

operating costs. The industry will have difficulties in meeting its capital requirements unless a loan guarantee program is set up by government. Loans to the industry covered by such a program will have to be tailored to take into account the negative cash flow of the first few years of operation. This is due to the lengthy growth and harvest cycle typical of most sectors of the aquaculture industry. As well, any government sponsored loan guarantees should require appropriate crop insurance as a condition of access.

Some financial assistance has been made available to the BC industry through the Aquaculture Incentive Program under a subsidiary agreement of the federal-provincial ERDA. This program provides interest-free capital loans of up to a maximum of \$100,000. There are, however, problems with this program which illustrate the difficulties most governmental programs present for the aquaculture industry.

First, it only applies to capital loans, which are not the major financing problem of the industry. Banks are apparently willing to finance capital loans for the purchase of equipment which they can easily foreclose on, and liquidate. In addition, the Norwegian aquaculture suppliers make financing assistance available to purchasers which is why many West coast aquaculture businesses have purchased Norwegian equipment. It should be noted that the BC industry's inability to finance itself domestically is reported to be leading to increasing levels of foreign ownership (particularly Norwegian), something which could dissipate some of the benefits of aquaculture development. For example, this could mean that less R&D activities will be carried out in Canada and that the aquaculture supply and services industries will develop more slowly as fish farming equipment continues to be imported from Norway.

Secondly, there is a question as to whether the program is sufficient in light of the industry's projected growth of up to 250 salmon farms by 1995. To date, \$4.0 million in loans have been made available to 59 aquaculture companies, including some oyster growers.

In New Brunswick, a similar program (the Salmonid cage-culture program) was put in place under a subsidiary agreement on fisheries development. This program has made available \$2.1 million in grants for selected capital and operating expenditures to 21 companies in the Bay of Fundy since 1985. Presently, the total number of salmon farms in the Bay of Fundy is 33 compared to approximately 120 in BC. The lower number of sites in New Brunswick is partly related to a moratorium imposed to govern