Crown Corporation Business Plans

for the fiscal year 2010–2011

NOVA SCOTIA

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Crown Corporation Business Plans

Crown corporation business plans are printed under authority of Section 73 of the Provincial Finance Act:

73 Commencing April 1, 1997, a crown corporation shall annually

(a) submit to the House of Assembly for approval during consideration of the Estimates its business plan and any proposed public financing; and

(b) table in the House of Assembly audited financial statements for the preceding fiscal year

The public presentation, annually, of Crown corporation business plans will increase the accountability to the House of Assembly of organizations generally accepted to be in the public sector but outside the direct control of government. Business plans define key elements of Crown corporations such as their mission, strategic goals, and core functions as well as give indication of performance, priorities, outcome measures, and budgets.

Organizations included in this volume are designated as Crown corporations by their enabling legislation, by Order in Council, or by application of the criteria established under Section 70 (Crown Corporations) of the Provincial Finance Act.

The approval of business plans as required by clause (a) will be sought through the Estimates Resolutions. Compliance with clause (b) will be achieved throughout the fiscal year as audited financial statements become available.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2010–2011

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Art Gallery of Nova Scotia
Business Plan 2010–2011

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Message from the Minister of Tourism, Culture and Heritage

On behalf of the Department of Tourism, Culture and Heritage, I am pleased to present the business plan for the Art Gallery of Nova Scotia for the 2010–2011 fiscal year.

The Province of Nova Scotia takes great pride in the Art Gallery of Nova Scotia and supports its commitment to serving the public through visual arts. Its mission to make art accessible to Nova Scotians reinforces the provincial government's commitment to develop our arts and culture sector. Art in its many forms enhances the quality of life for our citizens and ensures that Nova Scotia plays a role in the broader Canadian cultural experience.

Our department looks forward to supporting the Art Gallery of Nova Scotia as it continues to pursue its mission in the year ahead.

Sincerely,

The Honourable Percy Paris
Minister of Tourism, Culture and Heritage

Mission

To bring art and people together
This will be achieved by providing leadership in the development and preservation of quality collections, in the creation and display of quality exhibitions, and in the provision of engaging education and public programs.

Vision

The vision for the Art Gallery of Nova Scotia is to be the major art museum in Atlantic Canada, with a permanent collection and slate of programs of national significance that tell the story of Canadian art from a Nova Scotian perspective, while maintaining a signature facility that protects and preserves that collection at the highest museum standards.

Corporate Mandate

The Art Gallery of Nova Scotia is an agency of the Province of Nova Scotia constituted under The Art Gallery of Nova Scotia Act for the acquisition, preservation, and exhibition of works of art.

Planning Context

The Art Gallery of Nova Scotia (AGNS) is the principal art museum of the Province of Nova Scotia and is responsible for maintaining the Crown's art collection and for ensuring access by the people to this resource. The AGNS is the largest art museum in Atlantic Canada and serves as an anchor for cultural organization for the entire region.

The gallery is overseen by a board of governors made up of volunteers who accept and hold a public trust to ensure that cultural activity remains in the public domain to the benefit of current and future generations. The AGNS board assumes responsibility, loyalty, and a duty to uphold the integrity of the organization. The advocacy role of the AGNS board of governors is paramount in developing community awareness of the gallery's mission and in representing and interpreting the value of the the AGNS to community, government, corporate, and other funding agencies.

The AGNS has the responsibility to acquire, maintain, conserve, research, publish, and make accessible the Crown's art collection. The principal activities of the AGNS are the acquisition and preservation of art collections, the creation of knowledge through research, and the dissemination of these resources through exhibitions, publications, public lectures, presentations, and education and outreach programs.

Since 2006, the AGNS has provided these services through two venues: the AGNS at Halifax and the Western Branch in Yarmouth.

Our Environment

As one of only three provincial art galleries in Canada that operate as a Crown agency (the other two are in Newfoundland and Quebec), the AGNS exists in a unique environment. A creature of government, operating with civil service staff in a Crown-owned facility to preserve and maintain a Crown resource, the AGNS holds and executes a public trust. As one would expect, the funding for the AGNS comes largely from the provincial government. An ongoing priority is finding the right balance between fiscal responsibility, core operational costs, and the provision of relevant, quality programs. Given the ongoing economic downturn, we expect challenges to mount in the coming year.

Despite a gap between our basic costs and our revenues, the AGNS has seen, in recent years, a significant increase in government operational funding at the provincial level. We have also increased revenues generated from the public and have increased funds generated from other government sources for our exhibitions and education programs. For instance, an increase of $40,000 in our base funding from the Canada Council for the 2008–2010 period has allowed us to continue to focus on disseminating our collection throughout Nova Scotia and the region.

Over 2009–2010, the AGNS made significant strides in improving financial reporting, cost control, and corporate governance. A new management team was hired, and a program review and organizational streamlining process was begun.

An important initiative that began in early 2009 and will continue through the new fiscal year is the formulation and implementation of a comprehensive development plan that will chart the course for our fundraising efforts in the future.

One of our biggest achievements in recent years has been our success in growing the Crown's art collection. In the past five years, some 5,000 artworks with an estimated value of $20 million dollars were acquired by the AGNS, mostly donated by artists and collectors across the country.

Through its programs and leadership, the AGNS contributes to the positive environment that promotes the growth of the visual arts in Nova Scotia. The AGNS staff and volunteers identify, acknowledge, encourage, and support the very finest achievements in the arts and bring these to the public, encouraging their growth and promoting awareness of this region's fine arts, from the local level to the international stage.

A major development for 2010–2011 is that the AGNS has the opportunity to secure a major collection of Canadian art for the Crown's art collection. This collection would come to the province if certain criteria are met, primarily issues surrounding the deteriorating infrastructure of the current AGNS building. Securing that gift is the number one priority for the AGNS for 2010–2011.

Strategic Goals

The Art Gallery of Nova Scotia has several areas of longer-term direction, including the following:

1. **Stewardship:** Preserve, promote, interpret, and develop Nova Scotia's diverse visual arts culture and heritage.

   Preservation, interpretation, and conservation of the Crown's art collection are ongoing priorities. Addressing our infrastructure challenges and securing the major collection on offer will be the main focus for the coming year.

2. **Education:** Facilitate life-long learning by providing greater access to Nova Scotia's visual arts culture and heritage and by providing programs that enhance the learning experience.

   This is an ongoing process, and many effective and popular programs are currently being offered. The goal is to ensure that program enhancements and growth continue in a financially self-sustainable manner while increasing access to visual art.

3. **Financial Sustainability:** Continue to ensure that financial sustainability is a priority at all times.

   With financial sustainability, the AGNS will continue its key role as an anchor organization in Atlantic Canada for the visual arts and as a key tourism destination and important catalyst for the creative economy of the region.

4. **Governance and Accountability:** Continue to function responsibly with transparency and adherence to proper policies and procedures.

   We will ensure that governance and accountability initiatives are properly carried through, introducing changes where warranted to reflect emerging realities.

Core Business Areas

The core business of the Art Gallery of Nova Scotia is the creation, accumulation, and dissemination of knowledge through the visual arts. These are delivered through four distinct but interrelated functional areas.

1. Collections and Conservation

The AGNS acquires artworks for the permanent collection consistent with the mandate of the acquisition policy and of the AGNS mission statement. Creating and maintaining relationships, conducting research, and raising acquisition funds are all part of the collections and conservation core business area.

The AGNS strives to ensure that the Province of Nova Scotia's collection is preserved and maintained in an environment that meets museum standards. Where warranted, the AGNS conducts conservation and restoration treatments using accepted practices of research, examination, analysis, and documentation. The AGNS ensures proper management of the collection through documentation, maintenance of records, and research.

2. Exhibitions

In the area of exhibitions, the AGNS is committed to our mission of bringing art and people together. In addition to our annual Sobey Art Award exhibitions, the AGNS is committed to presenting a wide range of art in our exhibition programs in Halifax, Yarmouth, and across Nova Scotia through our travelling exhibition programs.

We are committed to building audiences for art and have a three-part strategy for doing so. The first is the continued growth of the Sobey Art Award, Canada's premiere prize for contemporary art, administered by the Art Gallery of Nova Scotia since its inception in 2002. The annual award of $50,000 and accompanying exhibition is funded by the Sobey Art Foundation. The second is focusing on the richness of our permanent collection, creating exhibitions that highlight the breadth and depth of the Crowns' art collection. The third part of our strategy is to build partnerships to broaden the reach of our contemporary art exhibitions, to tour exhibitions within the province and across the region and the country. To that end, we actively seek partnerships to ensure that our contemporary Canadian projects (that focus on the art of Nova Scotia and of Atlantic Canada) are seen by as many audiences as possible.

We are committed to raising the profile of this region's art activity across the country, developing exhibitions that examine the work of individual artists, and a publication program that does justice to their work. We develop thematic exhibitions that are drawn almost exclusively from our permanent collection and serve to complement the solo exhibition projects on view and in development. Our objective is to be a leader in the advancement of knowledge and understanding of visual art and in the fostering of the careers of Canadian artists.

3. Education and Public Programming

The AGNS has an ambitious education and public programming strategy that focuses on both on-site and outreach activities. On-site activities surround the support and the interpretation of our temporary exhibitions programming and of our permanent collection exhibitions. Offerings include special exhibitions, the development of in-house didactic material in exhibitions, daily guided public tours, early childhood education programs, infant and toddler/ parent programs, studio/gallery workshops for students and teachers, family programs, a large docent program in support of school visits, and the fostering of lifelong learning with a series of lectures, films, artist talks, and other educational activities, including access to archives, publications, and study materials. We are committed to increasing our provision of education materials and services in French, including bilingual labels and publications as well as programs such as guided tours, films, and lectures given in French.

Outreach activities involve many partnerships across the province that serve to further our mission of bringing art and people together. We work with educational institutions, libraries, social service agencies, hospitals, and other community organizations in a wide array of programs.

4. Development and Auxiliary Services

This business function serves to financially maintain the operations of the AGNS and to encourage the public to visit the Art Gallery of Nova Scotia and engage in the visual arts. The AGNS creates market awareness by various public relations tools. The AGNS promotes membership to the public, generating revenue; as well, many of these members become volunteers who assist the gallery in all aspects of its operations, including fundraising, governance, and program delivery. The gallery provides auxiliary services that benefit visitors and members while increasing gallery funding. Services include membership, volunteer programs, publications, a Gallery Shop, facilities rentals, Art Sales and Rental (a related society housed in our premises), and Cheapside Café.

Priorities for 2010–2011

The priorities for the Art Gallery of Nova Scotia that are identified in this business plan are organized according to the core business areas they best serve.

Core Business Area 1: Collections and Conservation

Priority 1. A major collection of Canadian art has been offered conditionally to the Province of Nova Scotia as a gift to be held in trust by the AGNS. The main condition of offer is that the AGNS provide a suitable space for the display and preservation of the collection. Our number-one priority for 2010–2011 will be to ensure that this transformative donation is secured.

Priority 2. The current physical plant has severe limitations as a secure art storage and display environment. A key priority for 2010–2011 will be to mitigate as much as possible the shortfalls, while planning to ensure the long-term safety and stability of the Crown's art collection.

Core Business Area 2: Exhibitions

Priority 3. A major priority for the AGNS is to continue to administer the annual Sobey Art Award, raising its national and international profile and, through this, continuing to ensure that the best young Atlantic Canadian artists are seen in the largest possible context. While the exhibition and announcement of the award travel off site every other year, the AGNS is committed to hosting and administering the process from Halifax and continuing to grow its profile and importance as the premiere Canadian visual art award.

Priority 4. Building on our rich permanent holdings, our exhibition slate will celebrate Canadian art—both contemporary and historic. We will develop solo exhibitions for key senior artists in the region and highlight the Sobey Art Award's reach through exhibitions of Sobey Art Award alumni. Through these targeted exhibitions, we will increase familiarity with, and context for, Canadian art and Nova Scotia's unique place in that story.

Core Business Area 3: Education and Public Programming

Priority 5. Design and implement a comprehensive programming model and materials for the AGNS permanent collection exhibition *A View from the Atlantic*, making links to school curriculum. A priority will be to ensure that programming is available in both French and English. A concerted effort will be made to target schools and increase class visits to the gallery.

Priority 6. Develop and present exhibitions and related education kits in three strategic rural locations: Cape Breton, Truro, and South West Nova Scotia. Building on the exhibition *A View from the Atlantic*, a travelling exhibition of Canadian art will be developed to increase familiarity with, and build context for, Canadian art, both historic and contemporary. Partnerships with these three venues will ensure that our rural mandate is met and that we are building sustainable, bilingual, and comprehensive programs.

Core Business Area 4: Development and Auxiliary Services

Priority 7. Formulate and implement a comprehensive development plan that will chart the course for fundraising efforts and continuous revenue growth.

Priority 8. The AGNS has created a financial plan that includes realistic revenue targets and controlled expenditures, while at the same time ensuring that the mission of the AGNS continues to be met. With a status quo level of funding provided to the AGNS, a balanced budget for the fiscal year will not be achieved. The anticipated posted loss will be $450,171. This loss reflects consolidation of the Halifax and Yarmouth galleries.

Priority 9. Begin the planning process for a possible expansion to accommodate a major gift of art by commissioning a concept feasibility study and business plan from an outside contractor.

Human Resource Strategy

The AGNS will continue to focus on performance and professional growth for staff and our many volunteers, ensuring that personal goals are in line with corporate objectives. Our human resource strategy encompasses the following:

- Continue to implement the performance management process for all staff. Include setting annual objectives and doing performance appraisals.
- Complete a volunteer policy that addresses recruitment, retention, training, scheduling, and, most importantly, recognition.
- Provide professional growth for employees, with training and development.
- Continue the development of a comprehensive staffing plan that supports the realigned business objectives of the AGNS.

Budget Context

	Estimate 2009–10 ($)	Forecast 2009–10 ($)	Estimate 2010–11 ($)
Revenues			
Gallery operations			
Province of Nova Scotia grant	2,076,000	2,417,000	2,029,300
Admissions and memberships	260,000	150,000	221,612
Donations and other	375,000	210,500	362,590
Programming recoveries	985,500	610,000	604,830
Gallery recoveries	28,000	33,000	36,000
Total gallery operations	3,724,500	3,420,500	3,254,332
Gallery Shop	340,000	256,000	346,000
Product development	90,000	38,000	—
Endowment fund	150,000	60,000	60,000
Acquisition fund	95,000	134,424	134,424
Total revenue	4,399,500	3,908,924	3,794,756
Expenses			
Gallery operations			
Salaries and benefits	1,997,000	1,732,300	1,867,748
Building operations	745,274	726,750	744,800
Capital project	—	—	—
Programming	900,726	610,400	608,800
Development and public relations	120,000	186,000	282,010
Western Branch	147,500	268,500	150,000
Total gallery operations	3,910,500	3,523,950	3,653,358
Gallery Shop	196,000	153,000	397,145
Product development	48,000	37,550	—
Endowment Fund	150,000	60,000	60,000
Acquisition Fund	95,000	134,424	134,424
Total expenses	4,399,500	3,908,924	4,244,927
Surplus	—	—	**(450,171)**

Outcomes and Performance Measures

Core Business Area 1 *Collections and Conservation*

Priority 1: To secure donation of a major Canadian art collection

Priority 2. To mitigate as much as possible the shortfalls in physical plant

Outcome	Measure	Baseline/Target	Strategies to Achieve Target
Public announcement of gift to the collection	Securing the collection.	Formal offer of gift	Work with potential donor and province to ensure that the provisions for gifting are met
Short-term mitigation of limitations for art storage and display	Safe storage and display conditions	Short-term mitigation measures to be in place by summer 2010	Continue to work with TIR on building issues Continue to develop our off-site storage Revisit our exhibition schedule to address building issues

Core Business Area 2 *Exhibitions*

Priority 3: To continue to administer the annual Sobey Art Award

Priority 4: To highlight Nova Scotia artists and AGNS permanent collection

Outcome	Measure	Baseline/Target	Strategies to Achieve Target
Successful management of Sobey Art Award 2010 process	High-profile exhibition and announcement in Montreal Continued support of Sobey Art Foundation for future awards	Increased visitation Increased media profile Increased attendance at award ceremony	Targeted marketing campaign, focusing on web tools such as social media Work closely with the host gallery in Montreal Continued excellence in exhibition content and design.
Exhibition of Sobey Art Award Atlantic long list	Successful launch of long-list exhibition	Opening of long-list exhibition in summer 2010	Work with Sobey Art Award Atlantic curator to develop long-list exhibition to open at the AGNS in summer 2010
Research and development of two major solo exhibitions by Nova Scotia–based artists	Successful opening of first exhibition in spring 2011 Research and publication plans in place for second exhibition by spring 2011	Loans secured for major exhibitions, initial contacts made for venue partners, publications plans in place, and launch of first of the two exhibitions in Spring 2011	Ongoing research and close collaboration with artists, estates, other institutions, and collectors to secure loans and exhibition venues
Continued research and exhibition activity based in permanent collection	Number of exhibitions drawn from permanent collection	Three exhibitions drawn from permanent collection in 2010–11	Continue ongoing research into our permanent collection

Core Business Area 3 *Education and Public Programming*

Priority 5: To increase bilingual access to the permanent collection by Nova Scotia students and francophone residents

Priority 6: To increase access to Canadian art by Nova Scotia rural students and residents

Outcome	Measure	Baseline/Target	Strategies to Achieve Target
Increased access to the AGNS permanent collection exhibition *A View from the Atlantic*	Number of French groups and class visits, website traffic, requests for didactic materials from schools, and teacher comments	Increase number of French-language visitors to the AGNS programming	Create bilingual teachers' guides, curriculum links, and didactic materials in both official languages Visit schools
Increased school use of the AGNS permanent collection exhibition *A View from the Atlantic*	Number of class visits, website traffic, requests for didactic materials from schools, and teacher comments	Increase class visits by 10% Increase web traffic to our educational materials by 10%	Assistant educator to make targeted school visits to ensure teachers have access to resource materials
Partnerships with three areas of rural Nova Scotia, based on delivering programming from the AGNS permanent collection	Number of exhibitions, distribution of education kits, teacher comments, visitation numbers, and visitor comments Commitment from venues to ongoing programs	A series of three exhibitions in three areas with partners that will commit to ongoing sustainable programming	Work with identified partners in Cape Breton, Truro, and South West Nova Scotia to develop and present exhibitions and related education kits building on the AGNS permanent collection

Core Business Area 4 *Development and Auxiliary Services*

Priority 7: To formulate and implement a comprehensive plan for fundraising efforts and continuous revenue growth
Priority 8: To create a realistic financial plan that facilitates AGNS mission
Priority 9: To begin the planning process for a possible expansion

Outcome	Measure	Baseline/Target	Strategies to Achieve Target
A stable agenda of fundraising initiatives	Profitability and net funds returned to the AGNS	Create and implement four profitable and sustainable fundraising events per year	Engage volunteer committees to build the stable of signature events for the AGNS
Increased admissions and memberships	Percentage of the general population visiting the gallery Percentage of total admissions buying memberships	Increase number of paid admissions on a percentage basis over previous year Increase total number of individual memberships from previous year	Employ active sales of memberships, through performance management, to increase the points of sale of memberships and the total number sold
Increased donations and sponsorships	Percentage increase over previous years	Increase total dollars received over previous year Budget-relieving gifts in kind to the gallery, its programming, and its endowment	Target new potential sponsors Expand on previous institutional relationships with partners, sponsors, and benefactors
A deficit budget for 2010–11	Net income (loss) posted for 2010–11	Net loss for 2010–11 of $450,171	Develop and grow revenue sources Control expenditures with realistic, well-developed financial plans
Feasibility study for possible AGNS expansion, including costing of new construction	Submission of a completed feasibility study to the AGNS board of governors	Completed feasibility study by fall 2010	Issue an RFP for a feasibility study by April 1, 2010 Select a candidate by May 1, 2010 Have a completed study submitted by October 1, 2010

Crown Corporation

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

FOR THE FISCAL YEAR 2010–2011

Halifax-Dartmouth Bridge Commission

Business Plan 2010–2011

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Message from the Minister and the Chair

It is with pleasure that we submit the business plan for the Halifax-Dartmouth Bridge Commission (operating as Halifax Harbour Bridges, or HHB) for 2010–2011.

The Angus L. Macdonald and A Murray MacKay bridges are key transportation links in the province. They represent two of only six entrances to the peninsula of Halifax, and in 2009 there were more than 33 million crossings, compared with 32.4 million crossings in 2008. In other words, they play a critical economic and social role in the progress of this region.

There was a time when seeing growth in traffic numbers was a reason to celebrate because it represented growth in the region. However, it also represents growing congestion, and growing congestion is a cause for concern. As a community, we cannot afford, economically or environmentally, to build our way clear of congestion, and HHB is looking at ways it can play a role. During 2010 we will see the results of a study researching how tolling methods such as peak-period tolling and one-way tolling might affect congestion, and we will continue to encourage people to walk or cycle across the Macdonald Bridge.

Because of the critical role the bridges play, HHB makes significant investments in ensuring the bridges remain two of the best maintained pieces of infrastructure in the province. In the last fiscal year, the approach spans on the Macdonald bridge were resurfaced, ramp 9 (also known as the K-ramp) on the Halifax side of the MacKay Bridge was removed, six variable-message signs were installed, a state-of-the art security system project began, and the refurbishment of the Victoria Road interchange was completed. The total capital requirement for 2009–2010 was $11.9 million. The capital requirement for 2010–2011 is $16.6 million;

that includes projects such as resurfacing the spans of the MacKay Bridge, including replacing deck and expansion joints at the main towers, and continuing the security project. A load analysis of the Macdonald Bridge will also be done in preparation for the redecking of the bridge sometime between 2014 and 2016. This project is expected to cost between $135 million and $150 million.

This extensive workplan is able to proceed because of the strong financial management of the organization and because the revenue generated from the tolls stays at HHB. This, despite the fact there has not been a toll increase since 1992.

The bridges are vital transportation links and determining factors in the economic development of HRM and the region. We look forward to introducing new strategies that will ensure HHB's ability to keep traffic moving efficiently and safely over the Halifax Harbour.

The Honourable Graham Steele
Minister of Finance

Tom Calkin, P.Eng., CMC
Chair, Halifax Harbour Bridges

Mission

To provide safe, efficient, and reliable passage at an appropriate cost.

Mandate

The Halifax-Dartmouth Bridge Commission (operating as Halifax Harbour Bridges, or HHB) is the self-supporting entity that operates two toll bridges, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge. It was created in 1950 by a statute of the Province of Nova Scotia and now operates under a statute passed in 2005. In accordance with Section 27 of the Halifax-Dartmouth Bridge Commission Act:

27 (1) With the approval of the Governor in Council, the Commission may construct, maintain and operate a transportation project across Halifax Harbour and the North West Arm, or either of them.

(2) Where the Government of the Province or the Municipality requests the Commission to investigate the sufficiency of the means of access to Halifax provided by the Bridges or the present or future need of a transportation project referred to in subsection (1), the Commission may

(a) conduct such investigation and studies as it considers advisable respecting

(i) the need or advisability of a transportation project referred to in subsection (1),

(ii) the proper location of any such transportation project,

(iii) the manner or method of financing and operating any such transportation project,

(iv) the probable cost of acquiring lands for the purposes of an additional transportation project and the cost of constructing such transportation project,

(v) any other matter related to the construction, operation or financing of a transportation project referred to in subsection (1) that the Commission considers relevant;

(b) for the purpose of making investigation and studies, engage expert or technical assistance;

(c) defray the cost of its investigations and studies out of the ordinary revenue of the Commission;

(d) make reports and recommendations to the Government of the Province and the Municipality.

(3) Any costs incurred by the Commission under this Section are expenses of operating the Bridges or a transportation project in respect of which the Commission is collecting tolls, fees, rates and other charges.

Planning Context

What follows is an overview of the structure and the factors which are considered in the planning process.

Organizational Structure

The Board of Commissioners for Halifax Harbour Bridges (HHB) has nine members: five are appointed by the Province of Nova Scotia, including the chair and vice chair, and four are Regional Councillors, appointed by Halifax Regional Municipality. Within the board structure, standing committees provide governance and direction to auditing; maintenance; finance/administration/planning (FAP); and operations, communications and MACPASS (OCM).

There are 35 permanent staff, and HHB employs approximately 40 painters and 12 gardening staff seasonally. There are also approximately 50 dedicated members of the Commissionaires of Nova Scotia (CNS) who are under contract and have provided operational services to the bridges for 55 years.

Strengths

- HHB has 55 years' experience in maintaining and operating suspension bridges.
- HHB has expertise in implementing and operating the collection of electronic tolls.
- HHB is financially self-reliant and reports to the Minister of Finance for the Province of Nova Scotia. As a self-funding, user-pay operation, HHB receives no funding from the provincial government.
- HHB is financially strong, with ratings of AA (low) with DBRS and AA- stable from Standard & Poor's.
- Through strategic capital investments and a comprehensive maintenance plan, the harbour bridges are two of the best maintained pieces of infrastructure in the province.
- MACPASS, HHB's electronic toll collection system, reduces toll-plaza congestion and idling times to benefit the environment. During the peak travel time, approximately 80 per cent of the crossings are made with MACPASS.

Weaknesses

- The Macdonald Bridge has been operating for 55 years and the MacKay Bridge for 40 years. Age, maintenance costs, and the effort required to ensure that the bridges remain structurally sound will increase.
- At some point, additional funding will be required to continue to properly maintain the bridges. The last toll increase for automobiles was in 1992.
- Based on current traffic growth projections, the bridges are approaching

full capacity. According to a 2005 traffic study, there are very few improvements that can be done to help ease congestion on the two bridges.

Opportunities

- HHB has identified growth opportunities to increase customer service by marketing MACPASS to other toll-collection agencies. In late 2009, HHB expanded the use of MACPASS to the parkade at the Halifax Stanfield International Airport.
- HHB will continue to take a leadership role in finding solutions to manage the demand for transportation. There are ways in which tolling can play a role, and HHB will continue to analyze the potential impact.
- Cordon tolling, a toll charged to vehicles entering congested areas during specific times of the day, has been implemented in cities of various sizes around the world. The geography of the peninsula of Halifax is well-suited for cordon tolling, and the revenue generated could be dedicated to fund transit. HHB could further develop its tolling system to administer cordon tolling.
- HBB will continue to lead the discussion about sustainable transportation in this region. It began with sharing our messages around the Cross Harbour Traffic Needs Assessment and continues with our position on the importance of having a sustainable transportation network. We have also begun sharing our vision to provide transportation infrastructure that is environmentally and economically sustainable.

Threats

- HHB is vulnerable to adverse economic developments that arise as a result of rising fuel costs or a downturn in the economy. Both can have a negative impact on traffic volumes on the bridges and affect revenue.
- Ensuring the safety of the public and public buildings/structures is of the utmost priority for HHB. In 2009, HHB initiated a three-year state-of-the-art security project.

Strategic Goals

To carry out its mission, Halifax Harbour Bridges has defined the following strategic goals:

- Manage the cash flow and debt to meet the future capital and maintenance requirements of HHB.
- When requested, advocate HHB's plan to address additional cross-harbour capacity and initiate planning steps to secure the transportation corridor.
- Focus on strengthening HHB's relationship with major stakeholders, including all who use the bridges.

- When requested, support and advance any potential projects with the Halifax Regional Municipality and the Province of Nova Scotia.
- Communicate HHB's long-term strategic plan.
- Become an industry leader in safety, security, and operations.
- Continue a major six-year maintenance program started in 2006.
- Become a recognized leader in the pursuit of sustainable transportation demand management solutions.
- Increase the percentage of vehicle crossings using MACPASS to 80 per cent.

Core Business Areas

Safety and Emergency Preparedness

Objective: To ensure the safety and security of the traveling public and employees through ongoing reviews and implementation of HHB's policies, procedures, and initiatives.

The two harbour bridges are among the safest and best-maintained pieces of infrastructure in Nova Scotia. Safety measures include a wind-detection system, mobile speed radar, ice-detection sensors, around-the-clock bridge security and traffic enforcement, cameras, emergency telephones on the Macdonald Bridge, and separate sidewalk and bicycle lanes on the Macdonald Bridge.

Focus for 2010–2011

- Early in 2010, six variable-message signs (VMS) will become operational on the approach roads to the MacKay Bridge (three in Halifax and three in Dartmouth). These signs are located ahead of key decision points on the approach roads to the MacKay Bridge. The signs will provide real-time information to motorists about construction projects, extreme weather conditions, or vehicle accidents, thus allowing the driver sufficient time to choose an alternate route.
- The installation of a state-of-the-art security system, which will significantly increase the number of cameras on both bridges in addition to lights, sensors, and security fences, will start this year. This is a three-year project started in late 2008.
- Incident management and proactive traffic enforcement will continue to work with the Halifax Regional Police and the provincial motor vehicle compliance department.
- We are implementing software that will allow us to analyze why, when, and how accidents occur. This information will help improve traffic management procedures.

Maintenance

Objective: To ensure that the bridges are well maintained and structurally sound.

Each year, the two harbour bridges receive a rigorous inspection to ensure that all maintenance requirements are identified and proper action is taken. The annual inspection determines the course of action for the current year and forms the basis of the three-year maintenance plan.

With the extensive amount of construction work that takes place each year, HHB works hard to minimize disruption to the travelling public.

The major projects completed in 2009 included resurfacing of the Macdonald Bridge approach spans, installing barrier extensions on the Macdonald Bridge, replacing MacKay Bridge approach span stiffeners, and replacing MacKay Bridge suspended span bearings and expansion joints at cable bents. HHB also completed the three-year painting program focusing on painting the MacKay Bridge main cables and suspender ropes.

Focus for 2010–2011

The focus in 2010–2011 will be to resurface the suspended spans on the MacKay Bridge, including replacement of deck and expansion joints at the main towers. On the Macdonald Bridge there will be surface treatments to the suspended spans and the Barrington Ramp wearing surfaces.

The extensive maintenance at the MacKay Bridge is part of the longer-term plan to ensure major maintenance projects are complete in preparation for replacement of the suspended spans on the Macdonald Bridge sometime between 2014 and 2016.

Efficient Transportation

Objective: Maintain convenient and reliable passage by working with stakeholders to identify improvements, which will assist future capacity requirements.

Objective: Continue to actively market electronic toll collection (MACPASS) to decrease traffic congestion and accommodate future traffic growth.

In 2009, HHB continued to market the MACPASS program and successfully launched a new program, MACPASS plus, which provides eligible customers with the option to pay for parking at the Halifax Stanfield International Airport through their existing MACPASS account. The extended utilization of the MACPASS program will continue to be a focus for HHB as we look to build on the success of the MACPASS program for other regional mobility applications.

Since March 2009, more than 21,000 MACPASS transponders have been distributed. During the peak travel times, approximately 80 per cent of the crossings are made with MACPASS.

Focus for 2010–2011

For the next fiscal year, efforts will be made to gain further understanding of how to best implement future tolling efficiencies. A study will be completed that considers the feasibility of implementing peak-period tolling and/or one-way tolling. The focus of these studies is on maximizing the capacity of the two bridges and implementing sustainable initiatives to improve traffic congestion.

Priorities for 2010–2011

The following priorities support HBB's core business areas for 2010–11.

Safety and Emergency Preparedness

- Complete the variable-message sign (VMS) project.
- Implement the next phase of the security system that began in 2008.

Maintenance

- Resurface the suspended spans of the MacKay Bridge, including replacement of deck and expansion joints at main towers.
- Upgrade roadside safety.
- Improve safety systems on the bridges.
- Commence design of Macdonald Bridge deck replacement.

Efficient Transportation

- Support and enhance the toll system.
- Research ways to best implement future toll efficiencies.

Halifax Harbour Bridges in the Community

HHB has invested in its outreach to the communities it serves. It began with sharing our messages around the Cross Harbour Traffic Needs Assessment and continues with our position on the importance of having a sustainable transportation network for future generations. We have also begun sharing our vision for the long term. This approach will help people understand our vision: to provide transportation infrastructure that is environmentally and economically sustainable. To aid in these efforts, the Halifax-Dartmouth Bridge Commission launched a new visual identity that better reflects the organization.

Vital Community Link

Halifax Harbour Bridges is an important economic and transportation link in Atlantic Canada. The two harbour bridges provide safe and efficient travel for thousands of commuters each day and are the direct road link between the port of Halifax's two container terminals and North American markets.

Sustainable Transportation

HHB is looking to the future to ensure that the need for future cross-harbour capacity is met to ensure the economic and environmental success of the communities. In the past, HHB has addressed the problem of congestion by introducing MACPASS and building a third vehicle lane, a pedestrian lane, and a bike lane on the Macdonald Bridge. Today, HHB is investigating the impact that peak-period tolling, one-way tolling, and express lanes might have on further reducing congestion and greenhouse gases.

As part of its long term strategic planning, HHB released the Cross-Harbour Traffic Needs Assessment in March 2008, which examined the future need for additional cross-harbour capacity in the Halifax Regional Municipality (HRM). The report that Delphi MRC conducted for the commission, at HRM's request, is not a blueprint to build a third harbour crossing. It does represent sound, long-term strategic planning and offers options for the government, business community, and bridge users to consider.

The report revealed that, given current growth predictions for HRM, the region will require a third harbour crossing between 2016 and 2026. It also revealed that the best location for this crossing would be at the end of Highway 111 (the Circumferential) in Dartmouth to the south end of Halifax. HHB has referred the needs assessment report to the Strategic Joint Regional Transportation Planning Committee, which includes representatives of the Province of Nova Scotia, HRM, and transportation users.

The Environment

HHB is doing its part to reduce greenhouse gas emissions and reduce its carbon footprint. HHB employees take reducing waste seriously and have a significant process in place to divert workplace waste.

In 2009, HHB developed an environmental policy and an action plan to support the policy. We seek continual improvement in our environmental performance by setting, reviewing, and updating environmental goals.

Using MACPASS allows traffic to flow more quickly through the toll plazas, reducing congestion and more effectively utilizing the capacity of the bridges. Independent analysis quantifies the annual contribution of the MACPASS tolling system as follows:

- 81,400 hours per year of peak-hour travel time savings across the bridges
- The reduction of fuel consumption by 484,000 litres
- The reduction of carbon dioxide by 1,160 tonnes during peak hours

Through its dedicated bikeway and walkway on the Macdonald Bridge, HHB encourages healthy, active lifestyles. The daily average number of pedestrians on the Macdonald Bridge is over 500, and the daily average number of cyclists is over 350 during the cycling season. In 2010, HHB will focus on increasing these numbers.

Community Involvement

HHB is involved in numerous events and supports various organizations in the communities it serves:

- Bridge Walk: Held during Natal Day weekend, this annual event draws thousands of pedestrians for an afternoon of family fun.
- Blue Nose International Marathon: HHB is also an original sponsor of the Blue Nose International Marathon, with thousands of runners crossing the Macdonald Bridge.
- MACPASS Mile: HHB is a founding partner of the MACPASS Mile, a free one-mile run across the Macdonald Bridge and open to people of all ages and abilities.
- Bras Across the Bridge: in September 2009, 11,000 donated bras were hung across the handrails of the Macdonald Bridge in support of the Canadian Breast Cancer Foundation.

HHB is also proud to support various organizations, including the Discovery Centre and the Canadian Mental Health Association of Nova Scotia. HHB also hosts an annual Transportation Safety Day for the public to learn more about how to drive safely and use active transportation such as walking and biking.

HHB helps local non-profit organizations promote themselves by hanging banners on the Macdonald Bridge or having access to floral beds along the approaches to the MacKay Bridge. Some of the organizations recently supported include

- Kids Help-Phone
- ALS Society of Nova Scotia
- Canadian Mental Health Association
- Heart and Stroke Foundation
- St. John's Ambulance
- Bosom Buddies
- Breakfast for Learning
- Democracy 250
- Treaty Day
- Nova Scotia Lung Association

Budget Context

HHB continues to achieve financial stability and meet all of its obligations.

On December 4, 2007, the 10-year $100 million Toll Revenue Bonds Series 1 matured, and on December 5, 2007, the 10-year $30 million line of credit with the Province of Nova Scotia matured. These 10-year debts were replaced with a $60 million 12-year loan with the Province of Nova Scotia maturing December 4, 2019, and a $60 million line of credit with the Province of Nova Scotia maturing on December 5, 2019.

In 2009, HHB maintained its rating with DBRS at AA (low) and with Standard & Poor's at AA–stable.

	Estimate 2009–10 ($ 000)	Forecast 2009–10 ($ 000)	Estimate 2010–11 ($ 000)
Revenue			
Toll revenue	23,539	24,186	23,782
Other rate charges	144	144	144
Investment and sundry income:			
Trust fund investments	330	145	257
Other	570	550	266
Investment income	—	—	—
Contributed revenue	—	210	3,200
Contributed capital contribution	60	60	60
Token reserves taken into income	—	—	—
Total revenue	**24,643**	**25,295**	**27,709**
Expenses			
Operating	5,890	5,890	6,468
Maintenance	4,001	4,100	3,921
Amortization	4,807	6,327	7,693
Debt servicing	2,890	2,890	2,842
Loss (profit) on disposal of property, plant, and equipment	400	100	200
Total expenses	**17,988**	**19,307**	**21,124**
Net operating income	**6,654**	**5,988**	**6,586**

Outcomes and Performance Measures

Core Business Area 1 *Safety and emergency preparedness*

Outcome	Measure	Baseline Data	Trend	Target	Strategies to Achieve Target
Minimize the total number of motor vehicle accidents	Annual MVA Statistics	1.2 accidents per 100,000 vehicle kilometres traveled (VKT)	2005: 1.7 accidents per 100,000 VKT 2006: 1.6 accidents per 100,000 VKT 2009: 1.23 accidents per 100,000 VKT	Maintain or reduce 2009 VKT statistics	Emphasize traffic enforcement by bridge patrols and Halifax Regional Police (HRP)
Compliance with bridge weight restrictions	Reduced violations	Summary offence tickets (SOTs) written in 2009	2009: 138 SOTs written	Increased vigilance and proactive enforcement	Agreement is in place with provincial Motor Vehicle Compliance division Increase training for bridge patrol staff and establish enforcement schedules
Completion of VMS project	Increased safety and provision of real-time information to customers	Approved protocol and procedures in place for the operation of VMS signs	New project	VMS signs help motorists make informed decisions	Train CNS to operate VMS in accordance with HHB protocol and procedures
Compliance with posted speed limits	Annual average speed statistics	2009 average speeds	2008: MacKay: 79 km/h; Macdonald: 65 km/h 2009: MacKay: 71.7 km/h; Macdonald: 53.9 km/h	MacKay: no more than 75 km/h Macdonald no more than 55 km/h	Continue with aggressive LIDAR and traffic enforcement procedures in conjunction with HRP

Core Business Area 2 *Maintenance*

Outcome	Measure	Baseline Data	Trend	Target	Strategies to Achieve Target
Mackay Bridge: repair approach spans concrete curb	Final construction inspection report	2007: 25% (Halifax approach spans north) 2008: 40% (Halifax approach spans south) Completed December 2009	n/a	2009: 100% (Dartmouth approach spans south)	Night and weekend closures
Macdonald Bridge: Barrington ramp resurfacing	Final inspection report	Deferred to spring 2010	n/a	2010: 100%	Night and weekend work Ramp must be closed
MacKay Bridge approach spans replace stiffener	Final inspection report	1987: Stiffeners replaced where original steel brittle 2007: Repaired two stiffeners with cracks at weld termination. Analysis shows fatigue critical Completion expected March 2010	n/a	2009: 100%	No access from deck No lane closures Confined space
MacKay Bridge: replace suspended spans bearings and expansion joints at cable bents	Final inspection report	1993: Expansion joints replaced Bearings are original	n/a	Completion Expected June 2010	Full closures of bridge required for replacement of bearings Expansion joints on weekends with lane restrictions
MacKay Bridge: structural concerns from load analysis	Final inspection report	2007: Health study 2008: Load analysis Strain gauge monitoring program initiated December 2009	n/a	Strain gauge monitoring results expected January 2011	May require bridge closures
MacKay Bridge: replace expansion joints and deck at main towers; resurface suspended spans	Final inspection report	Asphalt cracked in 2009, but remains bonded to waterproofing Expansion-joint bearing pads requiring routine replacement Deck perforations in sealed units Tender issued November 2009 Contract awarded January 2010	n/a	2010: 100%	Work planned to occur substantially during nights and weekends

Core Business Area 2 *Maintenance*

Outcome	Measure	Baseline Data	Trend	Target	Strategies to Achieve Target
Macdonald Bridge: suspended spans and Barrington ramp surface treatments	Final inspection report	Extend life of existing wearing surfaces Surfaces show loss of fines and polishing of protruding aggregate	n/a	2010: 100%	Complete in spring before intensive work at MacKay Bridge
Upgrade roadside safety		Staged program to address items in the 2009 Speed and Road Safety study	n/a	2010: 100% barrier and obstruction end treatments	Work on nights and weekends

Core Business Area 3 *Efficient Transportation*

Outcome	Measure	Baseline Data	Trend	Target	Strategies to Achieve Target
Increase the efficiency of traffic flow by increasing throughput and reducing congestion	Percentage of MACPASS usage	2001: 32.35%	2005: 49.28% 2006: 52.06% 2007: 55.00% 2008: 65.77% 2009: 68.72%	2010: 71%	Increase distribution Implement MACPASS marketing campaign Provide excellence in customer service

Crown Corporation
B U S I N E S S   P L A N S
FOR THE FISCAL YEAR 2010–2011

Innovacorp
Business Plan 2010–2011

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Message from the Minister

Innovacorp's mission is to fuel sustainable economic growth by enabling high-potential Nova Scotia knowledge-based companies to accelerate the commercialization of their technologies and increase competitiveness in export markets. Its internationally recognized High Performance Incubation (HPi)™ business model, which incorporates incubation infrastructure, business mentoring, and seed/venture capital investment, is designed to move at the speed of business to help high-potential Nova Scotia knowledge-based companies overcome traditional hurdles to business growth.

Innovacorp's daily interactions with entrepreneurs, private industry, angel and institutional investors, academia, industry associations, and public-sector agencies help fuel sustainable economic growth in Nova Scotia.

The Crown corporation's critical work is increasingly benefiting knowledge-based companies from all over Nova Scotia, helping them increase competitiveness in global markets. With 133 entries from Sydney to Yarmouth and beyond, Innovacorp's 2009–2010 I-3 Technology Start-Up Competition, which was launched in September 2009 and completed in February 2010, confirmed innovation is alive and well across the province.

Working side by side with its clients and partners, Innovacorp creates an environment in which high-potential early-stage companies become "fit for the fight," attract world-class employees, establish state-of-the-art go-to-market strategies, and take on global markets. Throughout 2009–2010, Innovacorp played a key role in ensuring Nova Scotia knowledge-based companies were positioned to seize opportunities as the global economy recovered from the worldwide recession.

Further, Innovacorp leverages its international network of advisors and investors to assist in raising seed and venture capital. In 2009, the government of Nova Scotia through Innovacorp made two strategic steps to improve access to capital for high-potential venture-grade early-stage companies. The funding to ensure the long-term viability of the Nova Scotia First Fund was increased by $30 million over 10 years, and the fund made a strategic investment in a clean-technology-focused venture fund to improve access to capital for emerging companies in this high-growth sector.

The knowledge economy will play a critical role in the future prosperity of this province. Innovacorp's work to identify and support high-potential Nova Scotia companies from the high-growth industry sectors, including information technology, life sciences, clean technology, and advanced manufacturing, is fuelling our knowledge economy.

The Honourable Percy Paris
Minister, Economic and Rural Development

Message from the Chair

During fiscal year 2009–2010, Innovacorp further intensified its role in driving the knowledge economy and innovation capital markets in Nova Scotia. The Nova Scotia knowledge-based companies that have benefited from Innovacorp's High Performance Incubation (HPi)™ business model generated about $279 million in export revenues and directly employed about 1,467 people, resulting in a payroll of over $64 million, most of which was in the form of high-value jobs. In 2009–2010, the investment capital raised by leveraging our Nova Scotia First Fund surpassed $105 million.

More than ever before, Innovacorp's work is benefiting knowledge-based companies from all over Nova Scotia. Innovacorp's I-3 Technology Start-Up Competition, which was launched in September 2009 and completed in February 2010, attracted 133 submissions from across Nova Scotia, 58 per cent of which were from outside the Halifax Regional Municipality.

While our economic, client satisfaction, and leading indicator metrics clearly demonstrate success, it is important to benchmark ourselves against "best in class" organizations around the world. In February 2010, Innovacorp was informed its HPi business model was again named one of two finalists in the National Business Incubation Association (NBIA) Incubation Program of the Year—2010 competition. Based in the United States, NBIA represents more than 1,900 members across 60 nations. Past winners include business incubation programs from Silicon Valley, California (2008, 2009), and Paris, France (2007).

Throughout 2009, Innovacorp clients experienced what had become the most severe global recession in decades. Early-stage knowledge-based companies that were looking to bring products and services to export markets in 2009 faced customers and partners who became more risk averse. Where possible, Innovacorp assisted client companies in navigating the economic climate and positioning themselves for the medium and long term.

Innovacorp will increase its focus on six strategic areas in 2010–2011 so we can continue to play a key role in *creating, developing, and growing globally competitive knowledge-based companies*:

1. Access to High Quality Support: Ensure quality-focused client pipeline management
2. Access to Capital: Maximize the economic impact of the Nova Scotia First Fund
3. Access to Infrastructure: Operationalize the new Innovacorp Enterprise Centre
4. Access to Talent: Ensure client companies have access to globally competitive go-to-market expertise

5. University Research Commercialization: Engage university and college system to maximize commercialization potential of applied research
6. Innovacorp Organizational Continuous Improvements

In 2010–2011, Innovacorp will work to ensure Nova Scotia knowledge-based companies are positioned to seize opportunities as the global economy recovers from the worldwide recession.

Dr. Jacquelyn Thayer Scott
Innovacorp Board Chair

Mission

To fuel sustainable economic growth by enabling Nova Scotia knowledge-based companies to accelerate the commercialization of their technologies and increase competitiveness in export markets.

Nova Scotia's ability to compete—regionally and globally—is increasingly reliant on the success of its knowledge-based companies. These high-growth companies positively affect the province's prosperity more than any other sector of the economy. Innovacorp's focus is to *create, develop, and grow globally competitive knowledge-based companies* to maximize the benefits shown here:

Nova Scotia Knowledge-Based Companies

Positive Nova Scotia GDP Impact

- 98% export oriented
- Capital investment attraction
- Local corporate purchasing
- Local wealth creation
- Sustainability of operations

Ability to Attract & Retain Talent

- High average per person payroll
- Diversity of jobs and career growth opportunities
- Employability of employees
- Urban and rural relevancy and impact

Provincial Tax Contributors
Clean & Green

Potential to Spin-out New Nova Scotia Companies

Vision

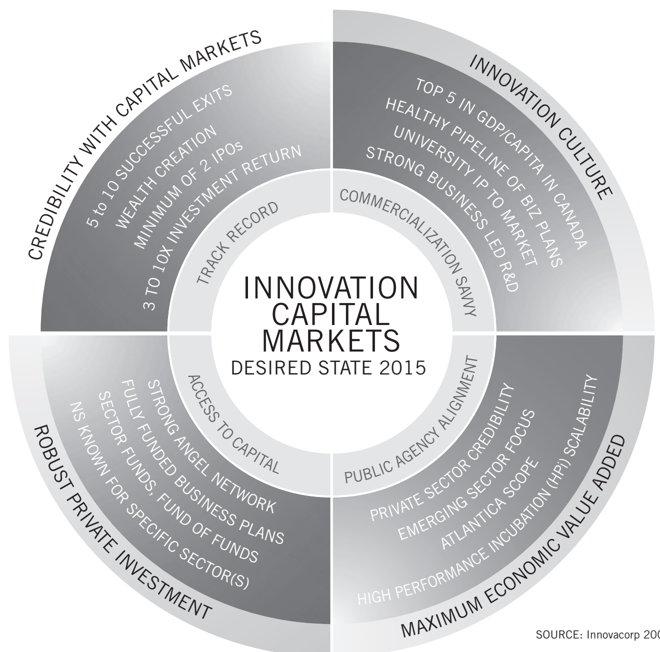
Innovacorp strives to deliver the most effective technology commercialization practice in North America as it moves towards a bold vision of the desired state of the Nova Scotia innovation capital markets by 2015.

In February 2010, Innovacorp was informed that its High Performance Incubation (HPi)™ business model was one of two finalists in the National Business Incubation Association (NBIA) Incubation Program of the Year—2010 competition. Based in the United States, NBIA represents more than 1900 members across 60 nations. Past winners include business incubation programs from Silicon Valley, California (2008, 2009), and Paris, France (2007). The winner of this prestigious competition will be announced in May 2010 at NBIA's annual international conference. Whether a finalist or the ultimate winner, it is important for Innovacorp to benchmark itself against "best in class" business models from across the globe.

