



BUSINESS PLAN

NOVA SCOTIA FISHERIES AND AQUACULTURE

LOAN BOARD

2010-2011

Business Plan
Nova Scotia Fisheries and Aquaculture Loan Board
2010-2011

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Message from the Minister, Associate Deputy Minister and Board

It is our pleasure to present the 2010-2011 Business Plan for the Nova Scotia Fisheries and Aquaculture Loan Board. This Business Plan reflects the Loan Board's objectives and focus for the upcoming year.

The Nova Scotia Fisheries and Aquaculture Loan Board has served the province and the fishing industry since 1936 by providing long term stable development funding. The Fisheries and Aquaculture Loan Board, since 1944, has lent \$650 Million to the harvesting and aquaculture sectors of the fishery in Nova Scotia, thereby enabling fishers and aquaculturists to take advantage of economic opportunities at home creating jobs in coastal communities and growing the economy.

Minister

Associate Deputy Minister

Chairman

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A. Mission

To serve, develop and optimize the Nova Scotia fish harvesting and aquaculture industries, for the betterment of our coastal communities and the province as a whole.

B. Corporate Mandate

Through a cooperative agreement between the Fisheries and Aquaculture Loan Board and the Department of Finance, the interest rate of borrowed funds is increased to ensure that the Province is in a surplus position. For the fiscal year ending March 31, 2009, the Loan Board surplus was \$6.2 Million as per the Office of the Auditor General. With this financial arrangement in place, the Loan Board can fulfill the expectations and service needs of the fishing and aquaculture industries by providing long term stable development funding which will enable the fishers and aquaculturists of this province to take advantage of economic opportunities at home to maximize jobs and grow the economy of our coastal communities. The fishery is more than a way of life; it is a successful business and we must strive to keep it productive and internationally competitive.

C. Planning Context

Nova Scotia is the leading fishing province in Canada, a nation which is known as a world fishing power. We are fortunate to have a diversified industry which can survive and prosper on its strengths while various segments suffer cyclical downturns. Our commercial fishery alone has an annual landed value of approximately \$661 Million, a market value of approximately \$1.0 billion and our aquaculture and recreational fishery sectors generate \$126 Million more. The industry is the main employer in many regions of the province and drives the economies of our coastal communities.

As our fishery moves into the 21st century, we must maintain and enhance the traditional components of the industry which, over time, have provided us with success. We must build on these segments, seeking out and developing new opportunities in aquaculture, the recreational fishery, coastal zone management, under-utilized species, the processing sector, and succession planning for the harvesting sector. Whether it be with areas of provincial jurisdiction or with the marine fisheries which are administered federally, personnel from the Nova Scotia Fisheries and Aquaculture Loan Board must play an active role to ensure that fisheries policies and management strategies are good for Nova Scotia and the industry in this province.

The Nova Scotia Fisheries and Aquaculture Loan Board has served the province and the fishing industry since 1936 by providing long term stable development funding. Through this Board, the

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Nova Scotia government ensures it has a cost effective, positive, focused and beneficial influence on the development of the fishing and aquaculture industries of Nova Scotia. The Board operates under the authority of the Fisheries and Coastal Resources Act. This Act, by its name, emphasizes the coastal community development, which is the focus of the Board's operations.

Diversification and technological advancements in the fishing industry continue to create a demand for newer more efficient vessels. Existing clients will take advantage of this new technology to improve and upgrade their vessels. This will also result in promoting boat building activities.

D. Strategic Goals

In order to carry out the Board's mission and that of the Department of Fisheries and Aquaculture, the Board is involved in the following four core business areas:

1. **Provide long term fixed-rate loans for the development of the harvesting and aquaculture sectors of the fishing industry.**
 - Government developmental financing is required for the harvesting sector, as the chartered banks consider lending to this sector to be high risk. Aquaculture financing is also necessary as this sector is a developing industry which the banks believe to be very high risk.
2. **Maintain a vessel inspection program for all new construction, used vessel purchases, modification and engine/equipment loans.**
 - A vessel inspection program is necessary for new boat construction to ensure that the boats are built to rigid Loan Board standards. Used vessels, modification and engine/equipment loans are inspected to ensure that the funds lent are secure in the value of the boat.
3. **Manage a loan collection program on a monthly basis to keep loan arrears to a minimum.**
 - Each and every lending institution must have an effective collection program to manage arrears and keep writeoffs to a minimum.
4. **Provide financial counselling and assessments for proposed projects.**
 - Financial counselling ensures that customers manage their income and resources wisely and assists the Loan Board's repayment record. Project assessments help the industry to be successful and also reduce the potential of delinquent accounts.

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E. Core Business Areas 2010-2011

In keeping with the goals of the Board, Department of Fisheries and Aquaculture, and Government, the following represents the Board's priorities for 2010-2011.

