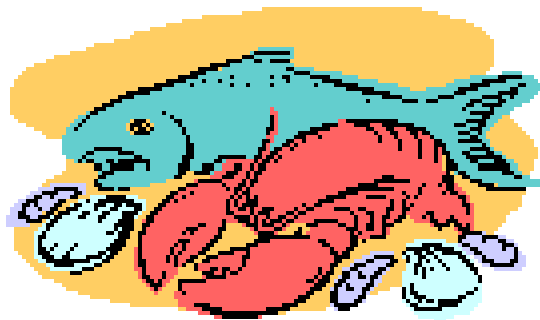

A New Seafood Processors Association

An Organizational
Design and
Implementation
Framework

OceanIQ Management Services
www.oceaniq.ca



OceanIQ Management Services Inc.

A New Seafood Association for New Brunswick

An Organizational Design and Implementation Framework

2009

July

The Voices of Leadership and Change in New Brunswick

“The province’s fishery is at a crossroads and change is inevitable. We will use every opportunity available to get feedback directly from the industry as we proceed with our agenda to make New Brunswick self-sufficient by 2026.”



Fisheries Minister Rick Doucet (July 2007)

“It is recommended that in the case of seafood processors, the Provincial Government take the necessary steps to establish an association that will be self financing in the long term, and that will serve the interests of the industry as a whole.”



Report of the Governance Stakeholder Action Group (2008)



(Photo: Courtesy of NB DOF)

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Appendix

Required Management Services

Preface

For the past three years, seafood processors in New Brunswick have operated without a strong and effective voice to advocate on their behalf. Absent a means to present a comprehensive industry perspective to governments and others on issues that impacted directly their corporate businesses, processors in New Brunswick missed out on important opportunities enjoyed by seafood companies in other provinces.

In much the same way, government policy and decision-makers were disadvantaged by having to operate in an environment of uncertainty and mixed messaging. Over the course of the past twelve months alone, important developments have taken place within the province, the country and elsewhere that have had considerable impacts on the operations and financial well-being of seafood processors. From a global recession to tight credit, from plant labour demographics and increased government regulations to a softening in consumer demand, New Brunswick's seafood processors have been challenged to adapt and innovate in significant ways.

In 2008, representatives of the province's primary seafood processing plants were provided the opportunity to express their views with respect to the desirability of re-establishing a provincial fish and seafood association to represent their collective interests and priorities. Responders indicated that they wanted to see an association re-established. In June 2009, representatives were briefed on the new association's proposed organizational design and implementation framework. Their suggestions were duly considered in our report to the NB Department of Fisheries. The Province of New Brunswick has encouraged seafood processors to organize under an association; there is reason for optimism that the parties will join forces to make this a reality by as early as this fall.

The new association should be established under a new provincial statute; the payment of membership fees must be mandatory and enforceable.

Over the course of our seven meetings dating back to late summer 2008, we discussed, debated, and reached consensus on the essential elements of an organization design and implementation framework.

At the outset of our work, and with an eye on the recent past, we felt strongly that the new association needed to be established under provincial law, new law, as opposed to an existing one. We also took an early position that for the association's governance model to be viable well into the future, the Provincial Government would have to ensure through legislation that the payment of membership fees was made mandatory and enforceable.

The Committee wishes to thank Fisheries Minister Rick Doucet for his encouragement and support of this work and his continued interest in bringing innovation and new ideas to the fore of the province's fishery sector. The Committee asks that the drafting of new legislation

and its passage by Government be assigned priority status. To the extent that this materializes over the next few months, the Committee is prepared to remain engaged at the Minister's pleasure to continue to play a coordination role as necessary.

For the Fish and Seafood Processors Steering Committee,

Adam Chiasson, Pêcheries Belle-Île

Mario Cormier, Cap-Pelé Herring Export

Roger Foulem, Pêcheries G.E.M.

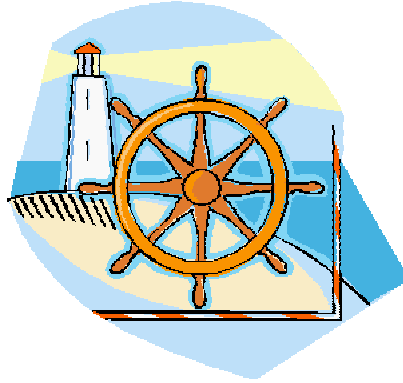
David Giddens, Connors Clover Leaf

Serge Haché, Association Coopérative des
Pêcheurs de l'Île

Mathieu Landry, Cape Bald Packers

Rémi Roussel, Pêcheries St-Paul

R.J. (Bob) Allain, OceanIQ Management Services



1. Introduction

1.1 Fisheries Renewal – The Driving Force

The fishing industry in New Brunswick, like the industry elsewhere in the world, is not immune to local, regional, national or international forces of change. And change is perpetual it seems – fluctuating currency exchange rates, evolving consumer demands, amendments to regulatory frameworks, increasingly sophisticated trade and commerce requirements, uncertainty of supply of raw materials (fish), and controversial government decisions on access and allocations are but a few of the issues that fishing industry participants from the boardroom executive to the fish harvester must contend with in the pursuit of growth and viability.