Innovacorp's vision comes not from focusing on what is wrong. Rather, it comes from playing a key role in creating the winning conditions for a globally competitive Nova Scotia by focusing on what it will take to move our innovation and capital markets forward.

To this end, Innovacorp's daily interactions with entrepreneurs, private industry, angel and institutional investors, academia, industry associations and public-sector agencies help fuel sustainable economic growth in Nova Scotia.

Innovacorp Vision (continued)



SOURCE: Innovacorp 2005

Credibility with Capital Markets

Nova Scotia must build and maintain credibility with North American capital markets. This will be achieved only through successful return on investment, building strong businesses, and demonstrable wealth creation at both the company and sector levels.

2009–2010 Progress:

- Credibility with capital market players increasing rapidly through relationship building and syndicate deal making
- Recent transactions helping to build track record: Marine X 2, Digital Media X 1, Clean Technology X 1, Life Sciences X 2
- CVCA, National Angel Organization, and Canadian IT Law Association conferences held in Halifax
- Evidence of spin-out and serial entrepreneur activity
- $8M Nova Scotia First Fund in 2003 enabled 38 transactions and $33.6M in leveraged investment, $13.2M of which came from outside of region

Robust Private Investment

Nova Scotia must create a welcoming environment for local and regional private sector investors, ranging from angel to institutional investors.

2009–2010 Progress:

- Constant interaction with venture capital and angel investment community across North America
- Momentum in venture capital investment in Nova Scotia companies: 05:$18.7M, 06:$24M, 07:$18M, 08:$17M, 09:$24.8M
- Nova Scotia medical device company raises $4M round from regional and international investors
- First Angel Network is formalized and actively investing/co-investing
- Innovacorp becomes limited partner in $80M clean technology-focused fund
- 10 year, $30M commitment in the Nova Scotia First Fund

Innovation Culture

Nova Scotia must develop a strong innovative culture as well as significantly improve its ability to commercialize in order to build sustainable businesses.

2009–2010 Progress:

- Pipeline of knowledge-based company business plans increasing: 05:85, 06:106, 07:158, 08:198, 09:184
- University/college curriculum, case studies, ILO collaboration
- Identification of and collaboration with high commercialization potential university researchers
- Early Stage Commercialization Fund (ESCF) in 4th year; submissions: 06:12, 07:42, 08:58, 09:48
- Provincial I-3 Technology Start-Up Competition attracts 133 submissions and engages 28 private sector partners

Maximum Economic Value Added

All Nova Scotia-focused (federal and provincial) economic development agencies must align their efforts and resources to maximize value-add and lasting impact.

2009–2010 Progress:

- The province's Opportunities for Sustainable Prosperity (OFSP) economic development strategy lists innovation and financial capital as key priorities
- Private sector engagement and collaboration is flourishing, including active partnerships with chartered banks and legal and accounting firms
- I-3 competition follow-up initiative, focusing on go-to-market expertise
- IT, life sciences, clean technology focus
- HPi™ business model is continuously refined to ensure maximum value-add and scalability

Planning Context

Economic Climate

The global recession that emerged in the second half of 2008 peaked in 2009. Nova Scotia fared better than many other jurisdictions due to our economy's blend of private and public components.

Private companies serving government, health care, education, built infrastructure markets, and those offering "must have" products and services to local markets did relatively well in 2009.

Export-oriented companies offering products and services to domestic and U.S. markets faced the near disappearance of capital spending, significant price pressure, long sales cycles, and rapid (less than six months) return on investment expectations. The rise in value of the Canadian dollar put further pressure on the ability of export-oriented companies to survive the recession.

Innovacorp will continue to play a key role in helping high-potential knowledge-based companies prepare to efficiently and competitively enter export markets.

Globalization

The rapid pace of globalization is both an opportunity for, and a threat to, the province. Nova Scotia companies have every opportunity to compete for and serve global markets. At the same time, companies from around the world have the same opportunity. Nova Scotia export-oriented companies must embrace new and emerging business models to compete globally. These new business models will continue to challenge companies to maximize their value-add, diversify, take advantage of global supply chains, and look for opportunities to clearly differentiate their offerings from the inevitable commoditization of nearly every product and service.

Virtually all Innovacorp's efforts are centered on global competitiveness. We assist knowledge-based companies to compete globally using the services supplied through our High Performance Incubation (HPi)™ business model.

To help companies successfully navigate the economic recovery in 2010–2011, Innovacorp will continue to refine its service offering and focus by increasing the capacity of the HPi business model and maximizing the sustainability and economic impact of the Nova Scotia First Fund.

Access to Capital

A large majority of knowledge-based companies, such as those in the high-growth information technology, life sciences, and clean technology sectors, require risk capital to help fund their start-up and development phases. The capital required by these companies ranges from hundreds of thousands to millions of dollars, depending on the type of company and the sector it is working in. Nova Scotia knowledge-based companies are very important to the province's future prosperity.

Capital from typical sources such as commercial banks is not readily accessible by these companies, as they are not yet cash flow break-even or able to secure credit.

There are various provincial and federal government programs to assist these companies in some areas of their business. While these government initiatives are positive contributors to the innovation system, the programs do not typically fund start-up-company operations. The financial capital required for a company to be globally competitive is beyond the scope of the government programs.

Beyond the earliest stage of a company's life cycle, the primary sources of the required risk capital are equity investors. Equity investors fall into three main categories:

- **Angel investors**—Typically local high-net-worth individuals, angels are accredited investors that take advantage of Nova Scotia's equity tax credit tax policy to reduce their investment risk. Angel investors typically invest between $5,000 and $25,000 each in a single company. A formal network of angel investors typically invests between $100,000 and $500,000 in a single company. There is an active angel investor community in Nova Scotia, but it is not in a position to fully fund a company.

- **Venture capital**—This consists of funds from regional, national, or international institutional investors funded by pension plans, private-equity partners, corporations, governments, etc. These funds typically focus on a particular industry sector, company maturity level, and geographic area.

  In Atlantic Canada, there is only one active private-sector venture fund, which is based in New Brunswick, and there is a labour-sponsored/retail fund based in Nova Scotia. There are three provincial government–backed venture capital players (Innovacorp, NSBI, NBIF) that are active in Atlantic Canada. These organizations are restricted to provincial boundaries and lack viable regional syndicate funding partners. There are currently no federally-backed active venture capital players in Atlantic Canada.

- **Public offerings**—Initial public offerings (IPOs) from Nova Scotia companies have been rare since 2003. "Going public" typically requires a company to have raised millions of dollars to position itself for rapid profitable growth. Community Economic Development Investment Funds (CEDIFs) are another public-offering option. CEDIF is a viable option for community-oriented initiatives, and in some cases it is an option to raise seed capital for a technology start-up company.

As a result of the abovementioned current state, Atlantic Canada is considered an "underserved" market when it comes to access to risk capital. In other words, there are very few (arguably none) private risk-capital players capable of co-funding companies in the $2,000,000–$10,000,000+ range.

Knowledge-based companies in underserved markets such as Nova Scotia and across Atlantic Canada continue to face significant challenges in raising venture capital, primarily due to the absence of a community of experienced technology investors, resulting in significant repercussions for start-ups:

- perpetual fundraising with less than 12 months' runway
- money-raising efforts prevent concentration on building business
- start-ups unable to reach self-sustainability (cash flow break-even)
- risk profile remains too high to attract talented management
- risk profile remains too high for later-stage venture capitalists to invest
- inability to compete with fully funded companies
- Nova Scotia's knowledge economy stalls

When entrepreneurs are successful in raising venture capital, the rounds of financing are inadequate (i.e., too small) to attract and retain the best management teams. Innovacorp and other experienced investors already in the community would welcome another player to increase the pool of syndicate co-investors.

According to Canada's Venture Capital and Private Equity Association (CVCA), the amount of capital invested in Canadian knowledge-based companies is less than half of that invested in U.S.-based companies, and Atlantic Canadian investment rounds are half the size of the Canadian average. Yet, companies in Nova Scotia and the rest of Atlantic Canada must compete globally against more appropriately funded companies.

Better-capitalized companies will be better able to meet cash flow requirements and attract the right talent with domain expertise and market experience, which will increase the companies' ability to implement their business plans and increase their speed to market.

There is no silver bullet to improve access to risk capital. It is a multi-dimensional issue that requires cultural and public agency alignment and private capital involvement. The issue is further exacerbated by the lack of a successful return track record in the region.

Nova Scotia lacks a critical component of any successful knowledge economy: the presence of an active and effective private-sector-run venture-capital fund that can participate in rounds of risk capital investments at the early and later stages. Such a fund would make investments in both Nova Scotia companies and companies in the Atlantic region in order to attract syndicate investments with other funds.

Ontario, Quebec, Alberta, and British Columbia provincial governments have become limited partners (LPs) in such private-sector funds, alongside private-sector

LPs and the Business Development Bank of Canada (BDC). These provinces have played a leading role in expanding the venture capital pool in their respective business communities by making multi-year financial commitments to government-sponsored venture capital funds.

Access to Talent

Knowledge-based companies seeking to compete globally require globally competitive expertise. The required expertise ranges from technical, operations, and finance to business development, sales, and marketing.

The majority of local early-stage knowledge-based companies possess relevant technical expertise.

Most also have at least a high level of industry expertise, but few have the required relevant operations, finance, business development, or sales and marketing capabilities. The result is that start-up companies are unable to successfully commercialize their products and services.

Innovacorp plays a key role in helping clients identify challenges in the areas of operations, finance, business development, and sales and marketing, and it helps them obtain relevant expert advice on how best to move forward. This guidance may come from the Innovacorp team, but it most often comes from external experts regionally, nationally, or internationally.

Innovacorp has an open-door policy for professionals looking to better understand the local market for talent. Many of these professionals have relocated, or are exploring relocating, back to Atlantic Canada, and many possess relevant business experience. Each month, Innovacorp meets face to face or via teleconference with between 10 and 15 of these individuals. In cases where a professional possesses talent required by one or more of our clients, we often engage the individual to add value to the clients in some way. This may be as simple as a conference call to discuss a specific challenge or a paid engagement to investigate and report on a challenge.

All this being said, early-stage companies have a difficult time recruiting and retaining talent because of their inability to offer competitive compensation and relative security due to their stage of funding.

In 2010–2011, Innovacorp will further strengthen its global go-to-market expertise for its clients.

Industry-led R&D

The level of R&D performed by industry in Nova Scotia is the second lowest in the country, just ahead of PEI. The Canadian industry-led R&D level average is 1.12 per cent of GDP, while Nova Scotia sits at 0.30 per cent. For Nova Scotia's future prosperity, it is critical to ensure that industry innovates and commercializes products and services for export markets. Key stakeholders must understand why industry conducts R&D, especially the "D," at this low level. Further, these stakeholders must work to exploit strengths and minimize weaknesses in this area. Innovacorp intends to play a key role in moving this agenda forward.

Rural Nova Scotia

The population and economic prosperity of rural Nova Scotia continues to decline as younger citizens migrate to urban centres in Nova Scotia and beyond. While this phenomenon has been occurring for generations, many feel that the pace of outward migration from Nova Scotia is at an all-time high.

While many parts of Nova Scotia offer an excellent quality of life and relatively low-cost real estate, the lack of infrastructure, professional services, and sustainable challenging career opportunities fuels the pace of outward migration.

University and College Research Commercialization

Among our most cherished assets are our universities and colleges. Nova Scotia is home to 11 universities and a strong community-college system with 13 campuses across the province. More than $130 million in research is conducted at these institutions each year.

While the local economy certainly benefits from the education of our young people, the attraction of world-class researchers, and the direct and indirect employment generated by post-secondary institutions, the economic benefits derived directly from applied research are relatively low.

Both the provincial and federal governments have invested in infrastructure designed to increase the commercialization of university research. The business-building component of university and college curricula is lacking in most cases, and there are few formal ties between university research and the innovation capital markets. In this context, Innovacorp must continue to increase its efforts by effectively partnering with entrepreneurs who are active in Nova Scotia's post-secondary institutions.

Innovacorp's specialty lies in helping companies commercialize (the D in R&D) their technologies for global export. Building expertise and capacity in this area is key to Nova Scotia's future prosperity.

In 2010–2011, Innovacorp will strengthen university research-commercialization capacity and entrepreneurial activities.

Clean Technology

The declining state of the world's environment is driving innovation across every industry. Every organization must do its part to reduce greenhouse gases, operationally as well as in the products and services it delivers. Consumers no longer tolerate or purchase products and services offered by companies that do not demonstrate efforts to establish green best practices.

Related to the focus and momentum of all things green, a new sector has emerged. Clean technology has quickly become the leading venture-investment category globally, with billions of dollars in venture capital already invested in clean-technology companies.

Innovacorp, through its HPi business model, has observed significant growth in the number of Nova Scotia knowledge-based companies whose core value proposition is derived from clean technology.

Innovations that look to decrease the amount of energy required, improve sources for renewable energies, and produce more environmentally friendly materials are examples of types of Nova Scotia clean-technology opportunities.

Innovacorp SWOT Analysis

In keeping with its culture of continuous improvement, Innovacorp performs an objective SWOT (strengths, weaknesses, opportunities, threats) analysis as part of its fiscal year business planning. The 2010–2011 SWOT analysis follows.

Strengths

Resources and/or capabilities that can be used as a basis to create value and/or competitive advantage

- **Best Practice:** High Performance Incubation (HPi)™ business model internationally recognized best practice; one of two finalists for U.S.-based NBIA's Business Incubation Program of the Year for 2009 and 2010
- **Brand:** Steadily increasing province-wide visibility and credibility with the private sector
- **Brand:** Strong brand awareness and go-to organization credibility with Nova Scotia early-stage technology entrepreneurs
- **Brand:** Strong brand awareness with entrepreneurs under 40 years old through active participation and value-add in related organizations and ECC, JCI, Hub Halifax, 21inc, and social networking and new media
- **Brand:** Strong client referral network
- **Brand:** Strong relationships and reputation with federal government, including NRC, BDC, EDC, Industry Canada, CFI, NSERC, CIHR-POP, ACOA, and ECBC
- **Brand:** Supportive network of professional service providers, including legal, accounting, marketing, and human resources companies
- **Capital:** Active seed and venture capital investment fund with a 10-year funding commitment
- **Capital:** Venture and seed capital investment expertise; credibility with national and, increasingly, international institutional investment community

- **Client Satisfaction:** Client relationship management (CRM) implemented to ensure client service continuity from Innovacorp advisor to advisor
- **Client Satisfaction:** High level of client satisfaction
- **Expertise:** Considered opinion leaders in the areas of innovation, commercialization, early-stage investment, entrepreneurship, and knowledge economy
- **Expertise:** Global trade export commercialization expertise and industry contacts
- **Expertise:** Highly relevant private sector information technology, life sciences, and clean technology business and sector expertise
- **Expertise:** Human resources expert services
- **Governance:** Engaged, diversified, and balanced board of directors
- **Governance:** Robust corporate governance, including a formal risk management system
- **Infrastructure:** Commitment to build new Innovacorp Enterprise Centre on the Dalhousie campus (next generation LEED-certified, highly efficient incubation infrastructure replacing the successful existing BioScience Enterprise Centre)
- **Infrastructure:** Go-to expert for state-of-the-art incubation infrastructure
- **Infrastructure:** Specialized incubation infrastructure assets (configurable laboratory and office premises, business services and support, including a state-of-the-art integrated voice and data network)
- **Metrics:** Solid performance measures system and a track record of results, with metrics baselined in 2005
- **Organization:** Relevance through organization adaptability and continuous improvement culture
- **Organization:** Collaborative culture, leveraged to maximize synergies between private and public sectors; constant interaction with private sector
- **Organization:** Significantly increased productivity of organization over seven years, with fewer full-time employees
- **Pipeline Management:** I-3 Technology Start-Up Competition three-year track record, capacity building, 270 submissions
- **University:** Strong multilevel relationships with universities and community colleges
- **University:** Early Stage Commercialization Fund four-year track record, 40 active projects

Weaknesses

Absence of specific required strengths

- **Capital:** Lack of regional institutional investors affects ability to secure follow-on investment capacity

- **Culture:** Commitment to "green" may not live up to expectations of existing and prospective employees
- **Infrastructure:** Ability to market and attract clients to our IT services platform
- **Pipeline Management**: Capacity to deliver high-quality services to highest-potential clients while balancing the steady inflow of prospective clients
- **Pipeline Management:** Proactive client pipeline management as it relates to incubation-facility tenancy
- **Visibility:** Relatively low number of large awareness-building announcements

Opportunities

New opportunities to add value, grow, become more efficient, etc.

- **Capital**: Champion improved tax mechanisms to drive increased industry research and development, innovation and commercialization, and access to seed capital
- **Capital:** Champion the development of a new Atlantic Canadian venture fund
- **Infrastructure:** Develop a strategy for securing Canadian Centre of Excellence designation
- **Infrastructure:** Drive adoption of advanced information technology infrastructure and services among clients
- **Investment Attraction:** Partner with NSBI to target investment attraction in key emerging sectors
- **Leadership:** Play a key role in driving the province's innovation and productivity agenda
- **Metrics:** Refine Innovacorp metrics to align with province's new metrics initiative
- **Pipeline Management**: Further leverage online marketing techniques to attract and pre-qualify new high-potential clients and to strengthen relationships with existing clients
- **Pipeline Management:** Pursue new recruitment avenues and partnerships to ensure new Innovacorp Enterprise Centre is constructed and opened in a financially sustainable manner
- **Risk Management:** Implement risk-management best practices
- **Talent:** Develop and implement a talent-building initiative focused on closing the gap on the highest-need expertise areas
- **Talent:** Engage entrepreneurial co-op/residency student into a client company for the work-term placement
- **Talent:** Maximize talent recruitment opportunities, including those from outside the region, that arise from the changing landscape of today's economic climate

- **Talent:** Proactively map existing and medium-term skill gaps and assist in securing talent
- **University:** Increase collaboration with universities to deliver/strengthen entrepreneurial curriculum
- **University:** Increase the effectiveness and synergies between Innovacorp and industry liaison office teams at universities and colleges across the province
- **University:** Create a student business incubator within the new Innovacorp Enterprise Centre on the Dalhousie campus

Threats

Potential threats to the organization's ability to deliver on its charter that weaken core strengths or pre-empt the successful pursuit of opportunities

- **Access to Capital:** Canada's venture capital track record and its impact on future investments
- **Access to Capital:** High number of undercapitalized venture-grade opportunities and their related inability to attract high-quality people and meet operational objectives result in a poor investment track record for the region
- **Capital:** Very few active local/regional private venture-capital investors
- **Clean Technology:** Challenging economic climate and relatively low energy prices diminish appetite for clean technologies among consumers and investors, impacting market, valuations, acquisitions, etc.
- **Financial:** Economy negatively impacts incubation clients' ability to pay for rent and services and mentoring clients' success; could also mean decreased revenue flows to Innovacorp if tenants were to move from its space or downgrade to smaller space
- **Financial:** Failure to complete the new Innovacorp Enterprise Centre on time (April 2011), creating a financial liability
- **Financial:** Level of reserves and writedowns relating to high-risk investments
- **Financial:** Decreasing commercial real estate rates combined with the growing trend of teleworking affects Innovacorp incubation infrastructure occupancy and therefore financial sustainability
- **Financial:** Risk that the Innovacorp Enterprise Centre costs more to construct than budgeted; could result in higher rent for tenants, a facility operating deficit, and loss of reputation with the government
- **Financial:** Unplanned requirement for significant capital investment (e.g., to repair incubation infrastructure) causes Innovacorp to use operational funding
- **Market:** Strength of the economic recovery globally, and specifically in the United States, affects both access to capital and access to market

- **Organization:** Senior management team turnover
- **Pipeline Management:** Inability to sustain a level of quality support to clients due to the significant increase in the potential client pipeline
- **R&D:** Low level of regional industry-led R&D continues to impede momentum of commercialization progress
- **Talent:** Ability of client companies to recruit and retain the required world-class go-to-market and management experience and expertise

Strategic Goals

Two broad strategic goals drive Innovacorp's activities:

- To fuel sustainable economic growth by enabling Nova Scotia knowledge-based companies to accelerate the commercialization of their technologies and increase competitiveness in export markets
- To collaborate with private and public partners to build a dynamic high-growth entrepreneurial culture in Nova Scotia

More specifically, Innovacorp's focus is to create, develop, and grow globally competitive knowledge-based companies to maximize the benefits shown here:

Nova Scotia Knowledge-Based Companies

Positive Nova Scotia GDP Impact
- 98% export oriented
- Capital investment attraction
- Local corporate purchasing
- Local wealth creation
- Sustainability of operations

Ability to Attract & Retain Talent
- High average per person payroll
- Diversity of jobs and career growth opportunities
- Employability of employees
- Urban and rural relevancy and impact

Provincial Tax Contributors

Clean & Green

Potential to Spin-out New Nova Scotia Companies

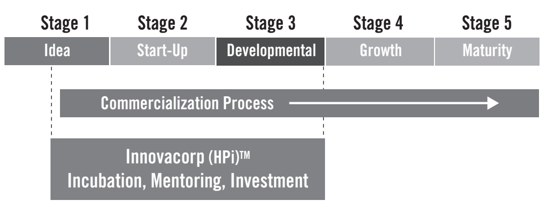
Core Business Areas

The High Performance Incubation (HPi)™ business model represents Innovacorp's core business offering. Recognized internationally as a best-practice approach to technology commercialization, the model comprises three interwoven resources—incubation infrastructure, business mentoring, and seed/venture capital investment—to help entrepreneurs overcome traditional hurdles to business growth.

Innovacorp focuses on high-potential opportunities that most closely meet the following criteria:

1. **Stage:** Nova Scotia early-stage company
2. **People:** Business plan credibility, management experience, and entrepreneurial track record
3. **Barrier:** Unique proprietary technology (product, system, and/or service) with defendable intellectual property and/or a high barrier to competitive entry
4. **Market:** Large national/international addressable market
5. **Fundability:** High probability of obtaining a fully funded business plan

Stages of Growth



Commercialization:
A sequence of strategic and tactical actions intended to achieve market entry and sustained competitiveness of new innovative technologies, products, and/or services.

Incubation

As an active member of the Canadian Association of Business Incubation (CABI) and the National Business Incubation Association (NBIA), Innovacorp manages three incubation facilities:

- The Technology Innovation Centre in Dartmouth targets companies in the information technology and engineering industries.
- The BioScience Enterprise Centre in downtown Halifax focuses on companies in the life-sciences industry.
- The grow-out facility at 101 Research Drive in Dartmouth is currently occupied by Ocean Nutrition Canada and Composites Atlantic.

Innovacorp has partnered with the Province of Nova Scotia and Dalhousie University to build a world-class incubation facility on the Dalhousie campus, with a target completion date of April 2011. This infrastructure will replace and build on the strong track record of Innovacorp's BioScience Enterprise Centre.

With an ideal blend of business services, professional development and networking opportunities, and relevant resources, Innovacorp's incubation facilities offer the infrastructure and environment that emerging technology companies need to grow.

Innovacorp's clients from across Nova Scotia, while not all physically located in our incubation facilities, can benefit from our business services and be candidates for our mentoring and investment opportunities.

In 2006–2007, Innovacorp completed Phase I of the Woodside Knowledge Park by accommodating the Ocean Nutrition Canada micro-encapsulation facility. During

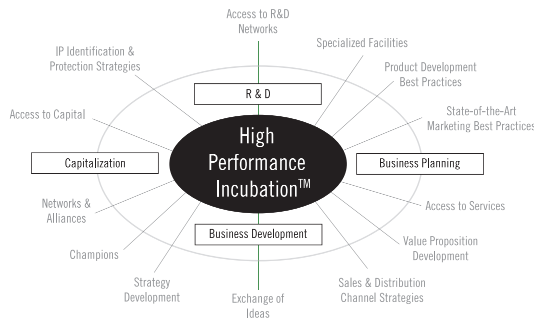
2008–2009, Innovacorp worked toward putting in place agreements to develop the Highway 111 Mount Hope extension, which will ultimately provide direct highway access to the Knowledge Park. Completion of this valuable link will allow Innovacorp to recruit additional businesses to the park, maximizing cluster synergies.

Going forward, we will look to optimize the facilities managed by Innovacorp to provide a critical mass of incubation infrastructure. We will further extend our reach by expanding our affiliate incubator network.

Affiliate incubators are defined as Nova Scotia incubation facilities that are owned and/or managed by a third party and meet Innovacorp's best-practice criteria. Innovacorp incubation experts will provide start-up and ongoing management consulting to these affiliates. Further, Innovacorp will develop an incubation community that has access to best practices, annual meetings, etc.

At the end of 2009–2010, Innovacorp's incubation facilities stood at 88 per cent occupancy. Tenants typically "graduate" from the incubation facility as they progress through the later stages of the business development cycle. In 2010–2011, Innovacorp will strive to maintain occupancy of its incubation facilities at approximately 90 per cent, enabling the corporation to offer incubation services to new clients and allowing for the tactical expansion of existing clients.

Innovacorp will pursue new recruitment, partnership, and other opportunities that the proximity and world-class infrastructure of the new Innovacorp Enterprise Centre on the Dalhousie campus will present.



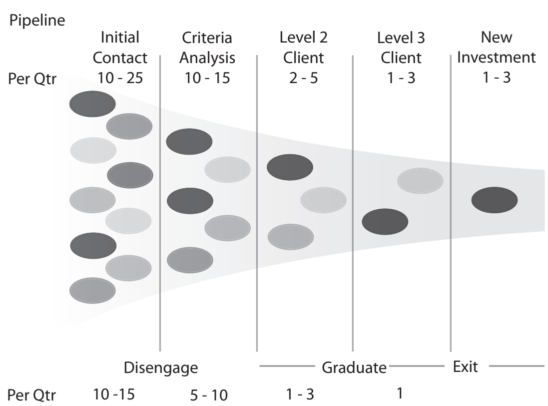
Mentoring

Through its business advisory services, Innovacorp offers high-potential early-stage technology businesses the hands-on support they need to grow. By leveraging Innovacorp's corporate knowledge base and our expanding network of private-sector advisors, our mentoring activities help clients find more direct and cost-effective paths to success.

Innovacorp uses a tailored approach to assisting entrepreneurs, meeting the unique requirements of each client during each stage of the business growth cycle. Our comprehensive suite of services includes fundamental business planning, intellectual property identification and protection strategies, access to specialized infrastructure, implementing product development best practices, financial and accounting management, cash flow management, value proposition development, pricing strategies, competitive analysis, state-of-the-art marketing techniques, website optimization, sales and distribution channel strategies, obtaining seed and venture capital, and human resource management strategies.

HPi Pipeline

In 2009–2010, Innovacorp provided advisory services and relationship management support to more than 184 Nova Scotia early-stage companies and reviewed and advised 68 university research-level projects.



This illustration depicts Innovacorp's typical client pipeline flow. During 2009–2010, Innovacorp further refined its approach to engaging new clients to achieve higher scalability. With this refined approach came the full operationalization of a client classification analysis, which was designed to efficiently identify high-potential clients and pinpoint business areas where clients need assistance.

To meet the needs of clients, in 2010–2011, Innovacorp will continue to strengthen its go-to-market expertise in key sectors, including information technology, life sciences, and clean technology.

Innovacorp will continue to leverage its refined internal processes and tools to maximize efficiencies and strategically expand the in-house team based on our clients' support requirements. Business expertise in the community and abroad will continue to be accessed to efficiently and effectively build a robust external mentoring network.

University and College Commercialization

In conjunction with Nova Scotia Economic and Rural Development, Innovacorp will continue to manage the Early Stage Commercialization Fund (ESCF) to review, advise, and support the early-stage technology commercialization of post-secondary institution research with a high probability of commercialization in the subsequent five years. Working closely with university industry liaison offices, the purpose of ESCF is to provide funding and go-to-market support for projects demonstrating readiness to advance a technology that has achieved, or is close to achieving, a prototype/proof-of-concept stage and is approaching market readiness with a possibility of attracting industrial partners and/or investment. The prospect of generating a new revenue stream must also be apparent.

ESCF Objectives

- To promote and accelerate technology transfer activities in Nova Scotia's post-secondary academic institutions
- To provide the opportunity to assess the commercial potential of intellectual property
- To narrow the gap that exists at the very beginning of the commercialization process, and enable projects to move closer to industry collaboration and/or technology spinoff

In round two of the 2009–2010 edition of the Early Stage Commercialization Fund, Innovacorp, in partnership with the Atlantic Canada Opportunities Agency (ACOA), BioNova, and the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP), offered additional funding specifically for the commercialization support of medical technologies. Medical technologies include medical devices, imaging, and diagnostics, but do not include other health-related work such as drugs or vaccines.

Innovacorp will also use its experience and expertise to positively influence post-secondary curriculum development in the areas of business planning and commercialization strategies. The corporation will continue to further post-secondary innovation programs by forging and maintaining mutually beneficial relationships with Nova Scotia's universities and colleges.

Innovacorp will continue to broaden and deepen its level of assistance in the promotion of business-building curriculum through further interaction with the educators themselves. Over the past year, we have had overwhelmingly positive feedback for our direct engagement in the classroom setting. We will chart a course to build on those experiences by increasing our level of engagement in the classroom through guest lecturing and entrepreneurial business case presentations and discussions.

I-3: Idea, Innovation, Implementation

Created and managed by Innovacorp, the first pilot I-3 Technology Start-Up Competition, which targeted Cape Breton innovators, was launched in March 2006. This initiative was designed to encourage and support Nova Scotia entrepreneurs. The competition generated more than 75 inquiries and 18 formal submissions. Entries came from across Cape Breton and ranged from medical devices and industrial and energy innovations to information and communications technologies.

In 2007–2008 and then again in 2009–2010, Innovacorp held a provincial I-3 competition to identify and support high-potential early-stage Nova Scotia companies and to help fuel entrepreneurial activity across the province. Both provincial competitions took place simultaneously in five geographic zones and attracted 121 and 133 formal submissions, respectively.

During the planning stages of both provincial competitions, Innovacorp developed partnerships with more than 25 professional service firms from across Nova Scotia to deliver in-kind business building services to I-3 first and second place zone winners. These firms are located in the communities in which the entrepreneurs reside and operate and have provided hands-on business-building guidance and assistance to the winners in their region in the form of legal, accounting, marketing, human resource, and other consulting services.

I-3 Competition Learnings

- I-3 submissions primarily fell into four industry sectors: information technology, life sciences, clean technology, and advanced manufacturing.
- I-3 submissions were generally evenly split between business-to-consumer (B2C) and business-to-business (B2B) customer segments.
- 60 per cent of I-3 submissions had working prototypes or were in market.

In 2010–2011, as was the case in 2008–2009, Innovacorp will work to categorize and provide relevant support via its HPi business model to the highest potential I-3 submissions, giving them access to our commercialization expertise. All I-3 submissions were provided value-added guidance that will allow them to take the next positive steps for their initiatives.

It is Innovacorp's intention to conduct another I-3 competition in 2011–2012.

R&D and Commercialization

Innovacorp will continue to play a key role in moving the industry-led R&D agenda forward. The level of R&D performed by industry in Nova Scotia is the second lowest in the country. The Canadian industry-led R&D level average is 1.12 per cent of GDP, while Nova Scotia sits at 0.30 per cent. For Nova Scotia's future prosperity, it is critical to ensure that industry innovates and commercializes products and services for export markets. Key stakeholders must understand why industry conducts R&D, especially the "D," at this low level. Further, these stakeholders must work to exploit strengths and minimize weaknesses in this area.

Innovacorp is an ongoing member of the review panel for the Springboard Fund Awards, providing input and recommendations on applications. Each year, the Springboard Fund Awards provide up to $30,000 in funding for early-stage inventions and investment-ready technologies to provide researchers and primary investigators with the needed seed money to commercialize their research.

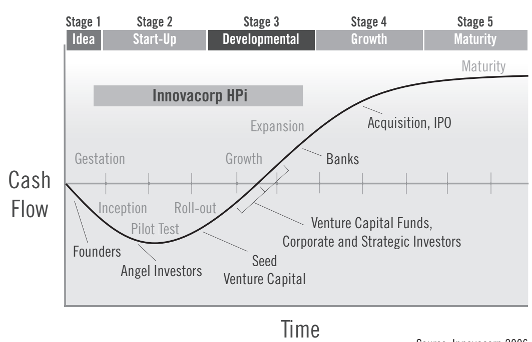
The organization is also a selection committee member for the Innovation and Commercialization of New Opportunities for Agri-Based Products, an initiative created by the Nova Scotia Department of Agriculture.

In 2010–2011, Innovacorp will continue to provide SR&ED technical assistance in partnership with expert third-party financial advisors to ensure that our client companies are maximizing the benefits of this important tax credit. The organization will also work to ensure that other barriers to conducting R&D are understood and ultimately eliminated.

Investment

The Nova Scotia First Fund (NSFF) provides early-stage high-growth-potential companies with timely venture investments that range from $100,000 up to $3 million over the life cycle of the investment. Its objective is to maximize return on investment for Nova Scotia while contributing to the growth of the province's economy. Managed by Innovacorp, the fund has leveraged more than $105 million in risk and venture capital. Since its recapitalization in 2003–2004, the fund has leveraged $33.6 million of investment ($13.2 million from outside Atlantic Canada) from financial institutions, strategic and angel investors, and other seed and venture capital funds for early-stage high-growth companies.

ACCESS to CAPITAL



Source: Innovacorp 2006

The NSFF's positive impact on Nova Scotia's innovation capital markets is significant. As an active seed and venture capital player, Innovacorp has played an important part in significantly increasing the amount of capital invested in Nova Scotia high-growth companies. Nova Scotia companies raised $7 million in venture capital financing in 2004. In 2005, they raised $18.7 million. In 2006, that number further increased by more than 40 per cent to reach $24 million. While the amount raised by Nova Scotia companies levelled off in 2007 to $18 million and in 2008 to $17 million, the amount increased to nearly $25 million in 2009 (Source: Thomson Financial, 2010). While we are pleased to see the marginal increase in capital raised over the last 12 months, Atlantic Canada–based venture-grade companies continue to be undercapitalized compared to competing U.S.-based and Canadian companies.

Innovacorp will continue to actively seek investment opportunities that offer the best potential for commercial success and financial sustainability. To this end, the corporation will strive to align Nova Scotia's risk capital environment and expectations with those of other jurisdictions, leading the way in capitalizing fully funded business plans, encouraging investment in stellar seed and growth-stage venture-grade opportunities, securing private sector capital, and fostering conditions that position entrepreneurs for financing in future stages of company growth.

Innovacorp will foster an environment that will enable Nova Scotia to further gain and maintain private sector credibility in global early-stage and venture capital markets, and it will help create the necessary conditions for efficient private-sector risk-capital markets in Nova Scotia and Atlantic Canada.

Priorities for 2010–2011

In 2010–2011, Innovacorp strengthened its role as the go-to organization for technology commercialization.

Through scaling our services and increasing the value we bring to collaborations with academic institutions and the private and public sectors, Innovacorp will increase its overall capacity and quality of services in 2010–2011 to create, develop, and grow globally competitive knowledge-based companies through six priorities:

1. **Access to High-Quality Support:** Ensure quality-focused client pipeline management
2. **Access to Capital:** Maximize the economic impact of the Nova Scotia First Fund
3. **Access to Infrastructure:** Operationalize the new Innovacorp Enterprise Centre
4. **Access to Talent:** Ensure client companies have access to globally competitive go-to-market expertise
5. **University Research Commercialization:** Engage university and college system to maximize commercialization potential of applied research
6. **Innovacorp Organizational Continuous Improvements**

Ensure Quality-Focused Client Pipeline Management

Current State: The Innovacorp HPi™ business model is recognized internationally as a best-practice technology-commercialization approach. The brand reputation of Innovacorp with key stakeholders is very positive. Innovacorp's proactive pipeline building activities, including the I-3 Technology Start-Up Competition, are attracting hundreds of prospective clients per year. Given the current and expected level of human resources, it is difficult for the organization to properly assess these prospects, engage or disengage them, and offer them value-added guidance, all while providing high-quality mentoring to our highest-potential existing clients. Expectations from prospective clients and existing clients will not be, and in some cases are already not being, met.

Desired State: A minimum of 75 per cent of mentoring and investment human resources is applied to Innovacorp's top 25 clients. Prospective clients are assessed in a timely, professional manner.

Innovacorp plays a key enabling role in building and strengthening Nova Scotia's knowledge economy, measured in export revenues, direct high-value employment, and client satisfaction. The Innovacorp HPi business model is the most effective technology commercialization practice in North America.

In 2010–2011, Innovacorp will

- develop and execute a "Top 25 Clients" plan; refine, develop, and resource client action plans; track on-time milestone completion and quality level; refine senior management engagement role, decision making governance, and the role of biweekly meetings; report progress quarterly
- design and implement Client Relationship Management 2.0 to ensure maximum cross-functional leverage and pipeline management efficiency
- proactively implement Innovacorp mandate-relevant portions of the province's Core Priority Economic Initiatives in the areas of high-value jobs, sector development, productivity and innovation, and trade
- secure additional Regional Development Authority (RDA) partnerships to improve our visibility and capacity in northern Nova Scotia rural areas
- ensure optimum incubation facility occupancy levels
- proactively benchmark Innovacorp's HPi business model and/or its components with the best in the world
- achieve chartered director certification from The Directors College for one senior management member

Maximize the Impact of the Nova Scotia First Fund

Current State: According to CVCA (Canada's Venture Capital & Private Equity Association), the amount of capital invested in Canadian knowledge-based companies is less than half of that invested in those based in the United States, and Atlantic Canadian investment rounds are half the size of the Canadian average. Yet Atlantic Canadian companies must compete globally against more appropriately funded ones. The current state of the equity markets creates a situation where the risk profile of even the highest-potential Nova Scotia knowledge-based companies is such that they will find it extremely difficult to access capital. In addition, there are very few "for-return" funds active in Nova Scotia and the rest of the Atlantic region, putting emphasis on the need to further scale the HPi business model.

Innovacorp's role as a seed and early-stage investor is more critical now than ever. Syndication on deals is expected to be difficult, as is achieving the 1:3 leverage ratio (for every dollar invested by Innovacorp an additional three dollars would be invested by syndicate partners). In 2009–2010, the Province of Nova Scotia made a long-term commitment to the Nova Scotia First Fund (NSFF). With the goal to further leverage the impact and capitalize on the performance of the fund, the province committed an additional $30 million to the NSFF. In 2009–2010, the NSFF approved and committed to invest $2 million in Cycle Capital—an $80 million clean-technology venture fund. The investment has formalized a strong relationship with the managers of Cycle Capital and the other limited partners in the fund.

Desired State: The NSFF is managed in a manner that provides maximum benefit to the Nova Scotia economy and fully capitalizes on available operational expert advice. Innovacorp plays a key role in improving Nova Scotia's innovation capital markets. The NSFF is engaged with partner funds to increase the venture capital pool necessary to build and monetize competitively capitalized venture-grade opportunities.

In 2010–2011, Innovacorp will

- structure and operationalize the 10-year, $30 million NSFF commitment (OIC 2009–228) with the Department of Finance
- develop and execute a "Top 25 Clients" plan; refine, develop, and resource client action plans; track on-time milestone completion and quality level; refine senior management engagement role, decision making governance, and the role of biweekly meetings; report progress quarterly.
- co-develop, with other potential fund limited partners, an investment thesis for an Atlantic Canada-based venture fund

Operationalize the New Innovacorp Enterprise Centre on the Dalhousie Campus

Current State: Innovacorp and its life-sciences-oriented resident clients will vacate the existing BioScience Enterprise Centre on the Halifax Waterfront by April 2011 and relocate to the newly constructed Innovacorp Enterprise Centre on the Dalhousie campus. Funding to support the operational lease costs and initial fit up for the new facility has been secured for a 20-year period from the province through an order-in-council. The transition of existing resident clients to the new facility will not ensure financial sustainability. Recruiting new resident clients to the existing BioScience Enterprise Centre is increasingly difficult due to the relatively short time until the replacement facility opens.

Desired State: Innovacorp ensures that the new facility reaches its full potential in the shortest amount of time while ensuring both operational and financial sustainability.

In 2010–2011, Innovacorp will

- ensure on-time, on-budget construction of the new Innovacorp Enterprise Centre

- secure funding from partner organizations to cover unforeseen expenses
- develop and execute an operational plan for the new facility to ensure appropriate staffing, access, security, and building services refinements, tenant leasing strategy, etc.
- develop and execute a client/tenant recruitment marketing plan that will be used to ensure optimal client mix and occupancy level
- develop and execute a transition plan that will ensure that existing BioScience Enterprise Centre client requirements as well as technical and other financial sensitivities are identified and managed
- collaborate with NSBI Investment Attraction to identify, recruit, and secure specific R&D-oriented companies from key industry sectors
- create a student business incubator within the new Innovacorp Enterprise Centre on the Dalhousie campus

Ensure Globally Competitive Go-to-Market Expertise

Current State: Knowledge-based companies seeking to compete globally require globally competitive business-building expertise. The required expertise ranges from finance to product management and business development to sales and marketing. While Atlantic Canada is home to several globally competitive companies, there is a shortage of relevant, proven state-of-the-art business-building skills available for early-stage knowledge-based companies. The majority of local early-stage knowledge-based companies possess relevant technical expertise, and most have at least a high level of industry expertise, but few have the required relevant business-building capabilities. The result is that start-up companies are unable to successfully commercialize their products and services.

Desired State: Nova Scotia companies have access to world-class go-to-market talent and are able to leverage this talent to build and capitalize their ventures. People with such talent see Nova Scotia as a place where they can fulfill their careers.

In 2010–2011, Innovacorp will

- position itself as a willing broker and matchmaker for business-building talent
- identify educational partners that can address specific skills gaps, and develop skill strategies with partners
- develop and execute a talent-building initiative to leverage experience within regional industry leaders
- leverage university and Nova Scotia Community College relationships to guide the creation and development of regional skills gap programs and strategies
- implement a talent requirement tracking tool within Client Relationship Management 2.0 to attract, retain, and develop talent prospects

- prioritize skills gap requirements for all clients and assist them with acquisition of their top two requirements

Engage University and College System to Maximize Commercialization Potential of Applied Research

Current State: Nova Scotia is home to 11 universities and a strong community college system with 13 campuses across the province. More than $130 million in research is conducted across these institutions each year. While the local economy certainly benefits from the education of students, the attraction of world-class researchers, and the direct and indirect employment generated by post-secondary institutions, the economic benefits derived specifically from applied research are relatively low. Innovacorp has systematically intensified its engagement with post-secondary institutions over the past four years and is now supporting and tracking 68 active projects with high commercialization potential.

Desired State: Nova Scotia universities and colleges are known nationally for their innovative engagement of the business community, business-building curriculum, and the flow of applied research toward commercial products.

In 2010–2011, Innovacorp will

- develop and implement the Early Stage Commercialization Fund (ESCF) 4.0, implementing refinements to also attract hospital-based medical applied research
- proactively secure guest speaker opportunities to share with students the innovative Nova Scotia knowledge-based businesses and support infrastructure
- increase collaboration with universities to deliver and strengthen the entrepreneurial curriculum
- leverage database of research projects in post-secondary institutions and proactively reach out to those involved in highly commercializable projects
- collaborate with co-op program managers to place students in client company environments
- publish two additional Atlantic Canada–oriented business case studies
- create a student business incubator within the new Innovacorp Enterprise Centre on the Dalhousie campus

Implement Innovacorp Organizational Continuous Improvements

Current State: Innovacorp is well on its way to being a high-performance organization that measures itself internally and externally to ensure it understands its strengths, weaknesses, opportunities, and threats. The organization will continually look for areas to improve its operations.

Desired State: Innovacorp will identify and refine those operational areas that have the highest potential to improve customer and supplier satisfaction while reducing costs.

In 2010–2011, Innovacorp will

- design and implement a refined performance-management system
- operationalize risk management through assigning risk management areas to functional areas through performance management
- operationalize the top two recommended outputs from the employee survey
- operationalize the top two recommended outputs from the client survey
- develop and execute an IT service marketing plan to maximize the leverage of the information technology infrastructure and services, including the server room, back-up power, back-up services, and IT support staff
- manage operations efficiently to the approved 2010–2011 operational budget within 2 per cent
- implement Innovacorp's carbon footprint reduction plan
- ensure appropriate brand visibility and credibility with key stakeholders
- ensure the completion of the Highway 111 interchange and related services to Mount Hope Drive

Budget Context

Financial Management

Innovacorp is strongly committed to achieving its financial targets. To this end, the organization works with the Province of Nova Scotia and partner agencies to strategically leverage its assets in support of economic development initiatives.

	Estimate 2009–10 ($)	Forecast 2009–10 ($)	Estimate 2010–11 ($)
Revenues			
Provincial funding	4,535,000	4,535,000	4,592,000
NS funding recognized (deferred) re capital assets acquired	110,000	110,000	125,000
Incubation	1,614,000	1,520,000	1,522,000
Mentoring	125,000	148,500	175,000
Investment	0	52,500	12,000
Product engineering	255,000	255,000	0
Software sales and services	530,000	530,000	0
	7,169,000	7,151,000	6,426,000
Expenses			
Incubation	1,731,000	1,620,000	1,572,000
Mentoring	1,363,000	1,283,800	1,383,000
Investment	623,000	490,000	506,000
Product engineering	227,000	226,139	0
Software sales and services	457,000	436,220	0
Corporate services	1,809,000	2,010,840	2,015,000
	6,210,000	6,066,999	5,476,000
EBITDA			
Provincial funding	4,535,000	4,535,000	4,592,000
NS funding recognized (deferred) re: capital assets acquired	110,000	110,000	125,000
Incubation	(117,000)	(100,000)	(50,000)
Mentoring	(1,238,000)	(1,135,300)	(1,208,000)
Investment	(623,000)	(437,500)	(494,000)
Product engineering	28,000	28,861	0
Software sales and services	73,000	93,780	0
Corporate services	(1,809,000)	(2,010,840)	(2,015,000)
	959,000	1,084,001	950,000

	Estimate 2009–10 ($)	Forecast 2009–10 ($)	Estimate 2010–11 ($)
Non-Operating Items			
NSFF total return	(151,000)	(1,232,000)	(128,000)
Post-retirement benefits and Long Service Award	(216,000)	(216,000)	(235,000)
Amortization	(491,000)	(486,000)	(479,000)
Interest income (expense); dividends and capital gains (losses)	(376,000)	(376,000)	(383,000)
	(1,234,000)	(2,310,000)	(1,225,000)
Surplus (Deficit)	**(275,000)**	**(1,225,999)**	**(275,000)**

Outcomes and Performance Measures

This section outlines the performance measures that Innovacorp will track in 2010–2011. Using 2005–2006 as a baseline, these economic impact, client satisfaction, and leading indicator metrics will provide an indication of how well the strategic goals are being met. The priorities and the operational plan to achieve them are presented in this document under the section titled Priorities for 2010–2011.

Measure	Base Year 2005–06	Actual 2006–07	Actual 2007–08	Actual 2008–09	Target 2009–10	Estimate 2009–10	Target 2010–11
Economic Impact Metrics							
Revenue generated by client companies:							
While most of Innovacorp's clients are early stage companies, this measure tracks the annual revenue, measured in millions of Canadian dollars, generated by current and graduate client companies.	$120 million	$174 million	$225 million	$278 million	$275 million	$279 million	$300 million
Employment generated by client companies:							
This measure tracks the annual employment generated by current and graduate client companies.	860	1183	1500	1447	1600	1467	1600
Total employment payroll of current and graduate client companies:	$40 million	$52 million	$62 million	$62 million	$70 million	$64 million	$70 million
Amount of Nova Scotia First Fund (NSFF) leveraged investments:							
From February 1996, the cumulative amount of investment made in client companies in which investments were made by the NSFF, measured both in ratio and in millions of Canadian dollars. Innovacorp's stated goal is to achieve a ratio of 1:3, meaning that for every $1 invested by the NSFF, $3 would be invested by syndicated investors.	$83.8 million	$93.0 million	$96.3 million	$101.3 million	$106 million	$105 million	$110 million
Client Satisfaction Metrics							
Percentage of clients satisfied with Innovacorp services overall:							
Measured annually through a survey conducted by an objective third party, clients are asked for their feedback on Innovacorp's performance and value-add. At the end of the survey, clients are asked to rate their overall satisfaction with the services provided by Innovacorp. This metric is considered a key indicator of Innovacorp's value-add.	89%	92%	92%	96%	91%	96%	91%

Measure	Base Year 2005–06	Actual 2006–07	Actual 2007–08	Actual 2008–09	Target 2009–10	Estimate 2009–10	Target 2010–11
Percentage of clients that would recommend Innovacorp to a business colleague: Measured annually through a survey conducted by an objective third party, clients are asked for their feedback on Innovacorp's performance and value-add. At the end of the survey, clients are asked whether they would recommend the services of Innovacorp to a friend or colleague. This metric is considered a key indicator of Innovacorp's value-add.	90%	93%	88%	96%	91%	89%	91%
Leading Indicator Metrics ***Number of early-stage Nova Scotia-based companies Innovacorp engaged during the fiscal year.***	85	106	158	198	175	184	175
In addition to the companies referenced above, Innovacorp provided value added guidance to a number of companies that made submissions to the provincial I-3 competition.			121		100	133	
Number of new clients	12	15	11	9	15	11	13
Number of active HPi™ clients	30	38	43	45	50	48	55
Incubation occupancy levels	85%	91%	87%	90%	90%	88%	90%
Number of clients exporting products/services internationally	42	47	46	51	51	51	51

Note: The metrics provided are based on information and estimates gathered from Innovacorp client companies.

