

2011

What is a Commercial Fishing Enterprise?

A forum to explore the form and function of fisheries businesses in the Interior Fraser and Okanagan Salmon Fisheries

A workshop convened with First Nations and DFO explores commercial fishing enterprise development in the emerging inland commercial salmon fishery.



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Dave Moore, Executive Director
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WHAT IS A COMMERCIAL FISHING ENTERPRISE?

On January 6, 2011 a workshop was convened in Williams Lake BC involving First Nations and DFO staff to explore the form and function of commercial fishing enterprises in the developing salmon fisheries in the Fraser and Okanagan Rivers. The question “*What is a commercial fishing enterprise?*” arose from business planning discussions in these areas and the programming designed to organise them. It is hoped that the outcomes from this work will inform First Nations business planning in particular with DFO’s *Pacific Integrated Commercial Fisheries Initiative* (PICFI), and will be a learning experience in a pre-business planning environment in the inland fishery more broadly.

The discussions drew from the participant’s experiences in the “*Demonstration*” or experimental fisheries that have occurred since 2006 that were organized as part of DFO’s *Pacific Fisheries Reform*. The exchange of ideas was also informed by the business experience from the surplus salmon fisheries in the Harrison River, pilot sales in the lower Fraser River, and by independent First Nations studies into commercialization.

The forum was organized and sponsored by the Fraser River Salmon Table and co-hosted by the Upper Fraser River Conservation Alliance with support from DFO and the Fraser Salmon and Watershed’s Program. The workshop was hosted by the *Tsilquotin* National Government and held in their Williams Lake Office.

ATTENDANCE

Chief Joe Alphonse, Chief of *Tletinqox't'in* (Anaham) First Nation and Tribal Chief
Randy Billyboy, TNG Fisheries and *Tletinqox't'in* Band Councillor
Chris Nowotony, TNG's Environmental Consultant and PICFI Coordinator
Brian Toth, UFFCA Biologist
Bill Baptiste, *Esdilagh* (Alexandria) Band Councillor
Gerald Williams TNG Regional Fisheries Liaison
Rocky Guichon, *Tsi Del Del* (Alexis Creek) Indian Band Councillor
Gord Sterritt, Fisheries Coordinator, Northern Shuswap Tribal Council
Mike McLean, Siska Fish Plan Manager/Thompson Basin Production Advisor
Richard Bussanich, Biologist Okanagan Nation Alliance
John Restakis, Executive Director, BC Cooperative Association
Dale Mickey, DFO PICFI Coordinator BC Interior
Dave Southgate, DFO Resource Manager PICFI
Dave Moore, Chehalis Fisheries Advisor/Harrison Fisheries Authority

DRAFT AGENDA

A forum to explore CFE's in the Interior Salmon Fishery

Date: Thursday January 6, 2011 (10:00 AM – 3:00 PM)

Location: Williams Lake - *Tsilquotin* National Government Office. 253 4th Ave. North.

Purpose of forum: To explore objectives and models for First Nations CFE's (Commercial Fishing Enterprises) in the inland salmon fishery

Preliminary Agenda:

1. Scoping First Nations fisheries business objectives and needs in the BC interior: local, area and watershed (s)
2. Can coop models assist development of community-based fisheries businesses in the salmon fishery – some relevant models from BC to Japan: John Restakis, President of the Cooperative Association of BC
3. Building criteria for CFE business models that work for First Nations and DFO PICFI
4. Other

Partners and sponsorship: This best practices forum is being organized and sponsored by the Fraser River Salmon Table and co-hosted by the UFFCA with support from DFO. The forum will be open to interested First Nations and their representatives and DFO as this will be a learning experience for us all. This is not a PICFI-led program event, but the outcomes will be useful in defining the nature and scope of CFE's in PICFI business planning.

The forum will draw from the lessons learned in on the Harrison/lower Fraser, Okanagan, Thompson, and Upper Fraser watersheds.

SCOPING ECONOMIC FISHERIES BUSINESS OBJECTIVES AND NEEDS IN THE BC INTERIOR: LOCAL, AREA AND WATERSHED(S)

The participants engaged in this workshop were compelled to step outside of individual projects and program definitions, and their roles within them, for a few hours in order to explore the range of perspectives on business functions in the inland commercial salmon fisheries. The workshop forum provided an opportunity for people coming from a broad geographic area (Fraser and Okanagan, lower and upper-river fisheries) and involving a diverse scope of expertise and background (technical and political, program/resource management, fish processing and harvesting, policy and business workers).