As a consequence of these forces, the fish and seafood industry of New Brunswick has had to frequently adjust its sights and, at times, re-invent itself in order to maintain a competitive edge in the marketplace and remain a preferred supplier of high quality seafood that consumers covet and appreciate.

Any wholesale reformation of this industry is complex, costly, time-consuming, and, in the minds of some, controversial and disruptive. The successful design and launch of a renewal framework is a real challenge for all concerned parties who have to navigate around established jurisdictional and inter-governmental imperatives while contending with insufficient capacity in their respective organizations to shoulder an extended involvement in the associated processes of renewal.

So, what has been taking place recently in New Brunswick? In July 2007, following a very successful Fisheries Summit the previous February, the Minister of Fisheries, the Honourable Rick Doucet, established a permanent Round Table on Fisheries, and appointed 25 members to sit on it to offer ongoing advice to the minister on issues related to improving the fisheries and seafood industry in New Brunswick. For the foreseeable future, many of the province's strategic decisions and initiatives for the fishery and seafood industry sectors – harvesting, production, processing, marketing –

will be guided by the principles outlined in its *Fisheries Renewal Framework for New Brunswick: Common Vision – Common Future* that was released on June 3, 2008.

The *Framework* sets out a number of achievable and measurable benchmarks to guide the actions and investments of Government and industry on all relevant fronts from ocean to plate. It encompasses five goals, including:

- ✓ A reputation for New Brunswick for high quality and practices that guarantee sustainability of its fishery resources;
- ✓ Market-driven and diverse seafood enterprises;
- ✓ Efficient and globally competitive enterprises that participate in innovation and the adoption of new technologies;
- ✓ Contribution to New Brunswick’s economy overall, and to the sustainability of its coastal communities; and
- ✓ Working together to manage the fishery as an all-inclusive, sustainable industry for the benefit of future generations.

The last of these goals is defined by measures intended to achieve greater cohesion between the stakeholder groups that make up the industry, to promote shared knowledge and experience, and to participate in the decision-making process. An argument can be made that these measures could be integral to the establishment of a provincial seafood association that would both articulate the interests of processors and producers, and contribute to a collective strengthening of the industry as a whole.

The *Framework* is clear that a provincial seafood association is essential to the long term well-being of the sector. It says this:

“Industry needs to advocate with both levels of government in order to deal with a range of issues affecting the processing sector. These include licensing, inter-provincial trade, programs to assist with product and market development, emerging human resource challenges, product traceability and eco-labelling requirements, and financial assistance. An association of seafood processing companies is essential to develop and advance industry positions on these issues and to serve as a single voice or window in discussions with government agencies.”

1.2 Consultant's Terms of Reference

OceanIQ Management Services was retained by the provincial Department of Fisheries to facilitate the work of the processing sector in creating a New Brunswick seafood processors association. Generally, OceanIQ was required to:

- ✓ Assist in developing a business plan for the creation of the association;
- ✓ Provide organizational support to the processors steering committee;
- ✓ Prepare material to be provided to licence holders and registrants to explain the concept of an association and generate support for the launching of a processors association;
- ✓ Organize a meeting of licence holders and registrants to present the concept of a processors association and assist the committee in gauging support;
- ✓ Meet with potential partner organizations and document proposed business models or support services; and
- ✓ Assist in preparing a plan for launching a processors association to NB DOF.

1.3 Engagement Approach – The Steering Committee

Following the February 2007 Fisheries Summit, five Stakeholder Action Groups were established to further review and analyze the priorities emanating from the Summit with the objective of proposing strategic action plans to the Minister for consideration. The Stakeholder Groups consisted of: Marketing, Processing, Harvesting South, Harvesting East, and Governance.

Extensive consultations were undertaken by the Groups throughout the spring and summer periods of 2007. The reports were made public in late September and October and their content was instrumental in the preparation of the *Fisheries Renewal Framework* and the *Action Plan* for 2008-2009.

The recommendations of the Processing and Governance Stakeholder Action Groups were particularly relevant in assisting with the organizational design work and business plan of a provincial seafood association.

In its report to Government, the Group on Governance made these general observations:

- Opinions have often been expressed that New Brunswick seems to have more difficulty than other jurisdictions in developing common understanding and positions;

- When stakeholders pursue individual interests, the fishing and seafood processing industry has often been paralyzed by not being able to develop approaches with a minimum support from a wide section of competing interest;
- This (aforementioned) situation has made it difficult for government to champion common industry issues, either within the province or in national and international forums;
- It is essential that the Department of Fisheries establish a framework, in consultation with industry, to strengthen industry organizations; and
- It is essential that every effort be made to establish a seafood processors association.

