

Chair's Address

George Sandala

Windsor Port Authority Annual General Meeting

June 21, 2018

Windsor Club



It is my pleasure to call this 2018 Annual General Meeting of the Windsor Port Authority to order.

As introduced, I have the privilege and honour to serve as Chair for this Board. I would now like to acknowledge and thank our other Board members:

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| Representing the Government of Canada | Walter Benzinger |
| Representing the Government of Ontario | Barry Fowler |
| Representing the City of Windsor | Anthony Mascaro |
| Representing our Port Users | Rocco Lucente, Vice-Chair |
| | Bianca Deluca |
| | Tom Porter |

I would like to take a moment to single out one particular Board Director: Rocco Lucente, for his dedicated service to this Board.

This coming August, Rocco will 'time out' after the mandatory 9-year term limit. His contribution to the Board has been invaluable, especially during Board discussions of a technical nature relating to, for example, say issues of breakwalls, drainage, etc. Most importantly, Rocco's engineering insight has certainly added value to conclusions for our decisions, impacting not only the present, but the future wellbeing of the Port.

Please join me in a warm round of applause to recognize and thank Rocco for his contributions to our success over these past 9 years.

This past year also requires me to recognize the momentous change in the position of our President and CEO, with the passing of the torch from Dave Cree to Steve Salmons.

David had provided leadership and guidance for 33 years to the Port, the Port Users, and the broader Windsor Community. From Harbour Commission to Port Authority, numerous Boards and perhaps even more Board Chairs than he would care to remember, David Cree provided the steady hand and vision to grow the Port of Windsor into the current success it is today. Recently, we had the chance to recognize David at a retirement celebration dinner with his family, friends and colleagues. But as Chair, and on behalf of the Board, and for the record of this Annual Meeting, I would like to formally, once again, recognize David for his outstanding service and wish him and Helen many happy years together in retirement.

Many leading experts on Board Governance write that the single most important decision a Board ever takes is the selection of its President and CEO.

Our new President and CEO, Steve Salmons, brings to the Authority a wealth of senior leadership experience from several high-level positions in banking, health care, municipal and provincial governments. His record of innovation and success will most surely drive the Port into its next era of growth and prosperity. We welcome Steve in the most enthusiastic of terms and look forward to his leadership, creativity, and achievement in the coming years.

I now draw your attention to, and will focus on, our Port Operations for the past fiscal year of 2017.

I am pleased to report that The Port of Windsor has rebounded from the setback of 2016 when total tonnage handled, dropped from the previous year. In 2017, volume returned to the 5 million-plus tonne threshold, a 6.5% increase, largely due to increased salt and grain shipments.

Aggregates, which account on average for 30% of all tonnage, have remained stable at the 1.6 million tonne level. With the start of the construction of the new Gordie Howe Bridge, anticipated to begin in late 2018 or early 2019, we anticipate volumes of stone and construction aggregates will increase.

Along with stone and construction aggregate, the Port's other major commodity is Salt. These two commodities combined traditionally account for over 80% of the Port's cargo throughput and that is projected to continue for the foreseeable future.

In 2017, winter conditions across central Canada and the USA resulted in a 19% increase in shipments of salt from the Windsor Port. In addition, there remains good news from the K+S Windsor Salt Terminal who announced in 2017 that they were committing \$60 million to significantly expand their mining footprint. This will ensure that there are ample reserves available for mining for at least the next 45 years.

ADM Agri-Industries is one of the world's largest grain traders and has operated the Windsor Grain Terminal for over 30 years. Grain shipments increased 24% in 2016 and a further increase in 2017 of 10%. The recently signed "*Comprehensive Economic and Trade Agreement*", or CETA, between Canada and the European Union, should prove to be beneficial for local grain exports and therefore it is reasonable to project that shipments should be in a "new normal" range of 600 – 700,000 tonnes for the foreseeable future.

