

# Commercial Fishing Enterprise Keys to Success

Sharing Insights Networking Conference

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Nelson Bros Fisheries Ltd



- Q: How do you make a small fortune?
- A: Start with a large fortune and launch a Commercial Fishing Enterprise!

## About Stu...

- 3<sup>rd</sup> generation BC commercial fishery
- Worked on boats, camps, fish plants through school
- Series of BC Packers management positions
- Consulting last several years
  - Business focus... helping make fishing businesses “real” businesses
  - Worked on several PICFI business plans

How many consultants does it take  
to change a light bulb?

Who knows... they never get  
past the feasibility study.

How many consultants does it take  
to change a light bulb?

What's your budget?

# Experience in CFEs, Start-ups

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## This Presentation

1. A weak joke(s)
2. The starting point for CFEs
3. The dilemma for First Nations CFEs
4. CFE keys to success
5. Summarize by circling back to the joke...



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## About the Starting Point

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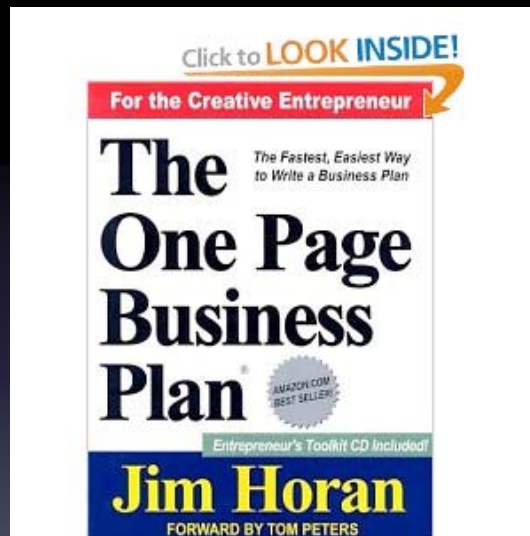
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## CFEs: Formative Steps Complete

- A series of steps taken prior to start-up:
  - Aggregates come together
  - Expression of interest
  - Notional allocations
  - Business & training plans, access request
  - Negotiating Contribution Agreements

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## Start-up “Frame of Mind”...

### Negative Approach

- We don't want to be in business together
- Our notional allocation isn't nearly big enough
- We didn't get the licences & quotas we asked for
- We can't provide enough opportunities to satisfy community members

### Positive Approach

- We've received millions of dollars of assets
- We're debt free
- The seafood business is a good business, now
- Lots of firms want to do business with us
- We're in a position to build something great

## Addressing the Negatives

Negative Perception	Addressing Perception
We don't want to be in business together.	Many businesses have shareholders that are reluctantly brought together. Focus on shared objective of building the business.
Perception	Addressing Perception
Our notional allocation is too small.	The notional allocation is in the millions of dollars. This can provide the basis for a profitable business that can be grown.
Perception	Addressing Perception
We didn't get the licences/quotas we asked for.	Every CFE targeted the same fisheries, so every CFE will receive some of today's winners and some of "tomorrow's winners"
Perception	Addressing Perception
We can't satisfy the demands of community members.	Like any new business, the CFE must start small, and focus on growth. As the business grows, so will opportunities for community members.

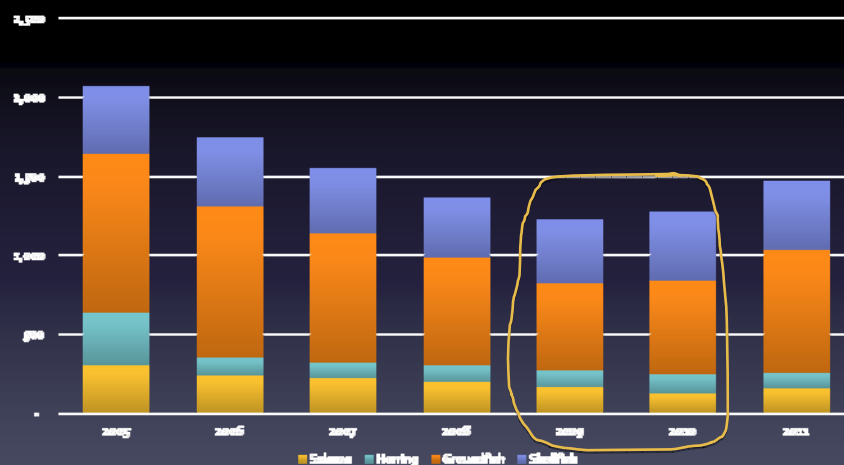
## Taking a Positive Approach...