Core Business Area 1

Providing long term fixed-rate loans for the development of the fish harvesting and aquaculture industries. Reviewed 55 loan applications during the 2008-2009 fiscal year.

- Provide \$20 Million of developmental funding to the fishing and aquaculture industries.
- Continue to assess new loan proposals by applicants.
- Continue to review and amend the loan approval process, to ensure quality program delivery.
- Facilitate the replacement and upgrading of older vessels in each fleet.
- Establish access to capital for new entrants and new species.

Outcomes and Performance Measurement

Core Business Area 1: Providing long term fixed rate loans for the development of the harvesting and aquaculture sectors of the fishing industry.					
Outcome	Measures	Data	Targets 2010-11	Ultimate Target	Strategies to Achieve Targets
Development of new fishery enterprises	Loan Advances	2001-02: 19 M 2002-03: 21 M 2003-04: 22 M 2004-05: 25 M 2005-06: 14 M 2006-07: 16 M 2007-08: 15 M 2008-09: 7 M	Increase annual advances	Increase annual advances over previous year	Working with industry and government. Provide financing for the harvesting of underutilised species. Loan advances as of March 31, 2009 was \$7.23 Million.
Improve lending programs for the fishing and aquaculture industries	Increase in loan portfolio	2001-02: 61 M 2002-03: 69 M 2003-04: 72 M 2004-05: 82 M 2005-06: 81 M 2006-07: 83 M 2007-08: 90M 2008-09: 84M	Annual increase in loan portfolio	Annual increase in loan portfolio over previous year	Support financially viable operations. As of March 31, 2009 the loan portfolio was 84.6Million.

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Core Business Area 2

Maintain a vessel inspection program for all new construction, used vessel purchases, modification and engine/equipment loans. Carried out 160 new vessel inspections and 534 inspections for used vessels, engine/equipment and maintenance during the 2008-2009 fiscal year.

- Each new vessel is inspected biweekly during construction to ensure that they are built to rigid Loan Board standards.
- All used vessels financed by the Loan Board, as well as vessels for modification and engine/equipment applications, are inspected to ensure that they are built to Loan Board standards. Inspections also guarantee that the funds lent by the Loan Board are secure in the value of the boat
- Carry out annual maintenance inspections on Loan Board financed vessels to ensure continued loan security and equity.
- Approve builder construction plans and boat specifications to ensure that they meet Loan Board standards.
- Assist boatbuilders by giving technical advice as it relates to the preparation of plans and drawings. Also provides technical assistance relating to the construction of new vessels and modification of vessels.

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Outcomes and Performance Measurement

Core Business Area 2: Maintain a vessel inspection program for all new construction, used vessel purchases, modification and engine equipment loans.					
Outcome	Measures	Data (100%)	Target 2010-11	Ultimate Target	Strategies to Achieve Targets
Inspect all new vessels under construction biweekly	Number of biweekly inspections on new vessels	2001-02: 656 2002-03: 505 2003-04: 531 2004-05: 504 2005-06: 305 2006-07: 420 2007-08: 362 2008-09: 160	100% of new vessels under construction to be inspected biweekly	100% of new vessels under construction to be inspected biweekly	Adequate operating budget. Biweekly inspection report. Biweekly progress payments to boat builders.
Inspect all vessels which are financed by the Board on a yearly basis	Number of vessels inspected	2001-02: 512 2002-03: 494 2003-04: 473 2004-05: 412 2005-06: 447 2006-07: 601 2007-08: 585 2008-09: 484	100% of vessels to be inspected annually	100% of vessels to be inspected annually	Adequate operating budget to inspect each vessel yearly. Annual completed survey report on each vessel. Maintain an equity position in each vessel financed by the Loan Board.
Ensure that all vessels related to used boat, modification, engine or equipment applications are appraised biweekly	Number of biweekly vessel inspections	2001-02: 87 2002-03: 77 2003-04: 51 2004-05: 75 2005-06: 61 2006-07: 51 2007-08: 42 2008-09: 30	100% of vessels inspected biweekly	100% of vessels inspected biweekly	Adequate operating budget to inspect on a biweekly basis. An inspection report to be completed.

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Core Business Area 3

Manage a loan collection program on a monthly basis to keep loan arrears to a minimum. The arrears percentage increased to 3.74% as of March 31, 2009.

- To review Loan Board arrears on a monthly basis to determine the proper course of action required. Monthly collection activities manage the arrears outstanding and minimize writeoffs.
- Continue to write letters, make phone calls and field visits in an effort to collect delinquent accounts.