....And on a side note, on behalf of the Board, I want to take a moment to remember and extend our deepest condolences to the family of ADM Windsor Plant Manger Brian Brohman, who passed away earlier this week. I am sure his colleagues will miss his leadership and daily presence.

General cargo, which consists primarily of imported and domestic steel, posted a second year of sustained volumes. General cargo is handled almost exclusively through Morterm Ltd., the Port's only general cargo terminal. With the projected start of construction of the new bridge set for 2018 or 2019, we are hopeful that a significant portion of the steel and other break-bulk materials required for that construction will be moved through Morterm, again highlighting the importance of the Port to our local economy and the construction industry.

The other major commodities handled within the Port are various types of petroleum products such as liquid asphalt and bunker fuel which are all shipped via the Sterling Fuels Terminal. The land is owned by the Port Authority and operated by Sterling Fuels.

It is projected that volumes should remain stable in the range of 250 – 300,000 tonnes during the next five years.

So, in summary of our Port volumes, 2017 was a rebound year for grain and salt, while all other commodities remaining stable year-over-year. We are looking to a slightly stronger year in 2018, anticipating the start of construction of the Gordie Howe International Bridge, and accordingly, progressing to a stronger performance in 2019.

Turning to our financial performance for the year under review, the effects of delays in the Gordie Howe Bridge have resulted in underperformance of planned revenues. For example, construction of the bridge plaza has disrupted some operations in 2016/2017. However, they have returned to their historic volumes by mid-2017, and we expect that trend to continue. A temporary drop in shipments in 2017 was an anomaly of bridge circumstances. To adjust for this shortfall, and a delay in bridge construction, administrative and general expenses were reduced by \$32,000 to partially offset the unrealized revenue. We fully anticipate the start of construction of the Gordie Howe Bridge will once again bring revenue and expenses into a more profitable alignment. On a positive note, lease and rental income is locked in and has remained consistent with the projected revenue stream. Furthermore, in 2017 the Marina was full and operated in a profit position.

By way of introduction, I wish to recognize Michael Frenette from the accounting firm Collins Barrow, and advise all those in attendance today that the Board has re-appointed Collins Barrow as their auditor effective from this Annual General Meeting, until the next AGM in 2019. Mr. Frenette will be available to answer any questions arising from our 2017 financial statements, a summary of which was made available earlier.

In 2018, we will initiate a revenue/expense matching principle to align projected revenues with budgeted expenses. Where revenue fails to meet projections, expenses will be reduced accordingly. In the longer term, we will introduce an Asset Management Plan to align projected capital needs and revenue streams.

As I have pointed out in previous years, the Windsor Port Authority's Strategic Plan has for some time identified real estate rentals as one of the most important sectors for financial growth. This strategy has worked well and almost all of the Port Authority's land has been leased and developed for port users. The Port Authority is actively seeking out new real estate purchases, but because of the very limited supply of appropriate properties, land exchange for more commercial potential lands remains the best option going forward.

In recent years, the 30-acre Ojibway Shores has been identified for development as one of our major initiatives and a future source of significant income. However, due to concerns raised by the community about the development of all or a portion of the site, the Port Authority has listened and put any development on hold. We will continue to work with all levels of government, most importantly the City of Windsor and the Federal government, to find a solution which best suits the needs of all parties.

The Port Authority has always recognized that the Detroit River, situated as it is on an international boundary between two major cities, poses very unique safety and security issues. The river has long been identified as one of the major conduits for the smuggling of both people and contraband between Canada and the United States. In addition to providing and sharing costs with the Windsor Police Marine Unit for two water patrol vessels, the Port Authority also works with the OPP and the RCMP to ensure the very unique safety and security issues are effectively addressed. We are very pleased with the relationships we have developed and look forward to not only maintaining but enhancing our relationships.

I now draw your attention to, and will focus on, our Community Initiatives for the past fiscal year.