Crown Corporation

BUSINESS PLANS

FOR THE FISCAL YEAR 2010–2011

Nova Scotia Business Incorporated

Business Plan 2010–2011

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Message from the CEO

Economic pressures, shifting demographics, and the growing strength of emerging markets continue to make a compelling case for focused, aggressive business development.

A diversified economy, buoyed by foreign direct investment, the creation of higher-paying jobs, plus strong public sector employment have insulated Nova Scotia from the most severe effects of the economic downturn. However, as public stimulus money begins to dissipate, other jurisdictions are reinforcing their efforts to attract additional private-sector investment and jump-start their economies. In order to maintain Nova Scotia's competitive position, NSBI needs to continue to be aggressive and achieve results.

With more than eight years of experience, NSBI adds its expertise of how trade and investment attraction work together to create opportunities for domestic businesses and to attract investment. The efforts of NSBI's operating departments combine strategically to drive value that goes beyond an initial investment, trade program, or growth opportunity. We understand the importance of aligning our business financing efforts to encourage and support productivity and innovation. And we know how dwindling capital markets affect venture capital and prevent mid- to late-stage companies from commercializing and leveraging additional investment.

In NSBI's 2010–2011 business plan, the agency focuses on the following priorities: sector development, regional growth, market intelligence, and portfolio management.

From the investment perspective, NSBI's strategy is to attract anchor companies in the sectors of defence, security, and aerospace; information technology; and financial services. Doing this allows Nova Scotia to build clusters, grow capacity, and create opportunities. The results so far: Nova Scotia now has the world's top three defence companies, the top insurance company, the top IT company, and top hedge-fund administration companies here.

The focus now is about alignment and leverage. By continuing to work with post-secondary and training partners, we can ensure alignment between programs and job opportunities in our target sectors—now and in the future. By growing our domestic supplier base, we can facilitate partnerships with our anchor companies and leverage these strengths to attract more investment.

One of the most important elements of this year's business plan is the shift toward portfolio management. With foreign direct investment trending down and the number of investments from existing companies increasing, it makes sense to mine our existing client base for future opportunities.

The economic downturn reduced trade volumes across the country and highlighted our dependence on the U.S. as our primary trading partner. The economic reality also reinforced the importance of NSBI's regional growth agenda. In addition to adapting its programs, tools, and services, NSBI will continue to support Nova Scotia companies in addressing productivity gaps and the need for innovation. The business finance and business advisory teams will press forward, assisting companies in purchasing new equipment, undertaking productivity enhancements, and process improvements—with the intent of building stronger, more competitive companies. Similarly, our trade team is focused on encouraging more companies to export and penetrate new markets with the strongest potential for their products and services. With our partners, NSBI has made progress in helping companies explore markets in Asia, the Caribbean, Europe, the United Arab Emirates, and South America.

Understanding what you have to sell and who wants to buy it is central to NSBI's investment readiness initiative. Working with the regional development authorities and other economic development partners across the province, NSBI is developing an investment portal, a web-based business tool that maps out Nova Scotia's assets, uses consistent branding, and supports the investment strategies of all parties. Going forward, this web-based tool will assist decision makers in determining how investment in key assets and opportunities could yield results.

And speaking of opportunities, in line with the province's goal of a greener future, NSBI has dedicated staff resources to explore green opportunities as well as the possibility of adding environmental technology to our list of key sectors. Understanding how going green can open new markets and generate investment is critical to our companies and our province. It also underscores the importance of another priority identified in our business plan: market intelligence.

Nova Scotia companies are demanding more information before undertaking productivity enhancements or exploring new markets. Market intelligence, especially in a more competitive global environment, is key to identifying and securing future investment opportunities.

Just like our clients, NSBI believes market intelligence can help zero in on the right programs and targets to drive results. The market intelligence generated from working with our clients also assists our partners and informs our decision making. This supports more strategic use of resources as well as identification of future opportunities.

Overall, we must sharpen our domestic focus and, at the same time, continue to attract new investment. It's not one or the other; it's both. And both are critical for driving our economy forward.

Sincerely,

Stephen Lund
President and CEO

Mission

To deliver client-focused business solutions that result in sustainable, value-added economic growth for Nova Scotia

Vision

As Nova Scotia's private-sector-led business development agency, Nova Scotia Business Inc. (NSBI) works with businesses to help them grow and prosper. NSBI attracts new companies to Nova Scotia and helps local companies meet their growth potential through advisory services, trade development, financing, and venture capital.

NSBI's vision

A strong, prosperous and competitive Nova Scotia

The primary goal is to expand business activity in Nova Scotia. In doing so, NSBI will

- raise the level of wealth and prosperity for the people of Nova Scotia
- increase revenues for the Province of Nova Scotia

Corporate Mandate

To promote economic development in the province through

- business development, retention, and expansion
- the attraction of new businesses to the province
- trade development and expansion

NSBI was created in 2001 to take a fresh approach to improving the economic opportunities available to all Nova Scotians. Recognizing the state of the global economy and the province's fiscal and demographic challenges, NSBI's work to strengthen businesses and assist their growth in Nova Scotia takes on greater relevance during these uncertain times.

In 2007, NSBI introduced its second five-year plan, outlining how the organization would continue to work with businesses and partners to identify new opportunities through trade development, business advisory services, business financing, venture capital, and investment attraction. In doing this, NSBI committed to

- assisting regions to attract the right type of investments
- assisting NSBI clients to create employment for Nova Scotia's highly skilled workforce

- assisting Nova Scotia business in becoming more productive and competitive

NSBI's key accountability metric has evolved. The original focus was the creation and maintenance of jobs; NSBI is now focused on the total payroll created and retained by clients. As NSBI executes its five-year plan, the agency continues to work with companies to create well-paying jobs, generating higher payroll tax revenues for the province and leading to long-term, sustainable economic prosperity.

Planning Context

New Government

In 2009, the government convened the Nova Scotia Economic Advisory Panel to provide advice on establishing priorities to combat the province's fiscal challenge, to address the economic recession, and to provide strategic objectives and options for working with the federal government and other Atlantic provincial governments. The panel outlined several options: pursue tax increases, reduce spending, and grow the economy. The panel also recognized the importance of a strong Halifax and encouraged government to continue to fuel Nova Scotia's economic engine.

State of the Economy

NSBI considered the following key economic risk factors during the development of its 2010–2011 business plan:

- Weak demand for the province's natural resources and manufactured goods, combined with falling commodity prices, have taken a toll on many areas of the province. Continued strengthening in the U.S. economy in 2010 should provide a much-needed boost to Nova Scotia's key exports.
- The province has strong sectors in finance services and IT, which stand to benefit from an upturn in global demand.
- Year over year, the unemployment rate in Nova Scotia has increased from 8.9 per cent in January 2009 to 9.8 per cent in January 2010. Employment decreased by over 6,000 during this period, in large part due to layoffs in Nova Scotia's manufacturing sector.
- In 2009, Halifax has shown diversified sources of economic growth and reduced vulnerability to economic shocks. Year over year, the unemployment rate in Halifax Regional Municipality has increased from 5.4 per cent in January 2009 to 6.1 per cent in January 2010. Employment has actually increased by more than 700 during this period; the unemployment rate has increased due to a growing labour force.

- The consensus of Canada's big five banks forecast Nova Scotia's 2009 GDP growth at negative 1.6 per cent, while the forecast national GDP growth was negative 2.5 per cent. The economic view for Nova Scotia is slightly less optimistic in 2010, with forecast GDP growth at 2.2 per cent, while Canada is expected to grow by 2.5 per cent.
- The productivity growth rate in Nova Scotia has slowed from 2000 to 2007. The three main drivers of productivity are labour quality, capital expenditures, and multifactor productivity.
- Rising commodity prices may push the Canadian dollar to parity with the U.S. dollar and beyond.
- As North America climbs out of one of the most severe recession in the post-war period, there has been a much lower tolerance for risk in the market and less capital available. This has an adverse effect on Nova Scotia companies searching for equity capital, as well as those seeking debt financing.
- Trade to the United States has decreased; more companies in Nova Scotia need to diversify their markets, lessening their over-reliance on the U.S. market alone.

Many analysts have stated that Nova Scotia has escaped 2009 with limited damage to its economy (real GDP and employment). However, the same cannot be said for all regions of the province. Strong business and economic development is needed in all regions of Nova Scotia to assist with economic recovery.

Availability of Capital

Access to capital is consistently identified as one of the top three issues by the Business Retention and Expansion survey of companies across the province. NSBI helps to fill the gap. For example, NSBI has been much more active in the venture capital arena than we expected when we commenced operations in 2001. A number of closures and acquisitions have changed the local investment landscape, including the closure of the Business Development Bank of Canada investment operation in Halifax; the Telecom Applications Research Alliance (TARA), which is inactive; and the acquisition of ACF Equity by Growth Works Atlantic Fund. NSBI's sister Crown corporation InNOVAcorp is an active early-stage equity investor. In fact, that corporation frequently looks to NSBI for follow-on investment of its portfolio companies as they mature. Consequently, NSBI has been the most active venture capital investor in the province.

In addition to venture capital, NSBI has a business finance group, which has been more active during the past year as companies are increasingly challenged to finance their operations and take advantage of growth opportunities. The members of the business finance team work with businesses to explore ways of improving or modifying products and services in order to better meet the needs of Nova Scotia companies.

Increased Competition

- Nova Scotia companies and the province as an investment jurisdiction are experiencing increased competition:
- Total global foreign investment is down approximately 20 per cent year over year. With more than 10,000 investment development agencies/jurisdictions competing for fewer than 14,000 greenfield projects, there is much more competition within investment attraction.
- Total foreign direct investment (FDI) in Canada is down approximately 59 per cent year over year. This is due to fewer FDI deals from the U.S. market and more FDI deals going to emerging markets (Brazil, Russia, India, China, and Southeast Asia).
- Economic world activity will be increasingly driven by China, India, Brazil, and other emerging powerhouses. Their production and investment decisions are already having a major impact on world trade, commodity prices, and financial markets. These emerging markets are in the process of rapid growth and industrialization.
- The great divide in performance between G7 and emerging nations (remainder of the G20) has the potential to heighten friction over international trade and investment, which have been powerful drivers of the global economy over the past two decades.
- Buy America: Canada reached a deal with Washington to address the “Buy America” policy keeping Canadian firms from accessing state and local projects funded by Washington’s anti-recession stimulus program. Most of Washington’s stimulus funding was spent before the two countries reached a deal in February 2010. The deal might apply to any new stimulus funding approved by the U.S. Congress, but that is subject to further negotiation.

Increased competition for FDI demonstrates how critical it is for NSBI and the province to be more aggressive in their business development initiatives.

The Green Economy

NSBI considered the following key green economy factors during the development of its 2010–2011 business plan:

- As countries around the world, including Canada and the United States, seek to decrease their reliance on hydrocarbons, emerging cleantech and green technologies are generating more attention.

- Global investment in cleantech has increased from less than $500 million in 2001 to more than $8.2 billion in 2008 and represents 15 per cent of all venture capital activity.
- Innovation, the act of doing things better, faster, cheaper, and greener, is not restricted to the creation of new products; it can refer to changes in technologies, products, services, and processes.
- Environmental awareness and long-term sustainability are the foundation for corporate social responsibility (CSR). Organizations can strategically use CSR to meet changing customer attitudes and supply-chain standards.
- Major corporations such as Walmart are demanding that their clients' supply chains become greener. To remain competitive, Nova Scotia companies must be proactive and engage in the green economy.

As Canadian and international jurisdictions adopt increasingly stringent environmental standards, Nova Scotia companies should look at environmental compliance as an opportunity for competitiveness and innovation, as well as long-term sustainability.

Demographics

Nova Scotia's population is getting smaller, older, and increasingly more urban. By 2033, seniors (65 years and older) are projected to make up 29 per cent of the population. Youth (up to 17 years of age) are projected to constitute just 15.2 per cent of the population.

The predictable consequence of an aging population is a smaller workforce. A smaller workforce means provincial tax revenue would decrease, unless overall salaries are higher. Well-paying, high-value jobs in high-growth sectors are critical to retain residents and to repatriate and attract people to the province.

Changes in Key Cost Drivers

- There has been a significant uptake in the programs offered by NSBI's trade development unit in 2009–2010. The demand from domestic businesses exceeded the 2009–2010 trade development budget. Demand for trade missions and programs such as the Export Prospector program exceeded the budget in the current fiscal year.
- Reduced funding from some of NSBI's partners in 2010–2011 could create cost pressures.
- NSBI's collective agreement with the NSGEU expires March 31, 2010. We expect to be entering into negotiations with our bargaining unit early in fiscal 2011.

Strategic Goals

Continued focus on increasing payroll through higher-paying jobs

NSBI's key strategic goal is to work with clients to increase overall payroll. Within the increased payroll is the creation of high-value jobs for Nova Scotia residents. High-value jobs are not just about the job itself but also about the company that provides that job. The job itself should be knowledge intensive, with high skill levels, and have an above-average salary. This definition encompasses IT firms as well as resource-based operations applying technology to be more competitive and innovative.

Beginning April 2007, NSBI set an aggressive target of $800 million in total client payroll created and maintained over a five-year period, through to April 1, 2012. NSBI also set an ultimate goal of helping its clients create and maintain $1 billion total payroll by 2013. As of the end of year three, NSBI forecasts to have helped create and maintain a total of approximately $410 million in payroll.

To maximize return on investment

NSBI generates a positive return. We're trying to accomplish two things: generate incremental net economic benefit in Nova Scotia through jobs and spinoff benefits and generate a return on investment for the Government of Nova Scotia.

Whether we're making a venture capital investment or a term loan or a payroll rebate, we must demonstrate financial return. With a venture capital investment, we're trying to do exactly the same thing, but the fiscal return we expect, and the economic return we expect, have to be commensurate with the level of risk we're taking. By its nature, venture capital is higher risk than term debt; however, venture capital is important in the right set of circumstances to generate the kind of growth we're looking for economically.

Our goal is to focus our programs and activities on opportunities with the highest potential to generate returns and to allocate our resources to achieve efficiencies.

Core Business Areas

NSBI's core focus is to **work directly with businesses to deliver results for the province**. To achieve this, the organization offers customized, client-focused solutions through its core business expertise: business advisory services, trade development, business financing, venture capita1, and investment attraction. This five-point structure is key to achieving the right combination of expertise to service NSBI's domestic and international clients. This approach enables NSBI to achieve the desired payroll and high-value results.

Business Advisory Services

The NSBI domestic operations group works with established Nova Scotia companies to provide business advisory services and financial assistance by way of business loans and payroll rebates to eligible candidates. NSBI's business advisory team consists of six representatives throughout the province. This team of professionals works with local companies to understand their challenges and introduce them to the variety of programs and services available to help meet their needs. While the advisors are primarily active in educating companies with respect to NSBI products and services and assist the business finance team in the distribution and implementation of the various loan/rebate programs, they also have a high level of knowledge and awareness of other NSBI services as well as the wide range of programs available through other provincial and federal departments and agencies.

Business Financing

Also in the domestic operations group, NSBI's business finance team provides loans, guarantees, and rebates to Nova Scotia companies. The lending program is designed in part to supplement the commercial products in the marketplace that might not fully meet the needs of many Nova Scotia firms. The goal of the payroll rebate is to improve competitiveness in export markets through productivity improvements and investments in product development, with a focus on retention of employees (see Appendix 1). The NSBI business finance team uses its knowledge of local industries and financial analysis to help provide solutions to Nova Scotia companies focused on growth and expansion.

Trade Development

NSBI trade development helps forge new business opportunities for Nova Scotia exporters through trade programs and missions into global markets. The NSBI team does this through matching Nova Scotia producers of goods and services with buyers and strategic partners from the public and private sector around the world. NSBI specializes in "go-to-market" expertise, whether a company is new to exporting or is looking to break into a new market. NSBI's experts also work extensively with partners across the provincial and federal governments that have a trade mandate.

Venture Capital

As a mid- to late-stage investor with the ability to do follow-on investments, NSBI venture capital focuses on equity financing in a variety of sectors and growth opportunities, and often partners with national firms. NSBI invests in companies with a solid business case, a sustainable competitive advantage, and well-thought-out exit strategies. We provide capital, strategic direction, and advice to help promising companies achieve their full potential on a national and global scale.

Investment Attraction

NSBI's investment attraction effort is driven by sector-based experts who attract sustainable, export-oriented, and value-added business investment to the province. In pursuing this goal, NSBI takes a targeted, aggressive, opportunity-driven approach to attract and retain businesses that have a strong fit with Nova Scotia's key assets. In this role, NSBI investment attraction experts proactively promote the competitive advantages of doing business in Nova Scotia and assist Nova Scotia's regions to attract the right type of investments. Investment attraction's main tool is its payroll rebate, which is a performance-based incentive offered to eligible companies expanding in, or locating to, Nova Scotia (see Appendix 1).

Priorities for 2010–2011

For NSBI to more effectively achieve its strategic goals, the following key priorities have been identified:

- **Sector development**—a collaborative and coordinated approach to building and maintaining high-growth sectors
- **Regional growth**—analysing the province's assets to identify and leverage opportunities and synergies that will help grow Nova Scotia's economy
- **Portfolio management**—proactively working with NSBI's existing clients in Nova Scotia to increase or add additional investment
- **Market and competitive intelligence** —to gather and analyze intelligence to better focus resources and to support strategic planning and informed decision making

Sector development

Sector development in Nova Scotia will continue to be a key priority for NSBI. As the province must focus its limited resources to achieve the greatest positive impact, NSBI, too, must work in targeted sectors and build on assets that can be levered for maximum results. Information communication technology (ICT) continues to underpin work in other sectors, making ICT a universal asset and enabler of growth and productivity.

Work on strengthening existing strategies or developing appropriate new ones needs to include more active commercialization of research and development (R&D) taking place in our post-secondary and private institutions. Commercialization has to build on work already underway in the financial services and insurance sector, the information and communications tech-nology sector, the life sciences sector, and the defence, security, and aerospace sector.

Lockheed Martin is sector development in action. The company is not just creating jobs in Nova Scotia; it's creating long-term career opportunities for our young and talented workforce as well as for our seasoned professionals. The spinoff benefits go beyond the company's hiring plans. They include construction, building infrastructure, and increasing the capacity of our domestic supplier base by encouraging small research and development businesses to partner and take advantage of its Technology Collaboration Center. Lockheed is also focused on strengthening relationships and building partnerships with universities and colleges in Nova Scotia to explore research and development opportunities and grow our talent pool. This is how you nurture innovation, generate start-up companies, and encourage commercialization. These elements all help develop a sector and grow an economy.

Additionally, NSBI continues to identify, develop, and grow emerging sectors. Promising additional sectors to examine include emerging markets such as oceans, digital media, and the green sector. NSBI is also exploring the FDI opportunities in the emerging markets with a focus on Asia.

Growth in the green sector has been accelerated by energy security needs, government sustainable procurement policies, and a heightened environmental awareness amongst businesses. Natural sector growth means that NSBI will have to focus on niche opportunities by strategically leveraging provincial strengths in academic research, natural resources, and geographic placement. From a sector development perspective, NSBI can foster cluster development and assist in regional cohesiveness by connecting businesses. Also, NSBI can use its financing tools to improve the competitiveness of businesses trying to enter, directly or indirectly, the green sector.

The trade development group will continue to play a vital role in developing key sectors of the Nova Scotia economy, through its own programs and services as well as the resources it is able to leverage from provincial and federal partners. An example is the International Business Development Agreement (IBDA). NSBI will continue to strengthen strategic sectors: aerospace and defence, metal fabrication, ocean technology, and digital media.

Expected outcomes:

- Increased high-value jobs and overall payroll
- Talent, training, and education aligned with opportunity
- Anchor companies and supplier base levered to attract investment
- Building on clusters and core strengths
- Increased exposure of products and services to global markets
- Increased innovation, productivity, and competitiveness

Regional Growth

Regional growth means investment in a region, whether that investment is attracted externally or nurtured from within Nova Scotia. Investment is a commitment of resources coming in many different forms, including community and business investment. It can be from a new source or additional investment from an existing source. It can be foreign direct investment or the expansion of existing businesses.

- Nova Scotia and its communities need consistent, concise, and complete information to reflect investment opportunities and promote assets. NSBI is working with the RDA Association and other economic development partners to develop a web-based, shared investment tool (see Appendix 3).
- NSBI will also expand its investment readiness initiative by leveraging industrial parks under its control to explore opportunities to attract investment.
- The trade development group will continue working with companies from all parts of the province, helping them understand the potential for their products or services outside the region. The group then works with the company and a qualified matchmaker to find partners and clients who will help get their products and services into international markets, growing the company's bottom line.

Expected Outcomes:

- Strategies to maximize key assets
- Increased investment and resulting payroll across the province
- Enhanced business development and growth
- Reduced duplication among partners
- Alignment of effort with federal government initiatives

Portfolio Management

Total foreign investments in Canada are down approximately 59 per cent year over year. We will focus on proactively working with long-standing clients in Nova Scotia to increase or add additional investment and retain their presence or investment in Nova Scotia. In a competitive global economy with more jurisdictions chasing the same investment opportunities, Nova Scotia's existing companies are significant clients we must retain. These same clients represent the best opportunities for additional growth. Statistically, 58 per cent of all investment into Canada in 2009 came from existing FDI. In summary, NSBI must

- mine existing client base for future growth and retention
- expand NSBI visitation to client head offices (Head Office Visitation program)
- coordinate stakeholder engagement
- gather and share intelligence for future growth

The trade development group will also investigate ways to assist foreign direct investment clients to grow by investigating business development opportunities in foreign markets. Helping attract contracts to their Nova Scotia operations will solidify their investment in this province and help them fulfill their growth mandate. This level of support on the ground helps further distinguish our offerings from competing jurisdictions.

Expected Outcomes

- Grow and expand investment by NSBI's private-sector clients
- Develop deeper understanding of potential opportunities, threats, and challenges
- Attract like-minded companies by leveraging brand-name companies

Market Intelligence

This is all about having better-directed, more-focused resources to achieve greater rewards and better results. With increased national and global competition, both NSBI and its clients have to work smarter to remain competitive. With an increased focus on market intelligence, NSBI will

- build centralized in-house market/ competitive intelligence expertise
- research green products and measurement tools
- engage in-market consultants
- support clients by using NSBI market/ competitive intelligence (e.g., trade clients)
- assist partners in tailoring programs and aligning resources by sharing client requirements and intelligence.

Expected Outcomes

- Increased payroll, exports, and revenue to the province
- Increased market exploration and participation in trade missions
- More refined and responsive processes and tools
- Optimized resources
- Evidence-based decision making
- Stronger, more-competitive companies

Overall

To support the core focus of working directly with businesses to deliver results for the province, NSBI's five key pillars will play important roles in shaping the province's economic growth over the coming years.

- **Regional growth:** Work with all regions to maximize their strategic assets to maintain companies and attract investment that best fits or complements their competitive strengths.
- **Talent:** Assist businesses in creating high-value opportunities that will attract and retain the very best and brightest people in Nova Scotia.

- **Competiveness:** Continue to create strategies that maximize growth, promote innovation, and deliver results that increase wealth and prosperity for the province.
- **Leadership:** Be an advocate for business, elevating the dialogue on issues that its clients and partners see as impediments to economic growth.
- **Collaboration:** Continue to build effective stakeholder relations to collectively strengthen the province and its regions, enabling them to compete on a global scale.

Budget Context

	Estimate 2009–10 ($ 000)	Forecast 2009–10 ($ 000)	Estimate 2010–11 ($ 000)
Revenue			
Provincial grants:			
Operating grant	10,905	10,905	10,972
Strategic investment funds	11,500	12,700	13,863
Loan valuation allowance	2,100	2,100	2,100
Gateway initiative	1,100	—	—
Gain on sale of parks	1,600	1,880	750
NS business fund	6,912	7,965	6,688
Miscellaneous	1,433	1,811	1,250
	35,550	37,361	35,623
Expenses			
Operating expenses	12,375	12,124	12,223
Strategic investments	11,500	12,700	13,863
Provision for credit losses	2,100	4,041	2,100
Gateway initiative expenses	1,100	747	—
Nova Scotia Business Fund expenses: parks	458	350	458
NS Business Fund and misc. expenses	5,869	6,484	5,690
	33,402	36,446	34,334
Excess of Revenue over Expenses	2,148	915	1,289

Outcomes and Performance Measures

NSBI holds itself to the highest standards of corporate governance and accountability. As a results-driven organization, NSBI remains committed to measuring results that directly affect the goals of the organization. Under its five-year plan, NSBI's key accountability metric is total payroll created and retained by its clients. This captures not only job numbers but also average salaries.

In 2010–2011, NSBI will continue to focus on generating high-value opportunities and retaining businesses currently in the province. In doing so, NSBI will assist in creating and retaining corporate and personal taxes for the Province of Nova Scotia.

Outcomes and Performance Measures

Core Business Area *Overall Performance*

Indicator	Measure	Base-year Data 2008–09	Targets 2010–11	Strategies to Achieve Target
Total payroll	Total forecasted new and retained payroll	$108 million	$130 million	Attract companies to Nova Scotia Help existing companies within Nova Scotia to grow
Fiscally prudent financing	Forecasted average portfolio return on investments utilizing strategic investment funds (SIFs)	70.1%	40% or greater (60% for IA deals)	Strategic utilization of payroll rebates to establish growth industries

Core Business Area *Attract and retain leading-edge, sustainable business investment*

Indicator	Measure	Base-year Data 2008–09	Targets 2010–11	Strategies to Achieve Target
Foreign direct investment (FDI) in Nova Scotia	Number of projects committed by Investment Attraction clients located outside Nova Scotia	7	9	Seek new sustainable businesses to relocate or expand in Nova Scotia
Domestic investment in Nova Scotia	Number of projects committed by Investment Attraction clients located in Nova Scotia	3	5	Seek new sustainable domestic businesses to expand in Nova Scotia
Economic benefit to Nova Scotia	Average gross salary of new jobs forecast to be created by Investment Attraction clients	$48,117	$45,000	Develop FDI strategies based on innovation

Core Business Area ***Promote the growth of new and existing businesses in Nova Scotia by enabling them to succeed with business opportunities in both local and export markets***

Indicator	Measure	Base-year Data 2008–09	Targets 2010–11	Strategies to Achieve Target
Volume and diversity of exports	Number of clients introduced to new markets or futher advanced in existing markets	269 clients	200 clients	Deliver tailored trade-development services
Export sales	Client-reported actual and forecasted export sales	$155.7 million	$75 million*	Deliver tailored trade-development services

*The export sales target for 2009–10 was $100 million. The reporting of these sales lags by six months, with the export prospector being scaled back midway through 2009; the effects of this will be shown in our 2010–11 results.

Core Business Area *Provide access to capital for new/existing businesses in Nova Scotia, with the intent of enhancing value-added growth for the province's economy*

Indicator	Measure	Base-year Data 2008–09	Targets 2010–11	Strategies to Achieve Target
Incremental value investment projects	Number of venture capital projects authorized	5 financings	n/a*	Deliver tailored equity-financing solutions
	Number of business financing projects authorized	8 financings**	16 financings	Deliver tailored debt-financing solutions
	Number of companies that undertake productivity enhancements utilizing the strategic investment fund	4 projects	10 projects	Sharpen business development focus
Quality portfolio management	Impaired loan ratio	13.4%	15% or less	Portfolio management strategies
Partner for financing solutions	Leverage ratio of partner/client: NSBI	1.33 to 1	1 to 1	Maintain co-investment philosophy

*No target is set for venture capital financings (new or follow-on), as these depend on the right opportunity presenting itself and the financial needs of the existing portfolio.

**Included five loans and three material amendments to existing clients that have a positive net economic benefit to the province.

Appendix 1

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2010–2011 Business Plan

	Payroll Rebate
Overview	• The Payroll Rebate is a discretionary, non-entitlement tool intended to promote targeted creation or retention of employment and payroll generation. • This financial incentive may be used when it can be shown that an applicant's project generates an economic benefit to the province, which may include export development, external investment in the province, or improved competitiveness of existing businesses, in one or more of the province's key economic sectors.
Amount	• Rebates will be equivalent to between 5% and 10% of the applicant's gross payroll, depending on the applicant's strategic location or business sector and the economic benefit generated to the province. Additional rebate may be considered where the applicant is hiring individuals with specific skills or experience, or new members of the Nova Scotia workforce. • In the case of payroll rebates primarily for employment retention, the total rebate will not exceed the lesser of $500,000 or 50% of the project costs. • All other Nova Scotia provincial government assistance with respect to the project must be disclosed and may influence the rebate amount.
Eligibility	• The applicant's business must be considered eligible according to NSBI's operating regulations. • Applications for assistance must be project based. Projects are expected to create or retain sustainable long-term employment. Cyclical peaks in employment will not be considered for assistance. • The project should result in the creation or retention of at least 20 jobs (FTEs) in Nova Scotia. Projects creating or retaining fewer than 20 FTEs will be considered when there is high strategic value or strong economic benefit. • In the case of payroll rebates primarily for employment retention, the company must be undertaking a project to improve its competitiveness in export markets through either productivity improvements or investments in product development. • In the case of payroll rebates primarily for employment retention, the company must contribute at least 20% of the total project costs. • Companies that have previously received assistance under the program will not be eligible for additional assistance unless the project is incremental to the peak FTE level attained by the company under the previously provided assistance. • Projects that are considered to be competitively harmful to existing Nova Scotia business will not be considered. • The applicant will collect and remit employee payroll taxes in accordance with the Income Tax Act (Canada).
Application Requirements	• Historical and projected financial statements of the company and any additional financial information that may be required by NSBI to assess the financial viability of the company. • A business plan (or acceptable reports) providing information with respect to the company's ownership, management, products, markets, and suppliers sufficient for NSBI to complete an evaluation of the company's operating risk. • Project plan, which may include project timelines, budgets, and anticipated impacts of the project on the company's competitiveness.

Appendix 1 (continued)

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2010–2011 Business Plan

	Payroll Rebate
Criteria	• The company and the project must have reasonable prospects (business plan) for continued growth and success. The company should be profitable, with a proven track record. In addition, the project should be mainly export oriented and/or be in a strategic economic sector. The company must also demonstrate: • strong management (corporate and local) • compliance with Environment Act, Occupational Health and Safety and Labour Standards Code (if already established in Nova Scotia) • economic benefit to the province (e.g., estimated number of jobs created/retained, linkages with other sectors, improved competitiveness, non-competition with Nova Scotia industries, import substitution) • an acceptable credit history
Performance Conditions	• Assistance is contingent on specific targets the company must achieve, which will typically be the creation of (x) jobs by (date) or retention of (x) jobs, with an average annual salary/wage of $(amount). These targets are expected to still be in place at the end of the rebate period. • In the case of payroll rebates primarily for employment retention, the company may be required to achieve additional targets with respect to project completion including expenditure targets. • The applicant must provide an annual report, which will typically be an auditor's report, certifying that the employment, wage, and other targets have been achieved. The report must contain the following information: - incremental and/or retained gross wage or payroll bill (including benefits) and the number of incremental and/or retained employees and hours worked according to the company's records on each anniversary date from the project commencement - gross wage or payroll bill (including benefits) and the total number of employees of the company on each anniversary date from the project commencement
Payment Terms	• Rebates will be paid following provision by the company of all information required by NSBI to verify compliance with the terms and conditions of the payroll rebate agreement. • In most cases, rebates will be paid annually on each anniversary from the project commencement. • Payment term generally should not exceed five years.

Appendix 2

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2010–2011 Business Plan

	Interest Rebate
Overview	• The interest rebate is a discretionary tool designed to encourage employment creation and net economic benefit for the province. • This financial incentive may be used when it can be shown that an applicant's project generates a significant net economic benefit to the province. • This interest rebate is designed to deal with those situations where the net economic benefit to the province is sufficient to justify a reduction in the interest rate charged to NSBI's financial services clients to below NSBI's cost of borrowing.
Amount	• The amount (or rate percentage reduction) per project will be dependent upon the net economic benefit to be generated for the province as a direct result of the project. This will be determined on a project-by-project basis.
Eligibility	• The applicant's business must be considered eligible according to NSBI's operating regulations. • The project should result in the creation of at least twenty new jobs (FTEs) in Nova Scotia. However, under certain circumstances, projects creating fewer than 20 FTEs may be considered when there is high strategic value or strong economic benefit. • Financings are expected to create sustainable long-term new employment. Cyclical peaks in employment will not be considered for assistance. • Companies that have previously received interest rebate assistance will not be eligible for additional assistance unless the project is incremental to the peak FTE level attained by the company under the previously provided assistance. • All other government assistance must be disclosed and may influence the level of contribution.
Application Requirements	• Completed application form including all supporting documentation as requested.

Appendix 2 (continued)

Strategic Investment Funds Pursuant to NSBI Regulations, Policies, and Guidelines/Procedures: NSBI 2010–2011 Business Plan

	Interest Rebate
Criteria	• The company must have a solid business plan for continued growth and success.
Performance Conditions	• Assistance is based on specific targets that the assisted company must achieve. The most usual will be the creation of (x) jobs by (date), all of which are still in place at the end of the period, with an average annual salary/wage of $(amount), defining a job as 2000 hours of work per year. • The applicant must produce an auditor's report certifying that the employment and wage targets have been achieved and containing the following information: - incremental gross wage or payroll bill (including benefits) and the number of incremental employees and hours worked according to the Company's records on each anniversary date from the actual project commencement; - gross wage or payroll bill (including benefits) and the total number of employees of the company on each anniversary date from the actual project commencement.
Payment Terms	• Rebate to be provided on a continual basis for a term generally not to exceed seven years or the maturity of the loan, whichever occurs earlier, and provided that all terms and conditions of the financial assistance agreement continue to be met during the period. • Failure to maintain all terms and conditions of the financial assistance agreement may result in an adjustment to, or cancellation of, the rebate entitlement.

Appendix 3

Investment Portal:

Nova Scotia and its communities need consistent, concise, and complete information to reflect investment and business growth opportunities and to promote assets. Likewise, businesses require consistent, concise, and complete information to support their decision making. Currently, there is no one tool, resource, or process available to satisfy these needs or to support economic growth in the province.

Working collaboratively with regional partners, NSBI proposes to lead an investment readiness process to help regions across Nova Scotia identify, support, and create conditions to promote and retain investment. Each region would also create or fine tune its value proposition to align regional attributes with business needs.

Along with the Nova Scotia Association of Regional Development Authorities (NSARDA), Atlantic Canada Opportunities Agency (ACOA), Enterprise Cape Breton Corporation (ECBC), Department of Foreign Affairs and International Trade (DFAIT), and Nova Scotia Department of Economic and Rural Development (NSERD), NSBI has identified objectives and begun planning and development of an investment portal, a web-based business tool that supports all partners' investment agendas.

The portal will be phased in, notably in two main stages. The first is development and implementation, which includes website design, a provincial asset map, an industrial park database, a community profile database, a lead generation tool, and a partner extranet. The second stage will include portal training, an events calendar,

sector-specific content creation, and marketing and communications initiatives supporting the portal during and after its launch. NSBI expects the first stage of the investment portal will be complete during the 2010–2011 fiscal year.

The provincial investment portal will have a shared success model and be business driven. The real value of this project is found in increased efficiency and integration among economic development partners resulting in increased competitiveness and a stronger business climate. It will compile all information in one place, ensuring ease of use and accessibility for all.

The desired outcome is that Nova Scotia is well positioned to capitalize on investment and business growth opportunities.

Appendix 4

Nova Scotia Business Fund:

The Nova Scotia Business Fund is the source of capital for NSBI's business financing and equity financing clients. The portfolio currently has approximately $170 million outstanding to more than100 companies located throughout the province. For 2010–2011, net new capital needed for NSBI to continue to meet the financing needs of Nova Scotia businesses is estimated to be $20 million, with repayments of current outstanding investments estimated to be in the $7.5–15 million range.

Guidelines for the Nova Scotia Business Fund provide direction for investment decisions and the make-up of the portfolio. These include the following:

- Annual sector investment targets:

- foundation	18%
- knowledge-based (IT and life sciences)	20%
- manufacturing	48%
- energy	9%
- other	5%

- $15 million maximum per company (investments exceeding this amount will be considered in exceptional circumstances)
- Target of 25% maximum available for working-capital/equity investments
- Borrowing rates established based on risk, term, and optionality (e.g., interest capitalization, principal holiday, extended amortization)

Crown Corporation

BUSINESS PLANS

FOR THE FISCAL YEAR 2010–2011

Nova Scotia Crop and Livestock Insurance Commission

Business Plan 2010–2011

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Message from the Minister, Chair, and CEO

We are pleased to present the Crop and Livestock Insurance Commission's business plan for 2010–2011. The plan outlines the commission's continued commitment to offer Nova Scotia's primary agricultural producers insurance against production losses.

The AgriInsurance product line continues to expand the opportunities for risk transfer in the production of agricultural products. The commission continues to expand its product line, offering increased benefits and more insurance options. These products are developed and tested in Nova Scotia for Nova Scotia's unique agronomic mix and business needs.

The commission continues to work toward improving its information management capabilities. Development of a more robust information management system is a key factor in meeting the province's commitment to improve customer service under the AgriInsurance platform.

The Honourable John MacDonell
Minister, Agriculture

Mr. Avard Bentley
Chair

Mr. Bill MacLeod, P.Ag.
CEO

Mission

To provide Nova Scotia farm managers with insurance products with which they can manage the financial risk associated with reduced crop yields or animal production losses due to insurable perils.

Link to Department of Agriculture Mandate

In support of the Department of Agriculture's mission to ensure a prosperous and sustainable agriculture industry through the development of rural people and resources for the betterment of all Nova Scotians, the Nova Scotia Crop and Livestock Insurance Commission strengthens the fabric of rural economies in Nova Scotia by providing agricultural entrepreneurs with the opportunity to cover off the risk of financial losses caused by crop failures. The commission supports the growth and development of the agriculture industry through its crop- and livestock-based insurance programs. The introduction of new insurance products will provide more farm producers access to AgriInsurance and expand the risk management options for those already actively managing their production risks.

Planning Context

The Nova Scotia Crop Insurance Commission was established in 1968 to provide Nova Scotia farmers the opportunity to manage the risk of production failure. The Nova Scotia Crop Insurance Act was amended in 1978 to provide for the administration of the Livestock Insurance Program and is now cited as the Nova Scotia Crop and Livestock Insurance Act.

The commission reports to the Minister of Agriculture and is a key component of the business risk management services that the department offers to the industry. It administers 14 crop insurance plans, a dairy livestock insurance plan, and a poultry insurance plan. Cost sharing of AgriInsurance (also known as production insurance and crop insurance) in Nova Scotia is governed by Growing Forward, a federal-provincial-territorial framework agreement on agriculture, agri-food, and agri-based products policy. This agreement outlines cost-sharing arrangements and administrative requirements that govern the design and delivery of AgriInsurance programs.

Federal and provincial policy direction has encouraged the expansion and strengthening of the role of the AgriInsurance programs to offer more coverage to commercially grown crops and livestock species. In this context, the commission is developing products for crops and/or production systems that have traditionally not been covered under crop insurance in Nova Scotia.

The commission plans to continue to expand its product line to include insurance options for more crops and animal species as well as new options for conventional cropping situations. Although the Wildlife Compensation Program, first introduced in 2008, is not an insurance-based program, the commission will continue to offer it.

A 2005 study of administrative best practices in delivery of production insurance programs revealed areas where the commission can improve its service delivery. On the report's recommendation, the commission will continue with the modernization its information management capabilities, take steps to reduce its underwriting and claim verification costs, and increase co-operation with other provincial delivery agents. A major rebuild of the commission's data management capabilities began in 2006 and terminated unsuccessfully in 2009–10. The commission now plans to refocus its internal resources to continue with modernization of its information management capabilities. This work will begin in 2010–11.

Strategic Goals

- To support the economic growth of the province through provision of insurance products that help to stabilize the incomes of agricultural businesses.
- To increase program participation by expanding programming to include new insurance plans under conventional production insurance and to introduce product innovations that broaden the income stabilization capacity of farm businesses.
- To improve service delivery to clients by reducing red tape and decreasing turnaround time on client requests for program improvements.

Core Business Area

The core business of the Crop and Livestock Insurance Commission is the delivery of insurance products for production agriculture. Its business is conducted pursuant to federal and provincial regulations and in accordance with the Business Risk Management chapter (Part III, Annex B) of Growing Forward.

Priorities for 2010–2011

The commission's priority is to increase the insurance coverage it offers to Nova Scotia agricultural production. The value of coverage is actively managed by increasing the number of clients using AgriInsurance and by increasing the number of products offered and the range of options available to clients. In support of the development of a competitive business climate that encourages economic growth and increases jobs in Nova Scotia's rural and coastal communities, the commission will pursue increased program participation through program expansion and enhancements and through administrative improvements.

Program Expansion and Enhancements

- The commission will introduce a new Maple Insurance Plan in 2010–2011 to meet the identified business risk management needs of this sector.
- The commission will revise its existing Tree Fruit Plan to permit the insurance of stone fruit (specifically peaches), add triticale to its winter grain plan, and add wind as a peril in the dairy plan.
- In consultation with the agricultural industry, the commission will continue to research and develop additional insurance-based products that meet the needs identified by industry. Specifically, consultation and research-and-development work on a new Acreage Loss Insurance Plan for the horticulture industry will begin in 2010–2011.
- The commission will continue to participate actively in national-level policy and program design options that expand the AgriInsurance opportunities in the livestock sector, including investigation of price insurance options. The commission will move forward with a request for federal cost sharing of its Poultry Livestock Plan under the Growing Forward agreement.

Administrative Improvements

- The commission will refocus its efforts internally to update and modernize the information technology infrastructure to promote accurate, timely, and more efficient delivery of its products and services.
- The commission will continue to actively promote AgriInsurance as a key business risk management option to agricultural producers in Nova Scotia.

Human Resource Planning

Administratively, the commission will continue to review its staffing needs and update its succession-planning strategy, which recognizes an anticipated significant staff turnover in the next one to five years. The commission will also continue to review staff training and development needs during the coming year. The commission will utilize existing placement options to cover an expected maternity leave within the office during 2010–2011.

Finance

The commission budget is included in the budget estimates of the Department of Agriculture. The Implementation Agreement under Growing Forward provides for reimbursement of 60 per cent of the administrative costs relative to AgriInsurance and wildlife compensation. Premiums paid by clients and by the federal government are not included in the departmental budget figures and are administered directly by the commission.

Budget Context

Estimate of Income and Fund Balances

	Authority 2009–10 (per 2009–10 Estimates Book) ($ 000)	Forecast 2009–10 (per 2009–10 Estimates Book) ($ 000)	Budget 2010–11 (per 2010–11 Estimates Book) ($ 000)
Revenues			
Insurance premiums paid by clients	598	711	720
Insurance premiums contributed by government (federal)	538	640	648
Wildlife compensation payments (federal)	150	90	150
Insurance premiums contributed by government (provincial)	359	450	432
Wildlife compensation payments (provincial)	100	60	100
Interest income	170	67	67
Total revenues	**1,915**	**2,018**	**2,117**
Expenses			
Indemnity claims	1,700	2,500	1,800
Wildlife compensation payments	250	150	250
Reinsurance premiums	–	–	–
Bad-debt expense	4	5	5
Total expenses	**1,954**	**2,655**	**2,055**
Net income from insurance activities	**(39)**	**(637)**	**62**
Crop and livestock insurance fund balance			
Beginning of year	5,376	5,359	4,722
End of year	5,337	4,722	4,784
Administrative expenses			
Government contributions (Canada)	913	601	648
Government contributions (Nova Scotia)	613	400	432
Total administrative expenses	**1,526**	**1,001**	**1,080**
Net government expenditure			
Canada (premium + administration)	1,601	1,331	1,446
Nova Scotia (premium + administration)	1,072	910	964
Total program expenditure	**2,673**	**2,241**	**2,410**

Outcomes and Performance Measures

Core Business Area *Delivery of insurance products for production agriculture*

Outcome	Measure	Data Base Year (2004–05)	Target 2010–11	Ultimate Target 2011–12	Strategies to Achieve Target
Increased income stability of farm businesses	Number of farms using production insurance	600	780	810	Improve program effectiveness and flexibility through introduction of new insurance plans and new non-yield-based plans (in response to client requests for more options in insurance coverage)
	Value of coverage	$52.5 million	$128 million	$130 million	Introduce maple insurance, stone fruit insurance
	Aggregate coverage level for crop program	80%	85%	87%	Promote insurance plans to attract new clients and encourage existing clients to take higher coverage levels
	Number of products available	14	16	18	Introduce new plans (maple) and add stone fruit to the tree fruit plan
	Value of compensation paid for wildlife damage	n/a	$250,000	$300,000	New target includes • federal and provincial compensation paid to producers for damage from wildlife • continued promotion of this program

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2010–2011

Nova Scotia Farm Loan Board
Business Plan 2010–2011

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Message from the Minister and Board Chair

We are pleased to present the Nova Scotia Farm Loan Board business plan for 2010–2011. The plan outlines the board's goals and priorities for the coming year in line with its mission and mandate.

The primary focus of the board continues to be long-term stability of agricultural financing and provision of financial counselling in order to advance, encourage, and support the development of agricultural and timber businesses in Nova Scotia.

The Honourable John MacDonell
Minister,
Nova Scotia Department of Agriculture

Mr. Leo Cox
Chairman

Mission

To advance, encourage, and support the development of agricultural and timber businesses in Nova Scotia.
The board contributes to rural economic results by ensuring that loan financing is available to producers at reasonable costs and that availability is maintained in all economic conditions and through agricultural cycles.
Note the Nova Scotia Farm Loan Board is currently undergoing a strategic planning process for the year 2010–2015.

Vision

The Nova Scotia Agricultural industry, with the support of the Nova Scotia Farm Loan Board (the board) has a strong and secure future. This will be provided through programs and services which focus on long-term stability in agricultural financing and financial counselling on Nova Scotia farms.

Mandate

In addition to its responsibilities as the Nova Scotia Farm Loan Board, the board also functions as the Timber Loan Board (for loans to forest product mills).

The board operates as a Corporation of the Crown under the authority of *The Agriculture and Rural Credit Act, Revised Statutes, Nova Scotia 1989, Chapter 7*. This act provides authority to the board to make or guarantee loans for the purpose of acquiring or improving any farm, plant, machinery, or equipment; to acquire, hold and dispose of farms, buildings, livestock, machinery, and lands; to collaborate with the Department of Agriculture personnel; and to take on other purposes, duties, and powers as the Minister approves.

The Timber Loan Board's authority is from regulations made pursuant to the *Revised Statutes of Nova Scotia, 1989, The Forest Act* in Section 20 of Chapter 179. This act provides for credit to acquire forested land for forest product mills and refers to the Agriculture and Rural Credit Act for authority, board members, and staff.

Our Board of Directors

Five board members, with successful careers in agriculture and business, govern policies, receive reports on operations and clients, and provide strategic direction for the board. Board members are appointed for terms of up to five years by Governor in Council and are accountable to the Minister of the Department of Agriculture.

Current Board members

Chair: Leo Cox. Leo has been a member (and chair) of the board since March 2000.

His current term began May 2005 and expires April 2011. Leo is from Mabou and has a long background in agriculture, having served with the Department of Agriculture in livestock and extension services for 30 years. He owned a cow-calf farm and is still actively involved in the operation of Lake Mabou Farms. Leo has served on numerous boards and is the current chairman of the Inverness Consolidated Memorial Hospital Charitable Foundation.

Vice-Chair: Stephen Healy. Steve has been a member of the board since November 2003, with his current term expiring December 2012. He lives with his wife in Kentville, near his three grown children, where he operates a financial planning firm. Steve is a graduate of NSAC and the University of Guelph (BSc (Agri)). He has been involved in the Kentville Town Council, the Kings branch of the VON, and the Rotary Club (past president). Community projects such as the annual Acadia Hockey Celebrity Dinner and the NSAC Foundation continue to be of importance to Steve and his family.

Member: Angela Hunter. Angela was appointed to the board February 2008, and her term expires February 2011. She operates Knoydart Farms with her family, an organic dairy and sheep farm on the Pictou-Antigonish border.

