

PRINCE EDWARD ISLAND LEGISLATIVE ASSEMBLY



Speaker: Hon. Kathleen M. Casey

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Standing Committee on Fisheries, Intergovernmental Affairs and Transportation

DATE OF HEARING: 24 JANUARY 2008

MEETING STATUS: PUBLIC

LOCATION: POPE ROOM, COLES BUILDING, CHARLOTTETOWN

SUBJECT: MOTION #6, REVIEW OF POLAR FOODS; PRESENTATIONS BY FISHERMEN

COMMITTEE:

Bush Dumville, MLA West Royalty-Springvale (Chair)
Jim Bagnall, MLA Montague-Kilmuir
Michael Currie, MLA Georgetown-St. Peters
Charles McGeoghegan, MLA Belfast-Murray River
Alan McIsaac, MLA Vernon River-Stratford
Robert Mitchell, MLA Charlottetown-Sherwood
Pat Murphy, MLA Alberton-Roseville
Wes Sheridan, Provincial Treasurer
Buck Watts, MLA Tracadie-Hillsborough Park

COMMITTEE MEMBERS ABSENT:

none

GUESTS:

Colin Younker, Auditor General; Jane MacAdam (Office of the Auditor General); Acadian Fishermen's Co-op (Jeff Malloy, Keith Paugh); Southern Kings and Queens Fishermen's Association (Jim Jenkins, Donald Johnston); Reuben's Fish Mart (Roger Wall)

STAFF:

Marian Johnston, Clerk Assistant and Clerk of Committees
Ryan Conway, Research Officer

The Committee met at 1:30 p.m.

Chair (Dumville): I'll call our meeting to order.

I'd like to welcome everybody here today. It's great to see everybody out and around. It's good to see the sunshine out there today.

I guess this is the first meeting where members of the general public are appearing before our committee regarding this loss in PEI's history. To date, most of the testimony has been to the Public Accounts Committee and has mostly been the subject of government officials. The intent of this committee is to determine the methods that led to the outcome of this file and to recommend policy safeguards and restructuring to protect government funds going forward.

So I thank you all here today.

Would you like to make some opening remarks?

Colin Younger: Just waiting for questions.

Chair: Okay. Does everybody have the agenda before them? I'll ask for adoption of the agenda.

Mr. Bagnall: So moved.

Chair: Thank you, everybody.

Today our first person on this docket is the Auditor General. I'm going to open the floor up to questions to the Auditor General. If you could please go through the Chair I'd greatly appreciate it, so Hansard can get a chance to know who's speaking.

The Chair recognizes Buck Watts.

Mr. Watts: Colin, over the period of time that Polar was in existence, can you tell the

committee, in total, how much money did the shareholders walk away with? From start to finish, what was the amount of money that the shareholders did walk away with?

Colin Younger: In the report we included a schedule which outlined the amount of cash that went out to the shareholders. For the plant assets there was \$11,800,000 received initially. For accounts receivable and inventory there was 8.2 million. Wages and directors' fees, on the information that we had, was 3.8, and there is some dividends of 230,000, which would be on the Souris transaction. There was 90,000 to some immigrant investor shareholders. For a total of 24.1, which would be the cash over the period of time.

Mr. Watts: Twenty-four point one million.

Chair: The Chair recognizes Minister Sheridan.

Mr. Sheridan: So Colin, just on that, when you speak of cash outlay, and you're speaking of the final summation, included in that - I followed up some of this now - and just trying to get to a point where we can make sure this kind of mistake doesn't take place again. One of the problems that I have with it is that I can't follow through the \$5.6 million that went out in shareholder loan repayment in December of 2001.

Can you walk me through that just to tell me what actually happened there with that 5.6 million in shareholder loan repayment? Did it actually go to the shareholders? Did they reinvest it for working capital? How did that work through on the balance sheet?

Colin Younger: They transferred the 8.2 of accounts receivable inventory into the company initially, so those assets would have went into the company.

Mr. Sheridan: Correct.

Colin Younker: In exchange for that, there was a shareholders' loan of 8.2, and 5.6 would have been paid out for those assets. Then the balance was paid out over the next couple of years, the 2.6.

Mr. Sheridan: So the 5.6 repayment of those shareholder loans in December of 2001 went directly to the shareholders?

Colin Younker: Yes.

Mr. Sheridan: Would that have been in contravention of the agreement that we would have had in place between BDI and the shareholders?

Colin Younker: The initial preferred share agreement had a clause in it where there was to be no payment and interest to shareholders. The other argument against that is the company received something in consideration for those shareholders' loans. Our point was that in the submissions to Executive Council, there was no mention this was going to happen. So it may have altered the negotiations on price, it may have altered negotiations on how it was to be paid for - that maybe should have been paid for over five years as opposed to being paid up front initially and over the next couple of years, depending on cash flow and depending on what was realized on those assets. So that was our concern at the time.

Mr. Sheridan: Coming from the banking world, usually there is an agreement in place that as long as the company is performing admirably and there are some profits being made and there is application made to the banking institution to look at the security piece of it, there would be an allowance of collecting on your shareholder loan. In most cases where a company is under duress there's usually a form signed that says that it is not. You're saying that originally that was the case, but did that get bypassed, did it expire, or was it a case of just not due diligence?

Colin Younker: In the original agreement on the preferred share agreement, it said there's no payments on shareholders' loans and no interest to be paid on those shareholders' loans. Both those things were done.

Mr. Sheridan: Right. So it wouldn't have expired. As in any kind of true banking, it stays in effect until it's waived.

Colin Younker: Yes.

Mr. Sheridan: I guess that's the piece that I struggle the most with, is that's the kind of thing that went on.

Looking through all of what happened with the previous administration, I have a lot of understanding of where they were coming from with the Polar deal and why they amalgamated and everything with that piece. I think - and I'm not sure of this - I don't think there is anything gained here in this investigation by trying to throw anything further at the previous administration. I think what people want to hear and see: Is there someone that walked away with taxpayers money that really wasn't eligible for that money? I think that's where I have my biggest struggle, is that if that is the case, I would like to look into it further and that's why we're at these investigations.

I think that once you go into a company and you've decided that you're going to enter into an agreement and put your skin on the line and try to make a go of something, that you enter into it with good faith and you put your money into it, you put your assets into it, and you have signed agreements to follow it. When this goes this far in contravention of all the paperwork that was signed and everything that's in our files, I think the bottom line, what I want to see come out of this, is that we can come out of this committee with recommendations that make sure that our lending arms never go through this kind of lack of due diligence on this

behalf. I'm very surprised that we would ever allow this extraction of shareholder loans at a time when the company was under great duress.

I think that there had to be some point where we allowed that to happen. I think I'm hearing from you that you have some problem with that as well, that that paperwork was in that file, that they were not to remove that. I'm sure that there were legal opinions sought at that time by the shareholders and that they felt that they had grounds on which to remove that. I struggle with that thought. Is there any way in your findings that you felt that they had legal grounds to remove that?

Colin Younker: We didn't go beyond what was in the agreement.

Mr. Sheridan: Just the last piece I'm sure, Mr. Chair, if I might.

The other only small piece is that they continued also to take dividends out at a time when there were no profits to be had. Again, it's the same contravention. You said that it was consideration in the original loan file that they would not remove interest or shareholders' loans and that would cover dividends. Do you feel that's correct as well?

Colin Younker: Yes.

Mr. Sheridan: Thank you, Mr. Chair.

Colin Younker: If I just go back to Buck's question there.

In addition to the amounts that we summarized here, there was some share transactions between the shareholders themselves but that money didn't come from government. That was just transactions between the shareholders, where a couple of shareholders were bought out over the life of Polar.

Mr. Watts: That was just an exchange.

Colin Younker: Yeah, that was between the shareholders themselves.

Mr. Sheridan: That was money outside the Polar corporation?

Colin Younker: That's it, yes.

Chair: Robert.

Mr. Mitchell: Yes, Colin. It's in various times over all of the documents provided there - and Wes just touched on it there - the paying of dividends and director fees and that was given approval through BDI more than on one occasion.

My question is: Who at BDI would have the authority to verbally agree - in a lot of cases verbally agree - to do that?

Colin Younker: It would be the CEO of BDI.

Mr. Mitchell: CEO?

Colin Younker: Yeah.

Mr. Mitchell: So that wouldn't require anything other - it's not a board meeting or anything, it's just direct approval?

Colin Younker: I think it goes back to some of the discussion on the corporation itself, BDI. They had a board, it wasn't regular board meetings, and this is the type of thing that your board should be doing. That's their job, is to - if you're going to have a Crown corporation and have a board, the board should be active and be involved in these decisions.

Mr. Sheridan: Was there any written allowance for that money to be taken out for the shareholders' loans to be repaid at that time?

Colin Younker: Back in -

Mr. Sheridan: In December of 2001?

Colin Younker: Not that I'm aware of, no.

Mr. Sheridan: Okay. So it would have been a verbal agreement at that time, if anything?

Colin Younker: There was nothing written. I'm not sure if BDI was aware or if they were asked at that time.

Mr. Sheridan: Okay. So that meant that there was funds available in their line of credit at that time and removed it maybe without BDI even knowing that?

Colin Younker: Yes. That was one of the initial transactions.

Chair: The Chair recognizes Buck Watts.

Mr. Watts: Colin, if in fact it was somehow established that the shareholders did in fact obtain money that maybe they weren't entitled to - I don't know if that's a good way of putting it - is there any way that the taxpayers of PEI getting that money back?

Colin Younker: That would be a legal question. I wouldn't have - it would be a legal question. It depends on how it was consented to and (Indistinct) money was taken and things like that. It'd be a legal question.

Chair: The Chair recognizes Pat Murphy.

Mr. Murphy: That was my question sort of along the same as Buck's there. If there was something, what recourse does the province have? From what I understand, there was a legal opinion obtained at the time and I was wondering if you would be able to table that document for this committee?

Colin Younker: The legal opinion on -

Mr. Murphy: On whether the government was going to sue or not to get money back.

Colin Younker: I think that had to do with the dividends on the class F shares. The government - you fellows would have that opinion, do you, Wes?

Mr. Sheridan: I would have to look for that, Colin, to see if that is the case. I would expect that it's in the files. I haven't looked for that myself. That would be public knowledge that could be brought to this committee. Is that what you're -

Colin Younker: I haven't seen the copy of the opinion.