Outcomes and Performance Measurement

Core Business Area 3: Maintain a loan collection program on a monthly basis to keep loan arrears to a minimum.					
Outcome	Measures	Data	Targets 2010-11	Ultimate Target	Strategies to Achieve Targets
Frequent collection activity	Percentage of accounts in arrears	2001-02: 3.3% 2002-03: 1.8% 2003-04: 1.3% 2004-05: 1.3% 2005-06: 1.3% 2006-07: 1.6% 2007-08: 2.0% 2008-09: 3.7%	≤3% arrears level	≤3% arrears level	Adequate operating budget to collect via monthly field visits. As of March 31, 2009 3.74% of principal was in arrears. Sufficient staff to collect monthly.
Decrease in arrears level	Percentage of accounts in arrears	2001-02: 3.3% 2002-03: 1.8% 2003-04: 1.3% 2004-05: 1.3% 2005-06: 1.3% 2006-07: 1.6% 2007-08: 2.0% 2008-09: 3.7%	≤3% arrears level	≤3% arrears level	Fisheries Loan Board loans secure in the value of the boat. Loan balances reducing as per repayment schedule. As of March 31, 2009 3.74% of principal was in arrears.

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Core Business Area 4

Provide financial counselling and assessments for proposed projects.

- Continue to review and analyse applications for funding and various other projects.
- Assess the profitability of financing vessels which engage in the harvesting of non-traditional species.
- Investigate new loan programs with flexible terms which will assist the fishing and aquaculture industries.
- Continue to partner with industry, other lenders and other government departments to improve financial information and develop combined lending packages for our clients.

Outcomes and Performance Measurement

Core Business Area 4: Provide financial counselling and assessments for proposed projects					
Outcome	Measures	Data 2000-2008	Target 2009-10	Ultimate Target	Strategies to Achieve Targets
Harvesters successfully expand their operations	Percentage of annual writeoffs	2001-02: .18% 2002-03: .29% 2003-04: 1.66% 2004-05: .00 2005-06: .92 2006-07: .30 2007-08: .31 2008-09: .03	≤ .25% of loan portfolio	≤.25% of loan portfolio	Patient lender. Regular client visits. Counselling for fishers and aquaculturists. As of March 31, 2009 writeoffs were .03%

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F. Budget Context

NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD
STATEMENT OF REVENUES, EXPENSES AND
ACCUMULATED SURPLUS
FOR THE YEAR END

	Estimate 2009/10	Forecast 2009/10	Estimate 2010/11
Revenues			
Interest income	\$ 6,400,000	\$ 6,600,000	\$ 7,000,000
Loan fees	<u>117,500</u>	200,000	<u>119,500</u>
	6,517,500	6,800,000	<u>7,119,500</u>
Expenses			
Interest expense	4,400,000	4,400,000	4,812,500
Salaries and benefits (net of recoveries)	732,000	548,600	674,900
Board honoraria	7,600	7,600	7,600
Travel	62,000	53,100	53,100
Office expense	19,000	58,700	16,400
Bad debts expense (net of recoveries)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
	<u>5,270,600</u>	<u>5,118,000</u>	<u>5,614,500</u>
Operating Surplus before Government contributions	1,246,900	1,682,000	1,505,000
Government contributions	<u>5,270,600</u>	<u>5,118,000</u>	<u>5,614,500</u>
Surplus	6,517,500	6,800,000	7,119,500
Distribution to Consolidated Fund of the Province	<u>6,517,500</u>	6,800,000	<u>7,119,500</u>
Accumulated surplus, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Funded Staff (FTE's)	10.0	11.0	11.0

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FINANCIAL INFORMATION

	Estimate 2009/10 (\$ Million)	Forecast 2009/10 (\$ Million)	Estimate 2010/11 (\$ Million)
Advances	45	35	40
Principal Payments	16	15.0	16
Interest Payments	6.4	6.6	7.5
Loans Receivable	120	100	110
Write Offs	0.2	.00	0.2
Doubtful Accounts	0.8	0.27	0.25
Interest Expense	4.4	4.5	4.7
Net Income	6.4	6.8	6.9

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APPENDIX A

Key Statistics - 2008

***Industry Income**

Landed value + Aquaculture sales =

$$\$661,405,000 + \$36,194,000 = \$697,599,000$$

***Average lobster Income**

Landed value ÷ license holders

$$\$355,547,000 \div 3091 = \$115,026$$

Creation and Maintenance of Direct and Indirect Jobs

Estimate 8,925

* - See appendix "B"

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APPENDIX B

Latest Commercial Fishery Landed Values for Nova Scotia

Year	Groundfish	Pelagic	Scallop	Lobster	Shrimp	Crab
2008	\$78,477,000	\$33,414,000	\$85,415,000	\$355,547,000	\$38,918,000	\$67,399,000

Source: Department of Fisheries and Oceans, Ottawa, Ontario K1A 0E6