences aren't being converted, so they are not transitioning into communal commercial licences. They are remaining offshore commercial licences as they were prior to the transaction. There really is no connection to the PIIFCAF regulation, formerly a policy. It's a policy that was around for many years prior to becoming a regulation.

As I said, Clearwater was prohibited from owning inshore licences prior to the transaction, and we remain prohibited from owning inshore licences post this transaction.

• (1715)

Mr. Jaime Battiste: Bear with me, because these are some of the concerns that I've received from the fisheries associations. I want to be on the record of being able to say that they were asked and addressed.

How would the potential transfers and their developments interact with ongoing conversations around a moderate livelihood fishery? Can the end result even be predicted at this stage?

Ms. Jennifer Deleskie: The issue of the moderate livelihood is entirely separate from the Clearwater transaction and what we're discussing today. It doesn't impact owner-operator regulations as it only pertains to Clearwater.

Mr. Jaime Battiste: To be clear, these are two completely different types of fisheries, and they don't interconnect in any other way beside the fact that Mi'kmaq are involved. Is that correct?

Ms. Jennifer Deleskie: That's correct.

Mr. Jaime Battiste: A Canadian company.... One of the things that I heard a lot in the previous panel was regarding foreign ownership. We're doing a study regarding foreign ownership. By definition, what does it take to make something a Canadian company? Is there a percentage? How does that work? I'm trying to understand.

Ms. Christine Penney: From a DFO policy perspective, all Canadian fishing licences are required to be owned by a Canadian company. My understanding of that policy is that it means at least 51% Canadian ownership.

Mr. Jaime Battiste: In terms of the Mi'kmaq, are they considered Canadian, the seven bands?

Ms. Christine Penney: I should hope so.

Mr. Jaime Battiste: They're not foreign. We're just making sure on the record that Mi'kmaq are considered Canadians in terms of a Canadian company by definition.

Ms. Jennifer Deleskie: I would like to think that since this transaction the company couldn't be any more Canadian.

Mr. Jaime Battiste: I like that answer.

In terms of Premium Brands Holdings, do they have a percentage of Canadian level that would make sure that, considering that Mi'kmaq are in Canada, it would go over that 1% threshold?

Ms. Christine Penney: The ownership structure of Premium Brands was considered and looked at by DFO in this transaction. Premium Brands is a publicly traded company. They're based in Vancouver, British Columbia. Their shareholdings are at least 80% Canadian owned. If you translate that, they own 50% of Clearwater; the Mi'kmaq own 50% of Clearwater. Clearwater today is at least 90% Canadian-owned.

Mr. Jaime Battiste: That's very impressive. It's not foreign at all.

In previous studies we've heard Mi'kmaq witnesses talk about the Mi'kmaq beliefs around *netukulimk*. Now with chiefs like Terry Paul, who is one of the leaders in this sale, do you feel that responsibly harvesting seafood will continue to be part of what Clearwater is about? Do you think that with the new guiding principles within the Mi'kmaq that helps ensure the sustainability of the seafood industry?

Ms. Jennifer Deleskie: Absolutely. I don't know if any of you have heard the chief speak before, but science always comes first and conservation. Nothing has changed. That's the way Clearwater always operated anyway, and it's certainly the way we plan to operate it today.

The Chair: Thank you, Mr. Battiste.

We will now go to Ms. Desbiens for six minutes or less, please.

[Translation]

Mrs. Caroline Desbiens: Thank you, Mr. Chair.

I thank the witnesses for their statement.

I'd like to talk about the resource. What happens off the estuary and Gulf of the St. Lawrence River in Quebec indirectly and directly influences the raw material, which is the marine resource basin within the St. Lawrence River.

There is a transaction that is being discussed a great deal and in fact we talked about it with the previous witnesses. My perennial concern is that overharvesting will eventually undermine the resource.

What steps is your company taking to avoid such overharvesting?