Mr. Murphy: You haven't seen the copy?

Colin Younker: No, I haven't seen a copy.

Mr. Murphy: Is that opinion going to be available for this committee?

Chair: I'll check with Minister Sheridan. Do you think you could -

Mr. Sheridan: If that is available in the files, that could be tabled at this meeting, if that is the case. If that's the committee's wish, I will look into that and have that legal opinion brought back here and exposed for the next meeting.

Chair: Is the committee in favour of that?

Some Hon. Members: Agreed.

Chair: Okay.

An Hon. Member: Thank you.

Mr. McGeoghegan: There's mention of that in the 2007 Auditor General's report, isn't there, about a legal opinion from BDI?

Colin Younker: Yes, that it was received. That was one of our follow-up on the

recommendations.

Mr. McGeoghegan: Right. But you guys never saw it yourself?

Colin Younker: We didn't see the legal opinion, no.

Mr. McGeoghegan: Really?

Colin Younker: No. We don't necessarily request it, just that it's there on our follow-ups.

Mr. McGeoghegan: Right. That could be an important piece to the puzzle to see exactly what they came up with.

Chair: I guess I might as well have a question.

Colin, looking through it all - and the company started out in 1988, I guess - and it was all saying that the processing sector was coming together, they're having financial difficulty and this would solve the industry's problem if government became involved. I noticed that four years earlier there was a study done that said that the industry was at 22% in terms of processing capacity.

We got going in this. We've gone according to the files - it looks like every year there is only one year that the company made a profit. I'm just kind of wondering how - and there was partners bought out along the route. I'm just kind of wondering how they kept the value of the company up or the share price of the company up during all these transactions between the partners? I mean, if you're going in and you're having difficulty - and we're talking millions of dollars - and you haven't made any money in five or six years, how do you say - the millions were exchanging hands - how do you say that the company was worth, both in terms of buying partners out with the value of the company and the share price?

Colin Younker: One of the first share purchases of (Indistinct), I'm not how they arrived at that value, but that would be between them as shareholders. They just negotiate a price on the 2.9 paid to three of the shareholders in 2003. That was in response to an offer from an outside group to purchase the shares and they had the right to match the offer. They write a first refusal on the offer. So again, that would be a market offer at the time. I'm not sure how those people that were making the offer, how they'd arrived at that. We didn't look into that.

Chair: Robert Mitchell.

Mr. Mitchell: During the report done by KPMG, it kind of alluded to they were having difficulty getting information from the receiver, and at one point questioned or made a recommendation to see if there was any relationship between the receiver and marketing agent at the time. Do you know if there was anything ever came from that, Colin, if there was any relationship there at all?

Colin Younker: We didn't get any additional information on it, no. There's still one outstanding issue: the final report from the receiver. I think the last one I've seen is March 2006 and I'm not sure if that has been received yet. Then there was a deposit in trust of about \$680,000 that was supposed to be paid back if there was no claims by FPI on product. I don't know if that's been finalized yet or not as well.

Mr. Mitchell: In trust with Polar?

Colin Younker: No, it's in trust I think with Stewart McKelvey, I think.

Mr. Mitchell: So what's the follow-up procedure to obtain that file document, then, from the receiver?

Colin Younker: I think BDI has to request

that from the receiver that they prepare a final report.

Mr. Mitchell: And then do you get that report?

Colin Younger: No, it doesn't have to come to us.

Mr. Mitchell: It doesn't have to?

Colin Younger: No.

Mr. Mitchell: So we request BDI if the report is done and if it's available?

Colin Younger: Yes.

Mr. Mitchell: Okay. I believe that listed payrolls and everything that they were looking for in that report.

Colin Younger: There was two separate things: there's the receiver reports and then there's the payroll report.

Mr. Mitchell: Do we do that through committee or -

An Hon. Member: (Indistinct).

Mr. Mitchell: Do we do that through committee, to ask if BDI has received that report from the receiver?

An Hon. Member: We could.

Mr. Sheridan: March 2007 would be the release when they would finalize that year end, I would expect. So we'd cease six months from that point, September, October.

Mr. Mitchell: So like last fall.

Mr. Bagnall: Would that be in your next Auditor General's report as a final follow up to that?

Colin Younger: Not necessarily Jim, no.

Chair: Does the committee want that report?

Mr. Sheridan: I would suggest that that would be the case, Mr. Chair.

Chair: Everybody in favour?

Some Hon. Members: Agreed.

Chair: Okay. I read through the file there, there was something to do with - you were trying to get information on payroll and you seemed to be obstructed. You were asking the company for payroll information. Could you kind of give us a little insight into that part of the -

Colin Younger: One of the requirements of the preferred share agreement was that there was a requirement to report on the payroll of the company every two years. The information was to be audited and it was part of the requirements of the agreement.

There was payroll information supplied to BDI but it didn't follow the agreement. It wasn't audited and it didn't break down the shareholders' compensation from the total payroll. So we attempted to get the payroll to verify those numbers and to see if they had met the payroll targets. We had some difficulty initially getting the information. First, having a right to access to it. It was under the control of the receiver I think at that time. We went through a number of steps. We started to get some information late in the fall. Some of the information was deleted.

As I mentioned earlier, when we were looking at the schedule, we prepared for the report. We're not sure if it's complete or not because we didn't have that information. It came to our attention then in early January 2005 that we would have access to the information, but at that time we completed the report. So our recommendation in the report is that BDI should obtain that

information and have the work done that was required to be done on the payroll. I'm not sure where that stands now. I think BDI - BDI did get the information. What work they had done on it, I'm not sure. That's, again, another follow up for BDI.

Chair: Buck Watts.

Mr. Watts: Just getting away from that subject. Getting back to the loans that the company received. In the summer of 2003, just previous to the election, the company received \$14 million. Colin, can you give us a figure as to what the loss to the taxpayers would have been if the company had not received the \$14 million at that time?

Colin Younker: It may have changed how they dealt with the bank at that time. They were required to pay - the guarantee with the bank that the province had was an upfront guarantee. So once the loans were called the province had to pay the \$26 million or do what they did, take the assets. So if they didn't have the guarantee on the \$14 million they may have changed their mind. Their exposure would have been \$12 million at that time. So they may have changed as to how they dealt with it at that time. So in that case the loss could have been lower because their guarantee would have been lower at that stage of the game.

Chair: By a full 14 million?

Colin Younker: I'm not sure, Bush, it would depend on how the assets were sold again and how they were realized. You'd have to sit down and calculate it.

Chair: Pat Murphy.

Mr. Murphy: The RCMP report here and in the report, it's quite small. I was just wondering, were they asked to just investigate strictly theft of inventory or were they asked to do a fraud investigation too? Can you answer that?

Colin Younker: There was a complaint received by our office about inventory and equipment. Under Treasury Board policy we turned that over to the Attorney General's office, who then decide whether it goes to the RCMP or not, and they send it to the RCMP. So they would have investigated that complaint.

Mr. Murphy: But was it just -

Colin Younker: (Indistinct) specific complaint. I'm not sure what scope the RCMP did.

Mr. Murphy: So you don't know if there was a fraud investigation done or if it was just strictly a (Indistinct) of inventory investigation?

Colin Younker: I think it would be a similar thing I think, anyways, theft of product and equipment.

Chair: So basically they were just investigating a specific complaint dealing with theft of inventory. They weren't dealing with any criminality into this file.

Colin Younker: Not that I'm aware of.

Chair: Wes Sheridan.

Mr. Sheridan: I have one final question that I had. Colin, I haven't seen your full report, but just for this committee - following up on my earlier question - would you have three or five recommendations that you may make toward the lending arms of government that would help us step away from this kind of an issue in the future?

Colin Younker: The recommendations are in there. I think they cover that pretty well, now. We make the recommendations in the report and they're supposed to be all in place at the current time.

The compliance issues and what they were

supposed to be monitoring was in the agreements, so it's just a matter of following the agreements. You don't necessarily need more agreements. I think on the initial investment more due diligence, by looking at the financial statements, negotiating the price initially. Then, I think as you go through a transaction with a company or with a group, that if the risk increases that they share the risk as well as government. I think that's as uncomplicated, I guess, as I can make it.

Mr. Sheridan: You have said previously that you struggled with the fact that BDI and the lending agency are out there lending separately and that - does government have the wherewithal to lend through business development. It has been a concern of yours in the past.

Colin Younker: Yeah. In a previous report there was a recommendation that they should look at that, that the loan portfolio of BDI was growing, but they also had the lending agency in place to lend money as their banking arm, I guess you'd call it.

Mr. Sheridan: You stand by that to this day, that that would be something that we should look at.

Colin Younker: I still stand by that, yes.

Mr. Sheridan: Thank you.

Chair: Pat Murphy.

Mr. Murphy: At the time there was a lot of plants closed in the western end of the province. There was a lot of job losses and a lot of displacement. I'm just wondering if, in your opinion, the consolidation of the industry like this was a good idea.

Colin Younker: I can't give an opinion, Pat, on that part, whether it's a good idea. I think that one of the issues they didn't look at when they did consolidate was the

overcapacity. I think that should have been part of the early decision, whether it was through a consolidation of (Indistinct) plants or not.

Mr. Murphy: The Province of Prince Edward Island doesn't have any power over overcapacity and other provinces, I mean, it would just mean that a lot more product could be leaving the Island instead of being processed here on the Island.

Chair: Charlie.

Mr. McGeoghegan: Getting back to the personal guarantees again. I noticed we brought that up at the last meeting we had. But (Indistinct) your questions from January 2005. It says:

We have documentary evidence that personal guarantees were discussed in 2002. The lending agency notified Polar that their policy is to have personal guarantees. We were advised that personal guarantees were discussed with the shareholders on a number of occasions.

I guess I'm wondering how come that was never enforced or did you see anything in that?

Colin Younker: I think on the lending agency letter, they were looking at transferring the loans of the lending agency taken out at the Bank of Nova Scotia. The lending agency requires personal guarantees unless they're waved by the board of directors. In this case, based on the loans that the lending agency made the decision or its board made the decision that it would require personal guarantees. So at that time the shareholders of Polar weren't interested into entering into any negotiations. That was really the first step of a loan review.

