



Crown Corporation

B U S I N E S S P L A N S

FOR THE FISCAL YEAR 2011–2012

Nova Scotia Fisheries and Aquaculture Loan Board

Business Plan 2011–2012

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Message from the Minister, Associate Deputy Minister, and Board

It is our pleasure to present the 2011–2012 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 \$686 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

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.

Corporate Mandate

Through a co-operative 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, 2010, the Loan Board surplus was \$5.9 million as per the audited financial statements from PricewaterhouseCoopers. 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.

Planning Context

Nova Scotia is the leading fishing province in Canada, a nation known as a world fishing power. We are fortunate to have a diversified industry that can survive and prosper on its strengths while various segments suffer cyclical downturns. Our commercial fishery alone has an annual landed value of approximately \$587 million and a market value of \$810 million, and our aquaculture and recreational fishery sectors generate \$142 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 that, 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, underutilized species, the processing sector, and succession planning for the harvesting sector. Whether 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 Nova Scotia government ensures that 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 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.

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. Develop the harvesting and aquaculture sectors of the fishing industry by providing long-term, fixed-rate loans.

The chartered banks consider lending to these sectors to be higher risk than other portfolio choices, so government

developmental financing is essential to service the credit needs of the harvesting and aquaculture economic sectors.

2. Manage the risk profile of the loan portfolio through 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. Minimize loan arrears by managing a loan collection program on a monthly basis.

Each and every lending institution must have an effective collection program to manage arrears and keep write-offs to a minimum.

4. Maximize timely and cost-effective loan repayment and a healthy financial state in the marine fishing and aquaculture sectors by providing financial counselling and assessments for proposed projects.

Financial counselling ensures that customers manage their income and resources wisely,

and it assists the Loan Board's repayment record. Project assessments help the industry to be successful and also reduce the potential of delinquent accounts.

Priorities for 2011–2012

In keeping with the goals of the board, Department of Fisheries and Aquaculture, and government, the following represent the board's priorities for 2011–2012.

Core Business Area 1

Provide long-term, fixed-rate loans for the development of the fish harvesting and aquaculture industries. During the 2009–10 fiscal year, the Loan Board reviewed 205 loan applications.

- Provide \$45 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.

Core Business Area 2

Maintain a vessel inspection program for all new construction, used vessel purchases, modification, and engine/equipment loans. During the 2009–2010 fiscal year, the Loan Board carried out 54 new-vessel inspections and 589 inspections for used vessels, engine/equipment, and maintenance.

- Each new vessel is inspected biweekly during construction to ensure that it is 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 boat builders by giving technical advice as it relates to the preparation of plans and drawings. Also provide technical assistance relating to the construction of new vessels and modification of vessels.
- Recommend new builder applicants to the board for eligibility.



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 5.79 per cent as of March 31, 2010.

- 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 write-offs.
- Continue to write letters and to make phone calls and field visits in an effort to collect delinquent accounts.

Core Business Area 4

Provide financial counselling and assessments for proposed projects.

- Continue to review and analyze applications for funding and various other projects.
- Assess the profitability of financing vessels that engage in the harvesting of non-traditional species.
- Investigate new loan programs with flexible terms that 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.

Budget Context

Nova Scotia Fisheries and Aquaculture Loan Board Statement of Revenues, Expenses, and Accumulated Surplus for the Year End

	Estimate 2010-11 (\$)	Forecast 2010-11 (\$)	Estimate 2011-12 (\$)
Revenues			
Interest income	7,000,000	7,200,000	7,400,000
Loan fees	119,500	190,000	130,000
	7,119,500	7,390,000	7,530,000
Expenses			
Interest expense	4,812,500	5,000,000	5,100,000
Salaries and benefits (net of recoveries)	674,900	486,800	674,900
Board honoraria	7,600	7,600	7,600
Travel	53,100	53,100	53,100
Office expense	16,400	16,400	16,400
Bad debts expense (net of recoveries)	50,000	50,000	50,000
	5,614,500	5,613,900	5,902,000
Operating surplus before government contributions	1,505,000	1,776,100	1,628,000
Government contributions	5,614,500	5,613,900	5,902,000
Surplus	7,119,500	7,390,000	7,530,000
Distribution to Consolidated Fund of the province	7,119,500	7,390,000	7,530,000
Accumulated surplus, end of year	—	—	—
Funded staff (FTEs)	11.0	9.0	9.0