The Group developed and forwarded a questionnaire to approximately 128 processors (licence holders) to solicit their opinions and interests in pursuing the establishment of a provincial seafood association. Survey results were conclusive: 64% of those who responded supported the creation of an association; 70% were interested in becoming a member; almost 50% saw the association's principal roles as ones of advocacy, representation, communications, and providers of service.

Based on these results and its internal deliberations, the Governance Group crafted the following recommendation to the Provincial Government:

“In the case of seafood processors, it is recommended that the Provincial Government take the necessary steps to establish an association that will be self financing in the long term, and that will serve the interest of the industry as a whole.”

The Governance group further recommended that:

“The Provincial Government.....strengthen industry organizations, to secure self-financing mechanisms in the long term for the core associations....and provide interim resources that will be required by these core associations prior to reaching self-sufficiency.”

At a July 2008 meeting of the Minister's Round Table on the Fishery, the Department of Fisheries was requested to convene interested members of the processing sector to a meeting to chart a course leading to the establishment of a province-wide seafood processors association. Subsequently, a meeting of members of the previous association, and processing participants in the Stakeholders Action Group as well as the Round Table was held on July 19 with 14 participants in attendance.

Discussions touched on a broad range including possible organizational structure, roles and representation, and funding models. It was at this inaugural meeting that participants opted to strike a Steering Committee to guide future work. Committee members included:

- Adam Chiasson – Pêcheries Belle-Île
- Rémi Roussel – Pêcheries St-Paul
- Serge Haché – Association Coopérative des Pêcheurs de l'Île
- David Giddens – Connors Clover Leaf
- Mario Cormier – Cap-Pelé Herring Export
- Mathieu Landry – Cape Bald Packers
- Roger Foulem – Pêcheries G.E.M

The Committee's primary task was to design an organizational framework and accompanying implementation plan in support of a new provincial seafood association, consult affected processors by means of a general meeting, and submit a final report to Government. In 2008, the Committee held meetings on September 19, October 23, and November 12; in 2009, meetings took place on April 13, May 15, and June 11. A general meeting of seafood processors was held on June 25 with Fisheries Minister Rick Doucet in attendance.

The consultant's work with the Committee commenced on April 1, 2009.

1.4 Other Points of View

The opinions and advice of a number of seafood processing sector leaders and business executives in Atlantic Canada were sought and generously offered in the development of the governance model for the new seafood association. By agreement, the views expressed and advice offered were of a private nature and not for public attribution in this report. The information and advice provided were beneficial in assisting the Steering Committee during its deliberations.

2. Seafood Processing Sector

2.1 National Snapshot of Size and Importance

Preliminary figures released by the federal Department of Fisheries and Oceans (DFO) in March 2009 indicate that Canada's exports of fish and seafood products were valued at \$3.9 billion in 2008. The export market of choice for Canadian fish and seafood products remained the United States where the value of exports reached \$2.4 billion (on 328,000 mt), an increase of 2% over 2007.

The European Union also remained a significant market for Canadian products, importing \$489 million, with Japanese and Chinese purchases totalling \$294 million and \$259 million respectively

DFO also reported that Canada's four most valuable exports by species were lobster, crab, salmon and shrimp. These species accounted for 46% of all fish and seafood exports.

2.2 Provincial Snapshot of Size and Importance

The fisheries sector is an important contributor to the economic growth and social well-being of New Brunswick, especially along the coastal communities of the Bay of Fundy, Gulf of St. Lawrence and Northumberland Strait. A healthy and productive marine environment that supports sustainable levels of fish stocks, and the abundance of fish on which to base a fishery, are fundamental cornerstones to a vibrant seafood industry.

According to the New Brunswick Department of Fisheries, fish and seafood exports were valued at \$757 million in 2008 (on 97,948 mt). Combined with the domestic market, this translated into a total production of seafood and seafood products of nearly \$1 billion. The province's top three export species included lobster (14,213 mt valued at \$364 million), farmed Atlantic salmon (23,752 mt valued at \$161 million), and snow crab (9,514 mt valued at \$91.7 million).

The industry provided direct employment for more than 12,000 New Brunswickers, primarily in harvesting and seafood processing. In addition, the fishery supported thousands of indirect jobs in the transportation, manufacturing and other sectors.

The harvesting sector consisted of 2,650 vessels and employed 7,000 full and part-time fishers. Ninety-three percent of all fishing vessels are less than 45 feet in length.

The seafood processing sector, which also includes the processing of aquaculture products, consisted of 120 companies, carrying 130 seafood processing licences and

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employing 5,000 full-time equivalents. Virtually all fish harvested, with the exception of species sold live, underwent some processing in New Brunswick.