Mr. McGeoghegan: But part of that was with BDI too, right?

Colin Younger: I think that was just the lending agency at that time. There was no personal guarantees obtained by BDI over the life of the loans.

Mr. McGeoghegan: There wasn't?

Colin Younger: No.

Mr. McGeoghegan: It's funny the Bank of Nova Scotia never required that. Is it because it was guaranteed by the province that they didn't have to?

Colin Younger: I would think that would be the reason why. You'd have to ask the Bank of Nova Scotia that, but I think that would be the reason why.

Mr. McGeoghegan: That's where the thing gets pretty complicated. Because the biggest outcry from the public that I've heard is we have the south side fishing industry, which as been hanging on by their fingertips for the last five years, now we have the farming industry is the same thing. Either one of those industries, if they need a new tractor or if they need a new boat or anything, their signature, their wife's signature, their property, their house, everything is on the line. That's the case right across the Island.

But here we have six guys who were basically millionaires before the thing even started, amalgamated, took the government for 24, \$25 million, walked away and nothing was ever - I mean that's why people are so mad about it. Because all the constraints are put on the every day man, but it seems like there is special circumstances in this case. That's the biggest thing I see about people being so mad about the way this went down.

Colin Younger: It just goes back to the due diligence when you enter the agreements initially at that time.

Chair: I'm going to have to cut it off, the

time - are there any other questions just before - Pat Murphy?

Mr. Murphy: I'm just wondering: Was there due diligence done on what kind of financial shape these companies were in pre-consolidation?

Colin Younger: No, there was no financial statements received on the original six companies.

Mr. McGeoghegan: There wasn't?

Colin Younger: No. That was one of our comments.

Mr. Murphy: Thank you.

Chair: I find it hard to believe that we could loan money to somebody without financial statements. As Charlie would say, they would request everybody else to give financial statements.

But just to summarize. Your audits year after year after year, plus the forensic audit, and the fact that you were having trouble getting payroll information, your investigation would be on the government side. You didn't have the power to go into the private company while they were still solvent?

Colin Younger: While they're still solvent?

Chair: Yes.

Colin Younger: No. Under the act, if there's any information that BDI is supposed to get from a company, we're allowed to look at that. So we did access some information because of that. There was requirements in the agreements for certain information. One of them was the payroll information. Because of that, our act allows us to access that information if BDI was supposed to have it.

Chair: I'd like to thank you very much for appearing before us today. Is it the committee's wish, would you like to have the Auditor General back again?

Mr. Bagnall: If you need him on standby, I think that we should just have him on standby, and if the committee wants to bring him in again, that he be available for us again.

Chair: Everybody in agreement?

Some Hon. Members: Agreed.

Mr. Sheridan: Just to add to that, Mr. Chairman -

Chair: Go ahead.

Mr. Sheridan: - just to go along with what Jim is saying, is that I'm going to bring back these three pieces from BDI, the three pieces that we've asked to come forward from the committee today. I think it would be appropriate if the Auditor General was here for that day when we bring them forward. So once I have that I can confirm it with you and we can line that up. I thank you very much for that as well.

Chair: So thank you very much.

Our next presenters are the Acadian Fishermen's Co-op and I invite them to the table. Gentlemen, you have about half an hour. You can take the full time to present your case, or if you wish questions and answers, I'll give you a five-minute warning. What I will ask you to do is to introduce yourselves. These proceedings are recorded by Hansard and it's sometimes difficult for them to get the names. So if you would give us your name I would greatly appreciate it. I could introduce ourselves around the table but as you can see, we have name tags all the way around here.

With that, the floor is all yours.

Jeff Malloy: Hi, my name is Jeff Malloy, I'm the CEO of Acadian Fishermen's Co-op.

Keith Paugh: Keith Paugh, I'm a fisherman and a member of the Acadian Fishermen's Co-op, and also the vice-chair of the board of directors.

Jeff Malloy: I would like to thank the committee for allowing the Acadian Fishermen's Co-op the opportunity to speak to you today concerning the collapse of Polar Foods and the subsequent effects that it has had on the remainder of the PEI processing industry. I'm here today on behalf of my board of directors and the 95 active fishermen who make up Acadian Fishermen's Co-op.

Just some background on our company. Acadian Fishermen's Co-op was formed in 1955, one of only two lobster processing co-operatives still operating on PEI. Our membership of 95 active fishermen, they're entirely made up of all fall fishermen that fish in the fall season that has been struggling. Very poor landings over the last several years. Acadian employs over 200 employees during processing season. We have an annual plant payroll in excess of \$2.5 million. We purchased close to 15.8 million worth of lobster, crab, scallops, herring, mackerel, and bar clams in 2007. We had over 23.5 million in sales in 2007. We borrowed up to 10 million in operating lines of credit annually. Interest on term debt and our operating line is over a million dollars annually.

I wanted to give you a brief overview of our company in order to show the degree of impact that we have on our local economy, and that we are not unique in that degree. Many other processors similarly impact their local economies, and together we play a very large role in the economy of Prince Edward Island.

When Polar was created other processors had to change the way they did business. They had to either increase volumes or move away from traditional packs into more speciality products which you could hopefully get a better profit margin on. To maintain the status quo was an option but that would only lead to disaster. At Acadian Fishermen's Co-op we have spent \$6.8 million over the past seven years to upgrade our facilities and processes. Other plants have incurred their own costs to upgrade their facilities and processes as well to try to compete.

One of the ramifications of these capital expenditures to our plant and many others has been less cash and increased overhead costs, including loan interest charges. Our industry is unique. We have to sell 10 months' worth of product in a three-month period in order to get cash to keep buying raw material. This does not help in trying to maximize a return from the marketplace.

We are at a disadvantage. Too much product on the market at the same time; customers who are aware that we have to sell, and that everyone has to sell at the same time. Profit margins are being squeezed from every direction. Our fishermen are looking for a fair return for their work effort. Large processors like Polar who undercut the price smaller processors can afford to sell and set shore prices at a level that makes it hard for local fishermen to earn a profit, and often times incurring losses in order to secure their sales position in the marketplace. These practices may work in the short term, but over time everybody suffers. This is a result of the formation of Polar Foods. We all knew how much money Polar lost from 1998 to 2004. Therefore, you know how difficult it was for the other companies to compete during that time.

The resulting sale of the assets of Polar has had a great impact as well, and that's what we'd like to touch on a little more. The sale

of Polar to Ocean Choice compounded the problems for other processors and fishermen. Clauses that are rumoured to be in the OCI sales agreement include - and we don't really know for sure because we haven't had access to a copy of the deal that was signed, or at least the details that affect the rest of the industry: the provincial government cannot give any financial help to any companies associated with the processing of lobster, including loans and/or guarantees for equipment, marketing, etc.; the provincial government can give financial assistance to other fish processing plants but if it does so, it must offer OCI the same amount or proportional amount with the dollars advanced to other processors - the proportional amount could exceed 100% of amount offered to other plants; the agreement is to run for 10 years.

Again, this is what we've heard is in the agreement. We've asked on several occasions to see a copy, but it apparently is tied up with legal teams. I'm not sure if this committee has access to that report.

We need answers to a number of questions that affect all of the remaining processors on PEI. Does the agreement prohibit the PEI government from giving any financial aid to any other lobster processor for a 10 year period? Can government provide financial aid to other processors only if OCI is offered the same or some other proportional amount of loan advanced to the other processors? If the government is prohibited from giving any financial aid to any other processor for 10 years, does it work both ways and not allow the government to provide financial aid to OCI for that same time period? Does the agreement include a clause that allows the province to write off any money that OCI spends on capital improvements from the money owed to the province?

We'd like to get back to an even playing field. Not knowing the rules leaves us to assume that the field is not even.

A number of projects that we may like to do require some form of creative financing, many times in order to get involvement from the federal side. They would like to see involvement at the provincial level as well. With this contract, this apparently is impossible.

I indulge the committee to imagine the uproar in this province if tomorrow the government announced there was a hotel chain in Charlottetown that was buying a building from the province, but as part of the deal, there would be no more financial aid or even project partnerships for anyone else in the tourism industry for the next 10 years. Well, this is what has happened to our industry without even an explanation.

Additionally, I would ask the committee to please re-examine the sales agreement with OCI as to its fairness to the other processors. Was this agreement hastily drawn up in favour of OCI and to the detriment of other processors? If this indeed was the case, can the committee bring forward a recommendation to the government of the day to renegotiate the existing agreement with a goal to bring fairness to all processors in the industry?

Last week the federal government announced that it would be providing \$1 billion to the provinces to help the manufacturing and processing industries affected by the strengthening Canadian dollar and the US economic concerns. We must ask if under the province's contract with OCI, would any of this money be made available to any other lobster processor besides Ocean Choice?

The industry, as many of you know, we don't make a great deal of headlines. Again, some of the stuff took place and I don't think too many articles were written about it in the papers or on the news. But the industry presently is in trouble, and like many in the manufacturing industry, with a

downturn in the US economy and the rise in the Canadian dollar, many jobs and a large part of the economies of small Island communities are on the line.

The industry needs better marketing. We are an industry that is very fragmented. We're the first ones to admit ourselves that none of us can get along. Certainly there is always - historically there has been heavy competition in the industry and we don't tend to agree on too much. I think certainly the time has come that we agree that we certainly are in trouble. You can't take an industry like ours that three years ago was moving probably 75% of our product into the US at a 1.50 exchange rate and then today we're down to a par, or close to par, dollar. Many of the communities that we are in depend on us purchasing lobsters, and many of the people in our surrounding communities work and rely on - for a better word - their stamps for the winter. Without that, some of these communities will be in real trouble.

The processing industry itself, we probably have in the area of \$300 million worth of exports a year from PEI. We don't get the air time. Certainly the other industries, we hear about the 100 or 150 million that aerospace brings into the economy. That's great. I don't have any issue with any other industry, and hopefully we can make this province expand on those new industries that hopefully can bring more money into the province. It'll certainly help us all.

