

Annual Report

April 1, 2006 – March 31, 2007



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1. INTRODUCTION

The Souris Harbour Authority Inc., (SHAI) is a not-for-profit community based company incorporated under Part II of the P.E.I. Companies Act to own, operate and promote the development of the Port of Souris. This is the first annual report of the corporation.

On March 30, 2006, SHAI became the legal owner of the Souris Port and Harbour, transferring assets from Transport Canada. Upon transfer, SHAI received an upfront contribution of \$22.5 million from the Government of Canada to be used exclusively for operational and maintenance costs over the next 15 years.

The property includes five wharfs, breakwater, a transit shed, former Coast Guard building, approach roads and harbour bed totalling 460 hectares. The transfer agreement does not include the Transport Canada Ferry Terminal operated by CTMA.

2. GOVERNANCE AND HUMAN RESOURCES

The Board of Directors of the Souris Harbour Authority Inc. members are:

<i>Member</i>	<i>Representing</i>
Denis Thibodeau, President	Town of Souris
Peter MacPhee, Vice President	Fishers
Eric Gallant, Secretary/Treasurer	Marina
Terry Campbell	Community at Large
Brian Ching	User
Jason Chapman	User
Dr. Colin Jack	Community Enhancement Corporation
Brian MacPhee	Fishers

The Board of Directors have established three committees; Finance, Audit and Governance Chaired by Eric Gallant; Capital Planning Chaired by Brian MacPhee and Marketing and Business Development Chaired by Denis Thibodeau. Board Committees meet on a regular basis or when required for operational and planning matters.

The Board of Directors of SHAI meet on every 2nd Tuesday of each month. The board's agenda includes financial, management and committee reports and various company business matters. The Board of Directors has developed policies on operational matters, major capital improvement and maintenance projects and financial matters including board approval of all financial commitments, expenditures and the corporation's annual budget.

Immediately upon transfer from Transport Canada, a committee of the Board of Directors led an open hiring competition for the Port Manager and selected Art MacDonald, who holds a Technology Diploma in Naval Architecture and a Fishing Master Class IV Licence operating out of the Port of Souris.

The corporation also hired Margo Robertson, an Accounting Technician graduate from Holland College as Administrative Assistant/Bookkeeper, who maintains the company financial records and manages SHAI's administrative affairs.

Gerry Gallant, B.B.A., President, Enterprise Management Consultants who assisted with the diligence and divestiture negotiations with Transport Canada is contracted to assist the board, management and staff with business transition from Transport Canada, advising on executive management matters of the corporation and directing the company's new business development projects.

3. COMPANY ACTIVITIES

Over the year, the SHAI Board of Directors and management have completed or are working on a number of priorities:

- Mobilized port operations, electrical, mechanical and plumbing systems and major repairs to facilities.

After transfer in late March, 2006 the facilities under federal government management were dormant over the winter period and Port Manager Art MacDonald mobilized the port operations and infrastructure. Positive new relationships with suppliers of utilities, systems and users were established. The business principles and policies of the new owners were successfully communicated to the many suppliers and users at the Souris Port. During the year, major repairs were made to sheet steel pilings on west side of the Marine Terminal and to the slip adjacent to the Travel lift. Also, fisher bait sheds were painted and renovations to the Authority offices were completed.

- Obtained Marine Facility Security Designation

After preparation of the Port's Marine Facility Security Plan, SHAI obtained Transport Canada designation as an approved international port for security as required under the Marine Transportation Security Regulations. Port Manager Art MacDonald received special security training and holds designation as the Marine Facility Security Officer. This designation allows the port to welcome international vessels requiring ISPS security coverage. During the 2006 season the Souris Port welcomed three international vessels delivering windmill components to the Eastern P.E.I. wind farm.

- Established financial management and accounting systems.

A new computerized accounting program was purchased and installed by Margo Robertson and all SHAI financial accounting, invoicing, payments, etc. is maintained in a just-in-time fashion with daily accessibility to relevant financial information.

- **Selected professional investment management firm, Scotia Cassels to manage contribution funds.**

After an RFP process, the SHAI Board of Directors selected Scotia Cassels to manage the \$22.5 million contribution funds to be assured the vested funds were managed in a professional manner and SHAI is in compliance with Transport Canada's Contribution agreement.

- **Established various financial policies, rates and charges and selected company auditors.**

The Finance Committee developed and obtained Board approval on numerous policies for procurement, signing authorities, rates and charges for berthage, wharfage, storage, licences and leases, donations and related financial matters. In addition, the Board appointed Grant Thornton LLP Chartered Accountants as company auditors and this firm has prepared fully unqualified audits for the March 31, 2006 and March 31, 2007 financial statements.

- **Public relations and marketing.**

Developed corporate identity, logo and web site. Organized "Souris Port Day" which attracts residents and visitors to the port for entertainment, food and beverages highlighting SHAI's involvement in the social and economic fabric of the region. Provided an annual budget of \$5,000 for donations to groups in the region.

- **Breakwater reparations.**

SHAI issued two public tenders; one to select Construction Project Engineers, East Point Engineering and Marengo Engineering Limited and then to select the breakwater repair contractors, J & T van Zutphen Construction Inc. whose lowest bid of three received in the amount of \$2,950,000 was awarded. The rubble mound breakwater reconstruction involves the supply and placement of 43,000 metric tonnes of new and existing armour stone in order to provide a refortified breakwater that will protect the harbour into the next century. This reparation is the first phase of a two phase project that will repair the total 425m facility. The project is scheduled to begin mid-July, 2007 and be completed by December, 2007. An important part of the breakwater reparation project is to comply with numerous federal and provincial government environmental regulations. Fisheries and Oceans Canada (DFO) has a requirement to compensate for permanently lost habitat to offset the reduction in productive capacity of the watercourse lost as a consequence of the construction. A Marine Habitat Compensation Plan was developed by Jacques Whitford, SHAI's environmental consultants and approved by DFO. An innovative approach to the plan involves SHAI's commitment to develop two salt marshes in the Souris River. This project undertaken in concert with the Souris River Watershed Management Committee will develop approximately 5,550 m² of salt marsh habitat to increase water quality and reduce suspended solids in the estuary.