Member: Hank Bosveld. Hank has been a member of the board since September 2000. His current term began September 2005 and expires September 2011. Hank lives in Lakeville, Kings County, where he operated a greenhouse and orchard until transferring ownership to his son. He remains actively involved in the operation. Hank is also actively involved in the Kings County and Nova Scotia Federation of Agriculture.

Member: Victor Moses. Victor has been a member of the board since March 2000. His current term began February 2005 and expires February 2011. A graduate of the Nova Scotia Agricultural College and MacDonald College, Victor served for more than eight years as Agricultural Representative with Department of Agriculture, followed by 40 years in management with food processing and vegetable fruit production in the Annapolis Valley. He is presently CEO of a large fruit and vegetable operation. Victor is heavily involved in volunteer work and lives in New Minas, Kings County.

Our History

Active since 1932, the Nova Scotia Farm Loan Board is an agricultural development agency acting to build greater prosperity, supporting agricultural and rural business development by providing long-term loans at fixed interest rates and through financial counselling services. A corporation of the Crown, the board collaborates with the Nova Scotia Department of Agriculture. The board's mandate includes operation as the Timber Loan Board in dealing with applicable loans.

Availability of credit—with stable term and long-term rates—and understanding of the agricultural industry, including cyclical swings in profitability, are considered to be strengths of the board in encouraging development of this industry.

At last year-end (March 31, 2009), the board's loan portfolio totalled $194 million in loan principal. Including lease property accounts, total lending to agriculture represents approximately 26.7 per cent of the debt capital of Nova Scotia farmers. Timber loans provided to forest mills to ensure a sustainable wood supply totalled $2,105,000 for the forest industry.

Primary stakeholders in both the Nova Scotia Farm Loan Board and Timber Loan Board roles include individual and potential borrowers and the province, particularly the Departments of Agriculture, Natural Resources, and Finance. Other important stakeholders include the Nova Scotia Federation of Agriculture and the various commodity groups, commercial lenders, equipment and feed suppliers, the wholesale and retail sectors for products produced in Nova Scotia, and others concerned with economic development within rural areas.

Alignment with Departmental Priorities

The Nova Scotia Farm Loan Board (FLB) contributes to the priorities of the Department of Agriculture in several ways, most directly contributing to its business plan, Core Business Two: Industry Growth and Development, leading to support for jobs and the economy.

Board activities support competitive agriculture and food businesses that create economic growth and employment in rural communities by ensuring that long-term credit funding is available throughout business cycles. By supporting development of environmental plans and investment in good environmental choices, board lending helps to support sustainable resource management. Specifically, the following priorities of the Department of Agriculture are supported:

Priority # 3: Promote transition in the agriculture industry toward improved competitiveness and self-sufficiency.

Support for competitiveness and self-sufficiency is provided through stable financing, financing of new initiatives, and counselling and advice.

Priority # 5: Attract new entrants to the agriculture and agri-product industries.

In addition to providing financing and guidance to new entrants, the board continues to administer the New Entrants to Agriculture program to assist new producers with a grant against interest costs.

Priority # 6: Expand investment in the agriculture and agri-product industries to capture growth opportunities.

Board funding provides for farm development and investment in land, buildings, equipment, livestock, and horticultural development as well as on-farm processing and working capital to enable growth and for marketing and other activities necessary to grow and develop opportunities.

Priority # 7: Increase the international competitiveness of Nova Scotia's agriculture and agri-product industries.

By facilitating the investment and growth noted above, the board supports development of strong agricultural businesses, which are then able to develop and compete locally and internationally.

Priority # 8: Increase the value of Nova Scotia's agriculture sector.

Support for investment, growth, and competitiveness through long-term stable financing as well as working capital will support increases in the value of the agricultural sector overall.

Planning Context

External Context

In general

An environmental scan of the agricultural industry says there are powerful trends that have significant implications for lenders like the Farm Loan Board. Intensifying climate change and environmental concerns, volatile food and energy prices, changing societal values, and consumer demands are remaking the industry. This scan provides insights into the nature of the changing business environment of the board.

The agricultural industry is affected by local weather and other conditions affecting production; conditions in competing regions that can affect general price levels for commodities produced; and market conditions, including the effects of branding, consolidation and national purchasing, and market access. Weather conditions and any change in expected patterns present an obvious concern to agriculture.

We continue to see a trend toward fewer, larger farms—a trend particularly noticeable in the dairy and poultry sectors. Changing technology, food safety concerns, and implementation of related health protection measures are common challenges.

Technology is providing for increased mechanization and automation and is being felt in a wide range of applications.

This trend is supporting a broader trend toward consolidation of agricultural operations into larger units in attempts to gain efficiency through economies of scale. In most sectors, entry as a producer involves significant initial cost for specialized buildings and equipment and quota (for supply-managed sectors). Larger operations and high start-up costs present difficulties to new entrants and for inter-generational transfer of family businesses, which must be addressed.

Producers must be constantly aware of environmental concerns and maintain up-to-date skills, procedures, facilities, and equipment to meet today's standards.

Fluctuation in the value of the Canadian dollar relative to the U.S. dollar has affected exports to the United States as well as the cost of some competitive imports. This is expected to have an effect on most sectors to some extent but particularly commodities closely linked to external markets. Hogs, beef, blueberries, cranberries, and other fruit and vegetables for export are expected to be most strongly affected.

Volatility in grain prices may assist the relatively small grain producing sector but could increase input costs for livestock production in general.

Industry representatives suggest that additional emphasis should be placed on assistance for new entrants, counselling services, and low-cost loans. Many clients have indicated that they would prefer additional flexibility in loan options available from the board: possibly variable rates and operating-type loans.

The board will lend to support success in agriculture while continuing to bear in mind the current economic environment. Staff will make sound lending decisions that balance customer needs with the need for the FLB to preserve its long-term viability through loan repayment. The board will emphasize good judgment in assessing creditworthiness of customer and lending opportunities, including security valuation and income projections. Monitoring the financial health of existing customers will be especially important during this period of economic change.

The Farm Loan Board anticipates that the next two to three years will see growth in loans. As continuing effects and recovery from the recent economic crisis unfold, the number and amount of arrears, defaults, and impaired loans may fluctuate beyond current expectations. In the interim, the FLB will continue to use sound lending and management practices to mitigate any potential adverse financial impacts.

Interest rates

Interest rates have remained low for the entire fiscal year. The Bank of Canada has conditionally committed to hold its target overnight rate at 0.25 per cent to the end of June 2010.

Requirements for board financing are influenced by levels of investment in agriculture and timber businesses, rates of capitalization, general economic conditions, and the availability of funding from commercial lenders. The board continues to offer fixed-interest loans with rates fixed for the full amortization period of the loan, but it has also introduced three- and five-year terms on loans amortized over a longer term. These new loans provide for lower interest rates than full amortization loans and are restricted to clients who can bear the risk of a potential interest-rate increase at the end of the term. Other loan options will be considered for implementation during 2010–2011, including variable-rate loans and flexible lending secured by real property. Decisions on loan product changes will follow and flow from the board's mandate review as part of the strategic planning process, to be completed during 2010–2011.

Demand for board loans is expected to be stronger during 2010–2011 as this trend continues and tightening of commercial lending criteria continues to be felt. Requested capital authority of $30 million is expected to provide flexibility to respond to lending needs in 2010–2011.

Requirement for loan capital by the forestry sector continues to be of interest to the board, both in response to need of the industry itself and because of the relationship between forestry and agriculture. Many farms include woodland as part of the overall operation, and forestry management parallels crop management in many aspects, including some equipment.

The board will seek to operate on a cost-effective basis and meet client credit needs, providing counselling services, support to new entrants, analysing risk, and collaborating with departments and industry. The board intends to remain flexible in its approach and will be open to any type of development, loan products, or ventures that will assist agricultural development in this province.

The economy

As anticipated, it appears that clients are somewhat protected from the current economic downturn because most sectors provide basic food products. Producers of non-food items, such as fur and ornamental horticulture, and food products that may be considered luxury items could be subject to higher risk. Most clients are protected by supply management or income stability programs.

Ongoing Planning Focus

The board understands its focus to be the support of long-term health and development of agriculture in Nova Scotia. Lending-program services will support this by providing knowledge of agriculture, long-term client relationships, a client focus in developing and providing services, flexibility in lending services and repayment, counselling services, support for new entrants, and long-term lending. The board is reviewing changes in staff deployment to ensure that sufficient resources are focused on analysis, account status monitoring, and business assistance. As noted above, the board continues to pursue new loan products to meet borrowing requirements of clients.

The board recognizes that training and development is an ongoing requirement in order to understand client issues, identify and use best lending and administrative practices, and maintain a professional staff.

While ability to repay remains the basic criterion for granting loans, sound environmental and business planning practices and procedures will continue to be requirements, recognizing that these are necessary for industry and individual growth and sustainability.

While working to meet client needs, the board will also work toward strengthened lending and management information to meet lending, decision-making, and financial reporting needs.

Strategic Goals

The following goals have been developed to meet the board's mandate and at the same time support the established goals of the Province of Nova Scotia:

1. Ensure industry access to stable, cost-effective, asset-backed developmental credit

- Create conditions that help the rural economy grow, support sustainable and environmentally responsible development of agricultural industries, and support development of a competitive business climate to support economic growth and increase jobs in rural communities.
- Using feedback from industries and clients, provide flexible loan products adapted to the needs of the agricultural industry.

2. Demonstrate sound financial administration, efficiency, responsibility in administration of public funds, and accountability in the board's own operations

- Develop and enhance loan management capability, including risk-rating abilities; corporate loan and collateral information; and annual review and other processes to improve management information and auditability.
- Work to ensure that information is available to meet current and changing accounting and reporting standards and deadlines.

Core Business Areas

Core Business Area 1—Lending

Providing flexible, asset-based credit for development of agricultural and timber businesses is the primary mandate of the Farm Loan Board. This includes loan product development, loan service development, client service, efficient and responsible financial management, and financial analysis and counselling. The financial counselling function is provided by loan officers in conjunction with meetings with clients and potential clients and includes assessment of projects under consideration. Loan officers assist in sourcing the best available credit.

By providing a reliable source of flexible asset-financed credit, the board directly provides for development and growth of the agricultural and timber industries and indirectly influences credit availability at reasonable rates through influence on, and partnership with, other participants in the lending industry.

Loan demand was low during the first three quarters of 2009–2010, returning to more normal levels toward the end of the year. Loan requirements are affected by the availability of credit and rates available from commercial lenders.

Core Business Area 2—Program Administration

Program administration supports the development and implementation of departmental loan-based assistance programs in areas related to the board's financial operations and expertise, including the ongoing New Entrants to Agriculture Program and other programs as they arise. This area of responsibility is funded by departmental resources distinct from the board's lending program but administered by board lending staff. Program expenditures are reported with departmental accountability reports separate from, and not included in, the board financial report.

Priorities for 2010–2011

Lending

Provide up to $30 million of new loan capital to the agricultural and timber industries in the 2010–2011 fiscal year

The focus is on development and long-term stability. The board forecasts that it will advance $18 million and receive principal repayments of $30 million during 2009–2010. Future demand for credit may increase if commercial lenders tighten credit availability. Loan demand picked up significantly in the latter part of the 2009–2010 year.

Statistics Canada reports indicate that total farm debt by Nova Scotia farms grew by approximately 32 per cent between 2003 and 2008. The board provided 26.7 per cent of total agricultural credit to Nova Scotia farms in 2008.

The board will continue to investigate possible new loan products to meet client needs in 2010–2011. Areas of investigation include a mortgage to provide for operating capital needs and to permit quicker response to funds requests on well-secured clients, variable-rate mortgage loans, and options for open loans (repayable at any time). Staff will work with legal advisors, Department of Finance, and others to develop and implement workable options. In order to promote understanding of the flexibility available to clients, the board will work toward development and presentation of specifically targeted and identified loan product offerings, reducing reliance on individual customization without limiting current options.

Financial counselling

The board places importance on maintaining an understanding of agriculture, development of relationships with clients and understanding their needs, flexibility in dealing with individual circumstances, counselling services, and specific loan product offerings.

Timber loans

The board will work to provide funding for agriculturally related forest ventures and will work with the Department of Natural Resources to enhance services to modify products and services to meet needs for growth and development within the timber industry as interest develops.

Reporting

The board will work with new technology and systems to improve client and administrative reporting.

Account maintenance

The board manages accounts to minimize write-offs and arrears while supporting industries and individuals through cyclical downturns and working toward the best outcome for all parties.

This approach includes accurate and appropriate appraisal and evaluation of security arrangements for loans, monitoring arrears, and financial counselling, particularly for new clients and clients identified as having financial difficulty.

Lending will continue to be directed toward viable enterprises and projects with potential to repay and acceptable security to support the loan. During financially difficult times, the board is committed to assisting those operations that appear to have a long-term future and a commitment to meet their obligations. This may include deferral of payments, restructuring of debt, financial counselling, and referral to other relevant services.

The board will monitor repayments and provide counselling and follow-up for clients with repayment difficulties.

Life insurance program

The Farm Loan Board has offered loan life insurance since 1951, providing protection for clients and their families. More than 700 lives are insured under this optional program, which provides insurance to the lesser of a maximum amount ($250,000 or $500,000) or the balance of insured loans, at a fixed cost for all age groups until age 65.The life insurance plan is underwritten by Sun Life Assurance Company of Canada.

Coverage and costs have been modified by the carrier. The board will review the insurance program in light of the recommended rules for coverage, overall costs, volatility of results, budgetary issues, and volatility of annual results as well as the appropriateness of coverage.

Program Administration

Administer a New Entrants Program in concert with the Nova Scotia Department of Agriculture

This program provides assistance with loan interest. It is intended to assist up to 50 new entrants to agriculture, including inter-generational transfers in order to provide long-term stability and renewal of farm ownership. During the 2009–2010 year, 32 applications have been approved for grants in future years (subject to funding).

Further development of this program in collaboration with the Department of Agriculture and development of other lending initiatives to assist new entrants and farm succession will continue to be priorities for the board during 2010–2011.

Flexible loan programs

Explore flexible loan programs and continue to review the needs and potential for expansion and development of industry sectors in collaboration with the Department of Agriculture and the Nova Scotia Federation of Agriculture. This will require consultation with industry representatives as well as those of other departments.

Human Resource Strategy

Provincially, the Nova Scotia's Corporate Human Resource Plan 2005–2010 establishes goals, objectives, and strategies that focus on making a "meaningful, measurable contribution to the lives of all Nova Scotians."

Within the guidelines of that plan, and recognizing the importance of our human resources, the board has developed an updated human resource plan providing an analysis of staffing requirements. The board's plan provides for increased emphasis and an increase in staffing resources for loan monitoring, analysis, and assistance to clients experiencing difficulty. The board's Human Resource Plan will be updated following the

2010–2011 completion of a mandate review and strategic planning session.

Succession planning will form an important element in the board's response to future retirements and staffing changes within the board. Ability to introduce and train staff and back up critical functions is vital.

Learning, through training and professional development and by sharing knowledge, is considered a priority of the board. Training funds provide staff with technical training and opportunities to attend appropriate technical and professional workshops and conferences.

Communication Strategy

The board communicates with the department informally through regular contact, through the CEO/Director as part of the Industry Development and Business Services Branch, and through the monthly budget submission process.

Communication to existing clients is by payment receipt or arrears notices, annual statements upon request, loan officer contact in response to a request or significant arrears, or through the annual loan file review process requiring updated information. Clients may call or visit to request information on their account or enquire about additional loans, or to discuss payment difficulties.

To communicate loan offerings and interest rates, the board produces a printed pamphlet about board lending and a quarterly rate sheet, both of which are available at board offices. A website provides similar information along with contact information for the board. Board employees attend and staff a booth at annual NSFA meetings and sector meetings.

Communication with the public is coordinated through the Department of Agriculture.

Future

Periodic direct mailings advise of board offerings and activities and upcoming events. These may be used to remind clients of, and further explain about, annual reviews and to advise clients to get their loan requests in early near busy times and around our year-end to avoid delays.

Budget Context

Financial Management

Effective financial management is a priority for the board.

Beginning with the 2007–2008 fiscal year, loan account reviews have been initiated to provide support for the provision for impairment and bad-debt expense, with a focus on higher-risk loans to meet management, financial reporting, and audit requirements. Considered necessary to meet informational requirements, this process consumes considerable staff time and requires support of information systems not yet in place. Refinement of this process and establishment of systems support will be priorities during 2010–2011.

It does not appear that the board will require application of International Financial Reporting Standards (IFRS). IFRS standards and application rules will continue to be monitored.

Recommendations of the internal audit, to be completed late in 2009–2010, will be addressed during 2010–2011, and a review of internal processes has been carried forward for completion in 2010–2011.

The board funds loans by arranging financing through the Department of Finance for terms similar to loans issued on a quarterly basis under an arrangement established in 1997. This arrangement allows the board to track and report an interest cost that is directly related to the revenue generated and to report a net income, including interest margins.

Accounting adjustments are subject to the approval of the Department of Agriculture. The board is assigned budgetary authority through the department and is required to make the forecast and estimate authority conform to the amount assigned. Authority assigned for insurance, fees, operations, and

Operational Income Statement

Estimate 2009–10 ($ 000)	Forecast 2009–10 ($ 000)	Description	Estimate Request 2010–11 ($ 000)
10,980	9,423	Interest	9,550
150	(273)	Insurance operations	228
230	457	Fee revenue/recoveries	511
11,360	9,607	Total Revenue	10,289
9,920	9,243	Interest	9,400
1,520	1,529	Operating expenses	1,490
500	5,070	Bad debt expense	0
11,940	15,842	Total expenses	10,890
(580)	(6,235)	Net income (loss)	(601)
580	6,235	Transferred to the province	601
0	0	Remaining	0

Note: See year-end financial statements for complete financial information and notes.
Interest expense is established under the terms of a memorandum of understanding arranged with the Department of Finance.
See accompanying text for additional information.

bad-debt expense is based on funding availability. The significant problems in the hog industry have resulted in much higher than usual bad-debt experience in the past two years; a large group of non-performing loans are still on the books, reducing forecast income for 2009–2010.

Significant portions of the board's expenses, most notably insurance costs under the board's life insurance program and bad debt expense are variable, somewhat unpredictable, and beyond short-term control. Actuaries have advised that the results of this program will fluctuate from year to year. A review of current insurance arrangements has begun and is expected to be completed during 2010–2011.

The required allocation of staff to meet the board's mandate for the coming year will be reviewed with the Department of Agriculture upon implementation of the strategic plan. Budgetary allocations are assigned based on staffing now in place.

Estimate 2009–10 ($ 000)	**Forecast 2009–10 ($ 000)**	**Description**	**Estimate Request 2010–11 ($ 000)**
Capital Funds			
193,542	193,543	Opening principal	179,642
30,000	18,000	Add loan advances	30,000
(21,000)	(30,000)	Less repayments	(21,000)
(1,800)	(1,901)	Less principal written off	(1,600)
200,742	179,642	Closing principal	187,042
Provision for Impaired Accounts			
21,233	20,321	Opening provision	23,490
(1,800)	(1,901)	Less accounts written off	(1,600)
500	5,070	Additions (Principal portion of bad debt expense +/- adjustments)	0
19,933	23,490	Closing allowance	21,890
180,809	156,152	Net portfolio at year-end	165,152

Budget for Core Business 2—Program Administration

Note that staff of the board administer the following programs, but the programs are reported separately under the Department of Agriculture and are not included in the Operational Income Statement of the board.

Estimate 2009–10 ($ 000)	**Forecast 2009–10 ($ 000)**	**Description**	**Estimate Request 2010–11 ($ 000)**
600	560	New Entrants to Agriculture Program—expenditures	600
600	600	New Entrants to Agriculture Program—approvals (grants cover interest in the two years following approval)	600
Total Staff			
17.3	17.3	Staff—FTEs	18.3

Outcomes and Performance Measures

Core Business Area 1 *Lending*

Outcome	Measure	Data	Trends	Targets	Strategies to Achieve Target
Efficient program delivery	Net income (before government contribution) as a % of the average active loan balance	Base year (1998–99): 0.1%	2001–02: 0.7% 2003–04: 0.5% 2004–05: 0.5% 2006–07: 0.7% 2007–08: –4.3% 2008–09: –2.5% 2009–10: –3.5% forecast (–$6,235,000/ $175,629,000 Net interest revenue and bad debt expense from 2008–09 affected by difficulties in the hog sector	Current Year (2009–10): –0.4% 2010–11: –0.3% ($600,000)	The strategic plan will identify needs of clients and new lines of business for the board. Maintain interest rate margins in accordance with regulations while matching draws used to fund loans as closely as possible to loans issued in term and amount. Continue to develop additional loan products to meet client needs, including clients with lower inherent risk and less likelihood of loss. Minimize operating expenses by efficient operating structure, practices, training, and electronic systems. Income has been negatively affected by reduced payout fees and a substantial increase in the Provision for Impairment in recognition of losses likely in hog industry and other loans.

Core Business Area 1 *Lending*

Outcome	Measure	Data	Trends	Targets	Strategies to Achieve Target
Stable, long-term credit available	FLB loans as a % of total Nova Scotia farm debt (based on calendar year Stats Can data)	Base year (2000): 37.5%	2001: 34.7% (revised) 2002: 33.7% 2003: 31.4% 2004: 28.3% 2005: 30.1% 2006: 31.1% 2007: 27.6% 2008: 26.7%	2009–10: 25.0% 2010–11: 25.0% or greater	Reasonable long-term interest rates Trained professional staff available to identify meet needs for financial counselling and loan assistance Up to $30 million in new capital support to the industry Continue with loans with short terms (3–5 years) and long-term amortizations to meet client needs; explore flexibility options for loan products, including variable rate loans and the use of real estate security for operating and flexible repayment loans. Facilitate transfer of Landbank and ARDA lease program properties to industry ownership. Long-term approach: As short-term interest rates become less attractive and credit available is reduced, Farm Loan Board funding is expected become more in demand.

Core Business Area 1 *Lending*

Outcome	Measure	Data	Trends	Targets	Strategies to Achieve Target
Successful clients (as indicated by the proportion of accounts in difficulty)	Total arrears as percent of value of all accounts (Note: this measure is revised effective for 2009–10 to include arrears on accounts classified as "in-default" and replaces both the previous arrears measure and the previous measure of defaulted accounts)	Base year (2006–07): 3.7	2007–08: 3.7% 2010–09: 4.5% 2009–10: 5.0% (forecast)	2009–10: 4.5% or less 2010–11: 4.5% or less	Monitor account status, contacting clients in arrears and referring them to industry resources where appropriate; maintain contact and work with client to work out arrangements for payment; include larger arrears accounts in annual review process. Arrears and defaulted accounts will vary from year to year depending on performance of the various agricultural sectors represented in the board's loan portfolio. Working with clients to achieve the best long-term outcome is the board's primary goal. Continue to improve a balance of high-risk and lower-risk clients by broadening loan products available to meet a range of requirements. Hog sector difficulties will take some time to work through wind-up of loans. This will make maintenance of current arrears levels a challenge. Work with clients in arrears or experiencing difficulty to achieve the best chance of success in the long term (see arrears strategies above). Clear up existing accounts in process for recovery as rapidly as possible, subject to legal procedures and fairness processes and timing necessary to achieve the best value. Temporarily reassign staff to provide additional resources to work with clients experiencing repayment problems.

Core Business Area 1 *Lending*

Outcome	Measure	Data	Trends	Targets	Strategies to Achieve Target
Client satisfaction	Based on client survey results. Combined results for courtesy, promptness, knowledge, and commitment on client survey	Base: 2000–01: 92% good or excellent	2001–02: 92% 2002–03: 96% 2003–04: 92.5% 2004–05: n/a 2005–06: 94% 2006–07: 89% 2008–09: 94% 2009–10: 95% forecast	2009–10: 90% or above 2010–11: 90% or above	Monitor survey results. Review procedures for efficiency gains. Work to improve promptness score through reallocation of staff to permit focus on struggling clients, analysis, and documentation, while maintaining capacity for new loan.

Core Business Area 2 *Program Administration*

Outcome	Measure	Data	Trends	Targets	Strategies to Achieve Target
New entrances facilitated	Number of approved applications	Base: 2000–01: 49	2001–02: 56 2002–03: 47 2004–05: 30 2006–07: 36 2007–08: 31 2008–09: 22	2009–10: 30–50 2010–11: 30–50	Counselling by professional loan officers Industry awareness and monitoring suitability through consultation with industry organizations and representatives Identify appropriate modifications to existing programs, including budget allocations and additional funding and support mechanisms

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2010–2011

Film Nova Scotia
Business Plan 2010–2011

Table of Contents

Mission

To grow Nova Scotia's film, television, and new media industry with our partners by stimulating investment and employment and by promoting Nova Scotia's producers, productions, locations, skills, and creativity in global markets.

Introduction

Film Nova Scotia was created in 1990 under the Nova Scotia Film Development Corporation Act as a provincial Crown corporation. The corporation reports to the Minister of Economic and Rural Development.

A board of directors, appointed by the Governor in Council, directs the affairs of the corporation. Members of the board are appointed for up to three-year terms and may be appointed for no more than two consecutive terms. The president & chief executive officer reports to the board and has day-to-day responsibility for all programs administered by Film Nova Scotia. The corporation's core business activities—investment, export development, and marketing and industry development—are administered through three departments: Programs, Marketing and Locations, and Finance. The corporation has a staff complement of 10.

Legislation and By-laws

- Nova Scotia Film Development Corporation Act, Bill No. 42
- By-laws of the Nova Scotia Film Development Corporation
- Nova Scotia Film Industry Tax Credit and Regulations

Role

The corporation offers loan and investment programs to support film, television, and new media production in Nova Scotia and administers the Nova Scotia Film Industry Tax Credit on behalf of the Province of Nova Scotia. In addition, the corporation offers production services including a locations resource and reference centre, and supports professional development, training, marketing, and distribution for the Nova Scotia film industry.

The corporation provides equity investment, development, and marketing programs to the local film industry. These financial programs are designed to support the growth and development of Nova Scotia's film, television, and new media industry. Film Nova Scotia is often able to provide first-in funding, enabling the industry to leverage funds available through federal programs such as Telefilm Canada and the Canada Media Fund and private sources such as broadcasters, distributors, and investment funds.

The corporation's Marketing and Locations Department promotes the province as a film location to foreign studios, broadcasters, distributors, and producers, and provides initial production support to producers who are guests in the province. The marketing programs are designed to generate awareness of Nova Scotia's film industry, create access to decision makers for local producers, and market the province.

Link to *Opportunities for Sustainable Prosperity 2006*

Nova Scotia's economic growth strategy, *Opportunities for Sustainable Prosperity 2006*, was designed to reshape people's thinking on how best to build a sustainable and prosperous economy without sacrificing our natural, social, and financial resources. The strategy identified nine focus areas and their associated government priorities. We will not list all the priorities here, just the ones that are supported by initiatives of Film Nova Scotia.

The Department of Economic and Rural Development provides leadership by helping create the right conditions for a strong, competitive, and sustainable economy. Its primary purpose is to stimulate the economy by helping expand employment opportunities, encouraging the establishment and growth of commerce and industry, and generally enhancing the prosperity and well-being of Nova Scotians. Progress is measured by

- growth in the economy
- growth in employment
- increased competitiveness
- increased access to financial capital
- improved government services

The existence of a vibrant and successful film and television production industry demonstrates to Nova Scotians, Canadians, and the world that Nova Scotia is the best place in Canada to live, work, and do business. The industry historically provides an economic stimulus to our urban and rural communities, generating in excess of $100 million annually in production spending in the province. The industry provides an attractive career path for our youth, encouraging them to stay in Nova Scotia. In addition, the film industry is environmentally friendly and leaves a small footprint on the environment.

Many of the initiatives of Film Nova Scotia support the current government commitments for 2010–2011 to create the secure jobs the Nova Scotia economy needs and ensure that more young people stay and build a life here in Nova Scotia. Throughout this business plan, we will also highlight linkages to the province's priorities for sustainable economic growth as contained in the document *Opportunities for Sustainable Prosperity 2006*.

Focus Areas	Priorities
1. Trade and Competitiveness	1.1. Export development 1.2. Reducing barriers to trade 1.2.1. Expand Atlantic regional co-operation by pooling resources 1.3. Investment attractions 1.3.1. Attract sustainable companies to Nova Scotia that build on our existing assets
2. Productivity through Innovation	2.1. Innovative processes—improved efficiency 2.1.1. Encourage businesses to invest in new technologies to improve performance and develop new products 2.1.2. Support skills development of existing staff 2.2. Innovative products—commercialization
3. Business Climate—Environment for Growth	3.1. Provincial tax structure 3.1.1. Promote competitiveness and respond to social needs of Nova Scotians with available resources 3.1.2. Target incentive programs to maximize impact of government support for growth-strategy priorities
4. Financial Capital—Investment	4.1. Access to capital—capacity building 4.1.1. Work with other public-sector entities to identify and address access to capital issues 4.1.2. Maintain and develop public and private funding mechanisms 4.1.3. Improve programs that make financial capital available to business 4.2. Access to capital—opportunity matching 4.3. Access to capital—gap analysis 4.3.1. Work with businesses and other lenders to address gaps in existing funding mechanisms
5. Natural Capital—Sustainability	5.1. Sustainable competitiveness 5.1.1. Continue to address environmental issues within the province and look for opportunities to develop marketable environmental products, technologies, and services

Focus Areas	Priorities
6. Built Capital—Infrastructure	6.1. Transportation 6.1.1. Work with the Halifax Gateway Council to capitalize on our harbours and related transportation assets to build Canada's Atlantic Gateway
7. Human Capital—Labour Force	7.1. Population 7.1.1. Build a comprehensive R4 strategy to Retain, Retrain, Repatriate, and Recruit the skilled workers the province needs 7.1.2. Retain—develop plans to encourage young people to stay in Nova Scotia 7.1.3. Retain—encourage businesses to invest in workforce training and expanded recruitment 7.1.4. Engage our Black, Aboriginal, youth, and immigrant populations in the economy 7.1.5. Continue to implement the Skills Nova Scotia Framework to meet the needs of Nova Scotia's labour market, provide better labour market access, and strengthen opportunities for lifelong learning
8. Social Capital—Regional Capacity	8.1. Community planning 8.2. Regional planning and development 8.2.1. Promote a strong regional approach to economic development 8.3. Entrepreneurship and small business 8.3.1. Develop training programs specifically designed for small businesses

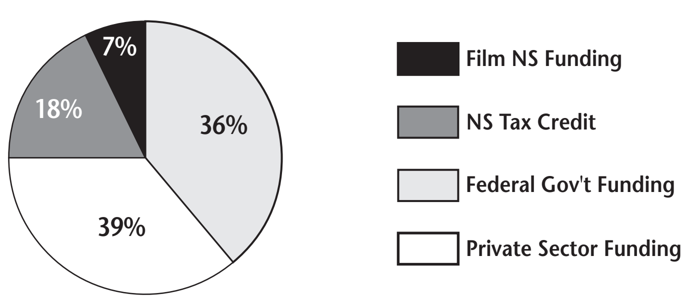
Planning Context

In Canada, the film, television, and new media industry accounts for $5.2 billion in production volume and creates 131,600 jobs. The industry also exports over $2 billion a year. With a 25-year history, the film industry in Nova Scotia is well established. The province is the fourth largest production centre in the country, with annual production of over $100 million and 3,000 full-time jobs. This direct economic activity in the province places us well above our weight as a province, with 3 per cent of the Canadian population.

The federal government—through Telefilm Canada, the Canada Media Fund, and other sources—provides over $870 million in funding throughout the nation, and Nova Scotia attracts between 7 and 10 per cent of this amount. The Nova Scotia Film Industry Tax Credit is one of the most competitive in Canada. This labour-based incentive, which ranges from 50 to 65 per cent on average, represents less than 20 per cent of any given production budget. Therefore, for every dollar invested through the Film Industry Tax Credit, four additional dollars are invested in the province's productions.

In 2008–2009, with a $3.65 million operating budget, the work of Film Nova Scotia helped the film industry achieve its best year on record, with $150 million in production activity. This impressive result can also be attributed to the Nova Scotia Film Industry Tax Credit, as it supports local productions and helps attract more foreign film productions. Both local and guest productions contributed to the 2008–2009 result. Notable achievements by local production companies included feature films, television series, and documentaries. The Trailer Park Boys completed the sequel to a successful first feature film. Two other features, *Halo* and *Eternal Kiss*, went to camera.

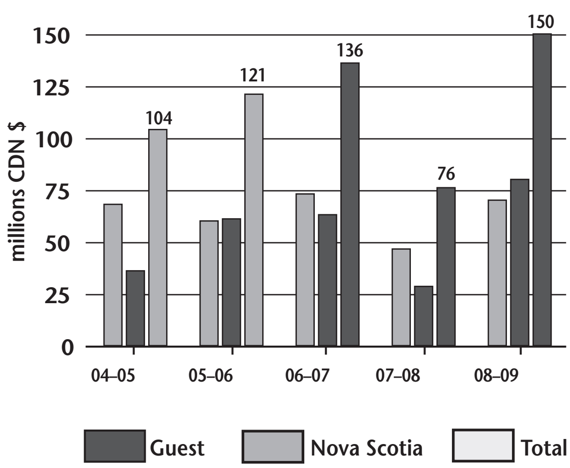
Funding Sources 2004–09
Projects Contracted Domestic Production



On the television front, Halifax Film's six-part drama series SOUL featured a diverse cast and aired on Vision TV. Ocean Entertainment continued to produce quality lifestyle programming, and Arcadia Entertainment produced its first live-action children's show, *Aquateam*, for Discovery Kids and YTV. Documentaries focused on local issues such as Africville and the Titanic. This past year also showed continued excellence in locally produced children's and animated programs with titles such as *The Mighty Jungle* and *I'm a Dinosaur*.

Guest production in Nova Scotia included the Canada–United Kingdom–Germany production *Sea Wolf*, co-produced with Chester-based production company Big Motion Pictures; portions of Fox Searchlight Picture's feature film *Amelia*; and Sony's remake of the 1979 film *Ice Castles*, co-produced with Nova Scotia's Magic Rock Productions. Guest television projects included Sony Pictures Television film *No Remorse*, the sixth instalment of the CBS Jesse Stone series, and the Discovery Channel United Kingdom series *Breaking Point*. In addition, 14 animated series used the expertise of local companies.

Nova Scotia Film Production Activity



	NS	vs.	Guest*
	(millions CDN $)		
04–05:	68	vs.	36
05–06:	60	vs.	61
06–07:	73	vs.	63
07–08:	46.5	vs.	28.5
08–09:	70	vs.	80

Source: Nova Scotia Film Development Corporation

* Note that "Guest" production refers to non-Nova Scotia projects filmed in Nova Scotia.
Note: Actual results may vary as these figures are based on budgeted amounts.

Despite the positive financial results in 2008–2009, Film Nova Scotia is estimating $90 million in production activity for 2009–2010, as the industry is faced with a number of challenges due to the global recession of 2009. Barriers include the inability to secure film financing and a weaker economy impacting the demand for television programming and feature films. The film industry is also becoming more centralized. Moreover, there is a lack of decision makers within the film and television industry in Atlantic Canada for broadcasters, distributors, and federal programs such as Telefilm and the Canada Media Fund. This makes it difficult for local production companies to access funds. In addition, the Canada Media Fund plans to open the fund to broadcasters for in-house production while not increasing the funds available; this will mean fewer funds for independent production.

In 2009, one of the major private broadcasters, CanWest Global, experienced financial difficulties, and this resulted in less work being commissioned everywhere, including Nova Scotia. Also in 2009, all conventional broadcasters suffered financially from declines in advertising revenue, which is a major source of their revenue. In addition, federal government hearings will see broadcasters requesting relief from local programming conditions, which will negatively impact local production companies.

In response to the unfavourable economic conditions, other provincial film jurisdictions increased their spending and added personnel. In February 2009, the Ontario government announced changes to enhance and make permanent its film tax credits. In June 2009, the government proposed further enhancements to its permanent film and television production services tax credit. The amendments expand the Ontario Production Services Tax Credit to incorporate all qualifying production costs incurred in Ontario, including qualifying labour costs and the purchase or rental of qualifying tangible properties, such as equipment and studio rentals. The 2009 Ontario budget announced a $10 million pilot program that would refund a portion of the costs associated with intellectual property development to Ontario companies in the screen-based industries.

The Quebec government also changed its tax credit for foreign film production services. The 25 per cent rate applicable to labour costs was extended to include all eligible expenses. An additional 5 per cent enhancement for special effects, digital animation, and green-screen shooting moved the effective rate for any eligible production to 30 per cent of total expenditures, not just labour. In late 2009, Manitoba announced that its film industry now has the ability to strengthen its position in national and international markets due to an investment of more than $2.5 million from the governments of Canada and Manitoba over and above the province's existing film development corporation's annual funding budget.

In addition to the poor economic conditions, the film industry faces serious technological challenges as audiovisual distribution continues to shift to new digital platforms. Digital platforms, both online and mobile, are quickly gaining traction within Canadian households; yet the film industry still has no clear sense of how its content will reach audiences over these new digital platforms. It is within this environment that Film Nova Scotia develops its business plan for 2010–2011.

The corporation strives to stay on top of these challenges by designing appropriate strategies and solutions to deal with them. With one of the most competitive tax incentives in Canada, Nova Scotia is well positioned to compete globally. Film Nova Scotia will continue to target films with a budget of $15 to $35 million, as these films are more influenced by creative script elements and locations and less by budgetary concerns. We will also partner with organizations with expertise in new media to help our production community transition to the new multi-platform environment.

In 2010–2011, Film Nova Scotia will continue to support the development of the film industry in Nova Scotia as part of the province's economic growth strategy. The corporation's financial programs are aimed at local filmmakers and include equity investments, development loans, new media equity investments, feature film distribution assistance, the CBC/Film Nova Scotia Bridge Award, sponsorship and training programs, and assistance for attendance at markets and festivals and for professional development. The corporation makes its investment decisions with the following outcomes in mind: employing Nova Scotians, spending funds in the province, promoting the province internationally (with resulting positive spinoffs in other areas such as tourism), allowing Nova Scotians to tell their unique cultural stories, and demonstrating an opportunity for the corporation to recoup some or all of its investment.

Local filmmakers employ residents of the province all year, train these employees in the skills required for film production, tell local stories, and create Nova Scotia intellectual property, which guarantees reinvestment of profits back into the province. In addition, local producers create the industrial base required to support the foreign or guest production activity that takes place in the province.

The Programs Department works closely with producers providing ongoing coaching and support in the areas of development and production financing.

The Marketing and Locations Department markets Nova Scotia as the best place in the world to make a film. The efforts of the department result in attracting fully financed productions and co-productions to the province. The Marketing and Locations

Department maintains an electronic database of photographs representing the entire province, and Film Nova Scotia responds to numerous location requests each year. Locations packages include information on Nova Scotia, services available, locations photographs, and the *Nova Scotia Production Guide*. The corporation produces this high-quality informative guide to film and television production in the province. It is a key tool used by producers and production companies when considering shooting in Nova Scotia. The images and messages that complement the existing provincial brand are an integral part of all Film Nova Scotia marketing initiatives.

The Marketing and Locations Department ensures that the province is film-friendly. This goal is achieved by developing strong community relationships with the various regions throughout Nova Scotia as well as with organizations that have been, or could be, involved in the film industry. In doing so, Film Nova Scotia educates target audiences about the economic benefit that film production brings to communities and organizations; promotes, collectively, the various regions of the province in an effort to attract production; ensures that communities, organizations, and individuals are familiar with filming procedures and are prepared to handle productions prior to and upon their arrival; ensures fair and equitable treatment of both communities and organizations and the productions themselves, mediating any concerns that may arise; and, ensures that the corporation is aware of policies, guidelines, and applications throughout the province that could affect film production.

The Marketing and Locations Department fosters strong relationships with the various industry organizations that represent personnel involved in production activity. These include, but are not limited to, Alliance of Canadian Cinema, Television and Radio Artists (ACTRA), the International Alliance of Theatrical Stage Employees (IATSE) Locals 849 and 667, the Directors Guild Canada (DGC), and the Nova Scotia Motion Picture Industry Association (NSMPIA). The primary purpose of these relationships is to solicit input from the private sector on best approaches for marketing and promoting the province, to give and receive feedback on industry issues and past production activity, to work together in securing productions for the province, and to update the respective stakeholders on current production interest and activity.

Additionally, Film Nova Scotia administers the Nova Scotia Film Industry Tax Credit program on behalf of the Department of Finance. The corporation strives to administer the public funds with which it is entrusted in an effective and efficient manner. The Film Industry Tax Credit is a crucial financing tool used by both local and guest filmmakers. Combined with the investment programs and locations services offered by Film Nova Scotia, it helps create a film-friendly environment that supports the future growth of the province's film, television, and new media industry.

Strategic Goals

1. Cultivate the economic and export potential of Nova Scotia's film, television, and new media industry. (Focus Areas 1–8)
2. Provide or support mechanisms for the advancement of Nova Scotia's film, television, and new media industry. (Focus Areas 1–8)

Core Business Areas

1. Economic and Export Potential

Develop Nova Scotia's film, television, and new media industry, with priorities including the following.

1.1 Investment Programs

Equity Investments,
Development Loans, and New Media

The corporation invests in a qualifying Nova Scotia film production up to 40 per cent of the production budget spent in the province, to a maximum of $300,000 per project. This investment complements other sources of financing and encourages producers to make their films in Nova Scotia while employing Nova Scotians.

The corporation provides development loans up to $15,000 per project to a maximum of 50 per cent of the budget spent in the province. These loans enable producers to develop their ideas to a stage where they can be pitched to investors.

The corporation provides equity investments up to $30,000 per new media project to a maximum of 33 per cent of the budget spent in the province for interactive and Internet-delivered programs.

The film industry has identified these investment programs as "very important" for attracting other financing required to complete films. (Priorities 1.2, 1.3, 3.1.2, 4.1.2, and 4.1.3)

Bridge Award

The corporation partners with CBC Television, Atlantic Region, to provide the CBC/Film Nova Scotia Bridge Award for emerging producers. This juried program is designed to assist emerging producers in entering the industry. Successful applicants receive a $10,000 CBC broadcast licence, a $20,000 Film Nova Scotia equity investment, and $10,000 in services from the CBC. Up to two awards are offered each year. (Priorities 4.1.1, 7.1.2, 7.1.4, and 7.1.5)

Feature Film Distribution Assistance Program

The corporation supports the theatrical release costs of a Nova Scotia–produced dramatic, documentary, or animated feature film in which the corporation has an equity investment. The goal of the program is to enhance the marketing campaign for the film and maximize the Canadian box office returns. (Priorities 3.1.1 and 4.1.3)

Market and Festival Assistance

The corporation provides assistance for local producers to attend markets and festivals with the goal of selling completed works, attracting co-production partners for projects in the development stage, and raising the profile of Nova Scotia production companies. (Priorities 1.1, 1.3, and 4.1.3)

Slate Market Assistance

The corporation provides assistance for local producers to attend business development meetings, markets, and festivals with the goal of increasing the market and export potential of Nova Scotia projects and attracting co-production partners for projects in the development stage. (Priorities 1.1, 1.3, 4.1.3, 4.2, and 7.1.2)

Professional Development Assistance

The corporation provides assistance for local producers to advance their career development through attendance at skills development seminars, workshops, and industry-related programs. (Priorities 2.1.2, 7.1.1, 7.1.5, and 8.3.1)

Broadcaster/Distributor Forum

The corporation offers an annual Broadcaster/Distributor Forum, which provides access to national and international broadcasters and distributors and brings relevant industry expertise to the production community. (Priorities 1.1, 1.3, 4.2, 7.1.5, and 8.3.1)

1.2 Locations and Marketing Programs

Marketing

The 2010–2011 Marketing and Communications Plan targets production companies and independent producers in Los Angeles, Germany, and the United Kingdom. Film Nova Scotia will implement a number of tactics throughout the year that will include a trade mission, participation at film markets and trade shows, advertising, and familiarization tours. (Priorities 1.1, 1.3.1, and 6.1.1)

Locations Services

Film Nova Scotia provides complete script breakdown services for feature films, movies of the week, television series, and pilots, utilizing photos from its extensive library of locations from across the province. Marketing materials can be sent to producers by courier or digitally via e-mail, and project-specific websites showcasing specific provincial locations can be created. The Locations Officer also acts as a location scout for producers and directors who visit the province in search of suitable filming locations. (Priorities 1.1, 1.3.1, and 6.1.1)

Community Liaison and Ongoing Support

The corporation provides assistance with ongoing location research, information, and support as required and will connect producers to local unions, guilds, production personnel, and other contacts throughout the province. In addition, it acts as ombudsman and mediator for the industry and the public. (Priority 8.2.1)

1.3 Film Industry Tax Credit

Nova Scotia has one of the highest tax credits in Canada. That provides Film Nova Scotia with a competitive edge in marketing the province to the international production community, and it assists local producers in competing for broadcast licenses and distribution deals. The Film Industry Tax Credit (FITC) is a labour-based tax credit of 50–60 per cent of eligible Nova Scotia labour, capped at 25–30 per cent of the total production budget, depending on where the production is filmed. A frequent-filming bonus of 5 per cent of eligible labour is also available for qualifying productions. The tax credit is a key financing tool used by local and guest producers to complete their film and television projects. (Priorities 3.1.2, 4.1.2, and 4.1.3)

1.4 Partnerships

Strategic Partners

The corporation partners with the Atlantic Film Festival Association to sponsor Strategic Partners, an international co-production and co-venture conference. Strategic Partners allows local industry members to explore international partnership opportunities for television and feature film projects. (Priorities 1.1, 1.2.1, 1.3.1, 2.1.2, 4.1.1, and 4.3.1)

Film Advisory Committee (FAC)

The corporation is a member of the FAC, which provides a mechanism through which government and industry can work collectively to promote the growth and development of the film and television industry in Nova Scotia. Objectives of the FAC are

- to promote the shared interests of those involved in the film and television industry in Nova Scotia
- to promote a positive image of the film industry in Nova Scotia and a positive atmosphere for location filming in the province
- to encourage co-operation throughout the industry by providing a forum for discussion and decision making
- to review and provide input on legislation, policies, guidelines, and activities that impact the industry

(Priorities 4.1.2, 4.1.3, 4.3.1, 7.1.3, 8.1, and 8.2.1)

Association of Provincial Funding Agencies (APFA)

APFA represents provincial and territorial film, television, and new media funding agencies from coast to coast. It was formed to bring together the viewpoints of agencies that serve both cultural and industrial film, television, and new media industries. This covers companies from fledgling to well established, from small to large, and from diverse geographical regions of the country. (Priorities 4.1.1, 4.1.2, and 8.2.1)

Atlantic Canada Film Partners (ACFP)

Film Nova Scotia works with the other Atlantic provinces to promote and develop the film, television, and new media industry in the region. ACFP pools resources for marketing and training initiatives designed to gain production in Atlantic Canada. ACFP also promotes the interests of Atlantic Canada nationally with federal funding agencies and programs. (Priorities 1.1, 1.2.1, 1.3, 2.1.1, 2.1.2, 4.1.1, 4.1.2, 4.1.3, 8.2.1, and 8.3.1)

International Business Development Group (IBDG)

The IBDG is a partnership of federal and provincial government agencies, as well as the Canadian Film and Television Production Association (CFTPA), who work together to enhance Canada's reputation and market share in the international film, television, and new media industry. (Priorities 1.2.1, 1.3.1, 4.1.1, 4.1.2, and 8.2.1)

Nova Scotia Motion Picture Industry Association (NSMPIA)

The corporation works with NSMPIA on enhancing the competitiveness of Nova Scotia's film and television industry by addressing the challenges industry members face in the areas of new media, financing, training, infrastructure deficiencies, and international marketing. The priority facing the industry is the development of a state-of-the-art soundstage in the Halifax Regional Municipality (HRM) to support local production and attract foreign production. The availability of studio facilities in HRM is inadequate to support any critical mass of production. (Priorities 1.3.1, 2.1.1, 2.1.2, 4.3.1, 7.1.1, and 7.1.5)

Atlantic Canada Opportunities Agency (ACOA)

The corporation regularly partners with ACOA on export development and training initiatives through trade missions and business issues seminars. (Priorities 1.2.1, 4.1.2, 4.3.1, and 7.1.5)

2. Industry Development

Optimize resources by partnering with government, private sector, and industry stakeholders to provide professional development opportunities aimed at advancing producers and personnel in Nova Scotia's film, television, and new media industry.

2.1 Professional Development

The corporation optimizes financial and human resources by partnering with government, private sector, and industry stakeholders to provide professional development opportunities that support the advancement of Nova Scotia's film industry in global markets. The corporation invests in the continued professional development of Nova Scotia filmmakers through organizations and programs as described below.