3. Constituent Elements for a Performing Organization

3.1 Shared Vision and Purpose Statements

No serious attempt at organizational design should be contemplated without a clear understanding of the new association's vision, mission (or purpose) and values. They constitute the first set of building blocks of an organization's guiding aspirations.

These elements are the philosophy of the organization. What each contains depends on what the organization wants to do and how it sees itself.

Vision is simply a picture of the future that one seeks to create, described in the present tense, as if it were happening now. Because of its tangible and immediate quality, it gives shape and direction to the organization's future. The vision statement proposed by the Steering Committee reads as follows:

A seafood processing sector that is dynamic and competitive in the market place; environmentally responsible and sustainable; economically viable; and receptive to partnerships with governments and other sectors to foster a positive business climate.

Mission (or purpose) represents the fundamental reason for the organization's existence. The mission statement developed by the Steering Committee reads as follows:

An effective and representative voice of the interests of its members, providing leadership and advocacy in the following strategic areas:

- *Supporting effective conservation and wise management of the marine resource;*
- *Contributing to the formulation of government policies, standards, and regulations that promote a positive industry image;*
- *Developing effective networks and partnerships with organizations that share similar objectives and goals; and*
- *Identifying and evaluating emerging issues at home and abroad that may impact on the interests of members.*

3.2 Core Values

Values are traits or qualities that are considered worthwhile. They are important to an organization because they describe how individuals intend to operate and function, on a day-to-day basis, as they pursue the organization's vision.

A set of core values might include: how we want to behave with each other; how we expect to regard our customers, community, and vendors; and the lines which we will and will not cross. Values are best expressed in terms of behaviour. When values are made a central part of the organization's shared vision effort, and put on full display, they become like a figurehead on a ship – a symbol of the behaviour that will assist people move toward the vision. However, when ignored, an important part of the shared vision is compromised.

The value statement endorsed by the Steering Committee reads:

- ***A Commitment to Excellence***

We will work collaboratively across functions to achieve the association's vision, mission and goals;

We will honour our commitments to the membership; and

We will aspire at all times to do our jobs better in every dimension.

- ***A Commitment to Treating All with Respect, Trust and Dignity***

We will create a respectful and meaningful place of gathering, characterized by honest, direct and relevant communication;

We will act with integrity and engender trust in both colleagues and associates;

We are committed to conducting our business with the highest professional and ethical standards and to treating all resources entrusted to us as if they were our own.

3.3. Strategic Objectives

A second set of organizational building blocks that is important in the establishment of a new seafood association is what are commonly referred to as strategic objectives and priorities.

Objectives are what the organization's members commit themselves to do, whether the organization is relatively new or in a transitional state. Objectives should be linked to important results (or outcomes) and serve to advance the organization's vision and mission (purpose). It is equally important that objectives be measurable and achievable from the outset for they do require considerable investment in effort and resources.

The objectives proposed by the Steering Committee include to:

- *Protect and promote the interests of the producers, processors and marketers of seafood in New Brunswick, and promote a cooperative spirit among all parties engaged in New Brunswick's seafood industry for their mutual benefit;*
- *Encourage the conservation of fisheries resources, provide for the commercial development of the seafood industry, and consider all general questions which affect the interests of those engaged in the seafood industry;*
- *Promote improvements in the quality of fish harvesting, processing, transportation and marketing;*
- *Promote the development of other fisheries-related matters such as policies and strategies for the well-being of the whole industry;*
- *Collect and circulate information of interest to its members; and*
- *Collaborate with governments and other trade organizations to promote the seafood industry.*

3.4 Priorities

Priorities are a means to turn an organization's shared vision into specific goals. If properly conceived, priorities are both a link to vision as well as the means for solidifying commitment from the organization's membership. For the most part, priorities should be quantifiable or at least observable so that the vision can be grounded in concrete results.

The Steering Committee's proposed priorities cover the first two years of the new association's mandate, and are stated at Sections 5.1.1 and 5.1.2. The priorities reflect the requirement for a balanced approach between investing resources to get the organization up and running and those required to meet its objectives.

4. Proposed Governance Model

4.1 Incorporation

The former association was incorporated under the *Companies Act* of New Brunswick in November 2002 and registered under the name New Brunswick Seafood Processors Association (NBSPA). While the organization has been dissolved, its' name remains on the provincial record.

Incorporation is once again strongly recommended as it gives the new organization legal status which then allows it to enter into contracts, negotiate financial transactions, limit the liability of its members, initiate legal action in its own name, and ensure continuity while the membership changes.

As the new association does not envisage carrying out business in other provinces under its' own name, there is no necessity or benefit to incorporating federally. Provincial incorporation is a relatively straight forward and inexpensive process, and can usually be completed within one month.

The Steering Committee has short-listed three possible names for the new association. They include: Seafood New Brunswick Inc., New Brunswick Seafood Association Inc., and (the former) New Brunswick Seafood Processors Association Inc.