Our commitment, mentioned in previous years, of two significant “greening” projects in the Olde Sandwich Town Community, have continued to progress throughout 2017 to the final stages of coming to fruition.

The first involves an old government dock, enhanced with a public fishing pier, green space and significant fish habitat. This was officially opened and dedicated as ‘Queen’s Dock’ April 24th of this year. I wish to recognize and thank John Elliott of the Sandwich Teen Action Group, better known as STAG, whose group will provide ongoing maintenance services for this new waterfront green space. Our partnership with STAG continues to make a difference in the Sandwich community.

The second project involves a one-half acre parcel of vacant property adjacent to the Port Office, which will be developed into an “outdoor marine museum”, including performance space and a community gathering place, enhanced green space, benches and walking trails as well as numerous story boards detailing the history of Olde Sandwich Town and the Port of Windsor. The objective is to share our history, our environmental stewardship, talk about the over 1,000 jobs created by the Port in the local community, and about our capacity to attract new and diverse industry to the area. Planning is now in the advanced design stage. Once again, the Port has partnered with STAG whose contribution of \$110,000 in Trillium funding towards this initiative is very much appreciated.

Augmenting our capital projects, we remain committed to making significant financial contributions and donations to worthy recipients throughout the community, particularly in Olde Sandwich Towne.

These include the Mission to Seafarers, the Sandwich Teen Action Group, the Sandwich Towne Festival, the Annual Christmas Parade, and the Canadian Mental Health Association. The Port has also made a commitment to pay for a portion of the long-term maintenance of the Brock-Tecumseh statue, as well as providing \$25,000 over 5 years toward the Hiram Walker statue.

Our staff works regularly with residents and students in Olde Sandwich Towne to clean up and improve safety on vacant properties and along the waterfront. In addition, we continue our long-standing commitment to the University of Windsor and St. Clair

College with 6 scholarships totaling \$6,000. We firmly believe in our social responsibility and remain committed to enhancing our community as a better place to live. This remains fundamental to the objectives of the Port Authority.

This commitment to our community has not gone unnoticed. One such initiative, "Windsor Port Authority Outreach Campaign with Olde Sandwich Towne," was recognized and received an Award of Merit at the Awards Luncheon during the Annual Conference of the Association of American Port Authorities (AAPA) held in Long Beach California last October. This association is an alliance representing more than 130 Port Authorities in Canada, the Caribbean, Latin America and the United States. It is truly an honour for our staff, considering we were judged alongside many ports, including the majors such as New York, Vancouver, and Long Beach.

For all this success, I must again thank our Board for their teamwork and leadership, and all our staff: our previous and current President and CEO mentioned earlier, Christine Pare, our Director of Finance and Administration, Peter Berry, our Director of Operations and Harbour Master; Liz DiMenna, our Administrative Assistant, and, Scott Salter, Marina Manager.

I should take a moment here to recognize that Christine has announced her retirement effective July 31 after 13 years of service as Controller and Secretary to the Board. On behalf of the Board, I would like to extend our best wishes for a healthy and happy retirement and our unqualified gratitude for your loyal and dedicated service to the Windsor Port Authority.

In conclusion, I have detailed specifics regarding our Port Operations, Financial Performance, and our Community Initiatives. Our outlook in each is favourable for ongoing success, community enhancement, and growth of the Windsor Port Authority.

On a personal note, I mentioned at the beginning of my comments that Rocco Lucente will leave the Board due to the 9-year time limit. This will be my last Annual General Meeting as Chair of the Windsor Port Authority as I too will time-out this August. There are many I wish to thank, but specifically to our Port Users, many thanks for placing confidence in me as one of your user representatives. I am truly grateful for the friendships gained and the support shown to me over the past 9 years and a previous 6-year term on the board... a very memorable 15 years.

So, in closing, thank you for attending and please enjoy the rest of the evening. We will be happy to answer any questions.

I now declare 2018 Annual General Meeting of the Windsor Port Authority adjourned.