

SPEAKING NOTES

OCI restructures its operation to remain competitive in global marketplace

December 2, 2011

MARTIN

- Good afternoon everyone. I'm Martin Sullivan, President and CEO of Ocean Choice International (OCI) and this is my brother Blaine Sullivan, Chief Operating Officer.
- Today is an important day for our company.
- After much deliberation—deliberation that has lasted for many months—we have made important decisions about the future of OCI.
- The changes that we will announce today are difficult, but are necessary to ensure the future sustainability of our operations in Newfoundland and Labrador.

- Before Blaine covers the details of our operational changes, I want to assure everyone that we have worked very hard to avoid situations that negatively impact on our employees and the towns in which they work.
- We have done everything in our power to find solutions in areas of our business that are not operating effectively.
- But, we have come to the conclusion that sometimes things that are broken cannot be fixed, especially when all the critical factors are beyond our own control.
- The fishery in Newfoundland and Labrador needs to change. It has been crying out for rationalization for years. Unfortunately we—the collective we—government, union and industry—have not been able to agree on the right path forward.
- Blaine and I come from a fishing family. Our family has been involved in the fishing industry since we arrived from Ireland in the 1840's. Our

father was an inshore fisherman for 60 years; we have two brothers who owned fishing enterprises and other family members who work in the business, including Loyola and Andy whom we work with. We have been involved in the fishery all of our lives. We grew up in Calvert on the Southern Shore and, as students, worked in our brothers' fish plant and spent a lot of time on our father's boat. As we sit here today, we can be melancholy about the past...or we can be responsible about the future of our industry.

- Some of our decisions today were not easy; but because of the circumstances affecting our business, we had to make tough choices.

- Things are changing in the world around us. The market demand for whole fish is huge today; customers don't want as much filleted product anymore. The global market is changing and we must be able to provide customers with the products they demand.

- The economic turmoil over the last few years has been incredibly difficult for the industry.

Fluctuations in foreign exchange rates and fuel costs, as well as increases in expenses and overhead, have put huge pressures on the business.

- Furthermore, our industry is so heavily regulated that we are unable to return to the people and the province the economic benefit both deserve.
- On the whole there are no other jurisdictions in the world that hold the type and amount of restrictions and requirements that we have here in Newfoundland and Labrador. It places our company in an uncompetitive position, and it must change.
- We are depriving our economy of hundreds of millions of dollars a year by being so restrictive. And, we are costing our people good paying, year-round jobs aboard our trawlers and the opportunity for the industry to restructure to give better overall returns to all stakeholders.

BLAINE

- As Martin said, the time has come for meaningful change in our industry.
- Today we are announcing the permanent closure of two of our operations – one in Marystown, and one in Port Union. And we don't do so lightly.
- The closures are for very different reasons
- First of all Port Union has been a good plant for OCI.....last September Hurricane Igor devastated our Port Union operation. It became evident in March of this year that there was no way we could be ready for this past shrimp season. Over the last couple of years we have seen a 40 per cent reduction in the available shrimp from 174M lbs to 107M lbs and further cuts are already announced for next year. These reductions would mean far too few weeks for our workers resulting in operations that could not be viable in the future. About 170 workers will be impacted.

- Marystown: I cannot tell you the number of meetings we have had with our staff, the FFAW, government and towns to seek solutions to the financial difficulties being experienced in Marystown.
- We've tried everything. And our workers are to be commended. They have "given" what they could; we have given what we could. In fact, we've invested millions and millions of dollars trying to make things work.
- But there comes a time when we must be satisfied that we have exhausted all possibilities. And frankly we have.
- We have about 240 employees who will be affected.
- We are planning to work together with government as well as the FFAW and the towns to find a respectable transition for these affected workers in Port Union and Marystown, one

which is respectful of the commitment they have made to the industry for so many years.

- We are committed to moving forward now with our flatfish business and will explore with the province and the union options laid out in the Deloitte report issued last week. These two options include
 - 1) catching and processing at sea which is proven to be the only viable option as verified by Deloitte Report and
 - 2) transitioning Fortune to a multi-species year-round groundfish processing plant. Although this option is currently not projected to be profitable it would mean 110 year-round jobs which, combined with the jobs at sea, would mean a higher overall payroll to our employees than experienced in the Marystown plant and on the vessels in the past.

- On the positive side of our announcement today, we are committed to investing in excess of \$5 million in 2012 in our facilities that are located in Bonavista, Port aux Choix, Triton, St. Lawrence and Fortune. These investments will also address our fleet as well, all as part of our

normal operations. Furthermore if we successfully conclude plans for our flatfish business we will purchase an additional vessel for approximately \$10M. The investments come on top of \$30 million we invested in the operations since 2008.

- It's important for me to take some time to talk as well about our commitment to marketing our products—because this is a necessary part of ensuring success at OCI.
- OCI has made numerous investments in the company in recent years, and established a worldwide sales and marketing network with sales in over 35 countries around the world. We maintain a staff of over 40 people with offices located in North America, Europe, China, and Japan and staff in 7 countries
- We are committed to the regions in which we operate and to the future viability of the fishery and the future of the company.

- In the coming days Martin and I will meet with towns and unions in an effort to define our plans for the future. As we do this, we will still employ hundreds of people in Newfoundland and Labrador, and will still be one of the largest private sector employers in the province.
- A sustainable fishery is what we're after--and we believe the changes we have outlined today are the beginning of the process to get us there. Now we need our young people to turn their attention to opportunities available to them in the fishery of the future—opportunities which provide full time, year round jobs, not unlike those in the offshore oil and gas sector.
- A future for the company, Great economic value for our workers, and great value for the people and our province. That's why OCI has made these changes today.

QUESTIONS FROM MEDIA