4.2 Structure

The former position of Executive Director was staffed by at least three different individuals prior to dissolution. A 12-member Board of Directors, drawn entirely from the processing sector, oversaw the operations of the association.

The Executive Director was contractually employed by the Canadian Manufacturers and Exporters as part of a management services agreement with the NB Seafood Producers Association. The managerial arrangement was relatively simple to administer, represented value for money, and did not become a burden to the Board of Directors. The only significant drawback was in regard to the logistical challenges posed by the schedules of the members who were at times not available to attend Board meetings. Fixed meeting dates might assist in alleviating these conflicts in the future.

A number of executives contacted by OceanIQ emphasized how important it was to ensure that the new organization's governance model was functional, accountable and representative. Large boards can get bogged down in debate and lose their effectiveness; board chemistry and accountability are vital to achieving the organization's objectives, and for being viewed as a group that achieves what it sets out to achieve.

It should not come as a surprise to learn that the Board-Staff relationship can be a paradoxical one at times. When acting in their “governing” role, the Board must stand above staff and be the boss. But when acting in their supporting role, Board members must act to support and assist staff-led work. The challenge is to perform both functions equally well, not simply switch from one to the other.

Finally, there is considerable value in considering appointing a small number of non-association members to the Board in an ex-officio capacity. Officials from key government agencies, business and the volunteer sector could provide important perspectives in assisting the Board achieve its strategic objectives where an “outreach” approach to business is both desirable and necessary.

4.2.1 Executive Director - Role

As the association’s CEO, the Executive Director is expected to support the work of the Board of Directors and carry out those activities that are assigned by the Board. These range from financial resources management, to media and member relations, to planning and policy formulation, to program and services delivery, and troubleshooting.

The governance model proposed for the new association calls for the negotiation of a Management Agreement with a third party for the provision of common services and possibly some specialized services. These are spelled out at Section 4.4.

4.2.2 Board of Directors - Major Responsibilities

The Board of Directors is a group of people legally charged with the responsibility to govern the association. As the association itself will be a not-for-profit corporation, the Board is directly accountable to the membership (or stakeholders).

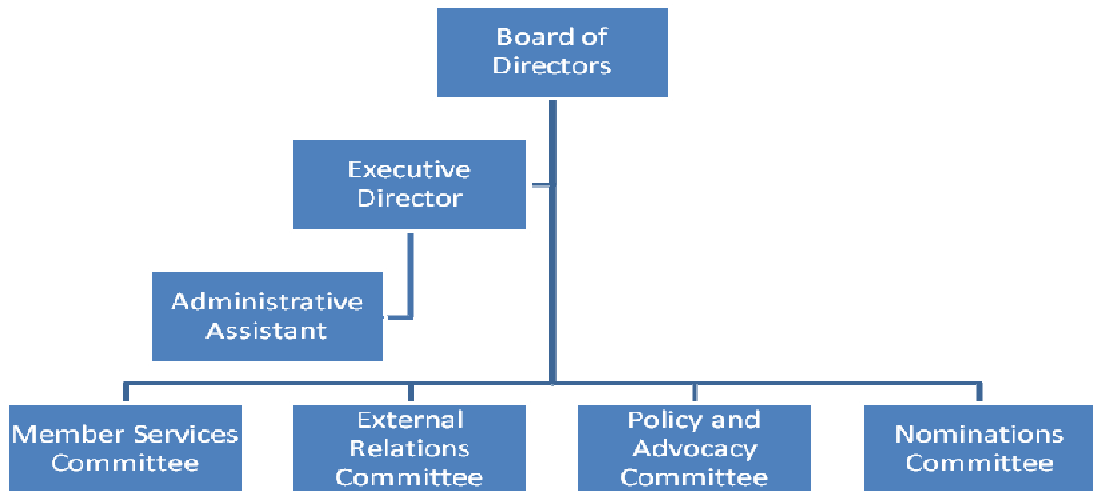
The proposed immediate key responsibilities would be to:

- Provide continuity for the organization (thru incorporation, representation, and advocacy);
- Select and appoint an Executive Director;
- Govern the association by broad policies and objectives, and define its philosophy;
- Acquire adequate resources for the organization’s operations and services;
- Account to members and the public for the association’s programs and services; and
- Enhance the association’s public image and assess its own performance.

Admittedly, by necessity, some responsibilities will be jointly assigned to and delivered by the Executive Director and the Board. Examples include: strategic planning and priority setting, negotiating partnering arrangements with other agencies, preparation of meeting agendas, attendance at high-level briefings, participation at trade missions, implementing program audit and evaluation findings, overseeing the activities of working committees, and managing crisis situations.

It is further recommended that the new association's organizational structure provide for the creation of committees consisting of association members and subject matter experts, as required. The committees would target areas of strategic importance to the association while supporting its key objectives and priorities. These areas would include: member services, external relations, policy and advocacy, and nominations.

