

Another problem identified by the banking community is inventory assessment and insurance coverage for aquaculture. There are at present no widespread, reliable and efficient means of determining the number of fish as well as the biomass and reliable inventory counts constitute the basis of inventory financing. This is a major difficulty in an industry beset by substantial inventory variance and high mortality rates. However, the development of inventory-taking techniques using video-camera equipment should reduce this problem. Insurance coverage is also an integral part of inventory financing. To date, this has been available in Canada for fish mortality due to diseases and plankton blooms, but the banking industry is more concerned with a problem which has not yet occurred: the possibility that insurance companies might reduce the coverage of fish farmers, as in Norway, where insurance companies have tended to reduce the coverage by instituting a higher degree of co-insurance and risk-sharing. In response, the industry emphasizes that underwriters have to date been satisfied with the inventory control practices of firms whose shares they have carried.

The above problems are related to the changes pending for section 178 of the *Bank Act*. In the current wording, aquaculture is not specifically named and the collateral (such as penned fish) which could be used in financing an aquaculture venture is not clear. It is expected that the next revision to the *Bank Act* will clarify this situation. This will not, however, solve all impediments to bank financing of aquaculture, especially those outlined above.

Another apparently serious deterrent to bank financing of aquaculture is the leasing system. The banks are concerned that the lack of transferability of aquaculture leases could hinder the orderly disposal of assets. While there is no move on the part of government to allow the unfettered transferability of leases, discussions are underway between the banks and the BC Ministry of Lands and Forests to achieve a mutually acceptable non-disturbance agreement.

The bottom line for the banking industry is that aquaculture is a high-risk industry, particularly with respect to the BC industry's current development stage, and that the security margin normally required for bank loans to any industry is absent. It was pointed out numerous times to the Committee that the involvement of Norwegian banks in their domestic industry was and still is encouraged by the risk-sharing activities of the government. Also, aquaculture entrepreneurs emphasize that the use of loan