But as a traditional industry we get overlooked. Again, everyone thinks that the processors are making a lot of money and there's too much capacity. If you look at what is landed on Prince Edward Island right now, with the formation of Polar we took the entire brunt of bringing the industry down to the overcapacity problem that was out there. When you take 12 or 13 companies that existed before the formation of Polar and bring them down to today six

that are left, probably in the area of 50 to 60% of the lobsters that are landed in the spring season go directly across the bridge and are not processed on PEI. The processing capacity that we presently have on PEI cannot handle the lobsters on a day to day basis that are landed on PEI. So as far as anyone saying that the old adage that when you talk to ACOA and they really don't - fisheries is that bad word because your industry has overcapacity. Well, on PEI we do not have overcapacity.

We need a better partnership with all levels of government. Companies need to be stronger financially in order to work from a position of strength as opposed to a position of weakness in today's marketplace. Again, going back to the - that we sell products that are sold throughout the year for a 12-month period, the majority of that processed product is processed. Now it's a little more because of southwest Nova and the US. If you look at the numbers, it's probably in the area of 60% of the processed product is ended up landed in the spring season.

We as an industry or as a group of processors have to sell that in a two-month period in order to get cash to buy the next season. We're like everyone else, that you always think the grass is going to be greener. So what takes place is that in order to get that cash, you think: I'll make some money off of Maine lobsters, so I've got to get rid of my inventory in order to get the cash in order to make that profit. That doesn't happen because everyone has the same idea and everyone floods the market and the marketplace knows what is out there and knows that we are not playing from a seat of strength, we're playing from weakness, and that we need to sell. So subsequently the price goes down and therefore the profit.

To think that the processors, that are a small part of the overall industry, certainly take the processors out and the effect will be

trickled down to the fishermen by a lot. Because we are a big part of the industry. The live industry cannot handle the volumes. When big volumes come out of southwest Nova - like last year, for instance, out of southwest Nova, 5.4 million pounds of lobster out of their season was brought to either New Brunswick or PEI to be processed. It's far stretching the impact that the processing industry has. It not only affects the spring season on PEI, but the fall season, as well as Maine, as well as southwest Nova now. That's doing nothing but growing in popularity just because it's a volume of lobster that is now available to processors to work with.

We do a very poor job in marketing. Money has to be spent on things like that. We don't do much value-added. Majority of the processors in the Maritimes, as far as that goes, are doing bulk pack like (Indistinct) or (Indistinct) or raw tails or CK (Indistinct) meat. Those packages in turn are taken down to the US, as far as the meat goes, where they're further processed. We are taking that product that should be very valuable and high end, and we're treating it like a commodity, like a 50-pound bag of potatoes. We have to do a lot better job and get the value brought back within the Maritimes, or hopefully within PEI, and keep that money here rather than have it exported somewhere else, where the marketers out of the US or any other country, as far as that goes, are the ones making the money and extracting the money away from our industry. If we want more money for the fishermen it all comes down to that we have to extract more money out of the marketplace in order for it to trickle down to the fishermen.

I didn't come here today to - I'm not picking on OCI. They certainly made a deal at the time. I know at the time a similar problem when Polar was formed and the government certainly was trying to work in the best interest of the industry, what they thought

was right. I think they got misled by a group of sharp talkers, but those things happen. We feel that we should just move on from the mistakes of the past and make a better industry for our fishermen, plant workers, and everyone who depends on this industry, as being a part of this great Island's history and can be a vital part of its future.

Thank you.

Chair: You have two more minutes, and if Keith would like to add to that, I can allow five minutes for questions of the committee.

But Jeff, thank you very much for your report.

Keith.

Keith Paugh: Just a few comments. Basically, being a fishermen for a number of years and being involved with Acadian Fishermen's Co-op, we have probably one of the most modern plants in Atlantic Canada. It's been upgraded two or three times. It now meets international standards that we can export to Europe, but we're having a problem with marketing. It's coming back to making it tough for everybody, and it's also less profitable for our fishermen. We have a (Indistinct) a lot of bad years and we're trying to see things go ahead. It seems though every time we start moving ahead something comes in front of us.

It seems as though this agreement with Ocean Choice is coming in front of us now. We're understanding we're not getting any help in marketing. I thought the market development agent on PEI was there to help market our products. Until we realize what's in this 10 year agreement or whatever, we don't know where we stand. As Jeff mentioned earlier, I think we have to get this made public and probably this committee could bring it forward so we'll all understand what we're facing here.

Because as I see it, if we keep going the way we are, in the next few years, we're going to have another few plants - and ours could be one, and maybe more on PEI - that's going to be in a very tough financial crisis to try and keep operating. Bring it on into our local economy with our employees and our fishermen and everybody else that's serviced by those plants.

Anyway, that's about all I have to say.

Chair: Pat Murphy.

Mr. Murphy: So where you would see the government helping support is product development and marketing. You said that we're shipping in sort of a raw state to the States and they're doing the high end processing there. If government was able to give some help that that would be the spot for it?

Jeff Malloy: Well, I mean, I think that everybody would like the ability to be able to extract a little more margin out of the product. Again, the industry is in such bad shape that nobody really has the cash to put into it. We've been fortunate enough, we've had some profitable years in the past, and we want to thank the previous government.

In 2004 we undertook an expansion of the plant. It wasn't an expansion. I mean, the plant was 40 years old. We took it down probably to the studs and even some of them were removed. We had to really rebuild the plant. It was under the same footprint. During that one we spent \$5 million. The government at that time - it's no secret - the government put in \$1.4 million. I guess I look at it in the fact that, at the time, over the last seven years we've spent 6.8 million or \$6.9 million; 1.4 million was given to us. I would like to see a lot of industries - look at lot of industries - and say that a company that invested that much into their capital in their plant was helped out 20%, which is what it works out to.

I think those are good numbers and we have nothing to be ashamed about saying that we received that money and thanking the previous government for that. It certainly helped us get to where we can export. We're BRC approved into Europe, which is British Retail Consortium approved. We can sell direct to retail places in the UK and those things. I mean, that's the route that we have to go, in my opinion. Or that's the route we've gone. But not everybody's plant is even as modern as ours. I think as an industry there has to be that money available to help other people out as well.

If Mariner Seafoods or anybody else wants to invest in modernizing their plant, I certainly would not have a problem if they're willing to put an investment in, government involvement. But as we understand it under this agreement, that's not possible any more. We really don't think that that's fair to our industry. I don't think any other industry would have not yelled blue murder over it. But we again, we're not the best group to get along with one another, so we just sit on our hands and not say too much. I really think that it's not fair, as an industry, the way that is written - the way we hear that it's written. I mean, we certainly would ask that this committee release that document. As far as private business of Ocean Choice - don't need to know that - but what we would like to have is the opportunity to see what's in that agreement that affects each and every one of us. That has not been made available to date to us.

So we are asking the committee to expand their - I know the majority of what you're looking at is what went wrong with Polar. I guess we're asking that you expand it a little bit to include everything that the whole Polar thing brought about. That's what our request is.

Mr. Murphy: I'd agree with you there. I'd like to see the impact that the whole Polar

deal had on the fishery, and I think that's an important piece of that.

The other thing is, I was wondering how much of the Island catch - maybe you can't answer this - but how much of the Island catch is processed here on the Island?

Jeff Malloy: I would say right now that, out of the spring season, you're looking at probably - I mean, it depends on who you talk to - but anywhere from 50 to some people say as high as 70% leaves. But it's a high number. The lowest number I've heard is 50%.

Chair: Our time is up but I have two more questions. Keep them brief, please.

Alan McIsaac, and then Buck Watts.

Mr. McIsaac: I just want to know if we can look into that agreement and see exactly what it is. Because we're looking into Polar Foods and it looks like it's still ongoing, if it's affecting some of the partners that are still in the fishery business today. I think that falls within our scope, so we should have asked for that agreement to be made public, at least to the committee anyway.

Chair: Thank you.

Buck Watts.

Mr. Watts: Jeff, from a marketing standpoint - you mentioned marketing - how do you see marketing unfolding, say with some kind of assistance from government? Would you say a marketing board for all of the lobster industry on PEI or just for a certain processor, or how do you see that?

Jeff Malloy: I mean, I think everyone's business is different. We've gone down the route - we've spent a lot of money through the shrimp board, money that we received from them as processors, doing a generic marketing program for lobsters. I guess I'm

not a big fan of that just because of the way it was done, and because it had to go through a federal department as well. It had to be Atlantic Canada lobster that we were promoting. I don't think that we have to spend a ton of money on a generic umbrella marketing thing, but I think everybody needs some help as far as identifying better markets and getting their product out there and identifying better packs and stuff that would give us better margins.

No money, very little money, is being spent on product development whatsoever. I think it could be something as simple as that we have the facilities here on PEI with the Food Tech and with the Culinary Institute and that type of thing. That we would have funds made available to individual companies of projects that they want to work on, that we keep it on the Island, that we work with those institutions that we have. We should be proud of those institutions. Work with them to develop products that are uniquely PEI and unique to individual companies. I mean, if -

Chair: Jeff, I'm going to have to cut you off, we're over time. I really appreciate you coming in and helping the committee out. Would you like to leave a copy of your report? Would the committee like to have a copy? Everybody like to have a copy on the committee? Okay. The clerk will see that copies are made and all members of the committee get it.

So Jeff, Keith, thank you very much. We're halfway through. We have four parts today. This is the second part, so I'm going to call a 10 minute recess. Everybody can stretch your legs, have a coffee. We'll call to the gavel in 10 minutes.

[There was a short recess]

Chair: Call to order.

Our next presenter is the Southern Kings

and Queens Fishermen's Association, and I'll call Don Johnston and his company to the mike, please. You have half an hour, Don, and if you'd like to leave a few minutes at the end for questioning, that would be fine too. We'll give you a five-minute warning if you so wish. I just ask that before you speak you repeat your names in full for the Hansard.

The floor is all yours, sir.

Don Johnston: Thank you, Bush, Mr. Chairman.

Donald Johnston, President of Southern Kings and Queens Fishermen's Association, and also the chair of the 26A Lobster Advisory.

Jim Jenkins: I'm Jim Jenkins. I act as an advisor to the Southern Kings and Queens Fishermen's Association.

Don Johnston: I'd like to thank the committee for providing us an invitation today to come speak on behalf of the Polar issue. I've been sick with a cold all week. I didn't know if I was going to make it today. I guess you heard me coughing here all through the - I'll be on the evening news coughing all evening. But anyhow, I'm going to try to get through it here. I shortened up my brief for that cause.