➤ **Land Purchases.**

A strategic part of SHAI's long term sustainability plan is to purchase properties adjacent to the port for future development. Towards this end the company has purchased six parcels from three different owners. In addition, a proposal has been made to the Province of P.E.I. to divert the Confederation Trail in order to facilitate transfer of trail land that intersects SHAI and Irving land. After the Irving land deal is completed, this land transfer and purchase gives SHAI ownership of a complete, attached and accessible full block consisting of 5+- acres on Breakwater Street.

➤ **New business development research and planning underway.**

The Souris Harbour Business Development Committee has been established made up of representation from the Board's Marketing and Business Development Committee and outside members from economic development agencies and residents. This committee is chaired by board member Terry Campbell and has identified a number of projects that are being researched and business planning is ongoing. These include:

Waterfront Master Plan

After an RFP process, Ekistics Planning and Design, a professional land use design firm from Dartmouth has been contracted to undertake a study of the waterfront lands to develop a vision and land use plan for the highest and best use of existing and future SHAI waterfront lands.

Bait Freezer

SHAI is conducting research and business planning to establish a cost effective, viable and quality bait freezer in concert with local fishers.

Coast Guard Expansion and Relocation

In anticipation of the Canadian Coast guard relocation from Charlottetown, SHAI will be lobbying and demonstrating the cost/benefit of a potential relocation to be at Souris. Relocation to Souris will build on existing Coast Guard facilities and services at the port as well as taking advantage of Souris's strategic location on the Northumberland Strait near the Gulf of Saint Lawrence. SHAI will be using the Waterfront Master Plan study as a tool to demonstrate the value of the Souris Port location.

CTMA Services

Potential services to CTMA are being discussed with CTMA, the ferry service company. Parking space, freight storage and any other potential passenger or freight services are to be identified with CTMA.

Light House Divestiture

Negotiations are underway with Canada Coast Guard to divest the Souris Light House to SHAI. Pursuant to the results of the Waterfront Master Plan, this facility and lands will then be available to be an anchor waterfront attraction on SHAI lands.

Salt Water Wells

Tests to measure salt content, yields and volumes are to be undertaken to determine the potential for commercial use of the wells located on SHAI lands. Consultations are taking place with the AVC/Lobster Science Centre/UPEI with the goal of establishing a satellite facility utilizing salt water wells on SHAI lands. Interest from other potential commercial users of the wells such as aquaculture firms will also be solicited.

Wind Turbine Installation

SHAI is investigating the feasibility of building one or two turbines on windy location on SHAI lands to credit SHAI utility costs and establish a prototype business/industrial installation.

Expansion of Marina Services and Marina

As part of the waterfront master planning process, SHAI is investigating the potential of a marina/vessel services utilizing travel lift, winter storage on SHAI lands, and the utilization of local resources/services for refits, repairs, maintenance of vessels.

Ice House

Through legal research, SHAI has determined that the ice house on the Marine Terminal Wharf currently operated by Ocean Choice International is owned by SHAI. SHAI is accessing the maintenance and repair requirements of the facility and will be preparing a business plan for its future operations.

4. FINANCIAL

Audited financial statements for the year ended March 31, 2007 of the corporation are presented under separate cover. Highlights include:

- ✓ Operating revenues were \$204,858. Transport Canada's average revenue per annum over the previous five years was \$75,000.
- ✓ Operating expenditures were \$574,114. Repairs and maintenance of \$194,567 represented 34% of total expenditures. Transport Canada's average expenditures over the previous five years were \$185,000 with an average of \$127,000 per annum in port repairs.
- ✓ Other income totalled \$1,916,481. This includes \$988,372 in interest income earned from the corporation's investments.
- ✓ Excess revenue over expenditures was \$1,547,225.
- ✓ Budget projections over the next five years show over \$6.1 million in major and minor repairs and maintenance. This includes \$5.1 million expenditures in breakwater reparations.
- ✓ Budget projections also show an average of \$20.8 million in total investments over the next five years and \$21.6 million projected to be on account at year end, 2012.

5. CONCLUSION

As Chairman of the Souris Harbour Authority Inc., I wish to recognize the contributions of our board members. Their leadership and commitment to the board's fiduciary responsibilities and good governance ensures the long term sustainability of the corporation.

I also want to recognize and thank Art MacDonald, our Port Manager for his outstanding work in our first year of operations. His vast knowledge of port operations and business opportunities and dedication to high work standards and practices ensures the safe and efficient operations of the Port. The many challenges and new issues of our start-up year were skilfully managed by Art MacDonald.

Margo Robertson's excellent contribution to the company's accounting and administrative start-up challenges and ongoing operations are most appreciated. Margo's diligence and positive attitude are most appreciated by the SHAI board, management and users.

Last, but certainly not least, I would like to extend thanks to Gerry Gallant who is providing an important service to the board and management of SHAI. Gerry's knowledge and experience in corporate governance, organizational development and government relations combined with his business and financial expertise has proven invaluable to SHAI.

Respectively Submitted,

**Denis Thibodeau
Chairman
Souris Harbour Authority Inc.**