

Access to Capital – Strategies & Opportunities First Nation Commercial Fishing Enterprises



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Opportunities

ACCESS and DIVERSIFICATION

- First Nations will continue to pursue rights-based opportunities to own, control, manage and access marine resources.
 - ***“ADVERSARIAL GAINS”***
- CFEs will continue to pursue incremental additions to their access portfolios through relinquishment programs (AICFI, PICFI, etc.).
 - ***“AT THE MARGIN GAINS”***
- CFEs interested to pursue large-scale acquisition of licence and quota to realize ownership, economies of scale, integration and diversification.
 - ***“PATH TO ECONOMIC RECONCILIATION”***

Challenges

COMMERCIAL FINANCING

- Significant amount of capital is essential to acquire enough commercial access for CFE viability, sustainability and impact.
- First Nations access to capital is limited due to balance sheet constraints and institutional risk profiles.
- Relinquished access owned by DFO and leased to CFEs is un-leverageable
- Commercial licence acquisition funded through PICFI and CFE retained earnings.
- Access often "fully priced" and treated as an annuity. Supply of access extremely limited and locked up in closed ownership network.

Challenges (contd.)

COMMERCIAL FINANCING

- Relinquishment process had “crowding out” effect and DFO seen as counterparty of choice by sellers. Limited CFEs experience acquiring access.
- Tax burden a barrier to transactions as significant capital gains embedded in access portfolios.
- Lack of access = limited growth and diversification opportunities for individual CFEs, despite significant interest in fisheries sector and associated community benefits.

First Nation Needs

ACCESS

- Open market acquisition of licence/quota, primarily CFEs, wild capture

CAPITAL EXPENDITURES

- Vessels, gear, primarily wild capture; but also capex for sportfishing, aquaculture, ancillary

DIVERSIFICATION

- Expanded access and activity in sportfishing, aquaculture, ancillary activities

WORKING CAPITAL

- Primarily for wild capture harvest and related activities

ENTREPRENEURSHIP

- Owner operated, independent fisheries related ventures

Primary Design Objectives

1. Enables CFEs to secure long-term lease agreements of relinquished access
2. Enables ability to acquire access on the open market leveraging 3rd party funds
3. Provides for the ultimate transfer of ownership of relinquished access to First Nations

Next Steps

1. Refine quantum of capital required across uses
2. Profile sources/support according to public/private capital and alignment of values/investment objectives
3. Define catalytic role for DFO, INAC, other agencies – options & alternatives
4. Define mechanism/SPVs for leverage options, management, transactions/acquisition process, risk mitigation, governance & transfer of ownership/exit strategy