We're not here today to present blame to any party or such as an effect of the situation that happened. What we're here today to do is to outline what is in the future and what will cause trouble for the fishermen under certain circumstances. I have prepared a document by my association's concerns.

You'll see that there are three main elements on our paper. The agreement with Ocean Choice, I have provided a copy of the agreement without the schedules.

Chair: You have a copy of that agreement?

Don Johnston: I have a copy of the Ocean Choice agreement right here in my documents, yes.

Chair: Okay. Could you just hold for a moment, Mr. Johnston? I'd like to get the committee's opinion on this. You have copies for all members of the committee?

Clerk Assistant and Clerk of Committees: (Indistinct), Mr. Chairman.

Chair: Okay. As there are some confidential aspects of this agreement, is it the committee's wish that we receive this document from Mr. Johnston today?

An Hon. Member: I think we should (Indistinct).

Mr. Bagnall: Maybe we should ask the Provincial Treasurer on the confidentiality and the agreement that's (Indistinct) before that agreement's done. I don't know if you know, Wes, on it or not, but what are the ramifications if it's a confidential document and it's released here?

Mr. Sheridan: With a client-lender confidentiality is the issue, is what I'm concerned with here, and allowing it to be released. If it's brought forward in this, under this cover, it is a Legislative Assembly meeting at this time. I believe that we're okay.

Mr. Bagnall: But it becomes public. That's what you got to (Indistinct) -

Mr. Sheridan: If it becomes public - I just had this brought upon us. I believe that we are legally in acceptance of this by this party bringing it forward. I have no idea how this party would get this agreement. I have never seen it myself. I have never looked at this agreement. I'm surprised that it has been out there and has never made the newspapers to

this point.

Just in the last five minutes I have asked to see if there is a legal opinion on it. I believe that under this setting that we have to allow it to be presented and put forward as a document here. I struggle with it. I'm told that we can do this, that it can be brought forward. I guess that's the only piece that we can look at. I guess I have to move on that piece.

Mr. Bagnall: I'm in favour of seeing it. I want to see it myself. But I just want to make sure that we're within our legal -

Chair: Okay. Just sorry to interrupt, gentlemen, but could I ask the Clerk Assistant for legislative advice.

Clerk Assistant and Clerk of Committees: Thank you, Mr. Chair.

You're quite right, Mr. Treasurer, anything that this committee does, if the committee is in agreement that it does want to see this document, it will be protected by parliamentary privilege. Likewise, Mr. Johnston is acting, bringing this information to the committee that it wants to receive, and he's also protected by parliamentary privilege.

Chair: Okay.

Could I have a show of hands who's in favour of this presentation?

One moment. Alan McIsaac.

Mr. McIsaac: After we see the copies, do they stay within the room then or do they go to the Clerk or are they free to go?

Mr. Bagnall: Public information.

Clerk Assistant and Clerk of Committees: It's public.

Chair: Any discussion before I ask for a consensus?

All right.

All in favour? I want a show of hands.

Are we unanimous?

Some Hon. Members: Sure.

Chair: Carried.

Proceed, Mr. Johnston.

Don Johnston: Thank you, Mr. Chairman.

This agreement is nothing less than a disaster for the fishing industry on PEI. We were sold out. If this agreement is allowed to live, we will bear the scars for decades to come. It gives all of the advantage to Ocean Choice while discriminating against other Island buyers, which was just talked about by a buyer, Acadian Co-Op, just before we got up.

There is a section on assistance from government. It cripples government's ability to assist fish processors' sectors in times of need. If the government decides to help a processor, it has to pay Ocean Choice, pay off Ocean Choice. See section 10(2) of the agreement.

In our second part, the issuance of lobster and groundfish processing license by the province - in order to control competition, the government has agreed to eliminate the issuance of new lobster groundfish processing license. Further, the government eliminated four plant licenses. If the government chooses to issue such licenses, they have to agree waiving all outstanding payments of Ocean Choice. I got a piece of the action here.

On issue three, related to number two, the province has a policy to delay the issuance

of new fish buyer licenses for 30 days. If we fishers find a buyer who will pay us more for our catch, he cannot set up on PEI without going through this waiting period. We know that the season is only 50 days so it's pretty well lost. Why would the government want to penalize PEI fishermen? I would ask you to rescind these policies and shorten the wait time to 24 hours.

My document goes into the subjects for more detail, and I will address any questions from the committee.

Thank you for the opportunity of appearing before you.

Chair: Thank you, Don.

Don Johnston: You're welcome.

Chair: Jim.

Jim Jenkins: Thank you, Mr. Chairman.

Don is under the weather. He's been suffering the last number of days with a terrible sinus cold. In fact, he was at my place the other day and I thought I was going to catch it so I'm glad I didn't. At least to date anyway.

I'd like to refer to the two section that Don has alluded to in the agreement. It's section 10(1) and section 10(2). Section 10(1) says that:

"The Government shall immediately withdraw four processing licenses previously held by Polar" - that's the Anglo-Tignish, Howards Cove, Gaspereaux, and Morell - "and further shall not provide any new lobster or groundfish processing licenses."

With that being said, all the other buyers and processors in Prince Edward Island are asked to suffer because of an agreement

with a private company. It just seems to me to be out of the norm.

It says that: "If Government chooses to issue lobster or groundfish processing licenses after the Closing Date, then the Government shall compensate the Purchaser by waiving payment..." In other words, all the money owed by Ocean Choice would be waived. So the government has put itself in a very compromised position and I feel is not able to adequately carry out business with the other sectors of the industry.

The second part, section 10(2), that Donnie referred to, is that: "...The Government agrees that any new financing or other benefits from the Government to" compensate "competitors shall be provided to the Purchaser on the same terms..." In other words, just to use a number of - \$100,000 is given to Mariner Seafoods, then \$100,000 has to be given to Ocean Choice, is the way I understand it. I'm not a lawyer so I'm just reading it at face value. Lawyers, having their legal training, may put another interpretation on those things.

I think if you look through the document - and the first time I'd seen the document was the other day when Donnie asked me to help him prepare his large paper to go to the committee - my impressions from reading that document is that most of it is just legalese, but there are two or three sections in there which you should pay extremely close attention to. Not because I'm against or for Ocean Choice or the agreement that was negotiated, but I think you should take into consideration the future impact on the total fishing industry on Prince Edward Island. This has a very long-term effect and, in my opinion, having been associated with the fishing industry for over 40-some years, a very detrimental effect.

So it's something that I feel that your committee should look at seriously and, hopefully, in your deliberations, correct this

injustice that's been carried forward.

Thank you.

Chair: The floor is now open for questions.

Mr. Sheridan: Just a quick question. Donnie, you alluded also to the time period that allows a new buyer to come on the shore on Prince Edward Island. You're not insinuating that it came from this field in any way, shape, or form?

Don Johnston: No, it did not come from this field. It's just that it's a concern of the fishers. Perhaps I've overstepped my bounds bringing that up here, but it's a concern of the fishers and an open process, I guess, is the point I'm making. I'm not even really that concerned about what happened to Polar or whether there's product missing or how much money.

What I'm worried about and what my fishermen are worried about - they're interested in that - but they're worried about what's going to happen from here on. Because we're in dire straits with the expenses skyrocketing, bait up to 80 cents to a dollar a pound where it used to be 15 to 20 cents a pound, fuel this spring looking like something like 90 cents a litre. You don't push a 45-foot boat through the water too cheaply as some of the guys on the committee know. So we have some concerns. Perhaps this committee could look at the whole concerns and try to help the fishermen out in the (Indistinct).

Mr. Sheridan: Just in appreciation of that, Donnie, I know where you're coming from on it totally, but just outside the OCI agreement - and you look at someone like Acadian Co-Op - that's why that rule is put in place, is to protect the legitimate buyers.

My immediate rebuttal to you on that is just make sure that you do your due diligence before the season starts. If there's someone

out there that you would like to see on the wharf, is to make sure that you're in contact with them previous to it so that the government does have due diligence and time to look at who it is that's coming in to buy.

I think it's lots of time to do that. There's only so many buyers out there across the region and I think that that does give you the opportunity to do it. I don't think 24 hours is fair to allow someone to come in and compete with our existing buyers on the wharf. So you have to look at it from both sides. I understand where you're coming from as a fisher, but I think that if you do your homework at a time, that you do have enough time to respond to that before the season starts.

Chair: The floor recognizes Mike Currie.

Mr. M. Currie: I think Donnie, last fall in the Legislature, we asked the minister of fisheries if he'd entertain the idea - and this comes from the fishermen, of course - for bringing in these buyers. There was a whatever it was, a 10 day or 30 day rule, whatever it was.

Mr. Bagnall: Thirty days right now.

Mr. M. Currie: Thirty days. What we had asked for was that the PEI Fishermen's Federation be allowed to hold three or four licenses and then it's their responsibility to deal with the fishermen. If the minister of fisheries would entertain that, and if you guys have a port that has a buyer that wants to come in, then he takes responsibility for giving the license.

Based on what the treasurer is saying, if the due diligence is not there and the government issues a license, and he buys for a week or two and then leaves - the best week of the start of May and leaves - the fishermen come back to government and say: We lost all this money, you guys ante

up because he's gone, being a fly-by-night buyer.

So I don't know where that is, but I think the minister is entertaining it and I don't know what he (Indistinct).

Don Johnston: I had a conversation with the minister less than a month ago about that topic of each local holding maybe one license per 100 fishermen. There are criteria in place right now that doesn't allow that because you can't transfer a license and stuff. He didn't seem to be too good on that, but I didn't think this is the part of my statement that we would be talking about today, but I guess it is. But it is a serious one.

I, myself, sell to an Island buyer. I sell to Mariner Seafoods. I'm going to sell to Mariner Seafoods. But I'd just like to be able to get someone in to cuff him up a bit now and again just to make sure that he knows that if he doesn't pay the price that I can have someone on the wharf the next day. I think that's what - most fishermen want to sell to their local buyers but there's - everywhere else, and I know there's live markets and you can pay a little bit more for that because you're just moving lobsters quickly. We got to have the opportunity and the freedom to call someone in and, let's face it, if we talk to our buyer - and you can do as much talking as you want - and then it comes to the first of May and he says: Oh, no, it's a dollar less than we thought, we're done. You know, we have nowhere to go. It's 30 days before you get someone in. The practice of holding lobsters out in the water around here in the warm waters is pretty well - you can't do it. They used to do it years ago but I don't think it's feasible now to do that. Anyhow.