Accountability is doing the right thing, in the right manner, for the right reasons, and with the right attitude.



4.3 Accountability

In New Brunswick, the statutory requirements which stipulate how not-for-profit organizations are to conduct their affairs are laid out in the *Companies Act*. As noted in the previous section, Directors are accountable to the association's membership for all manner of their conduct in discharging their duties. Admittedly, theirs can be a daunting

task given the scope of the legal framework and whatever rules and policies may be in place at the association level.

The Steering Committee is of the clear view that accountability is best achieved through the adoption of a set of core values that delineate how officers and staff of the association will conduct themselves while discharging their functions. Conflict of interest guidelines are also a helpful tool in ensuring ethical conduct and accountability.

Aside from the legal requirements to promote accountability, there are several best practices that, if implemented, would assist in ensuring ethical and responsible dealings by association officials. They include:

- Ensuring that communications both to and from members are timely and effective;
- Understanding and taking into account the interests of members;
- Monitoring relations with members by gathering and evaluating appropriate information;
- Promoting goodwill of the members;
- Holding semi-annual town hall gatherings to promote a culture of transparency and access.

4.4 Management Agreement - Services

The requirement for administrative and specialized services is an important component of the new association's proposed governance model. These services are what will enable the association's small staff to carry out their activities.

More and more small size organizations are turning to service providers for their essential services. This is especially true of not-for-profit organizations because of the importance of keeping overhead costs to a minimum.

The Steering Committee identified a requirement for the following core administrative and specialized services:

- Administrative Assistant to perform a wide variety of clerical functions including some desktop publishing; must be fluently bilingual (verbal, comprehension, written) with solid knowledge of computer software applications and proven communications skills
- Accounting (payroll, bookkeeping)
- Travel and accommodation arrangements – domestic and international

- Informatics support
- Suitable office space (approx 200 sq. ft) and parking
- Suitable meeting room (accommodate upwards of 15 individuals)

The Committee also identified the following desirable partnering services:

- Capacity to plan and deliver projects ie large workshops, town hall meetings, formal industry and public consultations
- Capacity to organize special events ie annual general meetings, press conferences, fundraisers
- Capacity to mentor in relation to the establishment of the seafood association

The former association utilized the services of the Canadian Manufacturers and Exporters (CME) for its administrative and specialized services. In its work with the Steering Committee, OceanIQ spoke with a representative of the CME as well as with representatives of the Atlantic Food and Beverage Producers Association, the Conseil Économique du Nouveau-Brunswick, and the Greater Moncton Chamber of Commerce, all of whom were very helpful and informative. OceanIQ also spoke with several seafood association executives in Atlantic Canada regarding the nature of their internal governance practices.

4.5 Revenue and Cash Flow Forecast

For most seafood associations in Canada, the sources of revenues to sustain their operations include what their members contribute in annual fees, what can be raised through promotional and learning events, and what is earned as a return on investments. None of the associations contacted by OceanIQ accepts government loans or grants to support their ongoing operations. There is the concern, perceived or otherwise, that accepting government financial assistance to sustain operations fetters an organization's ability to adopt positions that meet their members' needs (which may not align with government's expectations or preferences).

This is not to suggest that acceptance of a government financial contribution to cover an organization's initial start-up costs for the critical first few months of operation amounts to the same thing. It does not. In support of this view, the Stakeholder Action Group on Governance offered this observation in its 2007 report.

“Government should consider creating incentives for individuals to belong to an association such as restricting....accessibility to certain benefits; there will always be individual operations that will not join an association unless they are forced

by legislation to pay. Our group considers that out of the 128 licence holders, 50 bonafide processors taking part in an association would be considered sufficient representation.

“ Government resources will be required in the beginning to help build needed capacity. Substantial government investment will be required on a three-year, decreasing-scale basis.

4.5.1 Sources – Membership and Fees

Steering Committee members are of the view that any company licensed to engage in seafood processing in the province should have the opportunity to become a member of the new association. For provincially-licensed primary processing facilities, the payment of membership fees in the association should be mandatory. For all other corporate entities, such as aquaculture farms and secondary processing registrants, membership in the new association could be extended at a later date at the discretion of the Board of Directors.

One interesting approach to adding value to an association’s membership base and increasing its revenues would be to offer membership status and some related privileges to a select few of the industry’s principal suppliers. Doing so would also permit the association to achieve its “outreach” objectives. These same suppliers could be further encouraged to contribute to the costs of annual general meetings and special trade and learning events.

Steering Committee members noted that the previous fee arrangement in which some members remitted their annual dues while others did not led to a classic “free rider” phenomenon. In this situation, members who withheld their contributions still received the same benefits as paid-up members. This led to a number of internal problems for the association and was a contributing factor in its eventual undoing.