The Atlantic Filmmakers Cooperative's Film 5 Program gives emerging teams of directors, writers, and producers the opportunity to produce original work under the guidance of a host of mentors, teachers, and managers. With these films routinely screening at the Atlantic Film Festival, the program is a launch pad for increasingly higher-profile work. (Priorities 2.1.1, 2.1.2, 4.1.3, 7.1.2, 7.1.4, 7.1.5, and 7.1.6)

Investment in the Media Arts Scholarship/Mentorship Program at the Centre for Art Tapes results in a series of interdisciplinary learning events as well as more traditional opportunities to build skills. (Priorities 2.1.1, 2.1.2, 4.1.3, 7.1.1, 7.1.2, 7.1.4, and 7.1.5)

Film Nova Scotia has partnered with the Nova Scotia College of Art and Design (NSCAD) to offer the Film Nova Scotia Bachelor of Fine Arts Film Production Fund, providing up to six production grants of $2,500 each, one per film, to fourth-year students in the film program to assist with their undergraduate thesis films. (Priorities 7.1.1, 7.1.2, 7.1.4, and 7.1.5)

In 2010, Film Nova Scotia and the Nova Scotia Community College (NSCC) will launch a partnership to assist graduates in the animation and computer graphics programs to introduce calling card projects. (Priorities 2.1.1, 2.1.2, 7.1.1, 7.1.2, and 7.1.4

Film Nova Scotia assists Nova Scotia professionals in attending a wide range of training programs. The Canadian Film Centre's Producer's Lab program is a series of workshops, business sessions, case studies, and production and packaging exercises designed to develop producing skills. The National Screen Institute's intensive and individualized professional development programs (Features First, Totally Television, and Drama Prize) are designed to train aspiring producer/director/writer teams on the development of their own feature films or television series proposals. The corporation also provides funding for Women in Film and Television—Toronto, the Summer Institute of Film and Television, the International Institute for Television Leadership, the Women in the Director's Chair workshop, and the Atlantic Screenwriters Boot Camp. (Priorities 1.2.1, 2.1.2, 7.1.1, 7.1.2, 7.1.4, and 7.1.5)

Film Nova Scotia will be offering a new scriptwriting workshop in 2010–2011. The Nova Scotia Screenwriting Workshop will be an intensive scriptwriting program for a selected number of Nova Scotia scripts for feature film. The program's objective is to improve Nova Scotia screenwriters' conceptual, analytical, and writing skills to help them write better, more marketable scripts with increased chances of successful production. The program will consist of five full days of intensive analysis and discussion of the selected scripts in a retreat setting, followed by a 90-day rewrite period in which the writers address notes and suggestions that emerge from the workshop. The writers then participate in a final one-on-one session with the workshop leader once the rewrite has been completed.

The corporation, through industry consultation, also identifies gaps in the industry and organizes and hosts a Business Issues seminar. This entrepreneurship training assists Nova Scotia producers in competing in the global film industry. Business Issues provides targeted market initiation for emerging producers, offering an introduction to major industry trends and their impact on television production, a roadmap to the current programming marketplace, and a step-by-step approach to working with broadcasters and distributors and developing content that sells. The seminar also offers tips for today's projects and activities with a sustainable corporate strategy. Film Nova Scotia also offers Pitcher Perfect, which provides training to producers on how best to pitch their projects to broadcasters or distributors. (Priorities 4.3.1, 5.1.1, 7.1.1, 7.1.2, and 7.1.5)

To ensure that the work of emerging producers is seen throughout the province, Film Nova Scotia sponsors the Atlantic Film Festival (AFF) and the CBC/AFF Short Film Faceoff, a six episode television series that sees Atlantic short films compete for audience votes; the winner receives a CBC production deal toward their next film. Film Nova Scotia sponsors Eastlink's Atlantic Filmmakers series, a 26-episode talk show featuring Atlantic filmmakers and their projects with a focus on Nova Scotia's film, television, and new media industry. Film Nova Scotia also partners with Empire Theatres to offer free screenings of Nova Scotian productions three times a year. (Priorities 7.1.1, 7.1.2, and 7.1.4)

The corporation partners with the Canadian Film and Television Production Association (CFTPA), Telefilm Canada, and the Atlantic Canada Film Partners to offer the Atlantic Mentorship Program, a program designed to offer emerging and mid-level production personnel in the Atlantic provinces with long-term, salaried training opportunities in the film, television, and interactive media sectors. Under the personal guidance of seasoned industry professionals, participants develop their business, creative, and administrative abilities, increase their potential for career advancement in the production sector, and help foster the growth of Atlantic Canada's screen-based entertainment industry. On-the-job training is provided by CFTPA mentor production companies based in the Atlantic region. Through this program, up to three Nova Scotia residents receive internship placements with Nova Scotia production companies for a six-month period. (Priorities 1.2.1, 2.1.2, 7.1.1, 7.1.2, 7.1.3, 7.1.4, 8.2.1, and 8.3.1)

Priorities for 2010–2011

In light of current global economic conditions, Film Nova Scotia has developed a business plan for 2010–2011 that maintains the spending level in the 2009–2010 budget. The plan preserves the corporation's goals of consistently attaining a high level of local film and television production, achieving year-round production, increasing the economic benefit of the industry to the province, facilitating and supporting more stable and diverse local production companies, and attracting more foreign feature films.

Film Nova Scotia will target Los Angeles and Europe (specifically the United Kingdom and Germany) through a variety of activities including trade missions and familiarization tours. A presence at key markets, including the Cannes Film Festival, American Film Market, and MIPCOM television market will continue to play a major role in marketing Nova Scotia's film industry. The corporation will continue to monitor global trends that could affect the local industry and will assess all programs and services to ensure that they are responsive to stakeholder and client requirements as well as to the external environment.

In an increasingly competitive marketplace, if funds and human resources do not exist, Nova Scotia's film industry and provincial revenues will suffer, along with the many spinoff service industries that benefit from film production, because work will go to other provinces and states. Film Nova Scotia firmly believes that continued investment in the province's film, television, and new media industry will pay dividends into the future. With this in mind, the corporation will be offering a scriptwriting program for 2010–2011. The program supports the priorities of the province's *Opportunities for Sustainable Development 2006* by creating an environment for business growth through a highly skilled and flexible workforce.

Budget Context

The business plan solicits an appropriation of $3.2 million. While it is customary to seek incremental costs, in these current economic conditions an increase in funding is not being requested. The 2010–2011 budget as presented reflects $97,000 in unfunded rent and salary adjustments. Film Nova Scotia was directed to move in 2008, and rent has not been funded to date as was promised. In the three previous fiscal years, Film Nova Scotia has incurred unfunded operating costs of $173,500 (representing rent and incremental salary increases) in addition to the 5 per cent reduction in our operating budget in 2009–2010 of $168,000. When dealing with such a lean operating budget, there is little room to cut without significantly affecting programs offered. However, if this level of funding is maintained, Film Nova Scotia should be able to achieve its goals of a high level of local, year-round production, a positive economic impact to the province, a stable and diverse local production capability, and a focus on foreign feature films.

Funding provided by Film Nova Scotia often triggers investment from the private sector and the federal government. Real opportunity costs associated with reduced levels of funding include out-of-work Nova Scotians, companies ceasing to operate, and new trainees not being hired.

The film and television industry makes a significant contribution to the province's economy. For each dollar the province invests in funding programs for local production, more than $12 are attracted to the province from private investors and the federal government, placing the corporation in the position of providing high-value programs at a low cost to the province.

The following budget reflects an appropriation of $3.2 million.

	Budget 2009–10 ($)	Forecast 2009–10 ($)	Budget 2010–11 ($)
Contributions			
Nova Scotia Government	3,191,700	3,191,700	3,191,700
Recovery of equity investments and development loans	200,000	250,000	200,000
Atlantic Canada film partners	—	—	—
Other income	60,000	79,000	45,000
Interest income	25,000	6,000	6,000
	3,476,700	**3,526,700**	**3,442,700**
Disbursements			
Programming	2,349,200	2,361,300	2,257,900
Administrative	708,000	721,600	765,300
Advertising and marketing	419,500	443,800	419,500
	3,476,700	**3,526,700**	**3,442,700**
Net balance	**0**	**0**	**0**
Administrative expenses			
Salaries and benefits	549,500	563,000	586,500
Other administrative expenses			
Telephone and fax	10,000	12,000	12,000
Staff training	8,000	6,000	11,000
Bad-debt expense	—	2,100	—
Bank charges	2,000	2,300	2,300
Consultants	—	2,500	13,000
Courier	1,500	1,200	1,500
Dues, fees, and subsciptions	12,000	10,800	12,000
Insurance	2,500	2,500	2,500
Conferences and marketing	3,000	2,500	3,000
Board	18,000	16,000	18,000
Repairs and maintenance	2,000	6,800	4,500
Office	15,000	16,000	15,000
Copier and fax rental	3,500	3,000	3,000
Postage	4,000	1,900	2,000
Professional fees	7,000	7,000	7,000
Rent and related move costs	70,000	66,00	72,000
Total administrative	**708,000**	**721,600**	**765,300**

	Budget 2009–10 ($)	Forecast 2009–10 ($)	Budget 2010–11 ($)
Advertising and marketing			
Locations salaries and benefits	172,500	172,500	175,500
Other advertising and marketing			
Advertising	25,000	25,000	20,000
Business development	45,000	45,000	45,000
Locations library	10,000	6,500	10,000
Location services	25,000	30,000	25,000
Marketing	88,000	109,400	81,000
Publications	10,000	11,400	23,000
Sponsorships	44,000	44,000	40,000
Total advertising and marketing	**419,500**	**443,800**	**419,500**

Outcomes and Performance Measures

Core Business Area 1 *Economic and Export Potential*

Outcome	Measure	Base Year 2003–2004	Data 2006–2007	Data 2007–2008	Data 2008–2009	Target 2009–2010	Target 2010–2011	Strategic Actions to Achieve Target
Contribute to Nova Scotia's economy by maximizing, with the resources available, the economic potential of the film, television, and new media industry	Production activity	\$113 million	\$136 million	\$76 million	\$150 million	\$90 million	To maintain or exceed baseline levels to the extent possible with the available resources	Implement the marketing plan Continue the NS film industry tax credit Continue investment and development programs Keep abreast of changes in the industry and ensure that programs continue to meet the requirements of stakeholders and clients Provide film commission services for guest productions Implement industry strategy

Core Business Area 2 *Industry Development*

Outcome	Measure	Data 2006–2007	Data 2007–2008	Data 2008–2009	Target 2009–2010	Target 2010–2011	Strategic Actions to Achieve Target
To assist and promote the development of the film, television, and new media industry producers and personnel in Nova Scotia	Client feedback	Strategic professional development opportunities addressing industry needs	Strategic professional development opportunities addressing industry needs	Strategic professional development opportunities addressing industry needs	Strategic professional development opportunities addressing industry needs	Strategic professional development opportunities addressing industry needs	Ongoing research into gaps/overlap in industry and identify solutions Offer and support professional development initiatives Implement industry strategy Scriptwriting workshop
	Level of stakeholder participation—workshop attendance						
	• Business Issues	49	33	23	12*	15	
	• Broadcaster/ Distributor forum	46	47	50	65	50–60	
	—pitches	141	117	176	104	75–100	
	• Pitching workshop	9	9	8	8–10	8–10	

*Moved from an open lectures-style workshop to a smaller, project-specific, curriculum-based program

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2010–2011

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

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Message from the Minister, Assistant 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.

The Honourable Sterling Belliveau
Minister

Greg S. Roach
Associate Deputy Minister

Roy Surette
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, 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.

Planning Context

Nova Scotia is the leading fishing province in Canada, a nation that is 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 $661 million and 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 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, under-utilized 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. 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 that the banks also 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.

Core Business Areas

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

Provide long-term fixed-rate loans for the development of the fish harvesting and aquaculture industries. During the 2008–2009 fiscal year, the loan board reviewed 55 loan applications.

- 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.

Core Business Area 2

Maintain a vessel inspection program for all new construction, used vessel purchases, modification, and engine/equipment loans. During the 2008–2009 fiscal year, the loan board carried out 160 new vessel inspections and 534 inspections for used vessels, engine/equipment, and maintenance.

- Inspect each new vessel biweekly during construction to ensure it is being built to rigid loan board standards.
- Inspect all used vessels financed by the loan board, as well as vessels for modification and engine/equipment applications, 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 provide technical assistance relating to the construction of new vessels and modification of vessels.

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 per cent as of March 31, 2009.

- 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 and 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 analyse 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

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	117,500	200,000	119,500
Total revenue	6,517,500	6,800,000	7,119,500
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)	50,000	50,000	50,000
Total expenses	5,270,600	5,118,000	5,614,500
Operating surplus before government contributions	1,246,900	1,682,000	1,505,000
Government contributions	5,270,600	5,118,000	5,614,500
Surplus	6,517,500	6,800,000	7,119,500
Distribution to consolidated fund of the province	6,517,500	6,800,000	7,119,500
Accumulated surplus, end of year	—	—	—
Funded staff (FTEs)	10.0	11.0	11.0

Financial Information

	Estimate 2009–10 ($ 000,000)	Forecast 2009–10 ($ 000,000)	Estimate 2010–11 ($ 000,000)
Advances	45.0	35.0	40.0
Principal payments	16.0	15.0	16.0
Interest payments	6.4	6.6	7.5
Loans receivable	120.0	100.0	110.0
Write-offs	0.2	0.0	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

Outcomes and Performance Measures

Core Business Area 1 ***Provide long-term fixed-rate loans for the development of the harvesting and aquaculture sectors of the fishing industry***

Outcome	Measures	Data	Target 2010–11	Ultimate Target	Strategies to Achieve Targets
Development of new fishery enterprises	Loan advances	2002–03: $21 million 2003–04: $22 million 2004–05: $25 million 2005–06: $14 million 2006–07: $16 million 2007–08: $15 million 2008–09: $7 million	Increase annual advances	Increase annual advances over previous year	Work with industry and government Provide financing for the harvesting of under-utilized species Loan advances as of March 31, 2009, were $7.23 million
Improve lending programs for the fishing and aquaculture industries	Increase in loan portfolio	2002–03: $69 million 2003–04: $72 million 2004–05: $82 million 2005–06: $81 million 2006–07: $83 million 2007–08: $90 million 2008–09: $84 million	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 $84.6 million

Core Business Area 2 *Maintain a vessel inspection program for all new construction, used vessel purchases, modification, and engine/equipment loans*

Outcome	Measures	Data	Target 2010–11	Ultimate Target	Strategies to Achieve Targets
Inspect all new vessels under construction biweekly	Number of biweekly inspections on new vessels	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 that are financed by the board on a yearly basis	Number of vessels inspected	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	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

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

Outcome	Measures	Data	Target 2010–11	Ultimate Target	Strategies to Achieve Targets
Frequent collection activity	Percentage of accounts in arrears	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 Sufficient staff to collect monthly As of March 31, 2009, 3.74% of principal was in arrears.
Decrease in arrears level	Percentage of accounts in arrears	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

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

Outcome	Measures	Data	Target 2010–11	Ultimate Target	Strategies to Achieve Targets
Harvesters successfully expand their operations	Percentage of annual writeoffs	2002–03: 0.29% 2003–04: 1.66% 2004–05: 0.00% 2005–06: 0.92% 2006–07: 0.30% 2007–08: 0.31% 2008–09: 0.03%	≤0.25% of loan portfolio	≤0.25% of loan portfolio	Patient lender Regular client visits Counselling for fishers and aquaculturists As of March 31, 2009, writeoffs were 0.03%

Appendix A

Key Statistics—2008

Industry Income	
Landed value + aquaculture sales	$661,405 million + $36,194 million = $697,599 million
Average Lobster Income*	
Landed value ÷ licence holders	$355,547 million ÷ 3,091 = $115,026 million
Creation and Maintenance of Direct and Indirect Jobs	Estimate 8,925

* See Appendix B

Appendix B

Latest Commercial Fishery Landed Values for Nova Scotia—2008

Groundfish	Pelagic	Scallop	Lobster	Shrimp	Crab
$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

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2010–2011

Nova Scotia Gaming Corporation
Business Plan 2010–2011

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Message from the Minister, Chair, and President & CEO

We are pleased to present the Nova Scotia Gaming Corporation's business plan for 2010–2011. The plan outlines NSGC's continued commitment to offer Nova Scotians a socially responsible and economically sustainable provincial gambling industry. NSGC is a key contributor to Nova Scotia. All profits from regulated gaming go directly back to Nova Scotia taxpayers, helping to pay for valuable programs and services, including health care, roads, and schools.

The plan reflects NSGC's position as a world leader in responsible gambling. NSGC strives to foster the most informed players in the world through leadership in responsible gambling and prevention programs.

In 2009, Nova Scotia became one of the first jurisdictions in the world to be certified by the World Lottery Association at its highest level of responsible gaming standards. Nova Scotians should be proud of this province's international reputation for establishing pioneering initiatives such as *BetStopper* and the Video Lottery My-Play System. Programs like these and others are making a difference right here at home. At less than 1 per cent, Nova Scotia's problem-gambling rate is among the lowest in Canada. Through more than a dozen prevention and education programs, NSGC directly reaches more than 41,000 Nova Scotians with responsible gambling messages each year.

NSGC's business plan for the year also highlights its strategies to achieve responsible economic returns in a year of fiscal challenge as a result of economic pressures, increasing costs, and an increasingly competitive environment from both regulated and non-regulated gaming. NSGC will continue to strive for the important balance of social responsibility and economic sustainability.

Respectfully submitted,

The Honourable Graham Steele
Minister responsible for Part 1 of the Gaming Control Act

Gordon Gillis
Chair

Marie T. Mullally, FCA
President & CEO

Mission

To lead a socially responsible and economically sustainable provincial gaming industry for the benefit of Nova Scotians and their communities.

Planning Context

The 2010–2011 planning environment for the Nova Scotia Gaming Corporation (NSGC) is shaped largely by economic factors, competitive pressures, increasing costs, and important social responsibility commitments.

NSGC's revenues depend upon consumers purchasing its products. Purchases of gaming products or services are a discretionary spend, and history has shown that major or sustained negative economic impacts can be detrimental to NSGC's revenues. NSGC has incorporated the province's economic assumptions for 2010–2011, which include modest economic growth. Further, those visiting Nova Scotia and seeking overnight accommodations contribute to revenues when they include a visit to a gaming venue during their stay. The demand for overnight accommodations from visitors to the province was down in 2009–2010, resulting in a decrease in revenue from this market. Visitation for 2010–2011 is uncertain, and therefore no growth from this segment is reflected in the budgeted performance for the casino business line. As a result, NSGC has incorporated little growth in revenues due to economic factors.

NSGC competes for consumers who are faced with an array of choices of where to spend their discretionary entertainment dollars, including both regulated and unregulated gaming offerings and those via the Internet. Nova Scotia's casinos will also face competition this year from the opening of a casino in Moncton, New Brunswick. Finally, continued growth of First Nations' video lottery revenue, which is expected to increase to $50.5 million in 2010–2011, will continue to put competitive pressure on NSGC's video lottery and casino business lines.

Nova Scotia's regulated gaming industry must be competitive in offering consumers gaming products that are fun, relevant, and responsible and can provide entertainment value in an environment of fairness and integrity. Many of NSGC's products are in the mature phase of their product life cycle and have lost some portion of their relevance to the market. Increasingly, NSGC must incur higher costs in areas such as marketing in order to sustain revenue at historical levels. Many of NSGC's lottery assets are fully amortized and, while this has resulted in favourable expense levels in recent years, capital and operating costs must be incurred to replace aging assets and to implement new initiatives such as the Video Lottery My-Play System.

Innovation and corporate social responsibility are the keys to future growth and success. This issue heightens the need for NSGC to be innovative and to invest appropriate resources to ensure the success of the regulated gaming industry in this province.

The public demands that government offer regulated gaming in the most socially responsible manner possible, and NSGC must continue to demonstrate that it excels in this area as part of Nova Scotia's world leadership position in responsible gambling. Corporate social responsibility is a critical part of the business model of the gaming industry in Nova Scotia. NSGC launched its Social Responsibility Charter in October 2006, which outlined the corporation's commitment in five pillars:

1. Responsible gambling
2. Integrity and security
3. Citizens and communities
4. Corporate governance
5. Stakeholder relationships

These pillars delineate what social responsibility represents in the provincial gaming industry, what is expected of NSGC as a socially responsible corporate citizen, what NSGC's commitment is in meeting these expectations, and how operators and retailers will contribute to the industry as a whole in achieving these outcomes.

NSGC has ensured alignment of its business efforts for 2010–2011 with the Social Responsibility Charter. In particular, the charter's focus on responsible gambling, enhanced prevention programming, and greater accountability is strongly aligned with NSGC's operations.

It is within the above context that NSGC considers the 2010–2011 fiscal year.

Strategic Goals

NSGC has three strategic goals to support the achievement of its mission and vision:

Goal #1: To pursue a sustainable gaming industry

NSGC will ensure responsible economic return to the province by

- accruing direct financial benefits to government, the shareholder of NSGC
- utilizing sustainable business models, incorporating systems to fulfill NSGC's commitment to integrity and security, and making evidence-based decisions that incorporate responsible gambling in the design, delivery, promotion, and use of its products
- facilitating benefits to communities, businesses, organizations, and individuals across the province
- supporting government's gaming-strategy efforts.

Goal #2: To foster social responsibility in all aspects of NSGC's operations and business decisions

NSGC will advance its social responsibility agenda by

- leading responsible gambling initiatives to provide Nova Scotians with the information required to make informed decisions
- contributing to communities across the province
- being an excellent employer

Goal #3: To ensure that accountability is at the forefront of NSGC's management and communications to its stakeholders and to all Nova Scotians

NSGC will provide strong management and accountability by

- ensuring timely and complete communication to the media, public, and stakeholders
- managing the business of gaming in an efficient and effective manner
- making responsible, evidence-based decisions
- supporting the development of a new gaming strategy for the province

Core Business Areas

NSGC's core business functions are as follows:

- to develop social and economic strategies that align with the Social Responsibility Charter and support the achievement of identified goals and outcomes
- to oversee the operations of its operators, the Atlantic Lottery Corporation (ALC) and Great Canadian Gaming Corporation (GCGC), as well as to lead the implementation of responsible gambling programs
- to foster open communications with key audiences, including the shareholder, stakeholders, and the public

NSGC performs a number of key activities in carrying out these functions:

1. Responsible Industry Development

NSGC's goal is to develop the gaming industry in Nova Scotia by managing the policy decisions of government in the most responsible manner possible. NSGC focuses on initiatives that will develop a balanced and socially responsible industry that is sustainable and benefits all Nova Scotians. There are three aspects to this activity:

Planning and Policy Development—NSGC will continue to explore new opportunities through planning and policy development. The main focus of this element is to create an environment that is conducive to a sustainable and socially responsible gambling industry in Nova Scotia and aligns with the province's Gaming Strategy.

Responsible Product Implementation—NSGC is committed to continuing to make evidence-based decisions in assessing changes to the current product and gaming environments and utilizing responsible gambling and problem gambling experts to assist in this process.

Social Responsibility—NSGC is a world leader in responsible gambling and will continue to dedicate significant resources to the research, development, and implementation of progressive and groundbreaking responsible gambling initiatives.

2. Operations Management

This involves the progressive and effective management of NSGC's gaming businesses: ticket lottery, video lottery, and casino gaming. The three key elements under this activity are as follows:

Operator Management—Effective management of the operators' businesses as they relate to Nova Scotia is a critical function for NSGC to ensure there is alignment of efforts and that priority initiatives are completed as planned. Ensuring that operators offer products in an environment of security and integrity is a key goal.

Risk Management and Quality Control—This involves proactive risk management and effective quality control of NSGC and its operators' operations and business environments.

Compliance Management—Compliance management is a critical component of NSGC's day-to-day business, requiring that all its business and operators in the province conform to applicable legislation, regulations, contracts, and policies. NSGC has dedicated staff and resources to monitor the timely reporting of any and all gaming-related incidents. Careful and successful oversight of operations allows NSGC to identify areas that require enhancement and ensures that the industry is managed to the highest standards of integrity and public confidence and security.

3. Public and Stakeholder Communications

NSGC is accountable to the people of Nova Scotia. This involves timely and relevant communication of information to meet NSGC's standard of openness and transparency.

Priorities for 2010–2011

1. Pursue a Sustainable Gaming Industry

In striving to generate responsible economic returns, NSGC will focus its attention on the following priorities in 2010–2011:

Casinos—The Halifax casino will leverage high-quality entertainment and the redesigned Schooner showroom to draw visitors to the casino and continue to position Casino Nova Scotia as Atlantic Canada's premier entertainment destination. The casino will also seek to raise its profile as a premier banquet and meeting space to maximize the potential of both the Schooner and Compass rooms. The casino will continue to provide casino guests with the latest games, with a particular focus on table games. These new games, in combination with a commitment to rejuvenated slot offerings, will enhance the casino experience and support revenue and visitation levels.

The Player's Club program will be enhanced to retain customer loyalty and communicate the full benefits of membership. Improved marketing will keep current and potential customers informed of the latest activities and entertainment offerings at the casino. A better guest experience will be provided by improved guest service and employee training and engagement efforts.

These initiatives are particularly important given that the Halifax casino will face additional competition in 2010–2011 from the Moncton casino, which is anticipated to result in a decrease in revenue and profits.

The Sydney casino will continue to build on the success of the introduction of the Player's Club program by utilizing its database to more effectively and extensively communicate with casino patrons. Further, the Sydney casino will leverage its many partnerships with local businesses, media, and other organizations to secure its position as both an outstanding community leader and popular entertainment option.

Ticket Lottery—The ticket lottery business is NSGC's most mature business line. Given its mature state, investments in the traditional line of business in 2010–2011 are required to continue to deliver on the value proposition for players, optimize operational efficiencies within the core business, and support player protection. NSGC will continue to ensure products offered in 2010–2011 have the highest standards of integrity and security for our players and retailers.

Continued improvement of product offerings is a focus in 2010–2011. NSGC will explore new ways to increase value for our players, such as additional opportunities to win on instant tickets and the introduction of unique game offerings that will allow for greater player engagement.

Improvements will be further enhanced with the replacement of the existing lottery retail terminals. The new lottery terminals will deliver efficiencies to the business line and will offer enhanced security and controls for our players and retailers. For example, the new terminals will have a customer-facing screen, which will allow players to monitor the entire lottery transaction; they will also facilitate enhanced retailer communications and training. The lottery terminals will have modern graphics and improved components that will allow NSGC to pilot new technologies so that NSGC can position itself for future growth and sustainability.

These initiatives are necessary to stem the revenue decline that has been occurring over a series of years as a result of declining relevance to consumers of these traditional products. The revenue increase planned for 2009–2010 did not occur because of less-than-expected performance and subsequent removal of the Keno Ticket Lottery product. Costs will increase in 2010–2011, as NSGC must replace ticket lottery terminal assets, which were fully amortized in a previous year.

Video Lottery—An exciting initiative in 2010–2011 will be the province-wide implementation of the world's first My-Play System (My-Play) at video lottery retailer sites. My-Play is intended to provide personalized information to video lottery players about their play so that they can make informed choices. My-Play is expected to cost $4 million in operating, maintenance, and amortization expenses in 2010–2011. NSGC will continue to promote this program as a valuable informed-decision-making tool among players and retailers.

Rising costs, such as My-Play, and decreasing revenues will result in decreased profitability of this business line. Further, investments required to upgrade games on the existing aging terminals will be made in 2010–2011. Without this investment, base revenues would decrease further than that contemplated in the 2010–2011 budget.

SuperStar Bingo—As part of NSGC's Charitable Sector Support Program, SuperStar Bingo will continue in 2010–2011. This game enhances charity bingo by offering larger linked jackpots that allow charitable organizations to raise money to fund their projects and good works.

2. Foster Social Responsibility

In delivering its responsible gambling priorities in 2010–2011, NSGC will continue to strive to foster the most informed players in the world through leadership in responsible gambling and prevention programs. NSGC is committed to performing the tasks necessary to achieve the goals of its Social Responsibility Charter. When the concept of social responsibility is applied to this industry, the first consideration that comes forward typically arises from issues related to responsible play and the prevention of problem gambling. It is incumbent upon the gaming industry to concentrate on giving players the tools they need to make informed decisions, which experts indicate helps to facilitate responsible gambling behaviour and, in turn, helps to prevent future problems from developing. The cornerstone of NSGC's social responsibility commitment is, and always will be, responsible gambling and prevention programming.

To be effective, the concept of social responsibility must be integrated into existing corporate structures and processes. Every aspect of business and new programs must ensure that the principle of net positive benefits will be met. This may often require innovative solutions to challenges inherent in the gaming industry.

The Social Responsibility Charter includes NSGC's commitment to provide programs, products, and services to consumers that will empower them to make informed decisions. This effort is intended to help keep Nova Scotia's problem gambling rate (0.9 per cent) among the lowest in the country and sustain the casual social-player base to help build a healthy and sustainable industry in Nova Scotia. By following the charter, Nova Scotia and NSGC's role as a world leader in responsible gambling education, awareness, and programming will continue.

NSGC's commitment to responsible gambling will be demonstrated by an array of responsible gambling initiatives, including broad-based and targeted education programs, such as the following:

- leader in the first province-wide Responsible Gambling Awareness Week
- sponsor of YMCA's *Youth Gambling Awareness* program
- sponsor of Responsible Gambling Council's *R U UP?* program
- continued operations of the Responsible Gambling Resource Centres at both casinos
- leader in the development of the world's first My-Play System

In 2010–2011, NSGC will continue to deliver the *BetStopper* program, which is a world first and a key prevention programming initiative for NSGC. *BetStopper* is content-blocking software designed for use on home computers to help parents and caregivers prevent underage children from visiting gambling websites. *BetStopper* will be offered free of charge to Nova Scotia families with children under the age of 19.

NSGC will also continue to offer products that are as socially responsible as possible. Social Responsibility Assessments will be performed by NSGC and its operators to ensure that all new products, marketing approaches, and projects are reviewed using a standardized tool. This will ensure a common approach to social responsibility by NSGC and its operators within the province's gambling industry. Further, NSGC will be the first jurisdiction in the country to use GAM-GaRD assessments to evaluate all new games. This tool will be used in the overall decision-making process to determine if a new game should be launched.

NSGC will also continue to be a significant contributor to Nova Scotia's communities in 2010–2011. A key element in this area is the Support4Sport program, which is expected to raise approximately $2.8 million for sport in 2010–2011. This money will be used to buy sports equipment, create recreation and participation programming for all ages, support performance training programs for competitive athletes, and hire coaches at all levels.

Other means of community funding include

- support of community organizations
- support to the harness racing industry
- funding of Cultural Federation of Nova Scotia, Exhibition Association of Nova Scotia, and Sport Nova Scotia

3. Ensure Accountability and Communications

Gaming produces significant direct benefits for Nova Scotians, including the direct employment of approximately 750 people and the injection of $41.0 million in retail commissions to local Nova Scotia businesses. In 2010–2011, NSGC will provide $130.6 million to fund provincial programs in areas such as health care and education.

Given that the direct benefits of gaming are significant, NSGC must ensure that the gaming industry continues to operate in an effective and efficient manner.

As NSGC is a public company, its operations must be transparent, with timely and open communications to Nova Scotians. Publications in 2009–2010 that will continue in 2010–2011 include quarterly reports, an annual report, business plan, community reports, fact sheets, press releases, and website updates. In addition, NSGC will further enhance its website to serve as an important interactive resource for those seeking information about responsible gambling and the gaming industry in Nova Scotia.

In addition, a key priority in 2010–2011 will be the development of the 2011–2016 Responsible Gaming Strategy. This is a significant initiative that will serve to inform the gaming environment in Nova Scotia as well as to ensure that the balance between economic sustainability and social responsibility continues to be at the forefront of decisions and actions.

Budget Context

	Estimate 2009–10 ($ 000)	Forecast 2009–10 ($ 000)	Estimate 2010–11 ($ 000)
Sales			
Casinos	93,200	86,300	79,300
Ticket lottery	203,300	197,300	188,900
Video lottery	150,200	145,000	142,500
Total sales	446,700	428,600	410,700
Cost of sales	305,600	286,300	281,700
Gross profit	141,100	142,300	129,000
Expenses			
Responsible gambling programs	9,000	7,900	8,400
Commitments to community programs	4,200	4,600	4,200
Add: Interest income	200	—	—
Total expenses	13,000	12,500	12,600
Net income	128,100	129,800	116,400
Casino win tax	16,900	15,200	14,200
Payment to province	145,000	145,000	130,600

Outcomes and Performance Measures

Outcome	Indicator	Measure	Target 2010–11	Planned Target 2014–15	2010–11 Strategies to Achieve Target
Economic Sustainability	Total payment to province	Actual to budget	$130.6 million (+/-10% of Budget)	$134.0 million (+/-10% of Budget)	Monitor operators to ensure compliance with business plans
	VL as % of total net income	Stabilize % of net income from operations	68%	65%	Introduce new ticket lottery products and enhancements to the casino business
	Commissions to retailers	$ amount	$40.2 million	$42.0 million	
Social Responsibility	Awareness of responsible gambling behaviours	% of public that can cite at least two responsible gambling behaviours	40%	50%	Enhance Responsible Gambling Awareness Week
	Awareness of NSGC being involved in promoting responsible gambling	% of Nova Scotians who agree NSGC is actively involved in responsible gambling	25%	30%	Implement key community outreach programs
	Implement responsible gambling and prevention programs	Number of Nova Scotians reached with responsible gambling messages	14,000	15,000	Continue to implement and introduce effective responsible gambling and prevention programs
Accountability	Response to routine access requests for information	% response within two business days	100%	100%	Employ sound operations management
	Reports submitted on or prior to legislated deadlines	% of NSGC and operator reports provided before due date	100%	100%	Incorporate targets into employee personal performance plans
	Introduction of socially responsible products	Number of products introduced with social responsibility assessment	100%	100%	Continue to conduct Social Responsibility Assessments

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2010–2011

Harbourside Commercial Park Inc.
Business Plan 2010–2011

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Message from the Minister and the President

Harbourside Commercial Park Inc. (HCPI) began operations as a Crown corporation during the 2007–08 fiscal year with the mandate to manage the commercial development of remediated areas of the former Sydney Steel property.

Since the opening of the first phase of the commercial park, levels of employment have steadily increased. The 14 businesses within the park have 136 full-time employees plus an additional 20 part-time workers. Among these full-time employment numbers are 29 former steelworkers, with an additional 14 former steelworkers working part time. The Sydney Tar Ponds project has just recently constructed an $8.3 million building within the commercial park and employs an additional 26 full-time and contractual workers.

Harbourside Commercial Park personnel are actively dealing with prospective tenants interested in land and building purchases. Due to demand, the park has reached full capacity for rental of available office space in existing buildings.

2010 will see the opening of a new sports facility within the commercial park. This new facility will include a soccer field, walking track, and basketball and tennis courts. Several community sporting groups are eager to add Harbourside to their list of venues for sporting and charity fundraising events.

Harbourside Park has contributed, and continues to contribute, to the local economy and provides an excellent area for new and existing businesses to develop. The future 2010–2011 fiscal year looks very positive as new tenants choose Harbourside as their business location.

The Honourable Bill Estabrooks
Minister of Transportation and
Infrastructure Renewal

Gary Campbell
President,
Harbourside Commercial Park Inc.

Mission

To develop and maintain a viable industrial and commercial park comprising properties formerly owned by Sydney Steel Corporation (Sysco), including maintenance of buildings and grounds and the sale and lease of real estate for commercial purposes.

Planning Context

As a Crown corporation, Harbourside Commercial Park Inc. (HCPI) reports to a board of directors. The Minister of Transportation and Infrastructure Renewal is the minister responsible for the Crown corporation. HCPI maintains its office at Sydney, Nova Scotia, along with a presence at the department's head office in Halifax.

HCPI is responsible for the remediated lands on the former Sysco property. HCPI was incorporated in August 2006 and began operations April 1, 2007. HCPI is also responsible for Sydney Utilities Limited (SUL), which is a wholly owned subsidiary of HCPI. SUL is responsible for the control of the two water utilities that had been part of the Sysco infrastructure and a substantial water supply for the regional municipality and industrial activities at the former Sysco site.

Approximately 48 hectares (120 acres) of the former Sysco site have been remediated to industrial standards. In 2009–10, HCPI purchased the second phase of former Sysco land at fair market value. HCPI will manage the process of selling or leasing this property to commercial users and will manage existing tenants currently in place.

The remainder of the Sysco site will be remediated over time. As additional parts of the site are cleaned and available for sale or lease, it is intended that HCPI will purchase the property from Sysco.

HCPI will be guided by important key principles. These principles include strict attention to environmentally safe practices, a strong commitment to the health and safety of workers, respect for local communities, adherence to fiscal responsibility and public accountability, and the practical use of local labour and supplies.

Strategic Goals

HCPI's overall strategy is to advance its objectives with respect to establishing a fiscally viable commercial business park at the former Sysco steel mill site.

More specifically, HCPI will

- develop Harbourside Commercial Park into a premier commercial and marine park through marketing and site development
- provide business and other opportunities to the communities of the Cape Breton Regional Municipality

- expand and evolve the site as property is remediated and purchased from Sysco
- maintain sound health and safety practices in order to minimize the potential risk of injury to workers, visitors, tenants, suppliers, and others who may visit the site
- maintain adequate security on the site to prevent the loss of provincial property and site assets
- as the sole owner of SUL, ensure that SUL manages the liabilities associated with the existing major water treatment and distribution utility, located in Sydney River. SUL will also manage the commissioning and operation of the Grand Lake water system, which is being reactivated to provide a process water supply to Harbourside Commercial Park. The Sydney River system will then be abandoned and the infrastructure decommissioned.

Core Business Areas

HCPI Operations

The location of HCPI is ideal as a commercial business park. HCPI's core objectives are the continued property management and operation of the park and all associated buildings and marine facilities.

Sydney Utilities Activities

SUL manages the development and commissioning of the Grand Lake process water utility. Once this water system is operational, SUL will undertake the planning for, and decommissioning of, the Sydney River water system.

Planning for Future Site Development and Use

As more property is remediated and purchased, HCPI will continue to participate in the development of a long-term plan that clearly establishes its vision for the site and adjacent properties. Included in the planning document will be potential uses of the land and a strategy to attract to the park new businesses that support the vision. A planning process has been initiated to recommend future uses for the Coke Ovens property and the Sydney Tar Ponds and to determine what impact these sites will have on Harbourside.

Priorities for 2010–2011

HCPI Operations

- Develop and implement marketing strategies promoting the commercial park

- Continue to attract new tenants to the commercial park
- Enhance the second development phase of the Sysco site through infrastructure development and aesthetic enhancement, making the site attractive to business and community
- Complete restoration of buildings designated for use in the park
- Improve the HCPI website, as a sales and information tool promoting the park
- Assist the municipality and the Whitney Pier Historical Society in their efforts to develop a walking-trail system adjacent to the park, making resources and land available where possible

Development of Infrastructure on Existing Remediated Lands

- Landscape areas adjacent to new roads
- Realign Sydney Port Access Road to allow for better and more efficient public use
- Realign fencing, releasing cleaned and remediated real estate for future commercial development

Planning for Future Site Development and Use

- Work with key stakeholders to develop a vision for the future of the park and adjacent Tar Ponds and Coke Ovens properties
- Develop a long term strategic plan for the future use of the next phase of the site

Budget Context

	Budget 2009–10 ($ 000)	Forecast 2009–10 ($ 000)	Budget 2010–11 ($ 000)
Revenue			
Leases and rent	975	860	1,000
Sale of land	—	—	20
Other	—	36	40
Total revenue	**975**	**896**	**1,060**
Expenses			
General operating expenses	750	892	915
Management fees	115	115	115
Total expenses	**865**	**1,007**	**1,030**
Net income (loss)	**110**	**(111)**	**30**
Capital expenditure	250	96	2,000

Note: HCPI does not have any employees. HCPI contracts with NSLI for the park's operation, project management, and marketing of the park.

Outcomes and Performance Measures

Core Business Area 1 *HCPI Operations*

Outcome	Measure	Base Year	Target: 2010–11	Strategies to Achieve Target
Continue management of the park	Number of property sales and leases	2008–09	Four lot sales and all office space leased	Continued marketing activities
Lease renewal for marine facility and back-up lands	Signing of new 5-year lease	2005–06	Renewed lease	Negotiations with Provincial Energy Ventures

Core Business Area 2 *Sydney Utilities Activities*

Outcome	Measure	Base Year	Target: 2010–11	Strategies to Achieve Target
Commissioning of Grand Lake water utility	Water usage by commercial users in park	2010–11	Water system complete	Management of construction contracts
Shut down of Sydney River system	System no longer in use	2010–11	Planning for and decommissioning underway	Liaison with CBRM and management of consultant contracts

Core Business Area 3 *Planning for Future Site Development and Use*

Outcome	Measure	Base Year	Target: 2010–11	Strategies to Achieve Target
Future site use of HCPI and adjacent sites	Final land use plan for public discussion	2009–10	Approved plan for adjacent sites and HCPI	Participation in planning process with federal and municipal governments

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2010–2011

Nova Scotia Harness Racing Incorporated
Business Plan 2010–2011

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Message from the Minister of Agriculture

I am pleased to present the 2010–11 business plan for Nova Scotia Harness Racing Incorporated.

Harness racing is a popular entertainment attraction for Nova Scotians. The horse racing and breeding industry is an exciting, unique agri-business that plays an important and significant role within the agricultural economy of Nova Scotia. The industry has a positive affect on communities throughout the province, providing jobs and contributing annually to the provincial economy.

I wish harness racing enthusiasts every success as we build on existing efforts and work with stakeholders and partners within the greater agricultural community and government to achieve growth and prosperity for our province.

Yours Sincerely,
The Honourable John MacDonell

Mission

The Nova Scotia Harness Racing Advisory Committee is responsible for evaluating how best to invest the government funding provided while moving the harness racing industry to a more competitive, self-sufficient funding position.

Performance in 2009–2010

During 2009–2010, a total of 109 live race dates were achieved with the assistance provided by the Government of Nova Scotia. This assistance was also responsible for the successful Atlantic Sire Stakes races and the newly created Nova Scotia Stakes Series.

The track in North Sydney, Northside Downs, which received approval from the Maritime Provinces Harness Racing Commission to hold 29 race dates for the 2007–2008 season, had a very successful year in 2009–2010 with 30 race dates. The Inverness racetrack has maintained a good population of horses and in 2009–2010 hosted 30 live dates and completed construction of the new barn. As in the past three years, Truro found it necessary to suspend racing for a few weeks during the winter. The horse population in the province remains strong.

Funding was once again included for a Liaison Officer/Executive Officer. This position remained vacant for a few months while the position was advertised and a hiring procedure was followed. The new executive officer spent the remainder of the year getting up to speed on industry development, lobbying government, and performing various tasks for the Nova Scotia Harness Racing Industry. The Maritime Provinces Development Council was reactivated with a meeting held in December 2009.

Strategic Goals

- Strive to improve the product, namely live harness racing, to be competitive in the entertainment market, promoting the industry to the public as a sport.
- Maintain the good working relationships between racetrack management and the horsemen to continue to treat each other as partners.
- Secure adequate long-term funding through government liaison and corporate sponsorships.
- Improve media coverage of both live racing events and the industry generally.
- Promote harness racing through development and implementation of a marketing plan.
- Encourage continuing quality in the Standardbred horse for the harness racing industry and promote local horses.

- Use the Nova Scotia Harness Racing Industry Association to provide leadership for the industry in Nova Scotia.

Core Business Areas

Entertainment and Standardbred horse genetics have been the core businesses of Nova Scotia Harness Racing Inc.

Entertainment

The entertainment aspect consists of three components:

1. Live racing events/pari-mutuel wagering
2. Simulcast wagering/telephone account wagering
3. Gaming/video lottery terminals

There is a need to grow the business in each component so that more funds are available for harness horse owners. Greater incomes will pique interest in investing in the genetics aspects of the industry and drive values of breeding stock upwards.

Pari-mutuel betting is a fundamental source of funding of the live racing events and a key attraction for those keenly interested in the gaming aspect of live harness racing.

Simulcasting of racing events beyond the local racetracks continues to be a major supporting funding source for the industry. Teletheatre locations for 2009 were located at Bedford/Sackville Superbowl, Lower Sackville; Brewster's Restaurant & Lounge, Bedford; The Port Hood Fire Hall, Port Hood; Rollie's Wharf Restaurant & Lounge, North Sydney; the Martin Arms, Sydney; and Jack Duggan's Beverage Room & Grill in New Waterford.

Nova Scotia's industry recognizes that track sites cannot survive with only live racing and simulcast events. Increased competition in the gaming industry has contributed to this. A marketing study to identify the target audience would serve as a starting point for future direction. Promoting the industry to the public has become a priority. Inverness and North Sydney are working on getting their live races out to other tracks for simulcasting. Truro Raceway is researching an additional teletheatre site.

Lottery Proposal

The harness horse industry has presented a lottery proposal to the Nova Scotia Gaming Corporation. The proposal is similar to the lottery that exists in Sweden. What makes the Swedish lottery successful is that a large proportion of the population participates in it. The intent here would be to use all the outlets in the province that currently sell lottery tickets.

Ontario has been very successful in accessing more purse money for horse racing by making slot machines available at racetracks. However, it is becoming very evident that the fan base for horse racing is not being grown with that approach and that the industry is merely being subsidized in another fashion.

There is a fairly urgent need for the industry to grow its fan base. It begins with making the venue more family oriented and making the track facilities more welcoming to the public. In addition, spectators must be educated in evaluating the horses and drivers such that placing a bet provides them much better odds of winning than purchasing a lottery ticket.

The lottery system being proposed involves picking horses to win a series of races. This seems to be the approach most likely to inject life and viability back into the industry. The proposal is currently going through the review process by the Nova Scotia Gaming Corporation. Harness horse racing is a sport, and the horses are the athletes. The overwhelming positive response to the success of Somebeachsomewhere in 2008 indicates that many of the public view wagering on the sport more favourably than slots or gaming machines or gambling with cards.

Genetics

Maritime-bred horses continue to do well when competing outside the region. Standardbred horses represent a rural economic development opportunity. Horse production facilities can be established on sites where other forms of agriculture cannot exist because horses have an esthetic appeal. The breeding, rearing, and training of the Standardbred horse support many spinoff business opportunities and are driven by the live racing events at the province's three raceways. Stakes races for colts and fillies born or bred in Nova Scotia were established in Nova Scotia in 2006 and will continue in 2010.

Budget Context

Revenues	**Estimate 2009–10 ($)**	**Forecast 2009–10 ($)**	**Anticipated Funding 2010–11 ($)**
NS funding	1,000,000	1,000,000	1,000,000
Total revenues	1,000,000	1,000,000	1,000,000
Expenditures	Breakdown will not be finalized until after budget approval		
Special stakes	17,500	20,000	20,000
Atlantic Sire Stakes	200,000	200,000	200,000
Purse subsidy reimbursement	565,000	560,400	560,300
Maritime Provinces Harness Racing Commission	135,000	122,000	130,000
Operational costs—meeting expenses	1,500	1,750	1,800
Matinee tracks/youth promotion	5,000	5,000	5,000
Nova Scotia Stake Series	25,000	25,000	25,000
Liaison officer position	40,000	17,000	35,000
Marketing plan	—	—	—
Scholarship	1,000	1,000	1,000
Allotment to access other funding sources/industry development	10,000	—	—
Upgrading signal	—	21,900	21,900
Maritime Breeders' Crown	—	25,950	—
Total expenses	1,000,000	1,000,000	1,000,000

Forecast Background

With three tracks providing live racing, there were 109 live race dates for 2009–2010. The Maritime Provinces Harness Racing Commission (MPHRC) has made a deliberate effort to recruit officials through an apprenticeship program and to develop a continuing education and evaluation program, including a judges' seminar to attract apprentice officials. The additional officials created across the Maritimes should help to keep travel costs in check.

Industry would like to see the funds for officiating provided to the MPHRC from the Maritime Premiers Office rather than having the industry fund that expense.

A Nova Scotia Stakes Series was initiated in 2006 in an effort to encourage local breeders to produce high-performance racehorses and to provide racing opportunities for these local products and a local product for simulcasting. This Nova Scotia Stake Series will continue in 2010–11 with an effort to further encourage the development of local "trotters" and by further improving the program overall.

Budgeting for the executive officer position continued in 2009–2010. The position was vacant for a few months during this time in order to advertise and refill. With a change in government in 2009, there was again a great need to inform new political partners of the importance of harness racing to the Nova Scotia economy. This lobbying, discussions with the Nova Scotia Gaming Corporation, and seeking new opportunities for the harness racing industry will occupy a lot of the executive officer's time.

Operating costs—meeting expenses (exclusive of administration costs) to manage the fund will remain similar to last year, with a projection of $1,300. The 4-H and matinee track fund came in slightly under budget at $3,900.