Chair: The Chair recognizes Charlie McGeoghegan.

Mr. McGeoghegan: Just to bring some

clarification to it, it's 30 days before the season starts, too. It's not just 30 days.

Mr. Bagnall: And you can't get it at 30 days.

Mr. McGeoghegan: No. It is quite a problem to the fishing industry and I think it is a good thing to be brought up.

Don Johnston: It's not just that - I believe I'm correct in saying this - it's not just that you can't get a license, but if I am a processor in PEI and I don't apply to buy at Rustico before the season, as some Rustico fishermen come to me the first week of the season and say: Why can't you come up and buy?, I can't even go there and buy. So you're even strong-arming our own local buyers by this agreement.

Mr. McGeoghegan: If you look at Nova Scotia and New Brunswick, they don't have that rule in place. A case in point being last spring, there was a buyer from Nova Scotia in Beach Point, and if he wasn't there everybody on PEI would have got 75 cents to a dollar less a pound for their lobster, and that's a fact. So something has to change in that. I don't know exactly what, but it has to change, and I think we can look at Nova Scotia and New Brunswick for how they do it.

Chair: The Chair recognizes Jim Bagnall.

Mr. Bagnall: Thank you.

When I was minister of fisheries at the time, that was a concern that did come forward from the fishers association. It was one that, when talking with the department and going through, I was recommended that it not be changed at that time. The simple reason was that they were saying that processors, for instance, have staff and everything booked up and are relying on a certain amount of lobster coming in on the day on the wharf, whoever is processing. That if buyers come

in, for instance, on that particular day and bought up a whole bunch of lobster and then were gone, then the plant people were sitting there with no work for that particular day. So that was one of the concerns.

But I did review it over and over again, and I guess I could say - although it didn't work out - but in our election campaign we had made a commitment to change that and we were going to change that 30 days to - I'm not sure, I can't quite remember without checking back on it, but I think it was seven or 10 days that we were going to allow that to be changed, and it could be changed at any time during the season.

But as you know, not there now. I thought at the time that the Liberal Party campaign was that they were going to eliminate that too and open it up, so I could be wrong on that. So it may be something that'll be coming forward. Is that going to be on the agenda for your annual meeting of the PEI Fishers Association coming up this weekend?

Don Johnston: I would imagine it will be discussed. We're having aboard meeting tomorrow morning in Mill River so it'll be definitely coming up. I mean, this whole topic will be coming up.

It's been a great concern, and we had met with the minister less than a month ago about it and discussed it, but it - we got to look at it from a fishing point of view and we got to look at it from our avenue. We can't take less money. Like, we took all the less money we can take. We went for years where guys in Nova Scotia and New Brunswick received more money for their lobsters than we have. Whether we're subsidizing the fish plants by doing so, I don't really know the reason for that, or whether our canner product is worth less, but I know the quality of lobsters are the best in the world.

When Polar was formed, they sort of

crashed a meeting we were having the day after it was announced. As Eddie Babineau stood up in front, he said: You've got the best product in the world, and if we don't succeed, don't worry. They'll be smashing the doors down to come get your product.

Mr. Bagnall: The only thing I would say too, Donnie, is that - and I agree with what you're saying. I'm not disagreeing with that at all, and I never did. But what I look at that is that the department has never turned down anybody applying for a license, whether they're from off-Island or on-Island, if they want to buy, as long as they get their name in before April 1st, or - you know. That's the policy that's there.

There's never been, to my knowledge, and I asked the questions when I was minister: Do we refuse any licenses? The answer was: No. We don't refuse anybody to buy lobster on PEI. As long as you apply by April 1st, 30 days before the season opens you can get a license. That's what it was when I was minister and I'm sure that's what it is today. They're never refusing anybody, and if anybody is really concerned about buying lobster here on PEI - and even these guys that come in, all they have to do is put their name in and buy a license; if I remember correctly, the licenses aren't very expensive, it may be \$100 to buy for a buyer's license - that if even a possibility that they might want to come in and buy some lobster, I don't see there's any reason why these people can't in advance pay that \$100 and have themselves protected, if they want to come in and buy, that they're allowed to.

So there's two sides to that particular one. I know with the department of fisheries, when I was there, there was all kinds of concerns. You have to deal with both processors and you have to deal with the fishermen both, so you have to try to have a middle of the road there for it. But what I emphasize is that anybody that wants to buy and that's considering in buying lobsters here, as long

as they have the license by April 1st, they're allowed to buy.

Chair: The Chair recognizes Mike Currie.

Mr. M. Currie: Donnie, I never had a chance to ask Mr. Malloy before he left, but the one question I wanted to ask him - and I thought I gathered from his statement - was the fact that he didn't think there was overcapacity in processing in PEI. Do you agree with that?

Don Johnston: There's so many different markets in transportation today. It's hard for me to judge from a fisherman's point of view. I'm going to leave that part up to the packers. But I know that I was to a lobster seminar in Halifax, and I think marketing is a big problem we have. They talked about in Europe that at Christmastime our lobsters are on one side of the grocery store at \$9.95 as a lost leader and the Australian spiny lobsters at the other side of the store are at \$45 a pound, and that's just the tail and no claws.

So I think the marketing is a problem/ I think, especially now, since the Ocean Choice deal came, everybody's scrambling and trying to hold their skin to get to operate. They're selling scared, you know what I mean? If I can sell this many now, let's get rid of them and we'll hang on for another month.

Mr. M. Currie: I stand to be corrected, but I think in Australia though the fishermen are on quotas and then they control the market somewhat.

But I was interested in Jeff's comments because if he said 50% or 60% of live lobster are leaving PEI and he said we don't have overcapacity, I just didn't know where he was going with his comments.

Don Johnston: Well, for starters I would suggest that it would depend where he is

buying. It could be a large amount of markets, which you don't put in a can to start with, so that has to be shipped out. I know where I fish, I can get 20 to 30% markets, but I know there's other places, they get 80% markets. So you're going to have that percentage leave anyhow.

Mr. M. Currie: And he gets most of the Acadian buy (Indistinct) -

Don Johnston: I would suspect, but I'm not familiar with that at all.

Mr. M. Currie: Thank you.

Chair: I have three more. That'll put us out of time. Rob Mitchell is next, Buck Watts, and then Wes Sheridan.

Mr. Mitchell: Actually, Mr. Bagnall covered part of my question so there's no need for me.

Chair: Okay. Mr. Watts.

Mr. Watts: Donnie, I'm glad to hear your presentation. I thought it was good. Especially, you're looking to the future and not harping on blaming this fellow, and that fellow and that's a positive way to go.

Regarding the license, the buyer's license, I was just thinking - and I don't know if I'm trying to put ideas in my own government's head - but because the market seems to fluctuate so much with buying lobsters - and you know as well as I do and Charlie that we never know what the price is going to be, or at least I've never. Nobody is able to tell you what the price is going to be. No processor can tell you for sure. It keeps changing. So I wonder would it be of any advantage, instead of having a buyer's license issued 30 days prior to the start of the season, to have it at the last day of April instead of the 1st of April. The season opens the 1st of May. I wonder do you personally think that that would be better, more of an

advantage?

Don Johnston: I don't know who you sold to, Buck, but I usually don't know how much I'm getting paid for my lobsters. I hear rumours for a week and a half. I could have 5,000 pounds landed before I even know how much I'm getting.

Mr. Watts: That's true.

Don Johnston: But there's some people that will tell me how much I'm going to get, but sometimes I don't find out about them until the start of the season. You know what I mean?

Mr. Watts: Well, it's after you get your first statement that you find out.

Don Johnson: Yeah. So it may have to (Indistinct), then you got the American dollar in there too, and there's a lot to this, like, you know.

Mr. Watts: But what's your personal feeling on having a buyer's license issued the last day of April instead of the first day of April?

Don Johnston: No better than what it is now.

Mr. Watts: Okay.

Chair: Mr. Sheridan.

Mr. Sheridan: I'm missing your point, Buck, on that. You're saying that they would apply the 30 days before but only be issued on the last day of April. Is that what you're saying, that we would still have 30 days to determine who that buyer is?

Mr. Watts: No. What I'm saying is that, so, okay, they have to apply on the first day of April in order to get it. No, what I'm saying is they'd apply on the last day of April and get it the next day.

Mr. Sheridan: See, and that's where the problem is. You don't have any of the due diligence that Mr. Currie referred to. This is what we're up against. You have these fly-by-night guys come in and do this and does it to our processors. This isn't part of my question, but that's the part we have to do.

This is part of the industry's problem, that people don't plan any further than 24 hours out in front and that's what has to take place. If you have any thought in mind that you're going to go forward and purchase in an area, coming over from Nova Scotia, if you don't know more than 30 days in advance, somebody's not doing up a business plan, and somebody's not looking out for their best interests.

So I would suggest - and in your in your shoes - I would be doing my homework. I'd make sure that the guy from Nova Scotia that was here last year is ready to put his application in 30 days ahead. I'd be looking at every other buyer that's out there in Atlantic Canada and be talking to them ahead to make sure you have buyers on the wharf and do the due diligence beforehand. That's the only piece on that, and that's not my question, but that would be my suggestion to you. Treat it like a business and everyone will prosper by it. I just think it's the best practice.

Don Johnston: In a perfect world, maybe. That buyer that was on Beach Point, he's been there for the last two years. From the strong-arming he has received from certain (Indistinct), I don't think he's coming back. He wants it. The fishermen are too loyal to the locals. He's not getting enough fish. Even at paying inflated prices he's not getting enough fish. He may be back. It's up in the air, but I know I talked to him. I sold him a little bit but not much. I know that he's been abused for two years by the phone calls, and through the marketing. There's more to this than just a license. It's just not easy to come in to PEI and buy lobsters.

Mr. Sheridan: Twenty-four hours is not going to fix that, you know that. That's not my question.