- Think of a successful fisherman or business person in the fishing industry
- Imagine what he would do if offered the following *at no cost*:
  - A few \$million of licences and quotas
  - A few \$hundred k for boat & gear
  - No licence/quota fees payable
  - \$20k to set up a fishing company
  - Training and management/admin support for a year
  - No income taxes (potentially)
- How thrilled would he be? How much money would he make?
- Think of your opportunity in this context

## A time of rare opportunity...

- Wild, sustainable seafood is HOT; demand for seafood is rising
- Licence & quota values, lease rates, and fish prices are rising
- Aboriginal business is a rapidly growing economic segment (JV opportunities)
- PICFI program provides access to otherwise un-affordable assets

## Value of BC Licences & Quota



## CFE Starting Point

- The upfront planning process is completed
- You've got a fresh start:
  - In a business that is suddenly looking pretty good
  - With valuable assets acquired at no cost
  - In a business environment that favors Aboriginal firms
- It's an opportunity that any savvy fish-person would relish
- Remember... all new businesses start small

## 25 New Businesses...

- Collectively, PICFI Aggregates:
  - Will control over \$100 million in assets
  - Will be a new force in the BC fishery... perhaps the biggest force?
- The private sector has taken notice
  - "How can we do business with these new CFEs?"



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## Dilemma for First Nations CFEs

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# Tug between Objectives...

## Community Benefits

- Focus on jobs
- Spread opportunities around
- Only hire community members
- Involve communities in decision-making

## CFE Profitability

- Focus on profits
- Efficient utilization of assets and people
- Hire best-qualified candidates
- Let business run autonomously... "hands off"

## Resolving Dilemmas

# Community Benefit vs. CFE Profitability

- Both types of objective are critical
- Community benefits =
  - Long term goals, the ultimate reason for the business
- CFE profitability =
  - A means to the end... a path to long term goals
- Suggestion:
  - Emphasize profitability in early years, keeping in mind community benefits
  - Emphasize community benefits in later years, keeping in mind need for profitability



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### Keys to Success



Note: these are true of any business...  
not unique to commercial fishing.

Run your CFE like a "real business"

- Corporate set up
- Management
- Market orientation
- Competitive operations
- Ongoing planning
- Financial management

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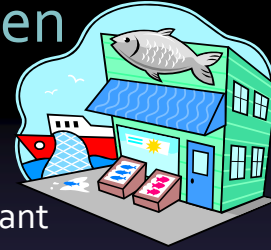
## Corporate Set-up

- Create a solid foundation for the business:
  - Secure \$20k PICFI grant
  - Appoint reps to work with Legal/Accounting professionals
  - Establish guiding principles for business
  - A framework from which management can take over

## Management

- Secure the management expertise you need
- For start-ups, management may not be a big job, but it's a crucial one
- Don't make a snap decision... canvas options, ask for references
- What individual/business do you admire? You want your CFE to be as well managed as that one

## Be Market Driven



- Market driven =
  - Give your customers what they want
  - Maximize value, not volume
  - For each fishery you are in, know & understand the market
  - Get out of your back yard... learn the big picture