While there was a common interest in defining the nature and scope of a commercial fishing enterprise (a “CFE”) as the basis for business planning with PICFI, there was a general need to take a step backwards to first try to understand the basic business objectives involved in these developmental economic fisheries. Thematic organization of ideas and group analysis is just one step in business planning. The following summary notes and listed outcomes are only a reflection of an ongoing work in progress and are not to be interpreted as agreement on business structures by any participants. Any errors or omissions are the sole responsibility of the author.

STEP 1: SCOPING BUSINESS FUNCTIONS

Participants were asked to generate an exhaustive list of various functions involved in their commercial salmon fisheries –either existing or envisaged as part of their future operations. They were not bound by specific definitions, nor were they limited to purely business functions. They were asked to organize these individual functions in a geographic hierarchy (local/community, area/sub-basin, or watershed/inland levels) in order to generate an initial understanding of how these activities were organized, as a first step towards developing an understanding what the participants considered the functions of a CFE to be, and how they may be organized.

Plenty of pens and “post-its” were distributed, and the participants were encouraged to “free-flow” allowing them open conversation and discussion as they scribbled and posted their thoughts. They were asked not to be concerned with redundancy, definition, or that similar functions may have been posted in more than one place in the hierarchy. This was left to step 2 – defining business objectives more broadly.

STEP 2: DEFINING BUSINESS OBJECTIVES

Once the exercise of scoping business functions was complete, volunteers were drawn from the group (one for each of the three levels) to group the functions into themes with help from the participants, who milled around between each level prodding and guiding the effort until themes had emerged. Each of the three volunteers was then asked to report out on their conclusions and the group was encouraged to discuss openly on their perspectives or rationale for particular functions, to reflect on issues that this may have raised, and to describe their perspectives on what this might say about the role of a CFE. The following is a list of these functions, organized in a geographic hierarchy (redundancies removed, and edited to reflect group interpretations for greater clarity), and themes generated from the group discussion. A summary of the discussion follows to provide greater clarity and insight for how this may be interpreted.

LOCAL/AREA BASED FISHERIES BUSINESS FUNCTIONS

Training and Capacity-building

- Quality Management planning
- Gear maintenance
- Fishing
- First aid
- Landing site maintenance
- Boat operations and safety
- New skills development
- Truckers

Fishery Access

- Fishing sites
- Allocation sharing between crews
- Contracted fishing crews
- Landing site access and use control
- Local labor pool
- Local logistics and coordination
- Monitors
- Tally-masters
- Local innovation
- Profits and benefit sharing

Local fishery Planning, Governance and Operations

- Fishery planning
- Local fisheries authority- openings/closures
- Hiring & firing
- Bi-lateral decisions
- Designation/un-designation
- CFE direction
- Local fishery administration
- Local allocation negotiations
- Landing site use protocols
- Contracts management
- Contributions/control of trust funding

Businesses

- Ownership of equipment and fishing boats
- Financing and liability
- Fresh sales business & Kiosk
- Local smokehouse or drying-rack products
- Specialty food products and technologies
- Gear makers and maintenance
- Fishing for salmon and other species
- Labor (various)
- Processing plant/river-shore processing
- Landing site maintenance
- Ice plant
- Specialty fish product boxes
- Gear storage
- Local products and marketing

AREA/SUB-BASIN FISHERIES BUSINESS FUNCTIONS

Equipment Management

Fish handling equipment (i.e. totes)
Fish transport vessels
Landing site equipment
Docks and shared boat launches
Equipment inventories and sharing arrangements
Coordinated/sharing ice needs

Coordinated Training Delivery and Employment

Training plan organization and delivery
Shared skill sets
Quality Management Plans
Equipment maintenance

Processing Coordination, Trucking and Logistics

Support local processing plant
Area processing service agreements
Infrastructure and area fisheries (totes, hyab, forklift)
Coordinating excess production external processing
Trucking coordination
Organize area processing and refrigeration needs

Conservation and Management Planning

Coordinated management plans (local and watershed)
Strategic enhancement
Local fisheries Trust Fund coordination
Conservation assessments
Coordinate FSC and economic fishery plans
Certification/verification

Area Fishery Coordination

Basis for commercial fishing enterprise viability
Fishery administration (biologists, logistics support)
Monitoring data/data management
Traceability data/verification
Coordinated harvesting and processing needs
Mediate disputes/conflict resolution
Watershed coordination
Trust Fund