My question to you is you bringing forward this OCI deal, and you're sitting in our chair, and we have to make a decision on what to do with taxpayers' money. It's clearly drawn out here for you, in front of everyone now, that this is the opportunity we have to cancel the OCI deal and waive the next \$14 million payment of taxpayers' dollars. What do you suggest this government do?

Don Johnston: I would suspect it's more than that now. There's only one thing we can do if we want the fishery to survive on PEI. We got to do away with that.

There's got to be some kind of agreement, another agreement. The government's got to be able to go out and work with the co-ops and work with Island processors in helping them. I know right now that Mariner Seafood has got into an agreement and got some snow crab quotas allotted to him - or not directly to him, but guaranteed to sell to him - but because he could not receive any financial help from the government, he can't afford to put in a crab line. Well, right there that crab is being shipped off-Island because of this agreement. If that was in there'd be 100 more workers there and that crab would be being done on Prince Edward Island that we never had here before. Advantages like that I think outweigh the cost and the mistake that happened.

Mr. Sheridan: But what I'm saying to you is that we're sitting here today with 137,000 taxpayers on Prince Edward Island, and we're talking about 100 people that would have an offshoot of this. Do you think the other 136,900 people would go along with the fact that we - as if we waive this deal, we pay out \$14 million in year's budget. That's what would happen to pay out our (Indistinct)?

Don Johnston: Unless there was another agreement that could be (Indistinct) or dealt with with Ocean Choice, if they're in good faith. They could even see the injustice in this.

Yes, I guess I actually am - if the fishery of Prince Edward Island is going to survive, the lobster fishery in Prince Edward Island, we can't have this deal. If we have this deal, we're going. Like, right now - and I'll give you an example - Beach Point Co-Op, they went into the batter house business or whatever. I'm just not sure what they did but I tie up right there. I think they borrowed a million dollars and they went under. There were five or six buyers wanting to buy that when they went under, but the place wasn't worth any more than \$400,000 at the very best. So therefore, they'd have to forgive \$600,000. If they forgive \$600,000, they had to give Ocean Choice \$600,000. So there they were, \$1.2 million to get \$400,000. So what did they do? Ocean Choice owns it.

Now North Lake Co-Op is in trouble because they only signed an agreement, I understand, for interest at 4% for so many years and that ran out. Because of the Ocean Choice agreement it went up to 7.5 or what have you, and that 3.5% interest rate was their operating capital. Now they lost that and they could only abstain so many years and now they're looking about going under. If they're worth \$2 million and the buyer's only going to give them a million, they got to give Ocean Choice a million. If they forgive a million, it costs them a million.

I can't - Ocean Choice is going to own it all. If you look in the copy I give you, there are price differences there from packers all over the Island, and Ocean Choice is far from being the top payer. So therefore they're doing the fishermen of Prince Edward Island no favours whatsoever.

Mr. Sheridan: I guess the only other part that I'd like to make comment on, Donnie -

and I have all kinds of feelings for south side fishermen and what they've gone through in the last number of years - but what you have to remember, too, is when we're looking at these kind of numbers, and Polar is a perfect example of it, which had decent management. We've looked at all kinds of co-ops that have struggled. We've looked at every packing plant in Atlantic Canada in the last 10, 12 years. No one has made a cent on it.

I know that as fishermen that you think that this deal is hard on you. You have to look at it, as the packing houses are not making any money. There's no question about that. Our canner price and even tearing tails off markets are at a maximum, and that's the difficulty in it. Someone that's coming over from another province and buying and taking it off Island, they're selling it live. It's the only market that makes any money now. I think that we all know that, and that's the difficulty that we're in. In order to have processing jobs on Prince Edward Island we need the fish to stay here, and it needs to be at a price that they can maintain.

I know where you're coming from, but this piece, this is very difficult on everybody. It's not just fishers, as you know, it's the whole industry. We have to make a very difficult decision on this. Do you take \$17 million out of the coffers in Prince Edward Islanders to do this?

Chair: Wes, I hate to cut you off but we're right out of time. Can you finish up?

Mr. Sheridan: I'm all set.

Jim Jenkins: Can I just - one short, 30 seconds?

Chair: Thirty seconds.

Jim Jenkins: Less than that. I would ask you to consider, Wes, one other aspect of the agreement. I think you have to look at it

from the other side. What if you don't rescind the document and the sections in there that affect the PEI Island packers? Will you be in a much worse situation than you are now, and where will the Island fishing industry be?

Chair: Thank you.

Pat promised me that he'd be only 30 seconds and then we're done.

Mr. Murphy: More of a comment than a question. I just wondered about this 30 day pre-agreement sort of thing. But from what I understand like, I know, hon. Sheridan is talking about due diligence, but from listening to the minister speaking previously, anybody can apply for a license and there's no due diligence being done in the first place. So I'm just a little bit confused there. I mean, if nobody is doing the due diligence, then why is the 30 day period there?

Mr. Sheridan: I don't think Mr. Bagnall said there was no due diligence done. There has never been anybody not given one. The due diligence is done, always done, but it's always been a legitimate person coming to buy.

Mr. Murphy: So the department of fisheries does check the person out to make sure they have financing and that to buy?

Mr. Sheridan: And make sure that their background is there.

Chair: Well, listen, gentlemen, thank you very much. It was an interesting conversation. I hated to cut you off, but Don and Jim, I'd like to thank you very much for presenting to us here today and helping our committee with our decisions, and we wish you all well. So thanks for coming.

Don Johnston: Thank you, Mr. Chairman.

Jim Jenkins: Thank you.

Chair: Our next presenter is Mr. Roger Wall from Reuben's Fish Mart. Roger, the hot seat is all yours. I just ask that you repeat your name in full for Hansard. Anybody that's got cell phones, I'd greatly appreciate them turning them off. It's been a little bit of a distraction today.

The floor is all yours.

Roger Wall: Thank you, Mr. Chairman.

My name is Roger Wall. I own Reuben's Fish Mart and Howard's Cove Seafoods (2004).

I would like to thank the committee for your time today and hope to clarify some of the issues to deal with the fallout of the collapse of Polar Foods. I realize there was a decision made at the time of the collapse of Polar which was thought beneficial to the seafood and processing sector of Prince Edward Island. The sale of Polar Foods and a portion of its assets was predictable. To determine that the balance of the Island seafood industry had no right to consultation about the situation was unpredictable. To impede the Islanders who have traditionally supported this industry, the processing sector, since its inception, was once again not predictable.

When we purchased the Polar plant in Howards Cove half of the structure was leased to Polar's successors for 110 years at a nominal fee of one dollar. In addition to paying the receiver for half of the facility, we are left to negotiate with the new owners for the other half. I should note that the building was one entire structure. It was split down the middle, so whoever acquired the facility would have no alternative but to negotiate for the other half to deem it operable.

Six wells were also documented and sold as

part of the parcel at Howards Cove. After the purchase date, it was determined that four of the wells were not owned by us. This was another impediment.

Although the receiver deemed that it had the authority to access and remove funds from the bank account we held for Polar Foods, it did not honour the \$50,000 liability that Polar owed me. In return, I was charged \$50,000 by the development agency to purchase equipment left by the Polar successors in the Abegweit plant just to replace equipment that was removed from the Howards Cove facility. Although the Polar successor did not purchase the two facilities as a whole in the western end of the province, both facilities were stripped of their equipment prior to and during the sale procedures.

We are not permitted to process lobsters in our facility. Yes, we are federally registered to do so, but not provincially. We are, however, permitted to process rock crab. We have maintained a 150-person workforce for the last three years with an average of 28 working weeks. This has been, and continues to be, a struggle, but the lacklustre hope of some day being permitted to process all species like every other processing plant on the Island keeps us going. We sold our lobsters to Polar for five years to support the Island business. We now ship approximately one million pounds of lobsters to the mainland every year.

This volume of lobster could be processed at an Island facility by Islanders, but this does not meet with the terms of the agreement set out by the past government and the Polar successors unless it is under their terms. Expansion to other species must meet the specifications of the agreement. The so-called overcapacity within the lobster processing sector must be re-evaluated. There are many lobsters leaving the Island for processing today as there was - there are more leaving today than there were four

years ago.

Removing provincial processing licenses only encourages increased exports of lobsters for the processing to other provinces and supplying Nova Scotia and New Brunswick persons with employment. With the unemployment levels in Prince Edward Island, why do we continue to ship live lobsters across the bridge when we have the facilities here and our own product to do it with?

Competition within the seafood sector will some day be no more. Island fishermen will have no choice but to take what is offered to them and the control of the marketplace will be established. No one plant on Prince Edward Island can process 20 million pounds of lobsters in a two- to three-month processing season but they can, however, determine who will receive the surplus and establish the price as such. The Polar collapse was a burden to all of us and the fallout will eventually be the demise of the balance of the processing sector on Prince Edward Island.

It was publicly announced that Polar successors would receive no provincial funding directly or indirectly in any form. If this company has received any funding, it is the right of the taxpayers to know this information. When we established an operating line of credit with the PEI Lending Agency, we had to first seek approval from the Polar successor prior to its approval.

Although I have the opportunity to purchase an existing processing license from a company that no longer operates a facility, I have been informed that I cannot even purchase the facility with the license attached unless I purchase the entire company. In retrospect, I am also informed that if I purchase a license and/or company, I cannot move this license to another plant. This purchase would increase the amount of processing lobster license on Prince Edward

Island, which is presently under regulation, recently altered to meet the requirements of the agreement made in 2004.

Fifteen hundred Island fishermen and approximately 1,500 plant workers will bear the burden of this agreement deemed to be the saviour of the Island seafood processing industry. The question should not be what caused the collapse of Polar. The question should be: Why was it dealt with in the manner that we have to live with and who is going to do something with it? When will the terms of the agreement be made public and who determines that the processing sector should be no more?

Thank you very much.

Chair: Thank you very much, Roger.

I'll now open the floor to questions.

Buck Watts.

Mr. Watts: Roger, in the last few years, there seems to have been a problem with getting workers in the plants. Do you foresee that as any problem?

Roger Wall: In Howards Cove, speaking from our own experience, last year we put through about 240 workers at the plant, but that was people that come go and it didn't suit. But we have like 150 or 160 there, 28 weeks, and we have -

Mr. Watts: Were they local -

Roger Wall: Like, they're coming and going all the time and we've hardly, I don't think we've ever refused anybody work there.