To avoid a recurrence, the Committee recommends that provincial legislation be enacted that provide for mandatory payment of the association’s membership fee for all primary processing companies.

Membership fees are expected to account for in excess of 90% of the new association’s revenues. There are approximately 120 primary processing facilities in the province who hold a total of approximately 130 licenses; of these, the top 16 plants account for 80% of the industry’s seafood production value, the top 31 plants account for 93%, and the top 71 plants for 99.5% of the production value.

While the basis for setting membership fees is not without its critics, production value is seen as a reliable indicator on which to establish a base rate because it is tied directly to a company’s performance in the market and is easily measured. It is also progressive in

that plants with higher annual production values should pay a higher membership fee as compared to plants with lower values. Other benchmarks, like the number of employees per company, were considered but were felt to be unreliable.

The Steering Committee examined three separate models for establishing membership fees using production value as the benchmark. They included: (i) cost model which is derived by dividing the association's projected annual operating costs by the primary processing sector's production value in 2007, (ii) the production model which involves dividing a company's production value in 2007 by the sector's production value for the same year, and (iii) the in-range model which assigns a fixed fee over a prescribed production value range.

Based on a projected annual operating forecast of \$310,000 and a 2007 production value of \$790 million, the cost model derivation set a company's membership fee at 0.04 cent per \$1 production value. By comparison, the production model derivation produces a fee 30 times greater, that is, 1.27 cents per \$1 of production value. The in-range model derivation would see fees range from \$9,000 (for companies with annual production values over \$50 million) to \$1,500 (for companies with annual production values under \$1 million). The in-range fees are considered to be maximums as they are based on the reported production values from only 86 of the estimated 120 plants.

The Steering Committee is of the view that the production model should not be used as the basis for establishing a company's annual membership fee. It produces a revenue stream far in excess of the \$310,000 required annually to operate the association during the start-up phase.

As for the other two models, for comparative purposes, the cost model produces a lower fee (2 to 5 times) for companies with production values under \$18 million. For values above this level, the in-range model results in lower fees (up to 7 times) for the companies involved. The Committee prefers that membership fees be based on the in-range model.

A Cash Flow Forecast was prepared to illustrate the new association's probable financial situation under various revenues streams and a constant expenditure profile.

4.5.2 Cash Flow Forecast

In the forecast prepared by the Steering Committee, the new association is projected to spend approximately \$60,000 in Year 1 (October – December 2009) and \$300,000 in Year 2 (January – December 2010). The principal expenditure categories and their percentage of expenditure relative to total expenditures indicate the following:

<u>Expenditure Category</u>	<u>Year 1</u>	<u>Year 2</u>
Salary and Benefits	55%	43%
General Administration	45%	57%

The financial projections also include a proposed one-time contribution from the Government of NB at the time of launch of the new association (October 2009 for planning purposes only). The contribution would be in the form of a one-time, non-repayable grant of \$20,000 for each of the last three months of 2009 and a further \$25,000 for each of the first three months of 2010 for a total financial contribution of \$135,000. The grant would also be used to purchase essential office equipment for the two-person staff complement.

5. Proposed Implementation Scheme

A considerable amount of engagement preceded the involvement of the consultant in facilitating the work of the Steering Committee. All licensed primary seafood processors were afforded the opportunity to provide input by means of a survey questionnaire. Additionally, on June 25, 2009 some 70 primary processor licence holders were invited to meet with the members of the Steering Committee and the Minister of Fisheries to provide feedback on the proposed organizational design and implementation framework.

5.1 Implementation Timeframe and Associated Core Activities

Steering Committee members have proposed a two-year implementation timeframe consisting of the following core activities (as priorities):

5.1.1 Year One: Launch and Set Sail

This component encompasses those activities necessary for the establishment of the association both in a legal as well as a functional context. Activities include:

- incorporating under the laws of New Brunswick as a not-for-profit entity;
- negotiating of a two-year Management Agreement;
- office set-up, including branding;
- hiring of Executive Director and Administrative Assistant;
- electing Board of Director and Committee representatives;
- selecting legal and financial advisors;
- contracting for translation services;
- securing start-up financing and initial budget formulation;
- designing and launching (internal and media) communications plans;
- developing and implementing interim work plan; and
- undertaking site visits and carrying out a series of provincial round tables leading to the identification of member-required services in the short to medium term.

5.1.2 Year 2: Carrying out the Mission

This phase is intended to focus on activities that bring stability to the organization and increased value to the collective needs of the members. The activities in support of the work plan for this phase could include:

- initiating an internal evaluation of the work undertaken thus far for validation purposes;
- formulating a strategic plan;
- organizing knowledge transfer and continuous learning seminars;
- strengthening partnerships with other organizations;
- searching for growth and new opportunities; and
- adjusting to current and emerging realities.

5.2 Communications Plan

The communications plan as envisaged would consist of a number of standard products destined for mixed audiences comprised of seafood processors, government officials, media, elected officials, fish harvesters and other stakeholders, and the public at large.