Business Coordination, Marketing and Distribution

Linking local fisheries with local outlets
Financing
Distribution between fisheries, processing, freezers, and markets
Coordinating surplus production with external outlets, processing
Coordinating production shortfalls with local First Nations markets
Regional marketing (aggregate area fisheries)
Web-market outlet
River branding
Coordinate area infrastructure needs
Coordinate access to infrastructure/production planning

INLAND/WATERSHED FISHERIES BUSINESS FUNCTIONS

Employment and Training Programs

Course development and delivery services
Training standards and systems
Training funding programs
Trainers
Training gear/boats

Standards and systems

Quality control standards (QMP's), monitoring and verification
Sales and processing data-base/statistics
Integrated web-based traceability standards and systems
Production data-base ((live/real-time)
Branding standards
Certification standards

Coordinated Production, Marketing and Branding

Systems and support for annual production plans
Broad inter-connected enterprise functions
Coordinated allocation and harvest plans
Strategic inland product processing and marketing
Feed local markets/coordinate surplus output
Support collective brand production
Inland processing hub (support local plants)
Watershed production logistics support
Watershed processing, freezer and distribution (support local)
Coordinated marketing and branding
Watershed harvest auction site (web-based and/or warehouse)

Outreach and Extension Services

Communications
Branding material and services
Coordinated financing and trust fund services
Watershed dispute resolution
Web interface
Cooperative development
Relations/partnerships with other groups
Marketing coordination between different areas
Transnational trade partnerships

Principles, Protocols, Agreements

Codex (principles) of fair trade
Guidelines for economic fisheries
Standardized sales agreement templates
Principles for economic fisheries, certification
Develop and promote sustainable fishery vision
Principles for enhancement
Coordinated/principled harvest planning
Coordinate access to annual fisheries
BC Salmon Marketing Council?

Research and Development

Homogenized low-grade meat product/brand
Caviar branding (aboriginal/river-brand)
Value-added fishery products (best value/minimize waste)
Public/chef/market education
Packaging

INTERPRETING THE OUTCOMES OF THIS EXERCISE

Going into the exercise, the participants acknowledged some confusion about what was a business function, whether these were functions of a CFE, and how this should be interpreted for the purposes of PICFI business planning. Participants agreed that a CFE was not clearly assigned to any one geographic hierarchy. Rather, the role of a CFE (as defined by PICFI) should reflect the strategic alignment of seasonal fisheries business functions across a broad enough geographic area that would bring sufficient efficiency and support together needed to sustain them. All acknowledged that even in areas where large-scale fisheries might occur in some years, over-capitalization should be avoided by aggregating some business functions with other small businesses in the fishery. This would reduce risk and share costs, much in the same way that a biologist might be shared among several First Nations in an area.

From the First Nations perspective in the workshop, the concept of aggregating business functions across a broader geographic area did not remove the imperative for maintaining control of fisheries at the local level, nor would it divest control of local business functions or benefit sharing to a regional body – though things like establishing principles in the fishery, codes of conduct in trade, and dispute resolution, needed to be constructed at a much broader level. Participants felt this began to define the scope of business service area for a CFE to support, and their role in controlling it. A strategic role for a CFE thus becomes the business of coordinating local seasonal (and often cyclic) functions into a single viable commercial fishing enterprise in a broader geographic area (i.e. Upper Fraser), while ensuring that the First Nations fisheries authorities maintain control.

The assignment of themes for grouped business functions at each level in the exercise, and the redundancy that emerged between geographic levels helped the participants to define the need for even broader watershed or inland-level coordination of commercial salmon business functions. Generally it was acknowledged that local infrastructure (i.e. processing and trucking functions) could not be sustained by these small, localized and often cyclic seasonal fisheries. Conversely, that to deal with periodic large cyclic volumes, there was a need to coordinate processing, distribution, trucking and marketing more broadly where groups may invest in large-scale infrastructure to meet their peak-cycle needs. This outcome suggested the need for local businesses and their CFE's to service a much broader area, and/or that larger business enterprises would need to be established that involve groups of CFE's at the scope of a watershed or the inland-rivers.

Most significantly, the outcome of this exercise provided definition to the emerging inland salmon fisheries businesses, which in all cases would include “clusters” of localized business functions in a CFE grouped strategically as required to sustain small, often seasonal or cyclic activities. Area-based CFE's would be controlled by participating local First Nations, which in turn would be integrated or coordinated through a watershed or broader inland-level business service that could absorb surplus production, provide (or link) larger processing, distribution and marketing services for surplus local production, and perhaps feed local market pull when local production is lacking.