Mr. Watts: Okay. Were they local people, Roger?

Roger Wall: Yes. Pretty well all right from Tignish to Summerside.

Mr. Watts: Okay. And willing to work?

Roger Wall: Yes.

Chair: Okay.

Pat Murphy.

Mr. Murphy: I'm just wondering, Roger, what's your - do you have any (Indistinct) with this 30-day prior licensing to buy lobsters? Do you have any issue with that?

Roger Wall: I do have experience with that. We missed it by a day, and in order to go to the harbour that we were asked to go to, we had to buy a company which already had the license.

An Hon. Member: Really.

Mr. Murphy: So what do you think would be a reasonable time frame?

Roger Wall: I believe the 30 days is fine, but you got to have it in on time and the fisherman has got to - if you're not buying in a certain harbour and they ask you to go there, they got to make their wishes known so you can send that paperwork in.

Chair: Next? Any further questions?

Okay, Roger, I'd like to thank you very much for appearing before us today.

Roger Wall: Thanks very much.

Chair: We appreciate it. Do you have a copy of your report that you could give to the Clerk for the benefit of the committee?

Roger Wall: Yes, I do.

Mr. Bagnall: Roger, (Indistinct) a copy of the agreement from the -

Roger Wall: I got one here.

Mr. Bagnall: - before you leave so you'll have that.

Roger Wall: Thanks very much.

Chair: Thank you very much, Roger.

That concludes our four presenters for today. I'm going to call on our clerk now to discuss our work plan for the next meeting or subsequent meetings.

Clerk Assistant and Clerk of Committees: Thank you, Mr. Chair.

I thought I might just tell you the results of the advertising that we did. As you know, it ran in all Island papers including *La Voix Acadienne* Wednesday, the 9th of January, and the weeklies. Then it was in the other papers again on the 12th, on the Saturday.

We didn't have a great responses to the ad. I've circulated the written submissions that we've received. You already have those. We've had three groups or individuals present today. I have two more additional presenters who want to present if the committee travels to the western part of the Island and two in the eastern part of the Island.

So I'm wanting to get from you today if you are interested in travelling and perhaps some potential dates. February 14th perhaps to travel west.

Mr. Bagnall: What day is that on?

Clerk Assistant and Clerk of Committees: That is a Thursday, and then the following week on the 21st to the eastern part of the Island. That's also a Thursday.

Mr. Bagnall: That's on what date?

Clerk Assistant and Clerk of Committees: The 21st of February.

Mr. Bagnall: Yeah. I won't be there, that's all. Anyway.

Chair: Is the committee happy with that, those two dates?

An Hon. Member: That's on the 14th -

Chair: Fourteenth and the 21st.

An Hon. Member: (Indistinct) afternoon (Indistinct).

Chair: Is it going to be up to be in the afternoon or evening?

Clerk Assistant and Clerk of Committees: It's certainly up to the committee whether you'd like to have a public meeting in the afternoon or in the evening. It's up to you.

Chair: Can we all be out of here for an afternoon meeting?

Mr. M. Currie: The afternoon, whether it's either way, it's a couple of hours drive (Indistinct) -

Chair: That's why I'm asking.

Mr. Bagnall: Afternoon is fine as far as we're concerned.

Mr. M. Currie: Yeah, fine.

Chair: So we'll make it mid-afternoon.

An Hon. Member: Take the bus?

Mr. M. Currie: A 15-passenger.

Chair: We'll car pool.

Mr. Sheridan: (Indistinct) a couple of questions here with regard to future meetings. Can we speak to that?

Chair: Oh yes.

Mr. Sheridan: You heard in my original questioning - and my real problem with it is not how the administration handled this program. I think my considerations are, and what I'm hearing from people out there in the public, is: Did someone walk away with this tax money? The question being: Is that what this committee would like to see? Do we want to talk to the shareholders of this corporation? Do we want to invite them to come to this table and talk to them?

Mr. M. Currie: Who's that?

Mr. Sheridan: The shareholders of the corporation.

Mr. M. Currie: What corporation?

Mr. Sheridan: Polar.

Mr. M. Currie: That's up to you guys.

Mr. Sheridan: I'm asking as a group around this table. My whole belief in this and concern is that when I've drawn up bank documentation in the past, and you say that you don't take out shareholders' loans from the corporation until your company is deemed to be in a position to do so, and then they do it and walk away with that money, I believe it was in contravention of all that you stood for as an administration, and the paperwork was in place to do that.

I would like to hear their side of the story to tell us as a committee why that was done, and was that money put in someone's pocket and walked away with. I believe that when you invest in a corporation or a company or a venture that you put your skin in the game and you play and you lose it, you've lost it. You don't, because you're dealing with a public entity like the government, get refunded for that and walk away scot free. I have an issue with that and I, for one - and I'd like to hear everybody around the table comment on this - that we invite these characters to the table and have a little chat

with them and hear their side of the story to make it fair to them.

Chair: Is it the wish of the committee that we have the clerk invite the principals of this company?

Mr. Sheridan: I don't know the laws of this, again. Being new, I don't know when we invite them, are we -

Chair: This committee has the power to request them. If a committee so decides they could be requested, but in this case, I would prefer to invite them. Anybody that wishes to appear before us, have it as an invitation.

In other words, could we develop a witness list that anybody that might acknowledge, whether they're a government official or whether they're principals of this company, could we have the clerk invite? I think what we should do is give some thought to who might shed some light on this for an invitation, but we could start off with the principals of the company if everybody was in agreement.

An Hon. Member: (Indistinct).

Chair: Pardon?

An Hon. Member: (Indistinct).

Chair: Pat?

Mr. Murphy: I agree.

Chair: Jim?

Mr. Bagnall: I got no problems with it.

Chair: Mike?

Mr. M. Currie: No problem.

Chair: You're in. Wes?

Mr. Sheridan: I think that it's really our

obligation to the taxpayer. I hear arguments against it. Maybe the horse is out of the barn and there's no reason to do this, but I would like to hear them sit at the end of the table and say whether they took that money back out of the corporation.

Mr. Mitchell: I'm in favour of inviting them, and I think from that we may expand to some other names that, you know, may extend invitations to at a later date.

Chair: Buck?

Mr. Watts: Yeah. I think invitations should be extended too.

Chair: All right. It's unanimous that we will put an invite out, initially to the principals of the company, and if there's any government officials that wish to testify they can come on their own but we may want to hear from them at a later date. But we'll start off with this.

I want to echo the Provincial Treasurer's sentiment today here in regards to, that we're just trying to find out what happened, how we can safeguard the future, and that we're not trying to lay blame, and I appreciate those comments. They're timely, and I think it helps the committee be a cohesive unit looking out for the taxpayers of Prince Edward Island.

Is there anything else that any gentleman can bring before other than - we're going west on the 14th, we're going east on the 21st and we're going to invite - go ahead, Jim.

Mr. Bagnall: I was just wondering. Some of the owners were from up west. Some of them were from down east. I'm wondering if we can put the two together. There's two presentations, but if there's a couple of owners there that would meet with us, that you talk to them when we're down there, and the same as when we're up west?

Mr. Sheridan: We could put that right out in the invitation, Jim. I think that's a good idea -

Chair: That's a very good idea.

Mr. Sheridan: - (Indistinct) that say: These are the dates we're coming in your area, if you'd like to meet with us at that time it would be a great opportunity.

Mr. McGeoghegan: Is it going to be kind of like a town hall setting? If somebody else that comes has something to present while they're there -

An Hon. Member: It's got to be on the agenda.

Chair: There'll be an agenda. Right now, we have two for east and two for west. I like your idea of if there's those principals in those towns, we can hear from them, but I would like to see walk-ins if they're legitimate. It takes quite a while to hear it. I don't mean having a whole lot of people walk in and we're up there for 20 hours because everybody wants to talk, but if -

Mr. Bagnall: I disagree with that completely. You know, if they want to be on the agenda, we've advertised for them to be there. We're holding committees for the ones that have responded to us and the ones we've invited to it. I think if you open it up, you open up just a fiasco, and we're not there for a fiasco.

Chair: What are the wishes of the committee?

Mr. Sheridan: I agree with Jim to the point that maybe the compromise here is that we put it in the newspaper that we're going to be in Souris on this date, and in Tignish on this date, or wherever we are going, and give them the week's advance notice and they can come in just like anyone else and appear on our agenda.

But I'm with that on that. To open it up, if they can't be organized, it's like I feel with the buyers. Get your business plan together, get your week's notice in, and get your name on the agenda.

Chair: Everybody happy with the -

Mr. M. Currie: The Chairman already announced we were going across PEI long ago.

Chair: But just the dates on where - the cartoon did, you mean.

Mr. Bagnall: Yeah, listen. Buck, or Bush, I'm going to tell you. They say you never make it until you make Wayne's cartoons.

An Hon. Member: Is that right?

Mr. Bagnall: And once you've made Wayne's cartoon, you've made it, so there you go.

Chair: So Jim, you're telling me there's nowhere to go but down.

Mr. Bagnall: That's right, exactly.

Chair: So you're telling me I'm the first one of this government that made a cartoon?

Mr. Bagnall: I think that's - well, Robert, but other than Robert (Indistinct).

Chair: I didn't get my face twisted or anything. Anyway, I appreciate that.

Well, look, I think this is a very productive meeting and I really appreciate the cohesiveness and the tone of the committee. I thank you all, and with that I'll call for adjournment.

Mr. Bagnall: So moved.

Mr. Sheridan: So we just have one last piece? Are you going to announce that they

will go up west one week ahead and one week -

Chair: Yeah. Marian will take care of that.

Clerk Assistant and Clerk of Committees: I'll just do one ad (Indistinct).

An Hon. Member: Perfect.

Mr. McGeoghegan: And if somebody else wants to present, they'd -

Clerk Assistant and Clerk of Committees: Frugal, I'm frugal.

Chair: You're frugal. That's what I love about you.

Mr. McGeoghegan: So to be added on there, somebody else wants to present, they can just -

Clerk Assistant and Clerk of Committees: They should call me.

Mr. McGeoghegan: But that would be on the paper though, right? (Indistinct).

Chair: Thank you, gentlemen.

The Committee adjourned