Financial Information

	Estimate 2010-11 (\$ million)	Forecast 2010-11 (\$ million)	Estimate 2011-12 (\$ million)
Advances	40.0	25.0	40.0
Principal payments	16.0	16.0	16.0
Interest payments	7.5	7.2	7.5
Loans receivable	110.0	106.0	110.0
Write-offs	0.2	0.2	0.2
Doubtful accounts	0.25	0.32	0.3
Interest expense	4.7	5.0	5.2
Net income	6.9	7.4	7.5



Outcomes and Performance Measures

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	Target 2011-12	Ultimate Target	Strategies to Achieve Targets					
Development of new fishery enterprises	Loan advances	2003-04: \$22 million	Increase annual advances	Increase annual advances over previous year	Work with industry and government Provide financing for the harvesting of underutilized species Loan advances as of March 31, 2010, were \$25 million					
		2004-05: \$25 million								
		2005-06: \$14 million								
		2006-07: \$16 million								
		2007-08: \$15 million								
		2008-09: \$7 million								
		2009-10: \$25 million								
		Improve lending programs for the fishing and aquaculture industries				Increase in loan portfolio	2003-04: \$72 million	Annual increase in loan portfolio	Annual increase in loan portfolio over previous year	Support financially viable operations As of March 31, 2010, the loan portfolio was \$95 million
							2004-05: \$82 million			
							2005-06: \$81 million			
2006-07: \$83 million										
2007-08: \$90 million										
2008-09: \$84 million										
2009-10: \$95 million										

Core Business Area 2

Maintaining a vessel inspection program for all new construction, used vessel purchases, modification, and engine equipment loans

Outcome	Measures	Data (100%)	Target 2011-12	Ultimate Target	Strategies to Achieve Targets
Inspect all new vessels under construction biweekly	Number of biweekly inspections on new vessels	2003-04: 531 2004-05: 504 2005-06: 305 2006-07: 420 2007-08: 362 2008-09: 160 2009-10: 54	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 that are financed by the board on a yearly basis	Number of vessels inspected	2003-04: 473 2004-05: 412 2005-06: 447 2006-07: 601 2007-08: 585 2008-09: 484 2009-10: 511	100% of vessels to be inspected annually	100% of vessels to be inspected annually	Adequate operating budget to inspect each vessel yearly Complete annual 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	2003-04: 51 2004-05: 75 2005-06: 61 2006-07: 51 2007-08: 42 2008-09: 30 2009-10: 78	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



Core Business Area 3 *Maintaining a loan collection program on a monthly basis to keep loan arrears to a minimum*

Outcome	Measures	Data	Target 2011-12	Ultimate Target	Strategies to Achieve Targets
Frequent collection activity	Percentage of accounts in arrears	2003-04: 1.3% 2004-05: 1.3% 2005-06: 1.3% 2006-07: 1.6% 2007-08: 2.0% 2008-09: 3.7% 2009-10: 5.79%	≤3% arrears level	≤3% arrears level	Adequate operating budget to collect via monthly field visits Sufficient staff to collect monthly As of March 31, 2010, 5.79% of principal was in arrears
Decrease in arrears level	Percentage of accounts in arrears	2003-04: 1.3% 2004-05: 1.3% 2005-06: 1.3% 2006-07: 1.6% 2007-08: 2.0% 2008-09: 3.7% 2009-10: 5.79%	≤3% arrears level	≤3% arrears level	Fisherries Loan Board loans secure in the value of the boat Loan balances reducing as per repayment schedule As of March 31, 2010, 5.79% of principal was in arrears

Core Business Area 4 *Providing financial counselling and assessments for proposed projects*

Outcome	Measures	Data	Target 2011-12	Ultimate Target	Strategies to Achieve Targets
Harvesters successfully expand their operations	Percentage of annual write-offs	2003-04: 1.66% 2004-05: 0.00% 2005-06: 0.92% 2006-07: 0.30% 2007-08: 0.31% 2008-09: 0.03% 2009-10: 0.003%	≤0.25% of loan portfolio	≤0.25% of loan portfolio	Patient lender Regular client visits Counselling for fishers and aquaculturists As of March 31, 2010, write-offs were 0.003%

Appendix A

Key Statistics—2009

Industry Income*

Landed value + aquaculture sales \$586,578 million + \$57,878 million = \$644,456 million

Average Lobster Income*

Landed value ÷ licence holders \$301,875 million ÷ 3,967 = \$76,097 million

Creation and Maintenance of Direct and Indirect Jobs

Estimate 9,187

* See Appendix B

Appendix B

Latest Commercial Fishery Landed Values for Nova Scotia—2009

Groundfish	Pelagic	Scallop	Lobster	Shrimp	Crab	Other
\$86,100,000	\$28,371,000	\$80,009,000	\$301,875,000	\$31,085,000	\$55,312,000	\$3,826,000

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