Processors recognize the importance of maintaining a close working relationship with the Province of New Brunswick and the Federal Government throughout the process of re-establishing the association. This relationship could be sustained by the parties agreeing to enter into a post-launch arrangement to promote and achieve ongoing collaboration in the design and delivery of mutually beneficial communications services and activities.

5.2.1 Report Validation

Prior to conveying its report to the Department of Fisheries in July, the Steering Committee provided a synopsis of the elements of the proposed organizational model and implementation framework to officials of the Department of Fisheries and to prospective association members at a meeting held in Miramichi City on June 25. The meeting succeeded in serving as a means for seafood companies to provide their views and suggestions, and for the Steering Committee members to respond to questions.

5.2.2 Release of Report

It is presumed that the report will be released by posting it on the website of the Department of Fisheries accompanied by a press release that would invite further review and commentary from the core membership group. The Department may also wish to refer the report to members of the Minister's Round Table on the Fisheries. It is not necessary for the Steering Committee to issue its own release; rather, key messages would be prepared and used by the processors' spokesperson should there be media requests for comments. Officials of both organizations should work collaboratively in preparing their respective material to ensure clarity and consistency.

6. Summary of Conclusions and Recommendations

Over the course of their seven meetings, members of the Steering Committee discussed, debated, and reached consensus on the essential elements of a new seafood association's organizational design and implementation framework. What follows is a summary of their recommendations.

6.1 Organizational Design

- The new seafood association should be led by a full-time executive with a proven track record of accomplishment in working effectively with governments and the fishery sector under a variety of conditions. The executive should be assisted by a full-time administrative assistant. Both positions require a high level of fluency in the official languages.
- The association's structure should also include a representative Board of Directors of up to 15 persons (including ex-officio members), with provisions for the creation of four working committees – Members Services, External Relations, Policy and Advocacy, and Nominations.
- The new association should be incorporated under the laws of the Province of New Brunswick as a not-for-profit organization.
- The association should enter into a two-year management agreement with a proven service provider to secure the administrative and technical services it requires in order to operate effectively.
- The association should become a member of the Fisheries Council of Canada at the earliest opportunity.
- The association's aspirational goals and its *raison d'être* should be defined by clear statements related to vision, mission, and values and supported by strategic objectives.

6.2 Membership

- The association's overarching objective is to represent the collective interests of its members. This can be achieved in two ways: (i) by being a strong and effective voice, and (ii) by providing services that add value to their businesses and help make them grow.
- In theory, membership in the new association should be open to any seafood corporate entity licensed to operate in the Province of New Brunswick that shares

the association's goals and objectives and agrees to comply with its by-laws. In practice, however, and for the immediate future, the Steering Committee recommends that potential membership be limited to the approximately 130 licensed primary processing facilities.

- The Province of New Brunswick must make the payment of membership fees mandatory and enforceable. This can best be achieved enacting legislation requiring primary processors to pay annual dues in the amount and in the manner as determined by the association (for example, at a duly convened Annual General Membership Meeting).
- Generally speaking, membership fees should be set progressively, meaning businesses with higher production values should pay a higher annual membership fee.

6.3 Implementation Scheme Priorities

- A successful launch of the seafood association requires both a statutory framework and a short-term financial contribution from Government.
- For an initial period of two years, the new association's priorities for Year 1 should be focussed on (i) implementing the proposed governance model, (ii) developing an integrated planning framework (work, budget, communications, and member consultation), (iii) networking, and (iv) policy and advocacy. For Year 2, the priorities should include (i) developing a comprehensive multi-year strategic plan, (ii) strengthening partnerships, and (iii) organizing events.

6.4 Financial Considerations at Start-up

- Financial assistance from the Province of New Brunswick is required if the plans and operations of the new association are to be successful from the outset. The assistance should be in the form of a non-repayable grant.
- Once established, government financial assistance aimed at sustaining the association's regular operations should not be sought as that could fetter its capacity to act in the best interest of its members.

APPENDIX – Required Management Services

Essential Core Administrative and Technical Services

- Administrative Assistant to perform wide variety of clerical functions including some desktop publishing; must be fluently bilingual (verbal, comprehension, written) with solid knowledge of computer software applications; proven communications skills
- Accounting (payroll, bookkeeping)
- Travel and accommodation arrangements – domestic and international
- Informatics support
- Suitable office space for staff of 2 (approx 200 sq. ft)
- Suitable meeting room (accommodate upwards of 15 individuals)
- Suitable parking

Desirable Partnering Services

- Capacity to plan and deliver projects ie large workshops, town hall meetings, formal industry and public consultations
- Capacity to organize special events ie annual general meetings, press conferences, fundraisers
- Capacity to mentor in relation to the establishment of the seafood association

Terms and Conditions

- Two-year management agreement with option to extend