Upon group reflection, the participants acknowledged that in the future inland commercial fisheries enterprises would benefit from building a better understanding of the experience of “cooperative” structured businesses, which might link several area-based CFE business functions to optimize their access to commercial processing, distribution and marketing when needed, while avoiding local over-

capitalization and risk. The group was keen on investigating other situations where First Nations have grappled with similar challenges in other places, and perhaps even in other sectors.

Some key challenges to address:

- A requirement to ground allocation/benefit sharing, authority in local First Nations businesses
- Build sustainable local businesses out of broadly distributed fisheries, expertise, capacity
- Some local businesses can service broader production needs
- Strategic investment in infrastructure, fishery and processing capital to support local businesses
- Processing/freezer infrastructure networks needed to accommodate volumes, retain markets
- Avoid over-capitalization in a local area that cannot be sustained
- Limited volumes of fish and need to maximize value, access processing infrastructure
- Need organized access to markets, distribution, quality, traceability, certification and branding
- Sustainable fisheries businesses need to network a large number of localized producers
- Branding requires broader systems and standards for certification, quality, traceability

CAN COOP MODELS ASSIST DEVELOPMENT OF COMMUNITY-BASED FISHERIES BUSINESSES IN THE SALMON FISHERY?

A fisheries cooperative has many similarities with the First Nations perspectives on communally controlled and operated fisheries. In order to explore this similarity, and the potential for cooperative-like business experience to be considered in the development of CFE's, the workshop sponsor brought in an expert to share information and answer questions. A presentation on cooperative business models and their history was provided by John Restakis, Executive Director, BC Cooperative Council. A copy of this presentation is appended. (Appendix 1: Annexed Power Point presentation in PDF format).

THE ROLE, HISTORY AND FUNCTION OF COOPERATIVES

The following is a summary of notes collected from this presentation:

- A co-operative system combines the dynamics of entrepreneurship with the need for collaboration
- Cooperatives blend social and economic objectives
- They are businesses comprised of strategically grouped business clusters
- Cooperatives are a democratically controlled association (verses a Society that may be managed by thematic or capacity representation) – one member-one vote
- Cooperatives report more than double the survival rate of private businesses
- Long history with credit unions due to the challenges in financing fisheries
- Parallel between First Nations communal fisheries and the Japanese fisheries cooperatives (both based on localized fishing rights controlled by villages, operate within defined fishing territories)
- The construct of cooperatives are wide and varied
- Members of cooperatives may be individuals or businesses
- Cooperatives may be made up of other cooperatives (i.e. a federated coop)

What is a Commercial Fishing Enterprise?

- The natural structures for inland fisheries cooperatives may mirror the natural tribal/affiliation structures (i.e. a Band operated business, or a regional fisheries organization like UFFCA – but don't mix politics with business)
- Cooperatives are designed at level that reflect economies of scale, sharing of risk
- Provide level of security for access to low-rate financing, insurance, bulk purchasing power for supplies, market-share power
- Structures of cooperatives should be responsive to its members and functions
- Coop ownership and associated accountability is reflective of these functions
- Recent Canadian Supreme Court ruling allowed Aboriginal fishers to claim fish harvested off reserve as personal property and exempt from income tax, verses fishers harvest as employee of a business are taxed for off-reserve earnings

The BC Cooperatives Association (BCCA) coordinates funding applications to Federal funding designed to support cooperative development in Canada. The Cooperative Development Initiative funds up to \$75,000 for 1-3 years for Innovative Cooperative Projects. The BCCA also has organized study tours for groups that would benefit from visits to observe other cooperatives that may inform their work. There is also training programs available for leadership training that have been utilized in the east-coast lobster fishery worthy of investigation¹The work of First Nations in the inland fishery would qualify for these things and have been invited to work with the BCCA to explore these opportunities.