• (1720)

[English]

Ms. Christine Penney: Sustainability is a core value at Clearwater. It always has been. Jennifer has spoken to the Mi'kmaq perspective, and it's very inspiring to hear Chief Paul and the other chiefs speak about how you look at seven generations as you consider any decision. One of the really nice things about this transaction is I think it brought together three entities and groups that really share the same values around responsibility, around sustainability, and being good corporate citizens and giving back to the communities in which we operate. I would say Premium Brands, if you review their materials, that is what they talk about in their company as well.

We were really pleased in this transaction that our new ownership group is focused on long-term sustainable value. Clearwater has always been focused on responsible harvesting and sustainable value of our Canadian resources. We invest a lot in science and collaborative research with the Department of Fisheries and Oceans and support and collaborate with DFO in their mandate to understand the scientific basis for proper management of Canadian fisheries.

We're very much concerned and always guarding that we are harvesting responsibly, looking at both the impact on the target species and the impact on the broader ecosystem of our operations and making sure those resources remain available for the long term. We operate, of course, primarily in quota and rights-based quota management systems, where individual licence-holders are allocated a defined share of the resource. What that really means is it's in our interest to protect and grow the overall status of the resource and protect its long-term sustainability.

[Translation]

Mrs. Caroline Desbiens: How would you like the department to intervene so that too much of the resource does not go overseas? We want to avoid not having enough to maintain the balance between the community economy and the protection of the resource in Canada and Quebec.

Do you want the department to intervene to prevent too much investment and too much resource from going offshore?

[English]

Ms. Christine Penney: My perspective on this is the department has a long-standing policy around foreign ownership, and it's clearly understood and adhered to from what I see in the resource on the east coast. A lot of what was talked about in the earlier session around foreign ownership was really on the processing plant side of things, and, as we know, that is a provincial jurisdiction when it comes to licensing provincial processing operations.

I think a lot of the concerns raised were around what's known as controlling agreements and inappropriate circumvention of the existing rules. There I agree with some of my colleagues earlier. Those rules are clear and they're in place. They've been in place for many years from a policy perspective, now from a regulatory perspective, and they should be adhered to.

[Translation]

Mrs. Caroline Desbiens: Earlier, in talking with other witnesses, I brought up the idea of an oversight committee made up of different stakeholders who could defend the values they hold dear. Such a committee could assist the department in maintaining balance. We were talking about transparency and that delicate balance that needs to be maintained.

Is that an interesting option?

You could sit on the oversight committee with other stakeholders who want you to maintain that balance and work together.

• (1725)

[English]

Ms. Christine Penney: What I can speak to is the process that we went through in this transaction. There was extensive due diligence done by the department around the Canadian ownership provisions, and extensive information provided to the department with respect to the new owners. I would expect that this process is taking place in any transaction coming before the department.

I think the system is working, frankly, from the perspective of DFO taking the steps that they need to take to ensure the Canadian ownership provisions are adhered to and respected. I certainly have a good sense of the industry on the east coast from an offshore perspective. I don't see companies or licences that would violate that requirement here on the east coast, to my knowledge. I'm not as familiar with the situation on the west coast, but I would expect that DFO has been doing that due diligence process for any transactions.

The Chair: Thank you, Madam Desbiens.

We'll now go to Mr. Johns for six minutes or less, please, to clue up.

Mr. Gord Johns: Thank you to both witnesses for their important testimony.

It's my understanding that the Mi'kmaq have made a significant investment that's going to take many years before they even see a nickel of profit. That shows to me that they're dedicated, with a long-term commitment to this company and to the resource. Can you speak about how this plays into sustainability and also to conservation for the company and the region?

Ms. Jennifer Deleskie: I think we looked at this investment as a long-term investment and one that was going to see wealth generation for future generations, and like Christine mentioned, the seven generations. I think that does show we looked at things in a sustainable way. We knew it all made sense. We knew that this deal would bring not only profits back to the communities, at which time we saw fit to take the profits back, but also generate employment opportunities.

