



FOR IMMEDIATE RELEASE

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Long-term viability of flatfish requires business model change

ST. JOHN'S, NL – Ocean Choice International (OCI) continues to seek collaboration from its employees, the FFAW, and government to arrive at a solution to the challenges faced in the flatfish business. The engagement of all stakeholders is critical in determining the way forward in the flatfish business in Newfoundland.

“The fishery is such an important part of who we are in Newfoundland, and it’s important to us too,” said Blaine Sullivan, Chief Operating Officer of OCI. “We’ve engaged in extensive consultation over the past number of years with employees, the FFAW, and government because the issues facing the flatfish business are serious. By working collaboratively with stakeholders, there is an opportunity for us to find a model that will make this fishery viable now and for generations to come.”

OCI provides the following details on issues raised recently:

1. Economic pressures in the flatfish business

- *How has the economy changed to put further pressures on the flatfish business?*

Two key factors affect OCI’s ability to succeed in the flatfish business:

- The value of the Canadian dollar effectively erodes the revenues OCI receives in the world market. Since OCI entered the flatfish business, this factor has eroded net returns by about 20 per cent.
- Rising fuel prices have significantly increased OCI’s cost of doing business from filling vessels with fuel to harvesting fish to transporting product globally. Since OCI entered the flatfish business, fuel prices have increased by more than 30 per cent.

**These are in addition to other business costs including regular increases to plant and trawler wages and benefits.*

2. Market competition

- *What gives OCI's competitors in Alaska and elsewhere an advantage in the flatfish business?*

The Alaskan business model is highly adaptable and based on economics and the unrestricted ability to supply product forms that customers want.

OCI's business model is impacted by various government regulations that do not allow for the supply of products in a format that customers want. As a result OCI does not have a level playing field with the main competitors in Alaska.

Under today's flatfish business model, it costs more than \$1 per pound more to produce fish in Newfoundland than elsewhere.

3. Losses for OCI in excess of \$200,000 each month

- *Why is OCI continually suffering a loss in excess of \$200,000 each month under the current business model?*

The economics of the current flatfish operation are such that OCI's expenses to harvest and process flatfish are significantly more than the dollar value of that product in the world market. The biggest contributors to this loss are external to the company and include the unfavourable exchange to the US dollar and rising fuel costs.

4. Exemption for 450g fish for short-term viability

- *Was the exemption for 450g fish expected to be a long-term solution for the challenges OCI faces in the flatfish business?*

No. It was always OCI's position to government, its employees and the FFAW that this was just a short-term solution to allow them to continue to operate in Marystown in 2010. It was intended to provide some additional time for a more viable business solution to be put in place.

On December 9, 2009, this was put in writing in the Marystown Revitalization Plan to the provincial government that states *"It should be noted that the proposed short term solution, which includes the ability to export small size fish, will not solve all of the problems facing the flatfish business; however, it will allow us to maintain operations in the 2010 season and hopefully provide a bridge until we make the long term changes which are necessary to sustain the business."*

The local FFAW executive at Marystown and officials in St. John's were advised at about the same time as the provincial government.

5. OCI's commitments to government

- *Has OCI met its commitments to government?*

All commitments made to government in 2007 were met including those specific to Marystown.

6. OCI's business decisions in Marystown

- *What kind of investments has OCI made in its Marystown plant?*
Investments totaling \$2 million on the Marystown plant, and \$ 8 million on vessels were made, in addition to the purchase of the assets from FPI.
- *Why did OCI decide against moving operations into a smaller building in Marystown?*
There is a significant cost to moving into a smaller building in Marystown and such costs cannot be supported by any reasonable business case.

FPI identified, more than 5 years ago, this cost to be in the range of \$6.5 to \$7 million.

- *Has OCI improved the flatfish business?*
OCI has improved the business significantly from a harvesting, operations and marketing perspective, such that if we had faced the same economic conditions (exchange rates and fuel prices) FPI faced when they closed in 2005, we would still be operating the flatfish business and not requesting major changes to the current business model.

7. Finding a solution for the flatfish business

- *What does OCI propose to government and employees to make the business sustainable in the long-term?*

OCI has proposed two key options for consideration:

- Fish entire quota and operate seasonally in Marystown
- Fish entire quota and operate a lower cost plant such as Fortune for most of the year

Both of these options are based on the ability to export fish that are not viable to process in Newfoundland. However, OCI remains open to discuss other proposals and options from employees, the FFAW, and government.

- *What do these proposed changes to the business model mean for the flatfish business and its employees on the Burin Peninsula?*

Overall benefits and wages to be paid will be at least the same under the proposed options; however, there would be more employment at sea and less on land.

About OCI

Ocean Choice International is one of Canada's leading vertically integrated seafood harvesting, processing and marketing companies with operations throughout Atlantic Canada and Sales & Marketing offices around the world. As one of Canada's largest wild fish quota holders, OCI is a leader in fishing and processing technology and market development.

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