Outcomes and Performance Measures

Core Business Area 1 *Entertainment*

Outcome	Measure	Base Year	2009	2010 Target	Strategies to Achieve Target
More live races	Increase in live races from base	2002: 100 race dates	109 race dates	Increase live race events	Long-term agreements between racetrack management and horse owners
More horse owners	Number of owners	2002: 403 owners	632 owners	Increase by 10%	Improve income for horse owners
Increased bet	Amount of wager	2001 gross bet: $12.8 million	Total wager: $12,449,746	Increase gross bet by 10% over base year	Promote industry to grow fan numbers and wager
More entertainment	Attendance	2001: 70,000	69,000	Higher attendance	Expand entertainment options through better marketing and high-performance racehorses

Core Business Area 2 *Genetics*

Outcome	Measure	Base Year	2009	2010 Target	Strategies to Achieve Target
More horses in race cards	Horse population	2001: 480 Standardbreds	858 Standardbreds racing in NS	Increase	Improve financial status of industry
Greater interest in horse ownership	Average sale year	2001: $4,400	$3,734	Increase prices of horses—emphasis on Nova Scotia bred	Promote the Nova Scotia Stakes and other special stakes

Background Information for Targets

- Live race dates at 109 for 2009, but more dashes were held, reflecting higher horse numbers.
- Horse owner numbers continue to grow, especially in Inverness and Northside.
- Attendance was down slightly in 2009 for the three racetracks.
- Total wager was down from the previous year, reflecting the trend across Canada.
- There were more horses in race cards at Inverness, Truro, and Northside.
- Fall sale of Standardbreds was up slightly from 2008 ($3,734 from $3,558).
- The long-range business plan for the industry is valid.
- Horse owners and racetrack management at the province's three racetracks continue in a co-operative working relationship and demonstrate a unified position in the industry association.
- Harness racing remains popular in the communities of Inverness and North Sydney.
- Economic study for the Nova Scotia Harness Racing Industry indicated a significant impact in the province:
  – contributes $11.6 million in household income
  – contributes $1.6 million annually to government in taxes
- Recession has had a negative impact on attendance and total wager.

Crown Corporation

BUSINESS PLANS

FOR THE FISCAL YEAR 2010–2011

Nova Scotia Housing Development Corporation

Business Plan 2010–2011

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Message from the Nova Scotia Housing Development Corporation

On behalf of the Nova Scotia Housing Development Corporation, we are pleased to present the corporation's 2010–2011 business plan.

2010–2011 marks the second year of the Nova Scotia–Canada funding, an investment of $127 million in housing infrastructure. During 2009–2010, the corporation has made a successful start on rejuvenating and greening Nova Scotia's public housing stock, creating additional housing for seniors, persons with disabilities, and affordable housing options for low-income Nova Scotians, as well as enabling government to continue with the Residential Rehabilitation Assistance Program. 2010–2011 will see most of that program completed, with finalization slated for early 2011–2012.

In 2010–2011, the corporation, through its mortgage lending program, will continue to support the Department of Health in the development of new long-term beds and will enable more child-care organizations to improve their facilities and create additional child-care spaces through the provision of forgivable and repayable loans.

This year, we will also continue to strengthen accountability and make our business processes more efficient. This will be achieved through the completion and implementation of a new system and new processes under the Housing Administration Project. This new system will allow us to provide our clients with far better and more responsive solutions to their needs.

We look forward to continuing our work with the corporation, its many stakeholders, partners, and organizations as we help provide Nova Scotians with safe, comfortable homes.

The Honourable Denise Peterson-Rafuse

Minister,
Department of Community Services

Judith F. Ferguson

Deputy Minister,
Department of Community Services

Mission

To provide financing for government's social and supported housing programs.

Mandate

The Nova Scotia Housing Development Corporation, created in 1986, provides financing for government's social and supported housing programs. It is responsible for holding the province's social housing assets and consolidating the revenues and expenditures associated with operating these assets.

Created by the Nova Scotia Housing Development Corporation Act, the corporation's activities include

- the acquisition and disposal of real estate
- negotiating agreements
- borrowing and investing funds
- lending money and guaranteeing payments
- mortgaging property

The staff of the Department of Community Services carry out the management and administration functions of the corporation but are not direct employees.

Strategic Goal

The goal of the Nova Scotia Housing Development Corporation is to ensure that a range of financial tools is available to support government's housing objectives.

Core Business Areas

The corporation's core business functions are to

- hold and finance provincially owned social housing assets in support of government's housing programs
- secure and manage funding to support social housing
- provide mortgage guarantees and/or loans to qualifying housing projects
- manage the funded reserves associated with provincial housing programs to protect the province from loss

Priorities for 2010–2011

The following priorities for 2010–2011 are in addition to the many ongoing activities that Community Services staff carry out on behalf of the corporation.

Priority: Investing in Housing Infrastructure

The corporation, on behalf of the province, negotiated early in 2009 with Canada Mortgage and Housing Corporation to secure funding to support the province's housing objectives. When combined with provincial funds, this will result in a total funding envelope of $127 million, the most significant investment in housing in decades (the 2009–2010 business plan referenced total funding of $133 million; this included $127 million plus $6 million for a previously planned project).

2010–2011 marks the second year of this initiative, which will conclude early in the 2011–2012 fiscal year. These funds have been, and will continue to be, used to rejuvenate and green Nova Scotia's public housing stock, create additional housing for seniors and persons with disabilities, create affordable housing options for low-income Nova Scotians, and enable government to continue with the Residential Rehabilitation Assistance Program.

Priority: Funding Support for Government's Public Policy Agenda

The corporation, on behalf of the province, works to ensure that there is a range of capital financing tools to support government's public policy agenda.

In 2010–2011 the corporation will

- continue to facilitate the creation of mortgage instruments to enable the Department of Health to proceed in a timely and fiscally sustainable manner with its Long Term Care Renewal Initiative and provide mortgage funds to the owners of nursing homes to finance new beds.
- make loans available to the commercial child-care sector for infrastructure improvements, enabling these centres to increase capacity and improve the quality of their physical plant
- make loans available to finance new and replacement facilities in the Services for Persons with Disabilities program

Priority: Implement New Technology System for the Housing Administration Project

The information technology system currently used in support of both the loans portfolio and housing grant programs is old and is being replaced. This system currently tracks in excess of $400 million in mortgages, loans, forgivable loans, and grants for social housing programs, long-term care facilities, disabled persons facilities, Canada Mortgage and Housing Corporation (CMHC) programs, and child-care programs. The total will grow significantly over the next two to three years.

In 2010–2011, the system design will be completed. This new custom-built financial management tool will be incorporated with the department's Integrated Case Management (ICM) and SAP systems to provide market-leading systems to support current and future needs.

(Note: In the 2009–2010 plan, the Housing Administration Project was called the Mortgage and Loans Portfolio Project. The name has been changed to capture the full scope of the development work.)

Budget Context

The following two tables provide information on the corporation's funding and expenditures.

Nova Scotia Housing Development Corporation Funding

Funding Source	**Estimate 2009–10 ($ 000)**	**Forecast 2009–10 ($ 000)**	**Estimate 2010–11 ($ 000)**
Revenue from government sources	147,200	136,100	144,900
Revenue from rents	52,200	52,700	53,200
Interest, revenue from land sales, and other revenue	15,500	9,500	22,700
Total funding	**214,900**	**198,300**	**220,800**

Nova Scotia Housing Development Corporation Expenditures

	Estimate 2009–10 ($ 000)	**Forecast 2009–10 ($ 000)**	**Estimate 2010–11 ($ 000)**
Interest on long-term debt	38,500	31,500	43,400
Property management and operation	44,900	30,900	31,500
Maintenance and capital improvements	32,200	30,500	30,200
Housing renovation and affordable housing	19,800	15,500	15,700
Transfer to housing services	16,600	32,500	32,500
Amortization of investment in social housing	12,900	13,400	14,000
NS housing stimulus plan	44,500	38,600	47,500
Administration fee and cost of land sold	5,500	5,400	6,000
Total expenditures	**214,900**	**198,300**	**220,800**

Outcomes and Performance Measures

The corporation provides financing assistance to qualified agencies to purchase, lease, or upgrade housing/shelter-related facilities. This involves giving the agencies preferred interest rates for longer-term periods than would be provided by private lenders. This is particularly important to Community Services and the Department of Health, since publicly subsidized per diem rates include financing costs.

Core Business Area ***Provide mortgage guarantees and/or loans to qualifying housing projects***

Outcome	Measure	Data	Target 2010–11	Target 2011–12	Strategies to Achieve Target
Strong public and social housing infrastructure supported by options in managing capital financing for government-sponsored housing	The amount of financial assistance and/or mortgage guarantees provided to social housing projects	2009–10: $180 million 2008–09: $59 million 2007–08: 9 projects at a total borrowing of $67 million 2006–07: 2 projects at a total borrowing of $9 million 2005–06 (BY): 10 projects at a total borrowing of $12.87 million	$260 million	$62 million	Financial assistance to support public and social housing will total $561 million by the end of fiscal 2011–12 Actions include • continuing to support the Department of Health's Long Term Care Bed Renewal initiative • funding to support infrastructure renewal/expansion in the Early Learning and Child Care sector • capital investments in the Services for Persons with Disabilities sector The corporation will also continue to foster and pursue partnering opportunities with other departments and government agencies
	The amount invested/committed through the Housing Stimulus initiative	2009–10: $38.6 million	$47.5 million	$16 million	Investments/commitments by the end of fiscal 2011–12 will total approximately $102 million (excluding investments in the Residential Rehabilitation Program). These investments will support infrastructure renewal/greening in public housing, development of seniors and disabled housing, and a number of initiatives to strengthen the co-operative housing sector.

Crown Corporation
BUSINESS PLANS
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Nova Scotia Lands Inc.
Business Plan 2010–2011

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Message from the Minister and President

Since its establishment in 2006, Nova Scotia Lands Inc. (NSLI) has achieved very steady progress in several major environmental and site redevelopment areas. The decommissioning of the Sydney Steel (Sysco) plant has been completed, and the environmental cleanup of the 185-hectare site is in the final stages. The first two phases, totalling 48 hectares (120 acres) have been completely serviced and turned over to Harbourside Commercial Park Inc. (HCPI) for commercial development. On the remaining portion of the former Sysco steel plant site, significant progress has been made in addressing heavily contaminated soils, with over 150,000 tonnes having been remediated. NSLI has also taken the lead on a couple of major projects under the federal/provincial Tar Ponds cleanup agreement and was able to significantly save time and project costs. As well, the first phase of environmental assessment has been completed on two substantial former Sysco properties within the community of Sydney Mines.

Since NSLI has identified a major liability to the province in the continued operation of the approximately 100-year-old Sydney River water supply, built to service the former steel plant, the design has been completed and construction is underway for a new industrial water supply at Grand Lake to service the Harbourside Commercial Park tenants. This work is being carried out in consultation with the Cape Breton Regional Municipality to ensure it is complementary to the existing municipal potable water supply to the commercial park.

In 2010–2011, the principle role of NSLI will be to continue the remediation/redevelopment activities at the former Sysco site, recycle any remaining products of value, and put in place the necessary infrastructure for development of the site into a viable commercial park facility. Working in collaboration with HCPI, we will continue to assist in marketing this park to regional, national, and international interests. NSLI will also put to use its substantial environmental cleanup experience to deal with other provincially owned contaminated sites, as well as assisting the Sydney Tar Ponds Agency in advancing their $400 million project adjacent to Sysco and Harbourside Commercial Park properties.

Co-operative efforts will also continue with the regional municipality in planning for viable reuse of provincially owned properties in order to assist the municipal government to rebound from the loss of major industry.

The Honourable Bill Estabrooks

Minister of Transportation and
Infrastructure Renewal

Gary Campbell

President,
Nova Scotia Lands Inc.

Mission

To prioritize for action, assess, and, where necessary, remediate provincially owned properties, with the objective of returning these lands to reusable condition, with no substantial safety or environmental concerns.

Planning Context

As a Crown corporation, NSLI reports to a board of directors consisting of senior provincial officials. The minister responsible for the Crown corporation is the Minister of Transportation and Infrastructure Renewal. NSLI maintains an office at Sydney, Nova Scotia, along with a presence at the department's head office in Halifax.

NSLI was incorporated in August 2006 and began operations effective April 1, 2007. In recognition of the planned windup of Sydney Steel Company (Sysco), it was determined that future activity related to the continued remediation of Sysco's property would be conducted by NSLI. Approximately 48 hectares (120 acres) of the former Sysco site has been completely remediated to industrial standards and is being developed as a major industrial park facility. The remainder of the Sysco site will be remediated, over time, by NSLI and will eventually be available for commercial redevelopment.

As more land is remediated, it is anticipated that Harbourside Commercial Park Inc. (HCPI), another provincial Crown corporation, will purchase the land at fair market value as part of its inventory for further development of the park. NSLI has entered into a management agreement with HCPI whereby NSLI supervises the operations of the commercial park as well as assisting in marketing the park.

Throughout its operations, NSLI will be guided by important key principles. These principles include strict attention to environmentally safe practices, a strong commitment to the health and safety of workers, respect for local communities, adherence to fiscal responsibility and public accountability, and the practical use of local labour and supplies.

One of the challenges that NSLI faces in managing the remediation of the former Sysco site is the changing environmental regulations. While extremely important, this does have an impact on the timing of the cleanup of the former site. Determining the extent of the environmental remediation required on sites owned by the former Sydney Steel Company that are outside of the Sysco site also presents a challenge.

In addition to conducting the remediation of the Sysco property, NSLI will work in partnership with provincial government agencies and departments, as it plays a new role in providing management, operation, security, and administrative services in the remediation of environmentally challenged sites under the control of the Province of Nova Scotia.

Strategic Goals

NSLI's overall strategy is to advance its objectives with respect to decommissioning, remediation, and future use of the former steel plant site as well as other provincially owned properties. Further, NSLI staff will continue to provide their considerable environmental experience in support of the federal/provincial program to clean up the Tar Ponds and Coke Ovens sites. The underlying goal of NSLI will be to protect the province's interests and its fiscal position regarding environmentally challenged sites.

More specifically, NSLI will

- continue remediation activities at the former Sysco site, until completed
- continue to put in place the required infrastructure to allow for redevelopment of the site as a viable commercial park facility
- continue to co-operate with the Cape Breton Regional Municipality in planning activities for viable reuse of former Sysco lands and assets, including necessary water supply, in efforts to increase the municipal tax base
- assist in prioritizing provincially owned sites under its mandate to ensure that present public safety issues or serious environmental concerns are high on the action list
- assess and, where necessary, remediate provincial lands for future uses in an environmentally sound manner, meeting the province's obligations and strengthening relations with the local communities
- maintain adequate security on sites to prevent the loss of provincial property and site assets as well as maintaining safe conditions
- actively market Harbourside Commercial Park as a viable location to establish commercial and light industrial enterprises

Core Business Areas

Former Sysco Site Rehabilitation and Redevelopment

Demolition of the plant infrastructure has been completed, and the environmental remediation of the property is well advanced. Some areas require continued environmental site assessment (ESA) studies and may need further remediation and future monitoring.

As the former Sysco site is remediated, work will continue to redevelop the property into useful and valuable commercial real estate.

Support to the Tar Ponds and Coke Ovens Project

With the former extensive Sysco property separating the Tar Ponds and Coke Ovens sites, much of the federal/provincial cleanup agreement activity is staged on the NSLI managed property. Also, since much of the Tar Ponds/Coke Ovens remediation activity is very similar to the work already completed by NSLI on the former Sysco site, support to the Tar Ponds project has logically grown. Furthermore, remediated areas of the former Sysco site, as well as the Tar Ponds and Coke Ovens sites, will require long-term monitoring activity. NSLI will be well positioned to oversee this required monitoring activity.

Environmental Assessment and Remediation of Other Sites

Based on prioritization, some other former Sysco properties require environmental site assessments or additional physical assessment. Physical assessment may include locating buried hazards, underground tunnels, or surface soil subsidence.

Remediation or restoration plans will be developed and implemented as required. Remediation may include removal of hazards, site levelling and grading, soil and seed application, tree planting, remediation of contaminated soils, redirection or treatment of ground waters, and other activities.

Development of the Grand Lake Water Supply System and Shutdown of the Sydney River System

The continued operation of the extensive, approximately 100-year-old Sydney River water supply system has been identified as an increasing liability to the province. Since the system has, over the years, expanded to provide water to residential customers, it has become a potable water system requiring chlorination. With the shutdown of Sysco, the majority of this treated water is now being overflowed to the storm-water system and eventually to Sydney Harbour. This has led to Environment Canada's serving notice to NSLI, under the Federal Fisheries Act. Since there continues to exist a substantial requirement for process water within the Harbourside Park, a new water supply is being developed using the much closer Grand Lake. When this system has been completed, the old Sydney River water system will be shut down and decommissioned.

Reuse of Blast Furnace Slag, By-products

Slag materials were produced as a by-product of the steelmaking process. Several hundred thousand tonnes of these products remain on the former steel mill site. It has been demonstrated that several of these products are valuable as construction aggregates, filter media, and concrete aggregates. NSLI will continue to encourage and assist private-sector companies to reuse these products for construction activities and in stabilization and solidification of the Sydney Tar Ponds.

Priorities for 2010–2011

Former Sysco Site Rehabilitation

- Complete Phase II and III ESAs in the tank farm area
- Finish remediation of isolated contamination areas
- Remediate other areas (pending ESA results)
- Oversee disposal activities at electric arc furnace dust pit
- Remediate high dump sludge
- Complete the final portion of underground and above-ground fuel pipe removal

Former Sysco Site Redevelopment

- Complete installation of rail through the east/central area of site
- Complete installation of Phase III roads (southern half of the north end of the site)
- Landscape areas adjacent to new roads
- Complete development of park area (soccer/rugby field and running track)
- Continue grading and levelling of ore field area

Support to the Tar Ponds and Coke Ovens Project

- Act as contract manager for work on the tar cell area of the Coke Ovens site
- Serve on and support the federal/provincial Project Management Committee
- Oversee disposal within the NSLI landfill cell of un-recyclable debris removed from the Tar Ponds
- Co-chair the Environmental Management Committee

NS Sites Review and Prioritization

- Complete review of all available documentation related to other former Sysco sites
- Continue to meet with those with vested interests (Natural Resources, Public Works and Government Services Canada, etc.) who may have knowledge of the sites and may have already identified issues or have had assessments done
- Where possible, physically visit and walk throughout any identified sites where health and safety issues could be of concern
- Update priority project list for future remediation consideration

Environmental Assessment and Remediation of Other Sites

- Complete physical assessments on selected sites
- Complete CCME-based Phase I ESAs on selected (higher priority) sites
- If issues are identified, develop a priority list to remove public safety hazards and environmental concerns at prioritized sites

Development of the Grand Lake Water Supply System and Shutdown of the Sydney River System

- Finalize construction activities for the Grand Lake system
- Engage the Public Utilities Board to establish a water rate for customers
- Liaise with CBRM water utility in the shutdown of the Sydney River system
- Plan and implement the decommissioning of the Sydney River water system
- Plan for operation of the Sydney River dam and fish ladder

Budget Context

	Budget 2009–10 ($ 000)	Forecast 2009–10 ($ 000)	Budget 2010–11 ($ 000)
Revenue			
Management fee from HCPI	115	115	115
Other	545	2,505	3,500
Total revenue	**660**	**2,620**	**3,615**
Expenses			
Payroll	1,260	1,180	1,260
General and administrative expenses	800	525	490
Project management	100	36	100
Security services	275	271	125
Site reconstruction	10,015	8,444	3,098
Cleanup and containment	2,945	2,880	5,710
Total expenses	**15,395**	**13,336**	**10,783**
Recovery from Sysco	**14,850**	**10,931**	**7,383**
Net income	**115**	**215**	**215**
FTEs	11	11	11

Outcomes and Performance Measures

Core Business Area 1 *Sysco Site Rehabilitation and Redevelopment*

Outcome	Measure	Base Year	Trends	Target 2010–11	Strategies to Achieve Target
Continue with final environmental site assessments	Complete final two areas	2008–09	2008–09: 75% 2009–10: 90%	100%	Contract final two environmental assessment studies
Finalize solidification (HAZCO) contract	Complete North End site project	2007–08	2008–09: 50% 2009–10: 90%	Work complete	Manage final contract work
Remove final above-ground and underground piping	Remove hazardous material pipeline	2007–08		Complete removal activity	Tender and award work
Continue soil remediation activities	Complete final two areas of site	2006–07		Complete high dump area	Tender and award work

Core Business Area 2 *Support to the Tar Ponds Project*

Outcome	Measure	Base Year	Trends	Target 2010–11	Strategies to Achieve Target
Tar cell area remediated and redeveloped	Finalize last major contract	2009–10	2009–10: 30%	Work completed	Manage awarded contract
Manage operation of contaminated material cell		2010–11	2010–11: 30%	Work ongoing	Oversee placement of material to ensure no damage to cell liner

Core Business Area 3 *Environmental Assessment of Other Sysco Sites*

Outcome	Measure	Base Year	Trends	Target 2010–11	Strategies to Achieve Target
Finalize two EA studies	Approve final reports	2009–10	2009–10: 80%	Reports complete	Comment on and accept final reports
Identify health and safety issues	Document issues and develop action plan	2009–10	2009–10: 20%	All main health and safety issues dealt with	Use internal resources to repair any issues presenting a safety concern

Core Business Area 4 *Grand Lake Water Supply*

Outcome	Measure	Base Year	Trends	Target 2010–11	Strategies to Achieve Target
Finalize construction and commission water supply	Final contracts complete	2009–10	2009–10: 80%	Water system in use	Oversee existing contracts
Shut down Sydney River system	Prepare decommissioning plan	2010–11		Sydney River system shutdown	Develop decommissioning plan

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2010–2011

Nova Scotia Liquor Corporation
Business Plan 2010–2011

Table of Contents

Mission

To bring a world of responsible beverage enjoyment to Nova Scotia.

Mandate

The NSLC is governed by the Liquor Control Act (LCA) of Nova Scotia. This act mandates the responsibilities of the NSLC to its shareholder (the Province of Nova Scotia) and the people of Nova Scotia. The most fundamental element of the corporation's role derived from the LCA is that the NSLC is solely responsible for the receipt, distribution, and control of all beverage alcohol available throughout Nova Scotia. In order to ensure the safe and responsible consumption of alcohol, any products sold through NSLC stores, agency stores, private wine and specialty stores (PWSS), licensees, and private importations must be received through the NSLC. Through this mandate, the government ensures that the product is available only to Nova Scotians of legal drinking age. The legislation also describes four other key responsibilities of the corporation, specifically:

- attainment of acceptable levels of customer service
- promotion of social objectives regarding responsible drinking
- promotion of economic objectives regarding the beverage alcohol industry in Nova Scotia
- attainment of suitable financial revenue for the Government of Nova Scotia

The NSLC strives to balance its legislated mandate between the control aspects of the products, providing the necessary financial returns to its shareholder, and ensuring a high level of service to Nova Scotians.

The NSLC exists, from a public policy perspective, to limit the harmful impacts of irresponsible behaviour relating to the misuse of beverage alcohol, not only through pricing policies but also through control of access to the product. It is important to note that the licensing and regulation of all bars, restaurants, pubs, lounges, and other licensed premises rest with the Nova Scotia Alcohol and Gaming Division.

Through all retail channels, the NSLC is focused on ensuring that the product is sold only to those of legal drinking age and on delivering a message that reinforces the need for safe and intelligent consumption. The NSLC also has in place minimum pricing for all products to ensure that excessive discounted pricing is not used to induce harmful consumption.

Externally, in fulfilling its legislated mandate, the NSLC focuses on advocacy, raising awareness of the impact of irresponsible behaviour regarding alcohol consumption. The NSLC's approach in this regard includes partnerships with the Nova Scotia departments of Transportation, Education, Health Promotion and Protection, and Justice as well as police services across the province.

The NSLC is mandated to provide the government with strategic public policy advice on the regulatory aspect of the Liquor Control Act and the economic development of the Nova Scotia beverage alcohol industry, providing opportunities for Nova Scotia beverage alcohol producers to optimize the retail of their products.

The NSLC has developed, based on its legislated mandate, a statement of purpose to guide all employees in what is expected from each of them and the corporation. The NSLC Purpose, Vision & Culture statement goes beyond the legislated requirements to describe and inspire its people as to the type of business the NSLC wishes to become. As the NSLC enters into the first year of its new 5-year strategic plan, it has reviewed its Purpose, Vision & Culture statement and has made slight modifications to lead the organization into the future.

Purpose

To bring a world of responsible beverage enjoyment to Nova Scotia.

Vision

To be a superb retailer recognized for sustainable business performance and engaging customer experience, eliciting the pride and enthusiasm of Nova Scotians.

Culture

- Encourages innovation and creativity
- Engages employees in achieving success
- Is driven by customer needs
- Demonstrates respect and dignity in all we do
- Is a fun and healthy place to work
- Advocates intelligent consumption and responsibility

Planning Context

Since incorporating in 2001 with a new commercial mandate, the NSLC has undergone a profound transition to become a customer-centric, leading retailer in the province. During this time (2000–2001 to 2009–2010 budgeted), the NSLC has achieved remarkable sales growth of 52 per cent (including non-liquor items), delivering a 58.2 per cent increase in net income to our shareholder. This amounts to approximately $1.8 billion in net income (2000–2001 to 2009–2010 forecasted) for the shareholder to improve the lives of Nova Scotians.

Successful retailers provide their customers with a complete shopping experience that engages them with new and modern store designs, inviting atmosphere, wider product selection, offers that deliver value, and knowledgeable, well-trained staff who offer personalized service.

The NSLC's continued success depends on its ability to respond to the realities of our market by providing shoppers with a customer experience that meets and exceeds their evolving needs and expectations. The long-term earnings growth resulting from focusing on customer expectations will be achieved through ongoing strategic investments in all aspects of the business.

Creating the right customer experience for the right market: to deliver the NSLC's customer promise is, and continues to be, a top priority.

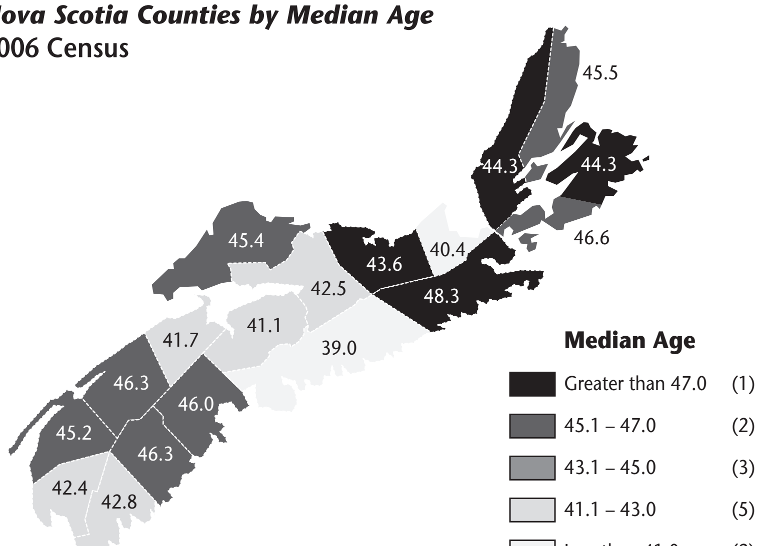
Market

Statistics Canada's 2006 census data indicate that 78.5 per cent of the Nova Scotia population is of legal age to consume beverage alcohol. NSLC surveys indicate that 26 per cent do not shop for alcohol. Hence, the NSLC customer base consists of approximately 535,000 people, most of whom visit an NSLC store at least once a month.

Population growth in Nova Scotia is relatively flat. Not only is the population not growing, it is aging. An aging population combined with a lack of growth (i.e., fewer younger residents) means that the NSLC customer base will grow older, as well. This will drive changes in consumption patterns and product demand. Research indicates that consumption tends to decline as the population ages; however, customer demand for some premium products might also increase with age, somewhat balancing the impact of lower consumption in some categories.

Another population trend in Nova Scotia is a hollowing out of the rural areas of the province. More and more people, particularly

Nova Scotia Counties by Median Age
2006 Census



young people, are moving to urban centres. The Halifax Regional Municipality (HRM) has benefited from this trend and has the youngest median age in the province.

In general, the more urban counties in the central part of the province (Kings, Hants, and Antigonish) have lower median ages than the more rural counties. There is a significant range of median ages between counties, HRM having the youngest (39) and Guysborough the oldest (48). This variation in the composition of the population across the province is reflected in the make-up of the NSLC's customer base, the implication being that a one-store-fits-all approach in terms of design, format, and merchandising might not be the most appropriate approach. The NSLC has endeavoured to understand the constituency of each store and to align store experiences, products, and service being offered accordingly.

The NSLC customer base also changes with seasonal variations. These include the substantial influx of people during the summer months resulting from the province's tourism industry. In the fall, the return of students to university affects the HRM, Wolfville, Antigonish, and Sydney markets.

While the return of students in the fall is assured, the number of tourists visiting the province each year is not always as stable. To the end of October 2009, the Nova Scotia Department of Tourism reported that there were 1,865,300 visitors to the province, a 1 per cent increase (3,000 more visitors) from the same period the previous year. Cruise ship activity was unchanged in Halifax and down 19 per cent in Sydney. The cruise ship numbers are not reported in the total of visitors, as they do not stay overnight.

The vendors and agents representing product manufacturers and wholesalers are critical stakeholders in the beverage alcohol business. There are approximately 102 beverage alcohol agencies in Nova Scotia (including all local manufacturers, wineries, microbreweries, distillers, and brew pubs) with approximately 154 registered representatives. The NSLC manages almost 6,000 products in the market and has introduced 1,500 new products in the last two years. To keep the product offerings fresh and vibrant, the plan is to add 300 to 500 new products every year.

Nova Scotia per Capita Consumption

Data on per capita consumption rates of beverage alcohol by product category in Nova Scotia indicate that 2008 consumption levels of beer and wine continue to be below the national average in spite of steady growth in wine consumption over the past six years. In contrast, per capita consumption of spirits in Nova Scotia remains above the national average; however, growth in this category has stalled since peaking in 2005. The data also reveal that per capita consumption of coolers continues to rise in Nova Scotia, while on a national level, cooler consumption has waned in recent years.

Consumption of Alcoholic Beverages per Capita LDA and Over, by Category, Nova Scotia vs. Canada (litres, 2003–2008)

	2003	2004	2005	2006	2007	2008
Spirits (excludes coolers)						
Canada	5.5	5.58	5.56	5.72	5.82	5.88
Nova Scotia	6.85	7.01	7.11	7.07	6.92	6.97
Coolers						
Canada	3.19	3.15	3.09	2.98	2.97	3.0
Nova Scotia	3.11	3.53	3.45	3.69	4.05	4.3
Wines						
Canada	12.57	12.99	13.23	13.72	14.57	15.06
Nova Scotia	8.16	8.43	8.93	9.37	9.73	10.43
Beer						
Canada	90.06	90.58	89.61	90.48	90.51	91.23
Nova Scotia	84.34	86.52	84.23	86.28	86.68	87.42
Total						
Canada	**111.32**	**112.3**	**111.49**	**112.9**	**113.87**	**115.17**
Nova Scotia	**102.46**	**105.49**	**103.72**	**106.41**	**107.38**	**109.12**

*Please note that all per capita data have been revised to reflect Statistics Canada revisions

Source: Brewers Association of Canada 2008 *Annual Statistical Bulletin*, p. 35

The chart above gives the total litres of beverage alcohol (by spirits, coolers, wine, and beer) consumed by the average person of legal drinking age (LDA) and above in each of the years from 2003 to 2008. The LDA is 19 years of age across Canada, except in Quebec, Manitoba, and Alberta, where it is 18.

In terms of total consumption of alcohol, Nova Scotia represents a moderate consumption environment consistently below the national average.

Total per Capita Consumption of all Alcoholic Beverages by Province and Canada (litres, 2003–2008) LDA and Over

	2003	2004	2005	2006	2007	2008
Total						
CANADA	**111.32**	**112.30**	**111.49**	**112.90**	**113.87**	**115.17**
Alberta	114.71	116.56	115.78	116.68	122.49	121.07
British Columbia	103.86	106.24	106.48	106.65	108.55	108.75
Manitoba	98.52	100.84	97.16	100.33	104.51	104.89
New Brunswick	101.22	103.32	103.03	104.29	104.60	104.33
Newfoundland and Labrador	120.85	120.12	117.28	118.71	120.62	124.99
N.W.T. & Nunavut	111.27	105.07	92.93	92.60	92.54	96.96
Nova Scotia	**102.46**	**105.49**	**103.72**	**106.41**	**107.38**	**109.12**
Ontario	110.75	111.22	109.26	112.05	111.34	112.46
Prince Edward I.	102.80	104.89	104.60	106.11	107.09	109.23
Québec	119.71	119.65	121.26	120.93	121.27	124.36
Saskatchewan	98.08	101.58	96.53	98.46	101.50	105.14
Yukon Territory	180.22	180.76	180.20	172.76	173.70	176.58

*Please note that all per capita data have been revised to reflect Statistics Canada revisions

Source: Brewers Association of Canada 2008 *Annual Statistical Bulletin*, p. 35

As illustrated in the chart on the previous page, Yukon Territory, Newfoundland & Labrador, and Quebec have the highest per capita consumption in the country, followed by Alberta and Ontario. Nova Scotia falls in eighth place, just slightly behind Prince Edward Island.

Being under the national average in per capita consumption of beverage alcohol would appear to present a moderate opportunity for further growth. As always, this opportunity is balanced against one of the NSLC's key strategic responsibilities—to promote social objectives regarding responsible drinking.

Volume of sales of alcoholic beverages in litres of absolute alcohol and per capita 15 years and over, fiscal years ended March 31

	2003	2004	2005	2006	2007	2008
Total						
CANADA	**7.7**	**7.8**	**7.8**	**8.0**	**8.1**	**8.2**
Alberta	8.6	8.9	9.0	9.2	9.6	9.5
British Columbia	7.8	8.0	8.1	8.2	8.6	8.7
Manitoba	7.4	7.6	7.4	7.6	7.8	8.0
New Brunswick	6.7	6.9	6.9	7.0	7.1	7.1
Newfoundland and Labrador	8.0	8.6	8.2	8.4	8.7	9.0
N.W.T. & Nunavut	9.2	8.6	7.9	8.1	8.1	8.5
Nova Scotia	**7.5**	**7.8**	**7.7**	**7.9**	**7.9**	**8.0**
Ontario	7.6	7.5	7.5	7.7	7.7	7.7
Prince Edward I.	7.5	7.6	7.7	7.8	7.9	8.2
Québec	7.8	7.8	7.7	8.0	8.2	8.1
Saskatchewan	7.0	7.2	7.0	7.1	7.4	7.8
Yukon Territory	12.7	12.9	13.0	12.7	12.7	13.2

Source: Statistics Canada. Table 183–0019.

Economy

The recession did not hit Nova Scotia as severely as it did other parts of Canada; nonetheless, the impact was felt. Any recovery is expected to be slow by historical standards, and risk and uncertainty remain. As the NSLC prepares this year's business plan, it is cautiously optimistic. NSLC sales projections for this past year reflect the reality of the economy, with the lowest level of growth since 2001.

Retail Sales

The Nova Scotia Department of Finance (December 2009 forecast) forecast retail sales to decline by 1.5 per cent in 2009 and to grow by 3.7 per cent in 2010.

Gross Domestic Product

The Nova Scotia Department of Finance (December 2009 forecast) forecast real GDP growth of 0.2 per cent in 2009 and 1.8 per cent in 2010.

Employment

The Nova Scotia Department of Finance (December 2009 forecast) expected employment in Nova Scotia to increase 0.1 per cent in 2009 and 1.0 per cent in 2010.

Personal Income and CPI

The Nova Scotia Department of Finance (December 2009 forecast) projected Nova Scotians' personal income to grow 1.4 per cent in 2009 and 3.2 per cent in 2010.

The consumer price index (CPI) is expected to shrink by 0.7 per cent in 2009 and to grow at a rate of 1.8 per cent in 2010.

Labour Relations

Most NSLC employees are unionized and are represented by the Nova Scotia Government and General Employees Union (NSGEU). Those in bargaining units include all full-time and part-time store clerks, all store managers and assistant managers, maintenance and warehouse employees, and some office clerical roles. Recently, most casual store clerks and warehouse staff have been added to the same bargaining unit as full-time and part-time store clerks.

All three of the NSGEU collective agreements are in effect until March 31, 2010, so collective bargaining will commence during this fiscal year. The expected economic climate and the addition of casual employees to the bargaining unit will both likely add greater complexity to this round of bargaining.

The overall labour climate continues to be characterized by a generally open and collaborative relationship, relying on a problem-solving approach to address workplace issues as they arise. It's fair to say that the NSLC has a positive labour relations climate, and this will provide a solid foundation for upcoming collective bargaining.

Business Planning

The guiding force to successfully meet and exceed NSLC business objectives is the NSLC's annual business planning process and 5-year strategic plan. These two documents provide the tools for the board, executive, management, and all employees to implement strategies that ensure the individual targets of each business unit and the overall financial goals of the NSLC are met or exceeded.

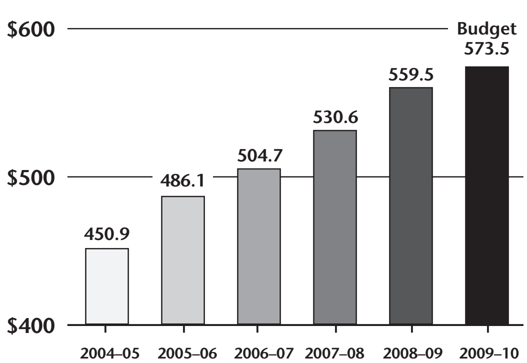
This year's business plan represents the first year of the NSLC new 5-year strategic plan. The organization follows a continuous planning process, ensuring that this plan is reviewed each year as the NSLC works toward its goals for 2015.

The annual business plan outlines the major annual projects and priorities on which the NSLC will focus and deliver in the current year of the 5-year strategic plan.

The planning process has worked well. The NSLC consistently outperformed net sales targets in each of the last five years, growing by 27 per cent to $573.5 million, as budgeted, and producing a compound annual growth rate (CAGR) of 4.9 per cent.

Performance – Net Sales

Millions of Dollars



Retail Environment

Retailers have experienced change in consumer behavior resulting from economic uncertainty and perception. Consumers try to save money and search out value more than ever before. They stayed closer to home due to pressure on disposable income, economic uncertainty, and a desire to maximize value. Grocery stores and one-stop-shopping locations benefit, whereas out-of-home entertainment and restaurants had a difficult year.

The NSLC's monopoly status as the province's retailer of beverage alcohol does not exempt it from the necessity to compete for a share of Nova Scotians' discretionary income. The NSLC is fundamentally in the retail business. Like all other retailers across the province, from chains to independents, the NSLC needs to provide customers with a proposition that includes convenient locations, a broad range of products, friendly and helpful staff, and product promotions, including sales.

Over the last number of years, the NSLC has made changes to all facets of the organization that reflect these retail realities. These changes, and the response they have elicited from its customers, have contributed significantly to its financial performance.

As the NSLC enters the first year of its new 5-year strategic plan, the economic forecasts for the coming year are at best uncertain. Nova Scotia, and specifically Halifax, have not been as dramatically affected by the global economic downturn as other parts of the country. However, as noted in other parts of this document, modest NSLC growth is forecast for this year, and NSLC is confident of its ability to meet the key financial objective of the new strategic plan.

To help develop its forecasts, the NSLC performs economic analysis of the Nova Scotia economy. A number of economic and socio-economic variables are analysed. One of the key economic indicators we look at is the inflation rate (CPI). The latest projections by the Conference Board of Canada suggest that CPI will increase at an annualized rate just over 1.2 per cent for Nova Scotia in 2010 and just under that rate for Canada as a whole. The CPI affects discretionary income and the amount of real revenue increase the NSLC can achieve. Through examining eight economic factors such as these, the NSLC is able to more accurately project its business performance.

To accomplish its objectives, the NSLC will continue to invest in the business and its employees, investments that it believes have made a difference to both the NSLC and our customers over the last number of years. The NSLC is firmly committed to the ultimate goal of encouraging Nova Scotians to enhance their social occasions through the responsible use and enjoyment of beverage alcohol.

Research into customer behaviour suggests that for people to spend more money when shopping, the NSLC needs to design a customer experience that

- increases the amount of time customers spend in the store
- increases the customer interaction in the store with staff and merchandising

All retailers are vying for a larger piece of the consumer's disposable income. The NSLC is no exception and is well positioned to offer affordable luxuries for every occasion.

The NSLC has successfully implemented strategies that have competed for a share of the customer's disposable income over the past five years. In addition to the increased, varied, and improved product offering, the NSLC has made it convenient to shop for beverage alcohol with the redesign and location changes of NSLC stores, the introduction of agency stores, extending hours of operation, Sunday store openings, and the co-location of approximately 50 per cent of the store network with grocery retailers. These initiatives have improved customer shopping convenience and increased customer satisfaction to the point where the NSLC is now viewed by customers as one of the top retailers in the province.

The NSLC continues to be recognized as one of Canada's leading retailers nationally and internationally and has received significant award recognition. In 2009, social responsibility campaigns led the way for the

NSLC. Jonzed, the innovative anti-binge drinking campaign, received two prestigious International Association of Business Communicators Awards of Excellence; the NSLC was the only Canadian company to receive this honour. Jonzed was also the recipient of the coveted Canadian Marketing Association Gold Award and four Applied Arts Interactive Awards.

The ICE Awards (Atlantic Canadian marketing and advertising awards) presented the NSLC with a total of eight ICE Awards showcasing the Jonzed campaign, the Single Serve Beer Fridge marketing campaign, the newly designed reusable bags, and the radio ad “No Wine for You.”

The NSLC’s environmental efforts earned a finalist spot in the International Summit Leadership in Green Procurement, finalist in PR News Corporate Social Responsibility Awards (Green PR Campaigns), and the Lyreco Reducing Together Our Footprint on Earth Award, the first to be awarded to a Nova Scotia company.

The NSLC has been ranked ninth on the *Progress* Top 101 Companies in Atlantic Canada and fifth in Nova Scotia. *Atlantic Business* also named Bret Mitchell, NSLC President and CEO, one of the top 50 CEOs for 2009. The NSLC has been ranked by *Strategy* as the 32nd most creative advertiser in Canada out of 400 companies and the top beverage alcohol advertiser in this regard.

Since 2006, the NSLC has been recognized with 68 national and international awards and continues to design responsible campaigns that showcase the seriousness of its legislated mandate while being a customer- and performance-focused organization.

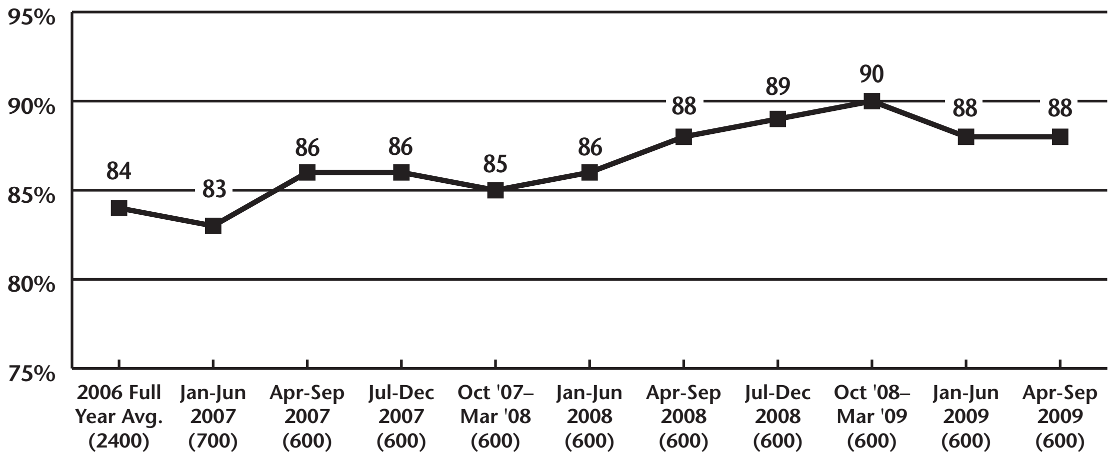
Customer Satisfaction

The NSLC measures its customer satisfaction among those who shop at its stores. Since 2006, the NSLC has also conducted an annual survey of Nova Scotians to examine their views of us as a retailer and to compare the shopping experience provided to them to that offered by other large retailers in the province.

Successive waves of this study have consistently demonstrated that NSLC is ranked among a small number of retailers that routinely provide an excellent shopping experience. This year’s results were no different, giving NSLC a ranking tie for second place overall in the province.

The NSLC has measured customer satisfaction with the key elements of its current five-year plan for the past four years. Since then, NSLC’s performance has increased four percentage points, from 84 per cent in the spring of 2006 to 88 per cent in September 2009.

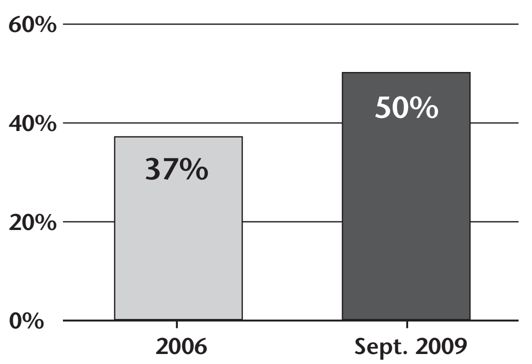
Customer Satisfaction: Overall Results March 2006–September 2009



Note: For the graphs on this page the vertical scale represents % and the horizontal scale represent time frame and sample size

The percentage of customers who gave the NSLC a perfect score of 10 out of 10 increased to 50 per cent in September 2009, up from 37 per cent in 2006, a 13 percentage point increase.

Percentage of NSLC Customers Rating Their Overall Satisfaction with the NSLC a 10 out of 10



The NSLC regularly monitors its Customer Satisfaction Index (CSI) using 11 driving factors of success. Since 2006, our customers have become increasingly satisfied with the NSLC on each of these key attributes, most notably attributes related to NSLC staff (helpful staff, proactive staff, knowledgeable staff).

Performance

In addition to the increased customer satisfaction, the growth in the return to the NSLC's shareholder has been unparalleled in its 79-year history. In fiscal 2009–2010, the NSLC budgeted both top-line and bottom-line growth to achieve net income from operations of $217.0 million on net sales of $573.5 million.

Corporate Social Responsibility

The province's *Sustainable Prosperity* initiative points out that Nova Scotians want to achieve prosperity and growth in an environmentally sustainable manner. They are looking for Nova Scotia businesses to meet today's needs while not compromising the future.

Drivers of Satisfaction	March 2006	September 2009	Precentage Point Change
SKU alignment and availability	70%	72%	2 points
Store layout and checkout speed	77%	81%	4 points
Retail shopping experience	80%	85%	5 points
Preferred product	79%	79%	0 points
Helpful staff	76%	84%	8 points
Knowledgeable staff	73%	79%	6 points
Proactive staff	65%	78%	13 points
Product sales and promotions	43%	45%	2 points
Sampling	47%	53%	6 points
Store accessibility	74%	81%	7 points
Cool zone/Chilled beer	75%	84%	9 points

Nova Scotians are no different than consumers and investors globally who are seeking greater efforts by business to act in a corporately responsible manner. Higher standards are expected and are being delivered in the business approach to the environment, trade standards, labour standards, adherence to basic human rights, and sustainable growth.

In addition to extensive efforts in the area of socially responsible consumption of beverage alcohol, NSLC is also developing all aspects of its business and future planning to ensure sustainable prosperity with a new Corporate Social Responsibility Plan. This CSR plan goes beyond the promotion of socially responsible consumption of alcohol to a new level of attention to the organization's impact in society. The first step in the CSR plan was the announcement in April 2008 to eliminate the 290,000 pounds (132,000 kg) of plastic bags that land in provincial landfills every year, a result of the 10 million plastic bags used in NSLC retail stores. In 2009–2010, the NSLC focused on establishing its carbon footprint, conserving energy, managing waste more efficiently, and promoting recycling.

The NSLC annual Sustainability Report analyses the NSLC's environmental and corporate responsibility efforts and outlines the progress made and the business targets in this area over the next few years.

NSLC Customers

The key to any successful retail organization is to know its customers, their needs and expectations, and how to meet these needs and anticipate how best to serve them in the future.

Through both quantitative and qualitative research, the NSLC has identified and segmented its customer base in order to offer a better retail shopping experience. Driving this segmentation is a behavioural approach that recognizes that NSLC customers buy products for specific occasions. The NSLC customer buys for one or more of the following distinct reasons:

- Celebration: For holidays and special occasions
- Socializing: With groups of friends, relatives or colleagues
- Simple Pleasures: At home or after a meal
- Weekenders: Socializing on week-ends
- Savouring: Before and during the meal time experience
- Unwinding: At the end of the day, through the week, alone time

These different occasions capture why NSLC customers purchase products. To fully understand customer needs and expectations, the NSLC also has to understand who is purchasing for these occasions, what they are purchasing for each occasion, when they are buying, and how much are they spending.

