

the rate of growth of the industry. This moratorium will be lifted in the fall of 1988 at which time pending applications will then be reviewed for site leases. The bottom line is that, at least in BC, government financial assistance is simply not providing sufficient leverage for the financial institutions to move in and contribute to meeting the industry's capital requirements. It should be noted that the sales value of the Bay of Fundy production increased from \$675,000 in 1983 to \$18 million in 1987 which illustrates the type of cost-benefit ratio this industry can achieve with respect to government expenditures. It is also interesting to note that more banking sector involvement is reported in New Brunswick due to the industry establishing an undeniable track record as well as a result of decisions made by regional bank managers familiar with the industry.

Given that the major production costs of a salmon farmer are for feed, supplier financing would seem to be the appropriate solution, assuming that some feed suppliers are large enough to carry out such activities. Feed suppliers are, however, reluctant to supply credit over a lengthy growth cycle, and, as rightly pointed out, could do so only by increasing feed costs. Farmers are also reluctant to become involved in deals of this type (where, in the last stages of the growth cycle, credit lines are supplied in exchange for a portion of the return on the crop) as these have usually worked to the disadvantage of the participating farmer.

Aquaculturists have raised problems relating to Investment Tax Credits. This taxation provision permits a deduction from federal income tax for the acquisition of qualified depreciable property to be used in manufacturing, processing, farming, fishing, logging, mining and grain storage. There are no impediments to an aquaculture enterprise's benefiting from this provision. However, changes contained in the 1986 Budget now limit the extent to which ITCs can be allocated to limited partners. This change applies across the board to all industries, but, for the developing aquaculture industry, already beset by financing problems, it creates an additional difficulty in attracting risk capital. On the positive side, the refundability of ITCs for small corporations and individuals has been extended indefinitely in the recent Tax Reform. This is of particular benefit to small firms, especially in their start-up phase where negative cash flows are a problem. Refundability is in effect a form of financing. Tax Reform, however, ended the refundability of ITCs for the larger corporations, something which may unfortunately cause problems for the larger aquaculture firms.