We were able to get into this business not just from the deckhand level, but into everything from the CEO level down to the deckhand. You probably heard some of the chief's comments on that. We are fully integrated within Clearwater. I guess that's the win-win that came out of this transaction. It is an investment, and it's one that we looked at from a long-term game plan, but it's given us benefits right from day one.

Mr. Gord Johns: That's grand.

We heard about Royal Greenland and the \$52 million in profits. That's money leaving our country.

Here you have a company where you're generating profit that's going to stay in the hands of local shareholders and the local community.

Maybe you can only speak on your own perspective, but can you speak about how important this is for reconciliation in terms of indigenous participation in the resource and self-determination?

Ms. Jennifer Deleskie: For the Mi'kmaq, and the Mi'kmaq of Nova Scotia and Newfoundland, this was our first access to the offshore, which was a pretty monumental step.

We've been working closely with Clearwater for some time. They get reconciliation. They understand what it means. We saw that early on. We spent a lot of time getting to know each other. We've done other agreements in the past that have seen benefits to the communities and we trust each other. They see us more as equals and as a partner in the community, and now owners.

I can't define reconciliation in any other way than that we now own 50% of Clearwater, and that's a big deal.

Mr. Gord Johns: Ms. Penney, did you want to add anything?

Ms. Christine Penney: It has been an honour for me to participate in this process. As Jennifer said, we've worked together on a variety of deals before this. Clearwater announced that it was putting itself up for sale in March 2020, and the Mi'kmaq were at the table from the beginning.

It has just been an honour to participate in, frankly, such a historic event for Canadian fisheries and see the Mi'kmaq take their place at the table, both at our boardroom table and at the industry table from an offshore perspective. That is going to be a huge positive step for the entire industry going forward.

• (1730)

Mr. Gord Johns: Thank you. I appreciate that.

As you are aware, there have been some concerns regarding the sale. You can use the last few minutes of my time to talk about any issues that maybe haven't come up, that you haven't addressed, around removing those concerns. Please feel free to talk about anything that might have been missed.

Ms. Penney, do you want to lead off on that?

Ms. Christine Penney: I would just go back to the earlier statements.

It has been a bit puzzling for me personally as to where the concerns were coming from. When I hear that perhaps there was a misperception that these were being converted to commercial communal licences, I can see where maybe that would have raised some questions.

Again, I don't see this as something that should be creating concern for the rest of the industry. The industry at large has understood that there has been an appetite for further participation by indigenous groups in the fishery, and has been looking for ways to partner and work with the indigenous community to build relationships on a business level.

This transaction has created a model for economic reconciliation in Canada that will serve the fishing industry and it goes beyond that to other industries as well. This is a transaction where the Mi'kmaq participate equally in every aspect of the company, from governance to operations, to the financial benefits that are generated from the company and to the employment benefits Jennifer spoke to.

We've certainly been able to provide reassurance to our employees that no one is going to lose their job as a result of this transac-

tion, but we will be redoubling and refocusing our efforts on our diversity commitments and making sure that we are providing opportunities for Mi'kmaq individuals at every level of the company.

We've recently hired an indigenous employment officer who will lead that effort across the company. She will be working with the individual communities, with Mi'kmaq individuals, to make sure that job opportunities are well advertised and well known, that we're also looking at training and recruitment gaps and ensuring that Clearwater continues to grow and continues to be a visibly indigenous-owned company.

The Chair: Thank you, Mr. Johns.

That kind of clues up this portion of our meeting today.

I want to say thank you, Ms. Penney and Ms. Deleskie, for coming to committee today and giving your valued testimony. I also extend a big thank you to Clearwater for helping to create local economies and for helping small communities survive that much better.

I want to tell everyone that we don't have time to go any further with anything. All the party whips are in agreement that we end now. I will say thank you to the analysts, to the clerks, to the translators and to everybody for participating. I also offer a special thank you to Madam Desbiens for being here today. We'll see everybody on Wednesday.

Thank you.

The meeting is adjourned.

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