The NSLC segments its approx 535,000 customers based on their behaviours (captured in answers to the aforementioned questions) and then groups them into four customer segments:

- Adventurers (31 per cent): Buy different products across categories, shop more frequently, and spend more on average
- Loyalists (27 per cent): Buy the same product, shop more frequently, and spend more on average
- Discoverers (21 per cent): Buy different products across categories, shop occasionally, and spend less on average
- Maintainers (21 per cent): Buy the same product, shop occasionally, and spend less on average

By understanding the needs and expectations of its customers, the NSLC is well positioned to deliver on its business objectives.

There are many opportunities to increase revenues with all customer segments; recent analysis reveals that four in ten of our customers (41%) are good candidates for sales growth. More specifically, 6 per cent of the customer base is considered to exhibit the “best potential” for growth and a further 35 per cent is considered to exhibit “very good” potential for growth.

Higher-potential customers can be found throughout the customer base and across the entire province. That said, several demographic characteristics serve to distinguish the high-potential segments from the remaining customer base. They tend to be younger and better educated, with higher amounts of household income, and they are more likely to live in HRM.

Growth Composite by Customer Type

		Type of Customer				
		Loyalists 27%	Adverturers 31%	Maintainers 21%	Discoverers 21%	Total
Growth Composite	0 Extremely low potential	42%	20%	41%	11%	23%
	1 Below-average potential	32%	24%	45%	41%	36%
	2 Very good potential	25%	57%	13%	44%	35%
	3 Best potential	0.0%	16%	1.0%	4.0%	6.0%
Total		100%	100%	100%	100%	100%

Creating the right store for the right market was, and continues to be, one of the NSLC's key priorities. Walk into any NSLC retail outlet; it shares a similar vision and standard with all the others, yet provides an individual experience. The multi-store retail strategy, together with customer research, ensures a better understanding of the customers' needs and helps the NSLC align its network and service offerings.

Generally, the Nova Scotia population base shows relatively no growth and is aging. The NSLC's opportunity for growth lies in creating the right store in the right location, diversifying the beverage alcohol products available to the market, educating the customer on the products, and encouraging trial of better-quality products, all while continuing to reinforce intelligent consumption.

The NSLC's research indicates that since 2005 the Adventurer customer group has grown from 23 per cent to 31 per cent of its customer base. This is an important development for the NSLC because the Adventurer segment of the market spends more than average on beverage alcohol at retail. Further analysis reveals that what is behind the growth in this segment is an increase in the number of Nova Scotians who claim to enjoy discovering different types of beverage alcohol.

Looking back over the period of the last 5-year strategic plan, the NSLC set out to transform itself from "a place to buy" to "a place to shop." The growth in the Adventurer segment of the market suggests that the NSLC has enjoyed success in executing its first strategic plan, which has just ended. Customers falling into the Adventurer segment of the market are more experimental by nature and more experimental when they buy beverage alcohol. They browse NSLC stores more than average and are also more inclined to make impulse purchases. The growth in this segment of the market suggests the NSLC's efforts to transform itself are being rewarded.

Since 1930, the public policy choice by most governments in Canada in how to regulate the sales of beverage alcohol has been to control the sale of alcohol for societal reasons through government institutions. The reasons for this choice include the fact that this product, if abused, can have negative health impacts on individuals and societies. As such, the most effective manner to moderate the negative health impacts on society and also ensure to the greatest extent possible that minors do not have access to the product is through state-controlled enterprises. In fact, this is also the chosen policy route in 19 U.S. states. By doing this, government institutions balance the retail price to an extent that reduces the harm to society of alcohol (low prices increase consumption and the health impacts according to most studies, including the World Health Organization) with the reality that consumers will find a way to access the product through black markets if pricing is too high. Balancing these aspects of pricing is a challenge. There are many advocates on the health-care side that believe our pricing is still too low.

In Nova Scotia, the public policy choice by governments since 1930 has been that the profits from the sale of alcohol are to be used for improving the public good, such as better education and health care. Only through government control can these objectives be achieved. As such, the NSLC provides the public policy balance between those who would want uncontrolled consumer access in order to maximize profit and those who wish an outright reduction or ban on the product's availability.

The World Health Organization (WHO) recently proposed a strategy suggesting a wide range of measures to tackle excess drinking. Action on pricing was identified as a key theme in the strategy document, with policy recommendations ranging from excise tax increases to minimum pricing. The draft WHO document offers to governments several policy options on pricing identified as effective ways to tackle harmful use of alcohol. Minimum pricing, or social reference pricing, is one of the options. "Increasing the price of alcoholic beverages is one of the most effective interventions to reduce harmful use of alcohol," states the draft.

Minimum pricing or social reference pricing is one of several policy options on pricing offered to governments in the draft that is identified as an effective policy to tackle harmful use of alcohol. This has long been the tradition in Nova Scotia, with the NSLC setting a minimum price under which the product cannot be sold—the Social Reference

Price (SRP). The NSLC reviews and adjusts this SRP floor price annually. The NSLC also recognizes that the higher the content of alcohol in a drink, the greater the chance of harm. NSLC pricing also takes this into consideration by charging more for products as the alcohol content increases. As a result, NSLC pricing reflects the balance that public policy desires by preventing excessively low-cost alcohol, which can harm society, while recognizing that responsible consumption is a normal part of daily life.

Organizational Elements

The NSLC has five key organizational elements to its business: 1) Supply Chain; 2) Retail; 3) Wholesale; 4) Corporate Services; and 5) Regulatory.

Supply Chain

Like all retail businesses, the backbone of the NSLC is an effective and efficient supply chain. The supply chain coordinates not only delivery of products from the NSLC's partner suppliers around the world but also manages the logistics of getting the product from its warehouse to NSLC retail stores and wholesale customers.

The ongoing goal of the supply chain is to improve the speed of all deliveries and to carry a minimal level of inventory while simultaneously meeting the needs of all its customers. The impact of technology has been critical in providing exceptional logistics execution to improve efficiencies and satisfy customer needs. In the past calendar year, the adjusted fill rate for wholesale was 98.9 per cent, with retail coming in at 97.4 per cent (the goal for both was 98 per cent). Combined inventory turns for the calendar year were 13.61 on a goal of 12.

Retail

The NSLC is the province's single largest corporate retail banner in the province. It operates through 106 retail stores, ranging from the Wine Baskets located in grocery stores to the high-end Port of Wines store, and 54 agency stores. The NSLC is constantly examining market retail patterns to ensure that the store network is best designed to meet the constantly evolving needs of the consumer: the right store—with the right products—in the right location.

A key element to retail success is the knowledge, experience, and talent of retail store staff. The NSLC employs over 1,300 people in communities across the province and strives to support and enhance their skills to deliver superior customer service in a vibrant shopping environment.

Wholesale

With the exclusive responsibility to acquire and distribute beverage alcohol in Nova Scotia, the NSLC also serves as a wholesaler that makes up approximately 20 per cent of NSLC net sales revenue. The NSLC wholesale market involves supplying beverage alcohol products to the province's 2,070 licensed premises (restaurants, bars, lounges, and hotels licensed to sell beverage alcohol).

Of the NSLC's wholesale net sales revenue, licensees make up 59 per cent, NSLC agency stores 34 per cent, and private wine and specialty stores (PWSS) 6 per cent.

For fiscal 2009–2010, the NSLC wholesale market has budgeted sales of $115.3 million. This is a 4.3 per cent increase as compared to the previous fiscal year. The growth is largely due to increased sales forecasts for both agency stores and private wine stores

Corporate Services

The NSLC has a number of corporate services that enable the supply chain, retail, and wholesale functions to operate efficiently and effectively. These include customer insights, strategic planning and financial management of the business, the merchandising and marketing of products, the development of human resource needs, the development and maintenance of NSLC facilities and the store network, the use of information technology to improve the efficiency of the business and facilitate the shopping experience, and the transparent communication of the goals of the organization, both internally and externally. The use of technology has greatly improved the execution and efficiencies of all parts of the NSLC through access to improved and more-accurate data.

Regulatory

The NSLC is responsible for aspects of the Liquor Control Act that relate to regulating the activities of manufacturers, their representatives, and non-consumer (commercial/industrial/institutional) uses of alcohol. Every manufacturer or its agent must be authorized by the NSLC to represent and/or market particular products and brands in the province.

A major component of the NSLC's regulatory obligations includes activity related to wineries, breweries, and distilleries manufacturing products within Nova Scotia. The NSLC recognizes the value that these local manufacturers add to the Nova Scotia economy and the great potential that their products offer in both local and world markets. All local producers are able, once permitted by the NSLC, to operate a retail outlet at their place of manufacture. In addition, the NSLC issues special permits for some of these producers to retail their products in areas such as farmer's markets.

As part of the emerging markets development strategy, the NSLC introduced the Nova Scotia wine industry pricing policy to help accelerate the growth of this rapidly developing industry in our province. The NSLC is committed to working with industry and government in this exciting area of our business.

Strategic Plan

In 2005, the NSLC released its first 5-year strategic plan, identifying business objectives through 2010 and outlining the customer promise. During this planning year the NSLC launches its new 5-year strategic plan, which will guide the organization to achieving our goals from 2010 to 2015.

The NSLC's Customer Promise is to develop customer experiences across multiple business channels that

- align products, services, and events with customers' needs
- offer vibrant, interactive, and inviting Nova Scotia shopping experiences
- ensure discovery and personal service with friendly and professional staff

The theme of the new strategic plan is to "build trusted customer and community experiences that matter."

The NSLC has identified five strategic pillars to guide its operations during the period of the 2010–2015 strategic plan:

- **Stewardship**: To deliver the stewardship entrusted to the NSLC in relation to the Liquor Control Act
- **Customer:** To deliver exceptional customer experiences and personalized services in dynamic retail environments
- **Reputation:** To be a leading corporate citizen building strategic community engagements
- **People:** To have an enthusiastic and engaged team recognized for excellence
- **Financial:** To contribute $1.2 billion to our shareholder over five years and $275 million in 2015 while employing sustainable business practices

Each pillar is accompanied by five-year strategies that are the organization's focus in achieving its goals as outlined in the strategic plan. Each of these strategies has alignment with the priorities of the current fiscal year. The detailed strategies can be found in the NSLC 5-Year Strategic Plan. What follows are the highlights of this year's priorities.

Priorities for 2010–2011

Stewardship

To deliver the stewardship entrusted to the NSLC in relation to the Liquor Control Act.

2010–2011 Priorities

- Implement recommendations from the craft beer economic study.
- Take a leadership role in developing provincial social responsibility policy objectives by recommending full implementation of the board-approved social responsibility charter.

- Implement international financial reporting standards (IFRS).

Customer

To deliver exceptional customer experiences and personalized services in dynamic retail environments.

2010–2011 Priorities

- Improve our understanding of customers by developing and defining levels of engagement and through a further refinement of the customer satisfaction index (CSI) to include the multiple channels of customer contact.
- Research and consider options for data collection to support a deeper understanding of shopper behaviour.
- Develop a cross-functional team (Customer Insights, Marketing, Category Management, Operations) to effectively turn customer insights into actionable initiatives.
- Complete Phase 1 and design Phase 2 of the external online strategy, developing programs to build communities of like-minded customers.
- Refine the Premium Wine offering throughout the network, based on customer insight.

Reputation

To be a leading corporate citizen building strategic community engagements.

2010–2011 Priorities

- Implement Phase 2 of the Corporate Social Responsibility plan, including a new Energy and Environment Investment program.
- Implement a four-pillar targeted community relations program.
- Develop and implement reputation management benchmark research.
- Develop and implement a new Responsible Retailing / Age Identification program.

People

To have an enthusiastic and engaged team recognized for excellence.

2010–2011 Priorities

- Enhance and evolve the NSLC intranet to support employee engagement and facilitate communication.
- Champion a corporation-wide performance measurement reporting framework.
- Design and implement enhancements to the corporate-wide training and development program.
- Undertake collective bargaining to renew three collective agreements.
- Increase the focus on organizational health to complement personal health and occupational health and safety.
- Establish safety and security standards, identifying and removing gaps.

Financial

To contribute $1.2 billion to our shareholder over five years and $275 million in 2015 while employing sustainable business practices.

2010–2011 Priorities

- Initiate the development of a corporate-wide controls framework in support of strengthening the financial and operational controls environment.
- Launch the 5-year strategic plan for 2010–2015.
- Create enhanced gross margin opportunities.
- Implement warehouse management system efficiency enablers to support additional warehouse capacity.
- Improve strategic reporting capabilities and business analytics.
- Create an overall SAP maintenance strategy and implement priorities.
- Investigate areas for future business development.

Strategic Enablers

There are important strategic enablers that allow the NSLC to deliver on its 2010–2011 priorities in support of the 5-year strategic plan and ultimately allow the NSLC to meet its customers and shareholder expectations. These important enablers are the capital and operating expense plan, customer experience, business planning process, and business analytical capabilities.

Capital and Operating Expense Plan

Prior to the NSLC's becoming a Crown corporation in 2001, its growth was impeded by the lack of investment in the business. The result was technology and a store network barely able to keep pace with the demands of a modern retail business, to a degree that fundamental elements of the business were at risk.

Since becoming a Crown corporation, the NSLC has increased spending to invest in the long-term health of the business. Investments include capital expenditures for the replacement of the core technology that runs the business, now SAP; a new point-of-sale system; and the renewal of the store network.

The capital investment from 2004 to 2007 in SAP has increased planned depreciation and amortization until 2010–2011. In addition, during 2007–2008, the NSLC made an additional major capital investment with the replacement of the point-of-sale system. This will affect the amortization and depreciation expense line begun in 2008–2009 until 2012–2013.

Additionally, from 2004 to 2007, the NSLC partnered with major grocery chains in many of its locations to provide a convenient and improved shopping experience. Some of the capital investment was provided by these grocery partners, and for the most part the NSLC has optimized this opportunity. In future, continued store enhancements that meet the ROI-hurdle rate model for capital expenditures will be funded by the NSLC.

On an ongoing basis, the business requires operating expenditure investments to enhance the customer experience at retail, manage the supply chain, introduce modern marketing and merchandising practices, improve financial reporting and analysis, and train employees.

IT Enablers

A number of key IT corporate initiatives enable efficient and effective management of the NSLC. In the past five years, there have been significant changes and additions to the IT infrastructure. In 2010–2011, there will be a focus on updating key IT systems to ensure optimum performance and reliability. There will also be additional features added to the new myNSLC.com website and a new internal intranet project focused on improved communication, operational efficiency, and collaborative information sharing among staff.

Customer Experience

The NSLC brand presents an overall impression of the organization to our customers and the public through all customer touch points. Brand touch points include the physical store environment, staff interaction, the logo, product selection and availability, promotions and advertising, impressions left by news media, events, online interaction, and many intangible elements. Every place a customer can interact with a company is a touch point, and that touch point affects how the NSLC is perceived. Perception affects a customer's willingness to respond to a retailer's effort to get them to purchase products:

Brand = Promise + Performance + Perception

Based on extensive research, the NSLC brand flows from its brand positioning statement: "The NSLC compliments life's occasions, those special times we share in life." This positioning statement then leads to

Brand NSLC = Complimenting life's social occasions

In becoming a leading customer-centric retailer, everything the NSLC has done, from store design and product selection to customer engagement and staff training, is a reflection of Brand NSLC. Part of the NSLC brand structure is how it expresses the brand in its tagline:

Make it a Social Occasion

This tagline brings the NSLC's brand to life by connecting with customers in a manner that reflects how they interact with the products and service offered by the NSLC. The NSLC retail experience has become an integral part of the customer's social occasion.

Business Planning

The NSLC has developed its business planning process to help guide the organization in meeting its commitments under the new 5-year strategic plan.

The corporate business planning process analyses the business as it currently stands and provides a blueprint for reaching the goals set out in the new 5-year strategic plan. These include a vision of the customer experience, the service culture to which the NSLC aspires, definition and segmentation of the customer base, the optimal cross-category strategy for profitability, a multi-format network strategy, and how to achieve and maximize financial performance through the use of pricing and gross margin.

The annual business plan and annual business unit plans then are aligned with the 5-year strategic plan to ensure that the NSLC delivers on stated objectives.

Leading retail businesses use customer research and behavioural data together with shopper marketing to drive customer satisfaction and increased profitability. Based on customer needs and performance analysis, shopper marketing will strategically define and drive product selection, product pricing, product placement (e.g., which stores, where in store, where on shelf), and product promotion.

Business Process Improvement

Technology supports key business processes such as product ordering, financial management, human resource management, data warehousing, and customer behavioural insights.. These systems and the resulting new business processes improve decision making and enhance the execution of strategies and operational needs. Realizing the benefits of the SAP implementation continues to improve the NSLC's evolving business processes and provides the necessary tools and information to help the NSLC achieve its goals and objectives.

Risk Factors

Risk, simply put, is anything that impacts the ability to achieve objectives. Therefore, it is important to outline the risk factors beyond the control of the NSLC that can affect its ability to meet its commitments and objectives. One factor is the impact weather can have on sales. Severe winter weather has, in past years, resulted in the closure of stores across the province, thus reducing overall sales. Unseasonably cool summers, rain, and fog also negatively impact sales. The beer category is particularly subject to sales fluctuations in this regard. Weather conditions represent an area of great vulnerability, since approximately 80 per cent of the volume of product sold is in the beer category.

Our products are purchased with the discretionary income of customers. General economic conditions of the province affect discretionary income and could reduce NSLC sales and overall profitability, as in any retail business.

The NSLC has put in place monitoring and performance measures to enable management to make decisions mitigating the risk associated with weather and economic factors. Major business process initiatives associated with the implementation, stabilization, and benefits realization of new technology carry inherent risk factors that can impact the business. Due diligence is performed by the NSLC during any evolving process to mitigate possible business interruption.

The Royal Bank of Canada and TD Merchant supply the clearing system for financial transactions used by the NSLC. These systems rarely fail, even temporarily. However, if they do, the NSLC would be affected.

The perspective of the Government of Nova Scotia, as the sole shareholder of the NSLC, can impact the organizations' business plan. Shifts in public policy and the public interest as voiced by the government could affect the NSLC's ability to deliver its business plan as outlined.

Ultimately, changes in customer tastes and attitudes can also have an impact.

Enterprise Risk Management

The board of directors and the executive are committed to ensuring that appropriate Enterprise Risk Management (ERM) strategies and processes are in place and revisited yearly to mitigate as many risks (aforementioned and otherwise) as possible. ERM is a structured and disciplined risk management approach, considering strategy, process, people, technology, and knowledge, with the purpose of continually evaluating and managing risks to business strategies and objectives on an enterprise-wide basis.

The ERM process is a form of due diligence that systematically isolates the challenges that might affect NSLC's business, using three criteria:

- The identified risk must be significant enough to make a material difference to the plan.
- It must be something that the NSLC can either control or influence.
- It must be something that, in its judgment, the NSLC is not currently controlling or influencing in an adequate fashion.

ERM is a continuous activity that aggregates and integrates risk management activities across all types of risk in order to achieve maximum risk-adjusted returns. The benefits of an ERM process include

- strengthened corporate governance and accountability

- improved and proactive management focus
- increased awareness of risk and enhanced accountability
- established and integrated view of risk across the organization
- effective cost management and resource allocation
- better management of internal and external stakeholders' expectations and requirements

The risk assessment initiative conducted in 2009–2010 by the NSLC identified and prioritized risks, which in turn require the corporation to adopt mitigation strategies overall or for appropriate business units within the organization. The next step is to develop both the reporting and governance processes, including integration with strategic and business planning, board and executive committee reporting, and ongoing risk/mitigation re-assessment. Business unit managers were asked to review the key risks identified and incorporate mitigation plans in their annual business unit plans for 2010–2011.

Economic Risk

NSLC sales remain strong, bucking the trend of the previous two Canadian recessions. The NSLC's performance is a testament to the changes in business strategy that focused on renewed stores, improved product selection, and, most importantly, the investment in employee training, all of which have resulted in vastly improved customer satisfaction.

The global recession impacting Canada has been more severe in other parts of Canada than in Nova Scotia. Nova Scotia did not experience two consecutive quarters of negative GDP growth—the measure of a recession.

The economic recovery is expected to be sluggish by historical standards, and risk remains. The products sold by the NSLC are purchased with the discretionary income of customers. General economic conditions of the province affect discretionary income and, as in any retail business, can impact NSLC sales and overall profitability.

Before the recession last year, the previous 10 years were characterized by steady growth in the Nova Scotia economy, which in turn has provided a solid foundation for the growth in revenues and profit the NSLC has generated for its shareholder. Indeed, over the past several years, the NSLC has exceeded its financial targets and delivered even more profit to Nova Scotians than it had committed.

Looking ahead, the economic picture is far from certain. The NSLC is taking steps to ensure that it mitigates the risks posed by the global economy as much as possible.

One certainty is that the NSLC of today is a different organization than it was the last time the province faced challenging economic times. The NSLC has evolved into a modern retailer and has at its disposal a broader array of measures that it can employ to manage the effects of a downturn in its business. From state-of-the-art inventory management and control to engaging stores, from active marketing and merchandising programs to much-more-sophisticated understanding of our customer's shopping habits and purchasing preferences, the NSLC is better equipped than in the past to respond to the uncertain business environment we now all face.

As the NSLC enters the first year of its new 5-year strategic plan, it faces an uncertain economic environment. The NSLC's plan for 2010–2011 is based on prudent estimates of growth. NSLC budget assumptions take into account the uncertain economic conditions it now faces. Its revenue and profitability estimates are aggressive but realistic, given these prudent assumptions. NSLC does not envisage the growth rates that it has had in the past but plans to meet or exceed its financial targets.

Performance Measurements

The NSLC will meet or exceed the following key financial performance measurements for the organization:

Net Income (millions)

Actual 2005–06	Actual 2006–07	Actual 2007–08	Actual 2008–09	Budget 2009–10	Budget 2010–11	5-Year CAGR
$181.3	$188.2	$198.7	$212.6	$217.0	$223.5	4.27%

Net Sales (millions)

Actual 2005–06	Actual 2006–07	Actual 2007–08	Actual 2008–09	Budget 2009–10	Budget 2010–11	5-Year CAGR
$486.1	$504.7	$530.6	$559.5	$573.5	$593.3	4.07%

Operating Expense Ratio (including depreciation)

Actual 2005–06	Actual 2006–07	Actual 2007–08	Actual 2008–09	Budget 2009–10	Budget 2010–11	5-Year CAGR
14.8%	14.7%	15.4%	15.3%	15.5%	15.9%	5.70%

Operation Expense Ratio (excluding depreciation)

Actual 2005–06	Actual 2006–07	Actual 2007–08	Actual 2008–09	Budget 2009–10	Budget 2010–11	5-Year CAGR
13.8%	13.7%	14.0%	13.7%	13.8%	14.1%	4.48%

Budget Context

Financial Plan

	Actual 2006–07 $	Actual 2007–08 $	Actual 2008–09 $	Budget 2009–10 $	Sales %	Budget 2010–11	Change %
Spirits	148,457,956	153,513,558	160,878,622	163,844,886		162,491,956	
Wine	87,609,246	97,095,979	104,476,332	109,825,449		114,793,517	
Beer	251,363,331	263,737,652	276,188,679	281,113,029		296,147,793	
Ready-to-drink	20,536,527	21,958,794	23,899,411	24,917,989		26,317,698	
Non-liquor	196,624	109,955	183,477	195,209		190,000	
Total Gross Sales	508,163,684	536,415,938	565,626,519	579,896,561	101.1	599,940,963	3.5
Less: Discounts	3,445,895	5,863,669	6,111,955	6,366,392	1.1	6,666,942	
Net Sales	504,717,789	530,552,269	559,514,564	573,530,169	100.0	593,274,021	
Cost of Sales	242,344,875	250,065,446	261,364,917	267,709,991	46.7	274,216,344	
Gross Profit	262,372,914	280,486,823	298,149,647	305,820,178	53.3	318,057,677	
Less: Store Operating Exp.	47,066,297	48,844,827	49,085,992	50,983,131	8.9	53,356,365	
Gross Operating Profit	215,306,617	231,641,996	249,063,656	254,837,047	44.4	264,701,312	
Less: Supply Chain	5,261,682	5,994,062	4,760,762	5,324,575	0.9	5,964,753	
Corporate Services	17,161,160	19,686,367	21,479,351	21,333,394	3.7	22,454,455	
Other Expenses	6,130,390	5,594,455	6,000,520	6,468,167	1.1	6,162,895	
Add: Other Revenue	6,320,501	5,630,063	4,521,749	4,801,338	0.8	4,222,682	
Total Expenses (excl. stores)	22,232,731	25,644,821	27,718,884	28,324,798	4.9	30,359,420	
Op. Income before Depr.	193,073,886	205,997,175	221,344,771	226,512,249	39.5	234,341,892	
Less: Depreciation	4,832,930	7,325,729	8,731,567	9,503,056	1.7	10,883,278	
Income from Operations	188,240,956	198,671,446	212,613,204	217,009,193	37.8	223,458,615	3.0
Total Expenses (not depr'n)	69,299,028	74,489,648	76,804,876	79,307,929	13.8	83,715,785	
Total Expenses	74,131,958	81,815,377	85,536,443	88,810,985	15.5	94,599,063	

Volume (hectolitres)					Change %		Change %
Spirits	51,230	51,940	52,650	52,610	-0.1	51,887	-1.6
Wine	72,090	77,800	81,150	84,540	4.2	87,550	3.5
Beer	641,640	651,990	657,120	655,280	-0.3	655,785	0.0
Ready-to-drink	29,910	32,080	33,430	34,220	2.4	35,441	3.5
Total	794,890	813,820	824,370	826,660	0.3	830,664	0.5

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2010–2011

Nova Scotia Municipal Finance Corporation
Business Plan 2010–2011

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Message from the Minister and the Chair

As the Minister of Service Nova Scotia and Municipal Relations, I am the minister responsible for the Nova Scotia Municipal Finance Corporation. The Nova Scotia Municipal Finance Corporation (NSMFC) is a crown corporation of the Province of Nova Scotia. The NSMFC was established by the Municipal Finance Corporation Act of the Legislature of the Province of Nova Scotia in 1979 and began business in January 1980.

The corporation's purpose is to provide the lowest available cost financing to its clients, which include municipalities, municipal enterprises, school boards, and hospitals. All municipalities and municipal enterprises must finance their external capital requirements through the corporation. Currently, most school board and hospital capital expenditures are financed directly by the Province. The Municipal Finance Corporation concept is widely used in Canadian provinces as a cost-effective, efficient means of raising long-term debenture funds to finance municipal capital projects.

The NSMFC is forecasting to have over $728 million in debentures outstanding at March 31, 2010. New debenture issues in 2010–2011 are estimated to be in the range of $137 million, which will be balanced against debenture retirements of $91 million in 2010–2011.

The corporation is governed by a board of directors appointed by the Governor-in-Council. Legislation requires that 40 per cent of the board be appointed on the recommendation of the Union of Nova Scotia Municipalities. Three full-time staff of the corporation are supported through staff and resources from the provincial Departments of Finance, Justice, and Service Nova Scotia and Municipal Relations.

In July 2008 the NSMFC conducted a survey of its clients seeking feedback on whether or not the NSMFC was fulfilling its mandate and meeting its clients' needs, as well as seeking input on the direction municipalities would like the NSMFC to take in the future. The results of that survey reaffirmed that the NSMFC is meeting its core business of providing the lowest available cost of financing for municipal infrastructure projects and supported the direction that the NSMFC is moving toward—which is the development of programs and models that help build financial management knowledge in municipal governments. The results from the survey are used as baseline data for a number of the performance measures and outcomes detailed in the business plan.

The Honourable Ramona Jennex
Minister

Kevin Malloy, CA
Chair

Mission

To provide capital infrastructure financing to its clients at the lowest available cost, within acceptable risk parameters, and to provide financial management advice and assistance to clients.

Link to Municipal and Departmental Priorities

The NSMFC's contributions to the municipal and departmental priorities are in the area of infrastructure objectives that contribute to the creation of economic opportunities and building safe and sustainable communities. NSMFC loans are used to finance sewage treatment plants, solid waste facilities, and water services that promote clean and healthy communities. Loans are made to finance streets, buildings, recreation services, and the purchase and development of land, all of which contribute to safer, healthier communities. By working with municipalities to develop recommended financial management practices and adopt North American standards in budget presentation and financial reporting, the NSMFC contributes to the development of winning conditions.

Planning Context

The Corporation faces a number of challenges and opportunities in meeting its strategic goals in the upcoming year.

- The NSMFC must ensure that it has access to capital markets and that it has the financial and administrative ability to meet municipal government demand for capital infrastructure funding. Market sentiment in capital markets improved late in 2009 and into early 2010. However, given the challenges being experienced by many countries confronted with rising budgetary deficits and debt levels, capital market conditions remain uncertain. Municipal issuers may very well experience deteriorating financial conditions over the upcoming year. Capital markets have been unsettled during the past year and are expected to remain that way during the current year; this will pose challenges for municipal debt issuers.
- The NSMFC must keep abreast of developments in municipal government capital finance. As a specialist organization, the NSMFC is challenged to develop, maintain, and demonstrate expertise in municipal government capital finance.
- The NSMFC must maintain financial self sufficiency. In order to meet its mandate, the corporation must remain economically viable in both the short

and long term. This includes matching assets and liabilities to both amount and maturity and maintaining banking arrangements and credit facilities, credit risk, adequate reserves, and the ability to manage administration expenses within its budget.

- The NSMFC must identify client needs and respond to them. Opportunities exist to assist municipal governments in Nova Scotia with long-term capital planning and financing options. There is also an opportunity to work with local governments to achieve North American standards in municipal financial management capacity through the adoption of recommended practices and meeting professional standards in budget presentation and reporting.
- Opportunities also exist to develop partnerships with organizations such as the Federation of Canadian Municipalities to provide a conduit for low-cost loans for clients.

The major risks to the corporation are reduced capital market receptiveness to smaller serial debt issues and the availability of human and financial resources needed to carry out its mandate. Some resources are directly under the control of the board, whereas others are provided by provincial departments. The NSMFC will continue to work with these provincial departments to align both sets of priorities.

Strategic Goals

The NSMFC's strategic goals are designed to assist the municipal and departmental priorities in the area of infrastructure objectives, which contribute to the creation of economic opportunities and to building safe and vibrant communities. Capital infrastructure is a major component of economic development in both attracting and retaining business investment and promoting communities that are attractive places to live.

The following strategic goals have been developed to assist the NSMFC in meeting its mission of providing the lowest available cost of financing for municipal capital infrastructure and long-term financial planning and support for infrastructure, economic, and community priorities.

- To provide capital infrastructure financing to our clients at the lowest available cost, within acceptable risk parameters, to meet their particular debt structure and timing needs.
- Ensure access to capital markets through prudent management of all financial aspects of the corporation, including credit risk and asset/liability management.
- To help build financial management knowledge in municipalities and promote municipal capital project planning and financing.

Core Business Areas

A. Providing capital financing at the lowest available cost

- Provide financing for clients' approved funding requirements through the issuance of pooled debentures. Pooling of capital requirements allows the NSMFC to issue debentures in capital markets at rates lower than if single issues were placed for clients.
- Provide financing options for clients through the short-term loan program.
- Facilitate and participate in loans to municipalities from financing sources such as the Federation of Canadian Municipalities Green Fund where funding is available for projects meeting established criteria at below-market rates.
- Develop and review policies regarding the corporation's use of financial innovation techniques and instruments.

B. Prudent financial management of the corporation to ensure access to capital markets

- Ensure that an acceptable process is in place for evaluating the creditworthiness of the loans made by the corporation.
- Ensure that the corporation's assets and liabilities are closely matched in both amount and maturity.
- Administer the corporation's financial resources prudently to ensure that the corporation's administrative expenses and reserve balances are within approved policies.
- Adhere to generally accepted accounting practices for the valuation of financial instruments.

C. Helping build municipal financial management knowledge by encouraging municipal governments to develop and maintain a long-term strategic approach to capital project planning and finance

- Partner with municipal clients, Service Nova Scotia and Municipal Relations, and the Association of Municipal Administrators (AMA) on the topic of capital planning and finance through the identification of relevant professional association resources.
- Develop best practices and models to help build financial management knowledge in municipal government. Encourage Nova Scotia municipalities to apply for Government Finance Officers Association (GFOA) financial reporting and budgeting awards.

- Maintain links with the investment community, public sector finance practitioners, and academics and carry out research as required to enable the corporation to respond to changing client needs.

Priorities for 2010–2011

The following details the actions, products, and services that the NSMFC intends to carry out in order to fulfill the corporation's mission and meet its strategic goals.

A. Provide capital financing at the lowest available cost

- By issuing pooled debentures for the approved amount required to meet municipal borrowing requirements and lending a similar amount to municipal units and enterprises. New debenture issuance is expected to be in the $137 million range; this is balanced against retirements of existing debenture in 2010–2011 of approximately $91 million.
- Pooling of capital requirements allows the NSMFC to access capital markets and achieve pricing based on the Province of Nova Scotia credit spreads.
- Facilitate and participate in loans to municipalities from the Federation of Canadian Municipalities Green Fund where funding is available for projects meeting established criteria at below market rates.

B. Prudent financial management of the corporation to ensure access to capital markets

- Obtain verification of credit worthiness from the Department of Service Nova Scotia and Municipal Relations (for municipal borrowers) prior to setting the parameters for pooled issues.
- Match the amount, term and timing of NSMFC debentures and loans to units.
- Management of the NSMFC's financial resources (budget and reserves) as per policies established by the Corporation's Board of Directors.
- Adherence to generally accepted accounting practices for the valuation of financial instruments

C. Helping build municipal financial management knowledge by encouraging municipal governments to develop and maintain a long-term strategic approach to capital project planning and finance.

- Continue to assist in a leadership role in the Municipal Finance Officers group initiative to promote financial and budgeting policies to municipal governments in Nova Scotia.

- Develop a training program designed to promote effective and efficient financial management.
- Implement a marketing and promotion strategy to encourage municipal adoption of practices recommended by professional bodies.
- Promote the municipal use of the Debt Affordability Model, and provide technical support for municipal administrators. The Debt Affordability Model is a tool for use by municipal councils to help answer the question of how much debt is too much debt for their municipal unit. The model can also be used by municipalities for multi-year budgeting and forecasting and analysing revenue and expenditure options.
- Establish committees, as required by the board, to study the merits of new products and services and alternate ways to meet municipal capital borrowing requirements.
- Work with the corporation's lead managers and other members of the investment community, staff of the Nova Scotia Department of Finance, other municipal finance corporations, and others involved in municipal capital financing to identify evolving municipal government financial needs and the optimum means of satisfying them.

Human Resource Strategy

Organizations with small staff are challenged when developing human resource strategies, particularly in the area of succession planning, as the skills requirements for the corporation's positions are diverse. The board's strategy has been to develop and retain existing staff and to build capacity by involving other civil servants in the operation of the MFC through corporate officer positions and secondment opportunities. Development and training opportunities are made available to existing staff to enable them to stay abreast of developments in the industry. The corporation's human resource strategy is aligned with the government resource strategy.

Budget Context

Nova Scotia Municipal Finance Corporation Estimated Budget Expenditures

	Budget 2009–10 ($ 000)	Forecast 2009–10 ($ 000)	Budget 2010–11 ($ 000)
Total program expenses—(gross current)	550.8	333.2	439.3
Net program expenses—(net of recoveries)*	0.0	0.0	0.0
Salaries and benefits—(gross)	363.6	181.0	253.7
Funded staff (FTEs)—(gross)	4	4	3

* Note: The NSMFC is completely self-funded. The costs of administration are covered through an administrative fee that is levied on all municipal loans and from interest revenue earned on short-term investments.

Nova Scotia Municipal Finance Corporation Balance Sheet as at March 31, 2009 (Audited)

Assets	
Current Assets:	**($)**
Cash and cash equivalents	6,290,680
Accrued interest receivable	11,020,057
Other receivables	15,016
Principal due within one year on loans to units	95,508,362
Long-term Assets:	
Loans to units beyond one year	614,115,611
Total Assets	726,949,932
Liabilities and Equity	
Current Liabilities:	
Accounts payable	72,209
Accrued interest payable	11,017,720
Principal due within one year on debenture debt	95,569,267
Employee obligations	50,139
Long-term Debt:	
Debentures payable beyond one year	614,086,421
Equity	
Reserve Fund	6,154,176
Total Liabilities and Equity	726,949,932

Statement of Revenue, Expenses, and Reserve Fund year ended March 31, 2009 (audited)

Revenue	**($)**
Interest on loans to units	35,059,329
Interest on short-term investments	150,508
Debenture expense recoveries and reserve fees	792,878
Sales of services	0
Total Revenue	36,002,715
Expenses	
Interest on debenture debt and short-term loans	35,061,085
Debenture issue expense	348,664
Administrative expense	379,272
Total Expenses	35,789,021
Net Revenue	213,694
Reserve Fund, Beginning of Year	5,940,482
Reserve Fund, End of Year	6,154,176

Outcomes and Performance Measures

Core Business Area 1 *Providing capital financing at the lowest available cost*

Outcome	Measure	Data *(2008 survey results* form % *baseline data)*	Target 2010–11	Target 2011–12	Strategies to Achieve Target
To provide the lowest available cost of financing to clients in a timely manner	Percentage of clients that are satisfied with the timing and processing of debenture issues:				Monitor alignment of debenture issues with the construction completion schedule and capital budgeting process
	• Regional municipalities	50%	100%	100%	
	• Rural municipalities	67%	90%	90%	
	• Towns	83%	90%	90%	
	Percentage of clients that agree that the debenture terms and structure are flexible enough to meet their needs:				Promote short-term financing program Work with municipal units on financing options (payments and term) Communicate options through the use of web page and consultations Use e-mail to inform municipal CFOs and CAOs of MFC rates and products
	• Regional municipalities	50%	100%	100%	
	• Rural municipalities	86%	90%	90%	
	• Towns	89%	90%	90%	
Lowest available cost of financing for clients	Quality of credit loans	Procedures ensure creditworthiness of loans	Regular review of loan procedures	Regular review of loan procedures	Maintain quality of portfolio Promote profile of NSMFC credit quality to maintain strong relationship with government to ensure its support of provincial guarantee
	Pricing received from lead managers in relationship to the Province of Nova Scotia's cost of funds	Provincial guarantee allows the MFC to price off the PNS spread	Maintain access to the provincial guarantee	Maintain access to the provincial guarantee	

Core Business Area 2 *Prudent financial management of the corporation to ensure access to capital markets*

Outcome	Measure	Data *(2008 survey results* form % *baseline data)*	Target 2010–11	Target 2011–12	Strategies to Achieve Target
Ensure that a sustainable source of funding is available to finance requests from clients and to ensure the operational viability of the corporation	Client default rate (default is defined as failing to make a principal or interest payment within five days of the due date)	0	0	0	Ensure that all loans are creditworthy Monitor creditworthiness procedures and loan payment processes
	Matching of assets and liabilities Matching of aggregate amounts, terms, and timing of debentures and loans	Assets and liabilities are closely matched to term and timing	Maintain matching strategy	Maintain matching strategy	Match the term and timing of NSMFC debentures and loans to clients
	Adoption of a risk management strategy	n/a	Monitor plan	Monitor plan	Review and revise plan as necessary

Core Business Area 3

Helping build financial management knowledge by encouraging municipal government to adopt and maintain a professional and long-term strategic approach to capital project planning and finance

Outcome	Measure	Data *(2008 survey results* form % *baseline data)*	Target 2010–11	Target 2011–12	Strategies to Achieve Target
NSMFC client awareness of new financial products and features that may help municipal units	Percentage of municipal units that are aware of and satisfied with products offered by NSMFC. Regional municipalities (3) Rural municipalities (21) Towns (31)	 100% (2) 80% (6) 80% (18)	 100% (3) 95% (20) 95% (25)	 100% (3) 95% (20) 98% (30)	Regular communication with clients on the programs that NSMFC is offering through AMA regional meetings and conferences and MFC web page One-on-one calls and visits to clients to offer advice and assistance
Development and implementation of products and services to respond to client needs	Effective programs directed at clients' needs	Requests for program development: • Long-term planning models • Enhanced financial management practices • Innovative financing • Educational programs	Development of programs that meet client needs Visit 6 municipalities promoting the debt affordability model Common sizing of half our municipal clients' income statements	Development of programs that meet client needs 6 visits for the debt afford-ability model Common sizing of remaining clients	Continue partnering with AMA, municipal units, and SNSMR Promote debt affordability model Maintain links with professional associations Work with FCM on financing opportunities for municipal projects Engage graduate summer intern in research / activities that would benefit municipalities and MFC Continue to work closely with SNSMR Municipal Advisors

Core Business Area 3 ***Helping build financial management knowledge by encouraging municipal government to adopt and maintain a professional and long-term strategic approach to capital project planning and finance***

Outcome	Measure	Data *(2008 survey results* form % *baseline data)*	Target 2010–11	Target 2011–12	Strategies to Achieve Target
Use of best practices (BP) in financial management decision making	Increased awareness of best practices for financial management Based primarily on GFOA (Government Finance Officers Association) programs Municipalities develop and showcase best practices	62% of clients are aware of knowledge-building programs offered by the NSMFC	Post best practices and information on municipal international financial standard awards on the website 70% awareness level	80% awareness level	Regular communication with clients on the work NSMFC is involved in through AMA regional meetings and conferences and MFC web page partnerships One-on-one calls and field visits to clients to offer advice and assistance UNSM/AMA Newsletters; MFC newsletter on various financial matters Circulating all BPs developed to municipalities in hard-copy format
Increased financial management knowledge in municipal units	Broader access to financial resources—efficient use of resources and building of networks among financial administrators		Municipal staff training through workshops offered by a consultant	Municipal staff training through workshops offered by a consultant	Exposure to conferences that develop and promote best practices in financial management Continuing to offer financial assistance in sponsoring municipal attendance at annual GFOA conferences GFOA award information added to MFC website Active participation in joint committees with AMA MFC's Outcome Measurement pamphlet

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2010–2011

Nova Scotia Power Finance Corporation
Business Plan 2010–2011

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Mission

To ensure that the debt of NSPC, which is guaranteed by the Province, is discharged in an orderly and timely manner.

Introduction

Under an Asset Transfer Agreement, dated August 10, 1992, Nova Scotia Power Corporation (NSPC) transferred all of its existing assets, liabilities, and equity, except for long-term debt and related sinking funds, to the privatized company Nova Scotia Power Inc. (NSPI), in exchange for matching notes receivable equivalent to the outstanding long-term debt, matching notes payable equivalent to sinking fund assets, and an amount of fully paid common shares. The common shares were sold in a secondary offering on August 12, 1992.

Subsequent to the reorganization and privatization, the business activities of NSPC continued under NSPI. Concurrently, the Nova Scotia Power Corporation changed its name to Nova Scotia Power Finance Corporation (NSPFC). NSPFC retained the long-term debt, which is guaranteed by the Province, and the related sinking funds. The entire original debt of CAD2,152,879,732, guaranteed by the Province, was offset by sinking funds, and the balance was defeased as per the agreed schedule at December 31, 1997.

In terms of the Nova Scotia Power Reorganization (1998) Act, NSPI was reorganized as a holding company, NS Power Holdings Inc., in December 1998. The holding company structure does not change the underlying obligations under the existing agreements. The holding company changed its name to Emera Incorporated on July 10, 2000.

Planning Context

NSPFC continues to be on target to meet its mission objective outlined above during the course of the current planning horizon.

Performance in 2009–2010

The outstanding debt continues to be defeased in accordance with the terms of the Defeasance Agreement, and the defeasance assets are adequate to ensure the repayment of all NSPC debt guaranteed by the Province.

Strategic Goal

To monitor the adequacy of the defeasance portfolio and to ensure the repayment of all NSPC debt guaranteed by the Province of Nova Scotia at the respective dates of each debt maturity.

Core Business Area

NSPFC is responsible for monitoring the defeasance and repayment by NSPI of its debt guaranteed by the Province of Nova Scotia. NSPFC holds notes payable by the NSPI in case of default of NSPC debt repayment. The final guaranteed note matures February 26, 2031.

Priorities for 2010–2011

1. To ensure continuing progress toward elimination of NSPC debt guaranteed by the Province of Nova Scotia and defeased by NSPI.
2. To ensure that the defeasance assets are of such a quality that the defeasance program will not suffer capital losses and will therefore have a very high likelihood of achieving its goals.

Budget Context

NSPFC has no employees. NSPI executes necessary transactions to create and maintain the defeasance portfolio. The monitoring of NSPI debt defeasance is performed by a board of directors, appointed by the Government of Nova Scotia, with staff support from the Nova Scotia Department of Finance. The accounting firm of Deloitte & Touche certifies the defeasance assets arranged by NSPC.

Under the terms of the privatization agreements, NSPI is responsible for the payment of all NSPFC expenses.

Outcomes and Performance Measures

Outcome 1

Entire outstanding debt defeased in accordance with the Defeasance Agreement.

Measure

The Defeasance Agreement required the defeasance of a minimum of $1,381,600,000 of outstanding NSPC debt by December 31, 1997. This minimum has already been met and surpassed, CAD1,440,290,000 having been defeased by March 31, 1997.

Outcome 2

Defeasance assets are adequate to ensure the repayment of all NSPC debt guaranteed by the Province.

Measure

Outstanding debt as at March 31, 2009, was $700,000,000 denominated in Canadian dollars (CAD) and $300,000,000 denominated in US dollars (USD); defeased assets as at March 31, 2009, had principal values in excess of these amounts, with market values of CAD1,068,019,000 and

USD442,908,000, thus rendering the guaranteed debt fully defeased. Adequacy of defeasance assets are certified by auditing firm of Deloitte & Touche.

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2010–2011

Sydney Steel Corporation
Business Plan 2010–2011

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The Honourable Bill Estabrooks
Minister Responsible for Sydney Steel Corporation
Government of Nova Scotia
Halifax, Nova Scotia

Dear Minister:

In accordance with government policy, please find enclosed the business plan of Sydney Steel Corporation for the fiscal year ending March 31, 2011.

With the decommissioning of the steel plant complete and site remediation activities in the final stages, Sysco has only limited activities relating to a few outstanding obligations resulting from its former operations.

Redevelopment of the former Sysco site by the Crown corporation Nova Scotia Lands Inc. is now well advanced toward a premium commercial park and port facility within the centre of the city of Sydney.

We trust this limited business plan is satisfactory for the fiscal year ahead.

Yours truly,

Gary Campbell
President, Sysco

Planning Context

Sydney Steel Corporation (Sysco) reports to the Minister of Transportation and Infrastructure Renewal, Province of Nova Scotia, and maintains a head office in Sydney, Nova Scotia.

Sysco's primary activities, subsequent to the closure of the steel mill in 2001, included demolition of structures, processing and sale of scrap steel, remediation of the site, and sale of surplus assets.

During 2007–2008, it was recognized that the mandate of Sysco was undergoing a significant change. In recognition of this change, it was determined that the future activity of remediation of the Sysco property and its redevelopment as a commercial park facility would be conducted by a new agency, Nova Scotia Lands Inc., purposely designed to meet the property remediation and management role.

Therefore, Sysco will continue to be dormant, with ongoing operations contracted to Nova Scotia Lands. The company will remain active only to deal with residual issues arising from historic operations.

Priorities for 2010–2011

The plan for Sysco during 2010–2011 is to continue to wind up activities and have the corporation remain dormant.

A major priority will be to decommission the sizeable Sydney River industrial water supply, which has been identified as an ongoing liability.

Budget Context

	Budget 2009–10 ($ 000)	Forecast 2009–10 ($ 000)	Budget 2010–11 ($ 000)
Revenue			
Contribution from the province	15,850	11,934	8,553
Gain on sale of assets	1,000	96	—
Interest income miscellaneous revenue	—	120	—
Total revenue	**16,850**	**12,150**	**8,553**
Expenses			
Other remediation activities	—	371	370
Consulting	1,000	752	800
Funding to NSLI for remediation activities	14,850	10,931	7,383
Total expenses	15,850	12,054	8,553
Net income	**1,000**	**96**	**—**
FTEs	—	—	—

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2010–2011

Trade Centre Limited
Business Plan 2010–2011

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Message from the CEO and Board Chair

We are excited to present Trade Centre Limited's focus for 2010–2011. This plan sets a clear course to move forward aggressively, with confidence, in order to fulfill our mission to create benefits by bringing people together in Halifax and Nova Scotia.

We continue to build a solid foundation rooted in community partnerships, an inclusive approach to our business and supported by a motivated, entrepreneurial team that is dedicated to increasing economic value though the high-profile meetings, conventions, entertainment, and sporting events business.

As we strive to remain a leader in this globally competitive industry, it is essential that we keep building Nova Scotia's capacity for major events and conventions. In partnership with the community and government, we will continue to play a key role in establishing the critical landmark infrastructure needed to attract the world to Nova Scotia. We will also broaden our efforts to work with community partners and the multiple levels of government to build Nova Scotia's event-hosting expertise and establish a province-wide hosting network that will strengthen our position as an event destination. This next year will see the continued evolution of Events Nova Scotia so that we can successfully bid for more events, win more events, and host more events. We will also formalize a partnership with the Halifax Regional Municipality that will focus on maintaining and improving Halifax's reputation as a major event host. World-class infrastructure coupled with province-wide expertise will allow Nova Scotia to maximize the event activity coming to the province and ensure that the impacts are felt in every community.