COMMON POOLED RESOURCES (CPR'S)

As part of the presentation on cooperatives by the BCCA, the participants were provided information on the theoretical basis for cooperatives described as common pooled resources. Cooperatives reflect a business model operating under the vision of “common pooled resources” or *CPR*. Common Pool Resources such as fish are not public goods. While monitored access to resources is relatively free for community members, outsiders are excluded. A common pool resource appears as a private good to outsiders but as a common good to community members. Resources drawn from the system are typically owned by the appropriators (users). There is an internationally recognized set of rules governing CPR's. They are as follows (Ref. *Elinor Ostrom, Governing the Commons*):

Rules for Governing Common Pool Resources

1. Clearly defined boundaries.
2. Appropriation and use based on local conditions.
3. Collective-choice system based on the participation of users in the decision making process.
4. Effective monitoring is done by monitors who are part of, or accountable to, the users.
5. Graduated sanctions for users who do not respect community rules

¹ *Coady Institute which offers training/advice in developing co-ops and was instrumental in developing the cooperative in Nova Scotia's lobster fishery: <http://coady.stfx.ca/education/>*

6. Conflict-resolution mechanisms which are cheap, transparent, and easy to access.
7. In case of larger CPRs: organization in the form of multiple layers of nested enterprises, with small, local CPRs at their base.

WORKSHOP SUMMARY: BUILDING CRITERIA FOR CFE BUSINESS MODELS THAT WORK FOR FIRST NATIONS AND DFO PICFI

1. Commercial Fishing Enterprises (CFE's) will be developed as a function of capacity-building among First Nations entering into the commercial inland salmon fishery
2. CFE's will be businesses owned and operated by more than one First Nation operating at a strategic level needed to sustain local support business functions in the fishery
3. Strategic functions that are organized to support local business may include fishing mentors, logistics, common equipment, processing/freezing equipment, distribution and branding systems, sales outlets/mechanisms, and marketing, etc.
4. A CFE will not displace a locally-owned and operated First Nation business, though it may host such business functions in the absence of a local independent business
5. A local First Nations owned and operated fisheries business may service a broad area (i.e. a fish plant) and would coordinate through a CFE
6. A Band owned and operated CFE may undertake business functions to service a CFE
7. A locally owned and operated First Nations fisheries business would need to pay fees for support services required through a CFE (i.e. for common pooled services like logistics, marketing, handling equipment rental, etc.)
8. Local CFE's would be democratically owned and operated (one member one vote) with members that may include fishers, local First Nations owned support companies, as well as collectives operated at a Tribal level

ACTION PLAN ARISING FROM WORKSHOP

1. **ASAP:** A summary of the notes and presentations will be generated by the Salmon Table's Best Practices Forum for distribution as soon as possible;
2. **Between now and March:** Individual groups in the upper Fraser, middle Fraser, Okanagan and lower Fraser may pursue follow-up presentations with the BCCA as part of their area-based business planning – Dave Moore for Harrison/lower Fraser, Mike McLean for Thompson River, Richard Bussanich for Okanagan, and Brian Toth for UFFCA are contact persons. Individuals can follow up with John Restakis directly;
3. **When time permits:** BCCA will organize a site visit to the BC Flower Growers Cooperative auction site with the group in the lower mainland to observe how cooperatives have used auction sites to replace brokerage services;
4. **For the new fiscal year:** Individual groups will be building CFE's and may then engage BCCA to assist them in seeking support funding and building cooperative business models either during the CFE business planning exercise (if appropriate), or following the CFE business planning exercise in an effort to design strategic area-based business cooperation where desirable among supporting businesses;
5. **In the future:** the best practices forum lead (Dave Moore) will work with the BCCA to seek funding for a study tour for those interested to investigate established fisheries cooperatives operating in other jurisdictions (i.e. Japan and/or Norway)

**POST-SCRIPT: RIVER TO PLATE: AN EMERGING FIRST NATIONS VISION FOR
FRESHWATER ECONOMIC SALMON FISHERIES**

An effort was initiated in 2006 by First Nations in the Fraser and Skeena watersheds to share and document best practices and lessons learned in their emerging commercial salmon fisheries. Though initially focused on capacity building needs in the Fraser watershed, this work has begun to draw upon innovations and practices from project partners in the Okanagan River. The project to create a vision for these developing fisheries in the inland is to span 5 years. Annual reports reflect on the scope of sharing, capture strategic themes, report on progress, identify common challenges, and provide focus for programmatic collaboration among First Nations and governments in Pacific Fisheries Reform in the participating inland fisheries.

Targeted for completion by 2012, the rolling forums and *River to Plate* strategy paper reflect a sea-change in the fishery and the public market place towards full traceability, dependable quality management, and sustainability. Their work will not only help to address locally relevant challenges but will reflect emerging watershed/inland principles that will serve to advance their mission to make these salmon fisheries more prosperous.

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6. APPENDIX – SEE ANNEXED PRESENTATION

Can Coop Models Assist Development of Community-Based Fisheries?. John Restakis, Executive Director, BC Cooperatives Association. For further information: www.bcca.coop

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