## Competitive Operations

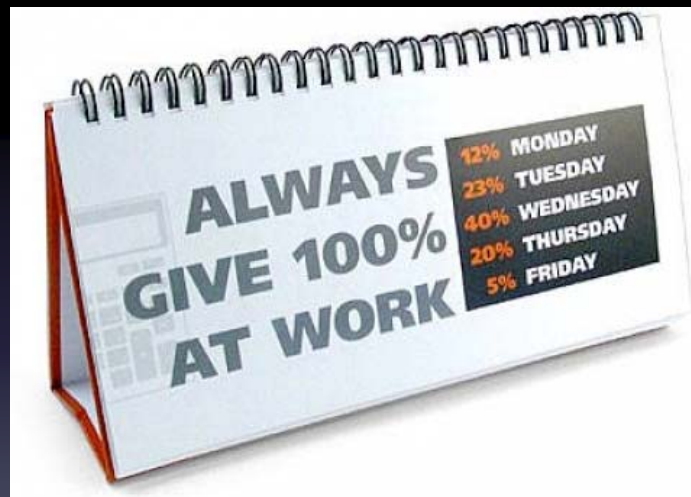
- Conduct operations:
  - Efficiently
  - Cost-effectively
  - As well as firms in the private sector

## Competitive Operations: prawn fishing example

Prawn Fleet (300 Trap) Individual Vessel Profiles	Top 1/3	Middle 1/3	Bottom 1/3	Fleet Average
Landings (lbs)	50,214	34,512	19,773	34,833
Vessel Price (per lb)	\$6.00	\$6.00	\$6.00	\$6.00
<b>Gross Revenue (Gross Stock)</b>	<b>\$301,285</b>	<b>\$207,072</b>	<b>\$118,640</b>	<b>\$208,999</b>
<b>Less: Fishery Specific Expenses</b>				
Fuel	10,500	8,750	7,000	8,750
At sea monitoring	3,500	3,500	3,500	3,500
Offload Monitor	-	-	-	-
Licence / Co-management Fees	2,020	2,020	2,020	2,020
Licence/Quota lease	-	-	-	-
Ice	250	250	250	267
Bait	8,000	6,000	5,000	6,333
Gear Maintenance/replace	3,500	3,500	2,000	3,000
<b>Total Fishery Specific Expenses</b>	<b>27,770</b>	<b>24,020</b>	<b>19,770</b>	<b>23,871</b>
<b>Net Revenue (Net Stock)</b>	<b>273,515</b>	<b>183,052</b>	<b>98,870</b>	<b>185,128</b>
<b>Less:</b>				
Captain's Bonus	-	-	-	-
Deckhand Shares	90,385	41,414	23,728	51,843
<b>Fishery Contribution (Boat Share)</b>	<b>183,129</b>	<b>141,638</b>	<b>75,142</b>	<b>133,286</b>
<b>Vessel Fixed Expenses</b>				
Insurance	5,000	5,000	5,000	5,000
Repairs & Maintenance	12,000	12,000	12,000	12,000
Moorage	1,200	1,200	1,200	1,200
Miscellaneous	2,000	2,000	2,000	2,000
<b>Total Vessel Expenses</b>	<b>20,200</b>	<b>20,200</b>	<b>20,200</b>	<b>20,200</b>
<b>Earnings (EBITDA)</b>	<b>\$162,929</b>	<b>\$121,438</b>	<b>\$54,942</b>	<b>\$113,086</b>

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## Ongoing Planning

- Completing your PICFI business plan can't end the planning process
- Circumstances in the commercial fishery change daily (markets, resource, exchange rates, politics)
- You're not stuck with a PICFI portfolio; be prepared to shuffle the deck:
  - Switch between leasing and active fishing
  - Investments in fishing assets
  - Vertical integration opportunities
  - Joint venture opportunities



## Financial Management

- Proper financial tracking and reporting pave the way for:
  - Improved management (information)
  - Evaluation of business performance
  - Securing outside financing
- You need access to capital to grow the business
  - Commercial fishing requires capital (just like forestry or mining)
  - And bankers want to see the numbers



# Summary

- To ensure we don't turn a large fortune into a small one:
  - Recognize the rare business opportunity
  - Think/act like a successful fishery entrepreneur
  - Ensure that business goals are not superseded by community pressures (at the outset)
  - Sound business execution:
    - Corporate set-up
    - Expert management
    - Market driven
    - Competitive operations
    - Ongoing planning
    - Financial management



# Parting message...

- The challenges & frustrations you face are not unique to First Nations CFEs
- All businesses face them...
- Use the same strategies that work for successful firms

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