We are proud champions of Nova Scotia's growth. Through our core business we will strengthen the partnerships we share, embrace Nova Scotia's ability to be a leading event destination, and contribute to the growth of our communities. Enhancing our role as an economic driver and leveraging events to make Nova Scotia a thriving place to live, work, and do business remain our focus.

Our confidence and our capabilities are well aligned, and we look forward to building a future that positions Halifax and Nova Scotia as Canada's East Coast event destination on the global stage.

Yours truly,

Scott Ferguson President and CEO	Gordon Gillis Chair, TCL Board of Directors

Mission

The mission is straightforward, compelling, and states clearly the value Trade Centre Limited, a provincial Crown corporation, brings to the city of Halifax and province of Nova Scotia: Trade Centre Limited creates economic and community benefits by bringing people together in Halifax and Nova Scotia.

Planning Context

Trade Centre Limited (TCL) is a Crown corporation focused on increasing economic value through attracting and hosting meetings, conventions, trade development, and entertainment and sporting events. Events are a catalyst for economic and community development across Nova Scotia—providing platforms through which to showcase our culture; creating opportunities for training and skills development; generating exposure to global markets; attracting business and visitors from around the world; and generating jobs and tax dollars that fuel prosperity. Combined, these benefits make events a key component of the sustainable growth of Nova Scotia's economy.

The events and meetings sector operates in a highly competitive global environment. Competition for conferences, trade and consumer shows, concerts, and sporting and entertainment events remains fierce. As competitive venues nationwide continue to upgrade their facilities and build new ones, promoters, event planners, and patrons have an ever-increasing choice of venues. Competition in the local and regional market also continues to increase as other Atlantic Canadian cities position themselves to compete in the industry. Event cancellations or reductions in numbers of attendees are common in the industry and have a direct negative impact on our profitability. The mix of events in any given year also has a direct and significant impact on the profitability of our operations.

The economy continues to be steady in Halifax and Nova Scotia when compared with economic downturns nationally and internationally. While Canada has seen a substantial decline in tourism in recent years, the meetings and major events industry remains strong overall. One area of major opportunity available to us is the lucrative international event market and, more specifically, the international congress or meeting and conventions market. Improved air access to Halifax from major international hubs means access to international customers. Our location in the northeast of North America provides us with an immense opportunity to position ourselves as an attractive event location from a global perspective.

Nova Scotia, Halifax, and TCL have a proud history of generating significant economic activity through impacts associated with events activity in the Halifax Regional Municipality (HRM) and the Province of Nova Scotia and will continue to do so in the coming year. We will continue with an inclusive approach to work with our partners and focus on attracting high-profile sporting, cultural, and business events, conferences, and trade and consumer shows, and to identify new opportunities by targeting new markets. Ongoing investment is imperative to allow us to invest in our people, operations, capabilities, and facilities, which in turn will allow us to take full advantage of growth opportunities. These opportunities will support both the achievement of our long-term sustainability and continued contribution to the economic well-being of Nova Scotia in a substantive way.

We are encouraged by the progress made in 2009–2010 with the procurement process for a new and larger convention centre. Redeveloped facilities in the downtown core that offer world-class space that meets the demands of today's conference planners and delegates will allow us to answer demand from many customers who have told us they want to meet in Halifax. With the top ten convention centres in Canada averaging at least three times the size of the World Trade and Convention Centre, and many of them upgrading beyond that size, it is imperative that our facilities keep pace. Keeping Nova Scotia in the running for major events and conferences is key to securing our region's future prosperity.

TCL's office tower and Exhibition Park both lack modernization and all the extras that today's customers expect and demand. As such, it is anticipated that maintenance expenditures for these properties will continue to escalate. Additionally, as fuel and utility costs continue to rise, they increasingly have a negative effect on operating budgets.

Changing labour-market conditions, including competitive market forces and a decreasing labour supply, create pressures on our ability to attract and retain qualified professional staff and part-time employees. TCL considers itself fortunate to have cultivated a culture that has allowed for the retention of many long-term employees who consistently provide high-quality service and are greatly appreciated by our customers. A low staff turnover means that they have intimate knowledge of our product and facilities. Impending retirements could create knowledge and experience drain on TCL and, with more than 50 per cent of our employees eligible for retirement by 2016, we must continue to ensure appropriate succession of critical roles. Furthermore, constraints on wage increases and market positioning make it difficult for TCL to offer compensation packages competitive with the private sector, placing further pressures on our ability to continue to attract and retain the best and brightest.

With strategic investment, the future continues to look bright for Nova Scotia. As a key contributor to the provincial economy, TCL looks forward to 2010–2011 with much enthusiasm and anticipation.

Strategic Goals

As part of our five-year strategic plan (2009–2013), TCL set out four interconnected and interdependent strategic priorities, or directives, that serve as a guide for annual business planning. These four strategic priorities and associated goals are as follows:

1. Growth/Financial: Create greater economic impacts by growing current business and developing new markets.
2. Community Partnerships: Build committed partnerships within the community, government, and business by leveraging our model to build strong inclusive networks that promote collaboration and drive mutually beneficial results.
3. People: Through innovative approaches, attract, develop, and engage a committed and motivated team of professionals to support future growth of the events industry in Nova Scotia.
4. Infrastructure: In partnership with government and other stakeholders, lead the planning and development of the infrastructure necessary to attract and host major international, national, and community events.

Within these four strategic goals, TCL has established a number of corporate priorities for the 2010–2011 fiscal year.

Core Business Areas

World Trade and Convention Centre: The World Trade and Convention Centre (WTCC) consists of approximately 50,000 square feet of convention and meeting space and is also home to Windows at the World Trade Centre, a full-service restaurant and event venue. The convention centre hosts more than 600 events annually, which attract more than 100,000 people from around the province and around the world. Renovations carried out over the past years have upgraded the facility to baseline industry standards in order to provide a more inviting and comfortable environment for our customers, allowing WTCC to remain as competitive as possible with other medium-market Canadian convention centres. Despite this facility's ongoing limitations, it has served us well until now; we eagerly anticipate a potential new convention centre within the next few years, helping us meet the growing demand of meeting and convention planners worldwide.

Halifax Metro Centre: Located in the heart of downtown, HMC is the premier venue for every major entertainment or sports event that visits the region. As the largest multipurpose facility in Atlantic Canada, it is specifically designed and geared for versatility and can accommodate some of the biggest and most spectacular events on a global scale. Owned by the Halifax Regional Municipality and operated by TCL, it is an integrated part of the World Trade and Convention Centre complex and can play a valuable part in any type of convention, meeting, or exposition, functioning as an exhibit floor and auditorium for major conference events.

TCL Major Events: Working in collaboration with other TCL business units and strategic partners in the community and with municipal, provincial and federal governments, TCL Major Events continues to attract new, major events for the province. This success is a testament to the abilities of our team to bring the necessary partners together and work with event organizers at every step of the process. As a result, there have been stronger alliances formed within the community and incremental increases in the hosting capacity of our communities. This drives further positive economic impacts, which translate into further growth of the industry, the city, and the province in general. Under Events Nova Scotia, a new province-wide major events initiative, TCL Major Events will continue its mandate as service provider to bring major events to our province by building province-wide event marketing, attraction, and hosting capacity to advance economic and community goals.

Ticket Atlantic: Through the services of Ticket Atlantic, we provide opportunities for Atlantic Canadians to have access to a wide variety of events, from world-renowned concerts to outdoor festivals and international sporting events. Selling over 700,000 tickets to almost 300 events annually, Ticket Atlantic is our region's primary ticket provider. In addition, Ticket Atlantic supports TCL's common objectives of event attraction and high-level event delivery.

World Trade Centre Atlantic Canada (WTCAC): WTCAC is a not-for-profit international trade association that provides, through its powerful global matrix, a direct link to over 750,000 worldwide companies looking to do business. It provides Atlantic Canadians with vital access to major international markets through trade training, international trade search services, and business introductions. In addition, WTCAC with its worldwide network forms an integral component of TCL's major events strategy.

Exhibition Park: This facility, located on the outskirts of metropolitan Halifax, is an integral part of the community, with a focus on trade and consumer shows. While the physical structure is aging, our attention to customer service continues to motivate our clients to choose this facility over similar venues in the region. It attracts more than 150,000 attendees to more than 100 events each year. The Maritime Fall Fair, a long-established event in Nova Scotia held at Exhibition Park, continues to offer a wonderful family entertainment opportunity while showcasing the tremendous importance of Nova Scotia agriculture within an urban setting.

Our three major facilities, in concert with TCL Major Events, WTCAC, and Ticket Atlantic, are major economic generators for the province and the municipality. For the fiscal period ended March 31, 2009, the economic contribution was $105.6 million in direct expenditures and $77.9 million in incremental expenditures. With attendance exceeding 885,000 and direct economic impacts that included over 1,700 person-years of employment and almost $40 million in additions to household income, TCL continues to drive growth and prosperity for our region.

Corporate Priorities 2010–2011

Growth/Financial

Broaden our scope

In 2010–2011, we will focus on broadening our scope, thereby enhancing our ability to proactively address opportunities resulting in focused growth in key areas of our business.

In addition we will broaden our reach to be a global connector for people and the communities we serve.

We will focus our growth activities on the following core areas:

- international and national events
- Ticket Atlantic
- World Trade Centre Atlantic
- Halifax Major Events growth

TCL's long-term vision is to position Halifax and Nova Scotia as Canada's East Coast event destination on the global stage. In 2010–2011, we will continue to focus on increasing our international and national market business. This entails continuing the necessary foundational building of our positioning by leveraging key industry and community relationships.

Key to our growth strategy will be to establish Ticket Atlantic as the significant regional ticketing solution in Atlantic Canada. A diverse mix of customers, venues, events, and promoters will be indicative of our success.

World Trade Centre Atlantic will continue to focus on further developing our pan-Atlantic network, resulting in revenue growth by increasing the number of funded trade development projects. In addition, WTCAC will generate qualified event leads for WTCC, thereby fully leveraging the significant benefits for TCL and our province of being part of the World Trade Centre Association.

A formal partnership will be created with Halifax Regional Municipality. As the key service provider, TCL will facilitate the partnership by focusing on the provision of services associated with major event marketing, attraction, and acquisition for Halifax, which will build on the city's reputation as a world-class event destination.

Ensure focused and effective delivery of our core business

At the centre of TCL's continuing success is its ability to attract and host a broad range of event activity anchored by high-profile major events. All event activity must be supported by high-quality and efficient delivery, facilitated by the expertise developed through our team-centred approach.

We will focus our activities on the following areas:

- TCL event and revenue generation
- best-practice process development
- customer engagement and understanding

TCL event and revenue generation is core to our continuing reputational and financial success. Significant focus will be placed on ensuring that we continue to be a leader in providing high-quality entertainment and sporting events in Atlantic Canada. This leadership position will be anchored by protecting and mining Halifax's event-hosting position and ability to attract major events to our venues, city, and province. Additionally, we will ensure that the strength of our local meeting and events business continues and is valued by the communities in which we operate.

Clearly understanding the key drivers of our customers' satisfaction and engagement is important both in ensuring that our facilities and events meet or exceed expectations and in assisting us in developing operational standards that will ensure consistent high-quality event execution. During the upcoming year, we will focus on gaining a better understanding of our current and future customer expectations in both Halifax Metro Centre and in WTCC.

Developing and adopting best practices facilitated by technology in all of our core business activities is critical to our ability to consistently deliver high-quality events in an efficient manner.

As an outcome of our focused growth strategies, we will aim to achieve a direct economic impact in excess of $110 million. TCL measures direct economic impacts each year, and this target is based on last year's success. Our events, conferences, and trade shows draw significant attendance from within the province but also from across the country and around the globe. Many attendees who come from outside the province come early or stay after the event. The economic spinoff from our events is substantial and is felt around the province.

Our financial goal in the next fiscal year is to maximize revenue potential and operational efficiencies throughout our business. Our total revenue projections for 2010–2011 are $22.2 million (TCL $15 million, HMC $7.2 million). This will result in an operating loss before depreciation, approaching break-even, of $269,400 for Trade Centre Limited and operating income before capital improvements for Halifax Metro Centre of $600,800.

Community Partnerships

Creating economic and community benefits by bringing people together is enabled by the strong partnerships we have built throughout the province and the world.

Continuing to develop partnerships is imperative to future success—ongoing collaboration with communities, key industry sectors, business, and government will be paramount to building province-wide benefits and results. By bringing traditional and non-traditional partners together we will collectively leverage our opportunities to drive mutually beneficial results.

During 2009–2010, the province and ACOA in a joint initiative launched Events Nova Scotia (ENS) with the following key objectives:

- Events Nova Scotia will focus on identifying and attracting major events that take full advantage of the unique strengths that exist in all regions of the province.
- Regions will work together to share best practices, evaluate major events, and build on their successes.
- Strengthening our ability to bid for and host major events is a key component to the sustainable growth of Nova Scotia's economy—generating jobs, economic benefits, and tax dollars for the benefit of all Nova Scotians.
- Events Nova Scotia will bring opportunities for rural and urban communities to become actively involved in one of Canada's fastest-growing economic sectors.
- Attracting new events will create a lasting impact for the entire province, creating opportunities for business development, social programming, infrastructure investment and community building.

The upcoming year will see the ongoing evolution of ENS, which will be marked by the execution of activities to support a longer-term vision centred on building provincial event-hosting knowledge and entrenched in a shared commitment among partners, agencies, and communities.

The importance of TCL to the local and provincial economy is best understood by analysing economic and community impact and recognizing that the real benefit of the event business includes measurement of the activity before, during, and after an event. We will track, measure, and communicate impacts of TCL's business model in a timely, verifiable, and relevant manner. In doing this, key stakeholders will have a clear understanding of the effect our business has on Nova Scotia's bottom line.

Corporate social responsibility

As a provincial Crown corporation and a community leader, it is our goal to be viewed as socially responsible and a green organization, making smart community and environmentally friendly choices. In addition, it is important that TCL and the organization comport itself in all of its interactions in a manner that exemplifies our commitment to integrity, transparency, and accountability.

People

TCL is about people bringing people together.

We will create a culture whereby there exists a natural connection between our TCL team, our partners, and the customers with whom we interact. At the core of our organization is the passion of our people, who are the driving force behind our success. Through a unified purpose, they facilitate the delivery of the extraordinary.

We will attract, retain, and develop our human resource capabilities though an intentional, positive, progressive, and high-performance way of operating. We will focus on inspiring, guiding, and enabling people to act and deliver, focusing on culture and practices that enable the fulfilment of our vision and mission. We will embrace individual leadership, customer service, and world-class organizational practices. We will deliver results through collaboration with, and advocacy for, our leaders in delivering on their accountability of human resource management of their employees.

Infrastructure

Building future capacity will enable TCL to be a self-sustaining organization supported by world-class infrastructure and capabilities, which though strategic alignment will result in the ability to maximize the event activity attracted to Nova Scotia.

Over the next years, critical areas of focus that are paramount to achieving our goals will include the redevelopment of the convention centre and the renovation of the Halifax Metro Centre.

The RFP process for the convention centre redevelopment project is currently in process. TCL is committed to continuing to provide expertise in its advisory role during the next phases of the project over the next year. During the year, preliminary discussions on potential future use of the existing WTCC facility will be a priority. In addition, TCL, as the operator for the redeveloped convention centre, will begin development of operational readiness activities to ensure that the convention centre is successful in its future operations.

Halifax Metro Centre is a facility owned by Halifax Regional Municipality and operated by Trade Centre Limited under a management agreement. As such, any necessary renovations that are approved by HRM will enhance our organization's ability to deliver the best entertainment experience possible for its audiences. During 2010–2011, TCL, in collaboration with HRM, will develop a long-term recommendation supported by a business case and redevelopment plan with respect to the most appropriate approach for rejuvenation of HMC.

Human Resources Strategy

We will create and sustain a human resources strategy and continue the development of our competitive advantages through quality innovation, service, and brand image as an economic driver for Halifax and Nova Scotia. We will focus on further refining and defining a TCL culture that supports the direction and vision of the organization as it addresses new challenges and opportunities.

The role of human resources is to provide the proper architecture and support internally to enable leaders, managers, supervisors, and employees to create success for our stakeholders. It is both an exciting and a challenging time for human resources in any organization that really cares about its employees and their customers. Trade Centre Limited must engage in workplace practices that will facilitate attraction, retention, and development of our people through an intentional, positive, progressive, and high-performance way of operating. This has become even more important as we prepare for potential growth and expansion and a highly competitive labour market.

As with most organizations facing limited resources and high expectations, TCL must constantly assess the focus of human resources. Our priority is building the right culture and aligning resources with goals and objectives to equip TCL with the right people capable of delivering exceptional events and to continue to drive economic impact for our city and province.

Priority over the next years will be placed on leadership development, recognizing and celebrating achievement, creating a high-performance work culture, and improving employee accountability and effectiveness.

Budget Context

TCL faces unique challenges in that our facilities were created as economic generators for the province and HRM, not as profit centres. Trade Centre Limited's long-term financial performance goal is to be sustainable, resulting in a combined break-even operating financial position. Areas of risk to this financial sustainability goal and where financial losses are probable are from the operation of our largest economic generator, the convention centre, coupled with the operations of an aging facility at Exhibition Park.

To remain competitive, TCL must invest in the business for the long term. This means that investments in marketing, human resources, facilities, new infrastructure, and enhanced and new service offerings are critical. These investments must be both tactical and strategic in nature. Without these investments, TCL will quickly lose market share, which will have a negative impact on our contribution to the economic well-being of the province. TCL strives to manage its resources responsibly and achieve the maximum return on each of its investments.

TCL operates six vertically integrated event-driven business units that depend on the number of attendees and the level of spending per attendee, which in turn drives the organization's revenues and expenses. The business units generate economic benefits for the Halifax Regional Municipality and the province by bringing people together from within the region and around the world. Attracting attendees from outside Nova Scotia generates economic benefits for the province through pre- and post-delegate travel expenditures. TCL's level of economic return to the province far exceeds the revenue shortfall and the need for support from the province.

Forecast financial results for the current fiscal year (2009–2010) are an operating loss before depreciation of $639,000 for TCL and deficit after depreciation of $2.16 million. Forecast financial results for the current fiscal year for Halifax Metro Centre are an operating income before capital expenditures of $860,000. In 2010–2011, Trade Centre Limited expects to generate revenues of just over $15 million, resulting in a deficit after depreciation consistent with 2009–2010 budgeted financial performance. In 2010–2011, Halifax Metro Centre expects to generate revenues of $7.2 million, resulting in operating income before capital improvements of $600,800.

Operations Budget Summaries 2010–2011

for the year ended March 31

	Estimate 2009–10 ($)	Forecast 2009–10 ($)	Estimate 2010–11 ($)
Revenues	**14,652,000**	**13,677,263**	**15,034,400**
Expenses			
Event operations	6,804,500	6,014,889	6,808,800
Salaries and benefits	3,437,300	3,250,389	3,635,000
General operations	3,652,100	4,101,965	3,835,000
Taxes and insurance	1,027,500	988,000	1,025,000
	14,921,400	**14,355,243**	**15,303,800**
Income (loss) before depreciation	**(269,400)**	**(677,980)**	**(269,400)**
Depreciation	**1,633,600**	**1,525,000**	**1,600,000**
Income (loss) for the year	**(1,903,000)**	**(2,202,980)**	**(1,869,400)**

Note 1: Revenues and expenses for the Halifax Metro Centre are not reflected in this budget. Halifax Metro Centre is a facility owned by the Halifax Regional Municipality and operated by Trade Centre Limited under a management agreement. All operating income accrues to the municipality, and all capital improvements are funded by the municipality.

Note 2: Forecast for 2009–2010 is per TCL's February 2010 internal financial statements.

Outcomes and Performance Measures

Growth/Financial

Create greater economic impacts by growing current business and developing new markets

Outcome	Measure	Data	Yearly Target	Trends/ Ultimate Target	Strategies to Achieve Target
Achieve combined revenues of $22.2 million: TCL: $15.0 million HMC: $7.2 million	Year-end audited financial statements	Actual 2008–09: TCL: $15.2 million HMC: $8.5 million Forecast 2009–10: TCL: $13.7 million HMC: $7.1 million	Revenue growth over 2009–10 and consistent with 2008–09	Combined revenue growth to $26 million by 2012	Continue partnership development, sales, and marketing investment in international and national markets Growth strategy for WTCAC and Ticket Atlantic
Achieve combined income before depreciation and capital improvements of $331,400 TCL: $(269,400) HMC: $600,800	Year-end audited financial statements	Actual 2008–09: TCL: $(109,969) HMC: $678,890 Forecast 2009–10: TCL: $(639,000) HMC: $800,000	Loss before depreciation for TCL consistent with 2009–10 budget	Approaching break-even position for TCL HMC income before capital improvements of $1.0 million	Ensure core revenue streams are protected and optimized Continue with operational efficiency and process improvement
Position Halifax and Nova Scotia as Canada's East Coast event destination by growing international and national markets	Increase in non-residential delegates and higher daily delegate spend	ICCA database and Convention Centres of Canada inputs	Work international and national market business plan Develop community and stakeholder engagement program	Implementation of international and national business plans for a growing % of events	Lever national and international associations Communicate successes with partners and public

Growth/Financial

Create greater economic impacts by growing current business and developing new markets

Outcome	Measure	Data	Yearly Target	Trends/ Ultimate Target	Strategies to Achieve Target
Strategic alignment of Halifax major events initiative	Multi-year partnership with HRM	Develop and get approval for multi-year plan	MOU in place Business plan fully supported by HRM	More coordinated and strategic approach to major events for Halifax Appropriate links to ENS	Implement Year 1 of business plan including resourcing and governance Develop communication plan
Leverage the benefits of the World Trade Centers association, resulting in growth of WTCAC	Partner feedback	Review of stakeholder objectives and priorities/programs	Business and communication plans developed Increase number of funded projects to 30	Strategic alignment of Trade Development program with key stakeholders objectives and priorities	Develop business and communication plans Develop Business Club concept
Build a significant regional ticketing business resulting in growth for Ticket Atlantic	Revenue growth over current base	Current and future market assessment	Develop and work growth plan Expand pos distribution network	Diverse and significant mix of venues, promoters, and events	Activate on sales and marketing plan

Partnerships/Stakeholders *Build committed partnerships within the community, government, and business*

Outcome	Measure	Data	Yearly Target	Trends/ Ultimate Target	Strategies to Achieve Target
Alignment with government and community partners through understanding of impacts and benefits	Stakeholder/partner feedback	Current economic impact data	Track, measure, and communicate relevant impacts on a timely basis	Improved understanding of TCL business model and benefits	Communications program: Target partner and stakeholder engagements with decision makers
Broaden and deepen our base of partners and stakeholder resulting in greater benefits	Increased economic and community benefits Partner and stakeholder feedback	Current economic impact data	TCL viewed as important partner with key stakeholders	Alignment with key partners Broader base of partners in the communities in which we serve	Community network program: Engage relevant provincial and municipal agencies and partners
TCL will be viewed as a corporate socially responsible organization	Industry and stakeholder feedback	Event sustainability background information Enterprise risk management information	Develop TCL sustainable event plan and position Develop ERM plan and begin Year 1 priorities	Understand our industry's role in facilitating sustainability Effective risk mitigation	Develop sustainable event plan Act on ERM plan and Year 1 priorities
Strategic alignment and long-term positioning of Events Nova Scotia	Outcomes as defined in multi-year ENS plan	ENS Phase 1 learnings and outcomes	Longer-term commitment of agencies and partners	Strengthen our ability province-wide to market, attract, and host major events	Augment capacity-building program Implement measurement criteria

People

Through innovative management approaches, attract and engage a committed workforce to support future growth of the business

Outcome	Measure	Data	Yearly Target	Planned/ Ultimate Target	Strategies to Achieve Target
Create a high-performance culture that facilitates achievement and engagement	Attain business goals and objectives Employee feedback	Business and 5-year plans Employee survey TCL culture project	Orientation and reorientation program Leadership professional development plans Alignment of training and development programs with key positions	Attract, retain, and develop our people through an intentional, positive, progressive, and high-performance way of operating	Redefine and facilitate transition to new TCL culture Professional development and training programs

Infrastructure

In partnership with governments and other stakeholders, lead the planning and development of the infrastructure and capacity building necessary to facilitate attraction and hosting of major events

Outcome	Measure	Data	Yearly Target	Planned/ Ultimate Target	Strategies to Achieve Target
Convention centre redevelopment	Project moves to construction phase TCL ready to operate redeveloped facility	Business case completed RFP in process	RFP process for project completed TCL operational readiness plan developed	Facility available for use pursuant to MOU by January, 2013 TCL operationally prepared to operate facility with high level of success	Engagement and awareness building with potential customers, partners and stakeholders Provide appropriate advice to key decision makers
Halifax Metro Centre renovation	Recommendation supported by business case developed Multi-year renovation plan	Redevelopment study	Recommendation and design and funding plan developed	Rejuvenated facility that has extended useful life improved levels of customer service	Develop multi-year design renovation plan Engage relevant HRM decision makers

Crown Corporation
BUSINESS PLANS
FOR THE FISCAL YEAR 2010–2011

Waterfront Development Corporation Limited
Business Plan 2010–2011

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Message from the Minister

Nova Scotia's waterfronts are spectacular. Citizens and visitors to our province can have a unique cultural experience at each waterfront across the province. People naturally gravitate to the water's edge.

Waterfront Development Corporation Limited (WDCL) is the provincial champion of waterfronts in Halifax, Dartmouth, Bedford, and Lunenburg. WDCL is self-sustaining and generates an annual economic return to the province. As the most visited destination in Nova Scotia, the Halifax waterfront stimulates tourism and provides the backdrop to attract other sectors to the city.

The corporation contributes to a prosperous and sustainable business climate. It engages in large and small-scale developments, improving and upgrading waterfront amenities and facilities, and hosting events. WDCL reinvests revenue into waterfront maintenance and improvements, enhancing visitor experiences and attracting new developments and visitors to our province. From visitor feedback, we understand that the positive experience visitors have during their stay compels them to return.

In addition to development projects and waterfront improvements, WDCL hosted the Tall Ships Nova Scotia 2009 event that generated an economic impact of $32.8 million in new money for the province. WDCL works with a number of event producers to host events at venues along the Halifax Harbourwalk and is proud to work with the Navy on its Centennial Anniversary celebrations, which will bring over 20 ships and 5,000 sailors from around the world to our waterfront.

The future of waterfront development on the provincial land around the Halifax Harbour and Lunenburg will be exciting to follow. As opportunities for existing land are reviewed and marketed, we can be certain that WDCL will ensure that the public and our visitors always have access to the water's edge and the enjoyment it provides.

The Honourable Percy Paris

Minister of Tourism, Culture and Heritage
Minister of Economic and Rural Development

Message from the Chair and President

In a year when we experienced the most significant decline in our economy since the Great Depression, Halifax fared better than most. Why? And how can we harness this to grow our economy?

There are clearly many factors, and no one person, company, sector, or policy can lay claim to this success. We believe it is the result of many players from the public and private sectors coalescing around the strengths we possess: a diversified economy, a strong professional services sector, a focus on a high-knowledge economy, and one of the great small cities in the world.

We know the waterfront is a critical element that binds these strengths together. Our central business district is on the waterfront, the Canadian Navy and marine industrial activities are on the waterfront, and people from around the world visit our waterfront.

Our partners have high expectations of us, and we of them, to create a waterfront that sustains these strengths and grows our economy.

Our board and our management are buoyed by the results of this past year and committed to creating waterfront destinations, connections, and experiences of lasting significance for Nova Scotia.

Colin MacLean	George Archibald
President and CEO	Chair

Mission

Waterfront Development Corporation Limited (WDCL) harnesses the waterfront's potential by developing ideas, infrastructure, and experiences that stimulate business investment and community pride.

Vision

Through our collaborative approach, we will create a new collection of animated and well-connected waterfront destinations that capture people's imagination and distinguish us among the world's greatest waterfronts.

Mandate

WDCL exists for the purpose of redeveloping and revitalizing the lands surrounding the Halifax Harbour and any other lands designated by its shareholder, the Province of Nova Scotia.

Guiding Values

Waterfront Development Corporation Limited is a provincial crown corporation, carrying out a public mandate in a private-sector environment. In fulfilling our public obligations, we will exhibit the following values in addition to the compassion, courage, and initiative that characterizes past successes.

Commitment: Work hard to forge and sustain partnerships that generate positive economic and societal returns.

Accountability: Uphold the public's trust by ensuring access to the water's edge, fiscal accountability and involvement in the dialogue about waterfront development, and transparency with our plans.

Flexibility: Take the extra step to understand and champion business partners who share our values and vision for the waterfront.

Excellence: Be a strong and knowledgeable voice on economic development, planning and design, partnership models, and waterfront development.

Foresight: Generate for Nova Scotians a positive financial return to reinvest in a continuous upward spiral of waterfront opportunities.

Sustainability: Create the capacity for future waterfront uses and enjoyment by harmonizing our economic goals with environmental sustainability.

The government's balanced approach to closing the gap between what the province spends and the revenues it takes in will need to include a long-term strategy to grow our economy.

WDCL's role in this strategy is to maximize the strategic benefits our waterfronts provide Nova Scotia.

Our real estate development projects contribute to the province's strategies of growing and attracting business investment in the Halifax and Lunenburg economies and their working waterfronts.

Our capital projects and festivals—Winterfest, Tall Ships, Naval Centennial 2010—attract people from around the region, the nation, and the world to waterfronts throughout Nova Scotia. These are among the most visited destinations in the province, and they are emblematic of significant pieces of our culture and heritage.

The Halifax and Lunenburg waterfronts are known throughout the world. Their amenities provide our citizens with the opportunity to experience places of international significance without having to spend the money to travel to distant locations.

This experience exposes us to the lessons of history, ties our lives to events on a world stage, and inspires people to reach for future goals that improve their own lives as well as those around them.

In this past year alone, a Nova Scotian on our waterfronts

- had personal conversations with crews and visitors from many different nations
- observed naval, commercial, and scientific research vessels voyaging or returning from Haiti, the Suez and Panama Canals, and the Northwest Passage
- explored George's Island and witnessed a naval re-enactment from the 250th anniversary of the Halifax Dockyards
- touched the businesses of seven Halifax Chamber of Commerce Business Excellence Award winners from 2009 and 2010.

Every day, the waterfronts remind us of their influence over Nova Scotia's history, geography, and community life, and they echo what we proudly proclaim on our license plates: We are "Canada's Ocean Playground."

Planning Context

Overall Economy

The economic forecasts for Nova Scotia signal the beginning of a turnaround. While predictions are for a slight rise in unemployment in the coming year, our economy is predicted to experience growth in 2010 and 2011.

Halifax Economy

Halifax's economy stands out. CIBC reported that Halifax was number one among Canadian cities in its Metropolitan Economic Activity Index in December 2009, and the Canadian Federation of Independent Business has the city ranked number two in Canada for business confidence. Over the past four years, Halifax's population has grown by 15,000 people, and 18,000 net new jobs were created.

Real Estate Market

Mortgage rates remain low, but most forecasters predict a rise in 2010. CMHC predicts a decline in the residential vacancy rate, which is a positive sign for apartment developments. However, CB Richard Ellis is predicting a weak investment environment for hotels and increased vacancy rates for offices.

Tourism

The Tall Ships Festival created $32.8 million in economic activity, which was a major contributor to our tourism sector. The month in which it took place was singled out as the primary reason for a 1 per cent increase in Nova Scotia's visitation numbers for 2009. This was also a banner year for visiting cruise ships, with a reported 118 vessel calls and over 227,000 visitors.

Marine and Ocean Sector

"The direct impact of the ocean sector in the Nova Scotia economy is estimated at $2.6 billion in 2006 (current dollars). The direct impact accounts for 8.1 per cent of provincial GDP. When spinoff impacts in the broader economy are considered, the GDP impact rises to just under $5.0 billion, 15.5 per cent of the Nova Scotia economy." (from *Economic Impact of the Nova Scotia Ocean Sector*, March 2009)

Partnerships

WDCL is a driver of waterfront business and activity. That the waterfronts are important economic drivers necessitates WDCL participation in, and leadership of, the broader community dialogue. WDCL will continue to develop relationships with, and champion the interests of, its private and public sector partners and the community at large. Our ability to be successful relies on the development of such partnerships resulting in shared and clearly articulated goals.

Strategic Goals

The longer-term direction of WDCL is captured in three strategic goals.

Place: Designing and Developing a Great Waterfront

We will tap into ideas from around the world to create and champion a waterfront that highlights the competitive advantages and beauty of Nova Scotia.

We will

- establish processes for local and international exchange of ideas on waterfront development
- champion high standards of design for the built environment along the waterfront
- articulate waterfront development principles to guide our work and interaction with partners

- integrate sustainable practices in the development of the waterfront

Partner: Business Development and Engagement

We will accentuate the attributes of our waterfront to create business opportunities for investment on and beyond the water's edge.

We will

- engage in high-performing partnerships with the private and public sectors
- identify and implement lines of business that make innovative use of waterfront locations
- make it easy for people to do business with us
- enhance the infrastructure that supports waterfront businesses

People: Animating the Waterfront with New Experiences

We will create an environment for experiences that are attractive and allow people to access and explore waterfront destinations.

We will

- create clean, healthy, and safe places for people on the waterfront
- host waterfront events and festivals for a wide variety of audiences
- provide open spaces for people to gather and enjoy the waterfront
- create connections to move in and among waterfront destinations

Core Business Areas and Priorities

1. Waterfront Planning

The corporation is engaged with public and private sector organizations and the public at large in planning projects that will design future infrastructure development.

- **Mill Cove and Birch Cove Comprehensive Planning Projects:** A partnership with Halifax Regional Municipality to prepare comprehensive plans for two sites identified as growth nodes on the Bedford Basin
- **Cunard Block Conceptual Design:** A conceptual design project that will enable the corporation to prepare a redevelopment plan for the site
- **WDC-1 Conceptual Design:** A conceptual design project that will enable the corporation to prepare a redevelopment plan for the site
- **Children's Playstructure—Halifax Harbourwalk:** A children's public consultation program to develop the concept for the design of a new play area on the Halifax Harbourwalk

- **Public Art:** An enhanced multi-year public art program to add interest and vibrancy to the public outdoor spaces managed by the corporation
- **Dartmouth Cove Comprehensive Plan:** A partnership with Halifax Regional Municipality to inform the potential future opportunities for land in downtown Dartmouth
- **Communications Plan:** The creation of practices and vehicles to engage our shareholder, the public, and our partners in the planning processes

2. Infrastructure Development

The corporation's multi-year development projects attract investments and maintain the centerpieces of our waterfront.

- **Salter Block:** A partnership with Centennial Group Ltd for a mixed-use commercial/residential development on Lower Water Street in Halifax
- **Queen's Landing:** A partnership with Armour Group Ltd for a culture and heritage attraction development that creates public and commercial uses, including a revitalized Maritime Museum, a Naval Heritage Centre that will preserve HMCS Sackville, and new office and hotel space in the core business district
- **Tour Boat Centre Recapitalization:** Renovations and site improvements to the Tour Boat Centre to increase animation and services on the Halifax Harbourwalk
- **Dartmouth Harbourwalk:** Development of additional green spaces and public amenities along the Dartmouth Harbourwalk
- **Bedford Improvements:** Long-term land creation in Bedford and improvements to the boardwalk for public use
- **George and Prince Street Streetscape Improvements:** Initiating, in partnership with the municipality, improvement to the public realm in these important corridors connecting the waterfront and the downtown
- **Marine Infrastructure:** Continuation of a multi-year capital upgrade plan for public marine infrastructure

3. Property Management

WDCL owns and manages a waterfront real estate portfolio valued over $100 million, with properties in Dartmouth, Bedford, Lunenburg, and Halifax. These properties are consistently among the most visited places in Nova Scotia and are a touchstone for the Nova Scotia experience for residents and visitors alike.

WDCL's mandate is to leverage these properties to create value. We layer physical development with high-quality operations, services, and programming to make the natural wonder of the waterfronts under our care accessible and enticing, creating a waterfront that is both broadly appealing and uniquely personal. The waterfront means different things to different people. But it is important to all people. We want to ensure that whatever it means, it is meaningful—that people believe in *their* waterfront.

Our property management function has undergone an important transformation—from reactive and reasonable to proactive with pride. Our work is making tangible improvements to the public space. It is a process of continual quality improvement, and a small, dedicated staff is committed to a vision that is world class.

- **Clean:** We have set, and will achieve, a standard of cleanliness that is world-class. We are increasing our maintenance capacity, self-funded through efficiency improvements in processes and economies of scale realized through co-operative management agreements with partners with common standards. We will articulate increasingly higher standards clearly and will measure our success against them.
- **Green:** Goods and services purchases will strictly adhere to sustainable procurement definitions of value, including life-cycle considerations and environmental footprint, in selection criteria for suppliers. We will position ourselves as a leader in source separation and will set policy around tenant and supplier operations that mandate green choices wherever possible. We will fiercely protect, and conscientiously manage, green space through a quality landscaping program to be tendered in spring 2010.

Our office operations will be dictated by green choices. From coffee and lightbulbs through paper consumption and waste management, our office operations will reflect our outside policy to be a leader in green operations, and we will practice inside what we preach outside.

We will leverage our properties and enhance property fixtures to provide incentives for public utilization of alternative transportation methods. Through partnerships with green-friendly initiatives such as CarShare, and by adding additional bicycle racks and motorcycle parking, we provide options to exercise greener transportation options. We will continue to generate and explore new ideas to drive this purpose.

With high-quality trail development in Bedford and Dartmouth, as well as boardwalk completion and enhancement projects in Halifax, our trail maintenance program will ensure that we provide the best place to walk or run, seaside. We will continue to support and align ourselves with events and programming that encourage exercise and activity on our waterfronts.

- **Safe:** We have undertaken significant lighting enhancements on the waterfront this year. We will continue on this path, through regular audit, replacements, and project based improvements, to ensure that dark corners are lit. We believe such improvements will help make the waterfront a safer place. This will drive waterfront use generally, particularly in those periods historically less utilized—evenings and the winter season.

  We will tender an enhanced security contract, enforcing clear waterfront operating rules and regulations, and we will support this presence with security cameras that leverage our existing wireless Internet infrastructure. We will continue to leverage our parking operations to support initiatives, such as Park after Dark, that facilitate safe overnight parking alternatives.

  We will remain up to date and in compliance with evolving Transport Canada Marine Security regulations to support our White List certification. This will ensure that international vessels can continue to be welcomed on our waterfronts.

- **Lunenburg Management:** The Lunenburg waterfront is a unique treasure. Ongoing investment to stabilize and improve property condition is resulting in enhanced value and improved marketability for sale and lease, as well as preservation of the working waterfront legacy. This year will see a substantial repair to a much-loved and well-used wharf, partnership with NSCC for traditional carpentry work on the dory shops, waterfront developments around the Bluenose II project, and the promise of exciting new tenancies, including an annex space for the Fisheries Museum. Working closely with the community through biweekly meetings, Lunenburg waterfront development is thoughtful and sustainable. The result is a working waterfront that is a source of pride for the community.

- **Risk Management:** Substantial work has been completed in this area this year and, looking forward, these new policies will be translated into a risk-aware organization that effectively mitigates risk as it relates to physical, financial, and corporation assets and, most importantly, people. The organization will be aligned under a consolidated risk management framework, building stakeholder confidence, enhancing corporate governance, and improving the corporation's ability to respond to and succeed in a changing business environment.

4. Business Development

Revenue generated through WDCL operations are reinvested in waterfront improvements and make a direct and positive contribution to the province's bottom line. We are working to refine existing business lines to ensure that the services we provide are high quality and that they are provided at fair rates to encourage waterfront visits. We will work closely with Marketing and Communications to ensure that the services we offer are clearly communicated and well positioned for growth.

WDCL's unique properties are as distinctive as our intellectual property. WDCL's staff are uniquely qualified to manage this valuable portfolio to its full potential. We will continue to extend existing business lines and develop new business services that leverage these assets for the public purpose.

- **Commercial Tenancies:** Our tenants, both seasonal licensees and permanent businesses, are important contributors to the waterfront experience. Our work is focused on their success, and their success is a mark of ours. This year will see the addition of new kiosks that complement existing waterfront businesses and create broad experiences. A new Tour Boat Centre use will create another landmark property in the Cable Wharf precinct, offering exciting animation. New public-space enhancements, including seating areas, will encourage visitors to stay. Together with our tenants, we will establish the Waterfront Merchants' Marketing Fund Board this year to develop these partnerships and administer investment in promotional tactics that encourage members of the community to rediscover their waterfront. We are pretty sure they'll like what they see.
- **Parking:** We have undertaken a parking revolution. This year will see welcome and substantial improvements to service quality and delivery. Parking, a transitional use of waterfront land, provides an important revenue stream that is reinvested in waterfront improvements. Parking operations are not glamorous, but because we operate lots, we aim to do it really well. This year will see new pay-and-display machines (and back-end technology) that work well. Through new, improved signage that clearly promotes lot locations and accessible, well-lit kiosks, we will make the parking experience as painless as possible. We will clearly communicate how revenue from parking operations improves the waterfront. We will work with our suppliers to ensure seamless service quality 24 hours a day, 7 days a week. And we will work with partners to leverage our lots for the good of the community—as event space and to encourage alternative transportation.
- **Marine Services/Berthing:** WDCL operates high-quality, safe berths at various locations along the Halifax waterfront, in Bedford, and in Lunenburg. Daily berthing is free, and overnight berthing is offered at a reasonable price. Marine infrastructure

provides another option for accessing the waterfront, and vessels berthed alongside provide beautiful waterfront animation. Seasonal berthing is available in Bedford and Halifax; this provides an alternative service to existing yacht clubs but does not directly compete with a full-service club. In partnership with area yacht clubs and sailing organizations, we aim to support the development of boating in Nova Scotia among the most beautiful and exciting places to boat in the world. We continue to enhance marine infrastructure, including new public docks at Bishop's Landing this past year. New finger piers in Bedford at Mill Cove Marina, enhancements to existing floats in Halifax, and new public berthing space to complement the exciting Pilot's Wharf seawall development project are on the horizon this year. Our marine infrastructure is the place of Tall Ships and small ships. We support local and international regattas, host visiting yachts, and berth tour-boat operators at our wharves. We will continue to work hard to ensure that seaside accessibility to our waterfronts is as easy and as compelling as it is by land.

- **Emerging Business:** To expand waterfront utilization and develop revenue opportunities for reinvestment, WDCL will explore site sponsorship opportunities through both physical site licensing and advertising space on the new corporate website this year.

Human Resource Strategy

WDCL is a knowledge-intensive organization, employing individuals from a wide variety of professions and educational backgrounds. The success of our business plan and strategies is therefore highly dependent upon their engagement in our work and their own learning.

The interest and activity in and around the waterfront is increasing dramatically, which is both rewarding and challenging to our employees. We need to ensure that our work remains highly motivating for our people.

The human resource priorities are

- a focus on creating a healthy workplace
- continued investment in learning and development
- continued alignment of individual goals with organizational strategies

Marketing Strategy

We are shifting our marketing and communications efforts outward so that the public has access to information about what's happening on their waterfront throughout the year. As a major economic generator for the province, we want people to return often to our beloved waterfront.

Marketing and Communications Objectives

- Increase use of WDCL's properties through promoting the WDCL brand, recreational activities and events, and the economic benefits the corporation generates for the province.
- Support specific WDCL-developed product and service initiatives through building awareness and promoting the core benefits and impacts.

Marketing and Communications Core Strategies

- Build awareness of the WDCL brand and the benefits it brings to the communities it serves.
- Engage the communities we service with the waterfronts we manage.
- Support the core business and strategic priorities of WDCL.

Budget Context

Financial Management

Fiscal 2009–2010 was highlighted by a successful Tall Ships festival and the completion of substantial capital projects such as the Cable Wharf renovation and walkways along the Dartmouth, Bedford, and Halifax waterfronts. New momentum on the Salter Block and Queen's Landing projects is encouraging and allows us to implement our strategic plan using the most efficient approach.

While in last year's plan we expressed concern about the downturn in the economy and its impact on our revenues, we are pleased with our performance and look forward to fiscal 2010–2011 with optimism and a plan that enables us to use our core assets and financial position to continue building great waterfronts.

The corporation anticipates meeting or exceeding the budgeted $757,000 operating surplus for fiscal 2009–2010. This continues the corporation's solid history of responsible fiscal management. Going into fiscal 2010–2011, the corporation is ready to meet the challenges that will accompany the property development pipeline. Furthering those projects currently in the development process and planning for the best use of additional blocks of waterfront land will require significant commitment of the corporation's human and financial resources. Specifically, we have budgeted planning costs for areas in downtown Dartmouth, the Cunard lot and Cable Wharf areas of the Halifax waterfront, and the Bedford waterfront. We have budgeted for decreased parking revenue due to the anticipated commencement of development of the lot north of Bishop's Landing, commonly referred to as the Salter Block. A portion of this lost parking will ultimately be replaced by a long-term land lease by the developer.

As waterfront property blocks change in use over time, a portion of projects will become public space. These areas enhance the public's enjoyment of our wonderful waterfronts by adding to the general appeal and offering opportunities to animate the public waterfront and add to the visitor's experience. These areas create an ongoing maintenance cost, whereas they were previously revenue generators in the form of parking. Therefore, the corporation is actively seeking revenue opportunities that are complementary to the overall vision of the public waterfronts. That said, there is great interest by small businesses to have a presence on the waterfronts. The corporation has budgeted to offer additional kiosks for rent over the coming 2010 tourist season. This is one example of mitigating the impact of lost parking area and increased public space maintenance.

Our capital spending for fiscal 2010 and budgeted spending for fiscal 2011 are aimed at enhancing numerous open spaces and core assets. Over the coming months, the corporation will continue to develop its long-term strategy. This will include evaluating critical infrastructure that is vital to helping the corporation achieve its mandate and its vision of great waterfronts.

Budget 2010–2011

	Budget 2009–10 ($)	Forecast 2009–10 ($)	Budget 2010–11 ($)
Revenue			
Rents	1,319,000	1,365,700	1,525,000
Parking	2,202,700	2,235,000	2,171,100
Other income	413,000	395,300	422,000
Grant income*	294,400	294,400	294,400
	4,229,100	4,290,400	4,412,500
Operating expenses			
Insurance	84,000	92,000	96,000
Labour and benefits	226,200	170,000	230,000
Repairs and maintenance	364,200	440,000	404,200
Security	102,500	84,000	133,600
Utilities	137,000	98,000	122,010
Various other	152,000	181,900	247,750
Operating Expenses	1,065,900	1,065,900	1,233,560
Income from property	3,163,200	3,224,500	3,178,940
Program expenses	487,000	489,400	395,000
Tall ships revenue**	3,402,000	2,181,105	—
Provincial grant*	780,000	780,000	—
Tall ships expenses**	4,182,000	2,956,033	—
	—	5,072	—
Lunenburg revenue	219,400	224,300	248,500
Lunenburg grant*	410,000	410,000	390,000
Lunenburg expenses	629,400	634,300	638,500
	—	—	—
Administration expenses			
Amortization	460,000	485,000	523,440
Interest on long-term debt	25,000	8,000	6,000
Office, consulting, and general	419,000	446,800	467,900
Salaries and contracts	864,000	844,000	872,600
Staff expenses and benefits	151,200	183,200	157,000
	1,919,200	1,967,000	2,026,940
Net surplus	**757,000**	**773,172**	**757,000**

{Notes} *Total grant = $684,400 ** Budget included significant in-kind

Outcomes and Performance Measures

Core Business	Outcomes	Measure	Base Year 2008–09	Target 2010–11	Strategies to Achieve Target
Financial	Strong financial management	Revenue for high-quality development	$3,396,400	$4,412,500	Financial Management Strategy
Community use of waterfront	Increase the amount of public use and enjoyment of the experience	% public satisfaction	75%	80%	Priorities
Infrastructure development	New and better uses for waterfront lands	Number of public space projects	8	18	Infrastructure Development Priority
Property management	Clean, safe, and well-maintained assets	Number of projects	New measure	5 improvement projects	Property Management Priority
Waterfront planning	Priorities for waterfront lands complete	Number of plans complete	10	12	Waterfront Planning, Infrastructure Development, and Property Management Priority
Business development	New waterfront experiences	Number of new or improved business lines	1	4 (parking, berthing, vending, sponsorship)	Business Development Priority
People	Aligned goals, learning, and engagement	Goal completion	100%	100%	HR Strategy
Corporate governance	Continuous improvement and best practices	% goal completion	100%	100%	Corporate Governance Strategy